



**REPORT OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 4 2014**

2014



Bank Zachodni WBK

 Grupa Santander

FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Consolidated financial statements of Bank Zachodni WBK Group					
I Net interest income		3 996 822	3 276 560	954 055	778 095
II Net fee and commission income		1 847 761	1 778 556	441 067	422 360
III Operating profit		2 638 656	2 498 420	629 856	593 308
IV Profit before tax		2 640 041	2 514 717	630 187	597 178
V Net profit attributable to owners of BZ WBK S.A.		1 914 711	1 982 328	457 048	470 750
VI Total net cash flow		60 496	2 722 294	14 441	646 472
VII Total assets		134 501 874	106 059 967	31 556 172	25 573 873
VIII Deposits from banks		8 359 856	6 278 797	1 961 349	1 513 985
IX Deposits from customers		94 981 809	78 542 982	22 284 168	18 938 798
X Total liabilities		116 450 180	91 577 024	27 320 972	22 081 651
XI Total equity		18 051 694	14 482 943	4 235 200	3 492 222
XII Non-controlling interests in equity		1 520 799	610 855	356 802	147 293
XIII Profit of the period attributable to non-controlling interests		132 581	32 283	31 648	7 666
XIV Number of shares		99 234 534	93 545 089		
XV Net book value per share in PLN/EUR		181,91	154,82	42,68	37,33
XVI Solvency ratio *		12,91%	13,92%		
XVII Profit per share in PLN/EUR		19,91	21,24	4,75	5,04
XVIII Diluted earnings per share in PLN/EUR		19,86	21,17	4,74	5,03
XIX Declared or paid dividend per share in PLN/EUR **		-	10,70	-	2,58
Stand alone financial statements of Bank Zachodni WBK S.A.					
I Net interest income		3 314 647	3 123 433	791 217	741 732
II Net fee and commission income		1 622 314	1 559 105	387 252	370 246
III Operating profit		2 478 396	1 969 380	591 601	467 675
IV Profit before tax		2 478 396	1 969 380	591 601	467 675
V Profit for the period		1 994 632	1 611 471	476 125	382 681
VI Total net cash flow		(144 509)	2 717 695	(34 495)	645 380
VII Total assets		121 607 365	103 367 046	28 530 926	24 924 538
VIII Deposits from banks		6 171 077	6 278 784	1 447 828	1 513 981
IX Deposits from customers		90 149 236	78 735 663	21 150 373	18 985 258
X Total liabilities		104 495 353	89 782 614	24 516 189	21 648 971
XI Total equity		17 112 012	13 584 432	4 014 737	3 275 567
XII Number of shares		99 234 534	93 545 089		
XIII Net book value per share in PLN/EUR		172,44	145,22	40,46	35,02
XIV Solvency ratio *		13,47%	15,22%		
XV Profit per share in PLN/EUR		20,74	17,26	4,95	4,10
XVI Diluted earnings per share in PLN/EUR		20,69	17,21	4,94	4,09
XVII Declared or paid dividend per share in PLN/EUR **		-	10,70	-	2,58


* 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. As at December 31st, 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.

** As of the date of publication of this report, the Management Board did not make a decision in respect of recommendation on dividend payout for 2014.

The following rates were applied to determine the key EUR amounts for selected financials:

- for balance sheet items – 4.2623 PLN rate to EUR as at 31.12.2014 stated by National Bank of Poland (NBP), 4.1472 PLN rate to EUR as at 31.12.2013
- for profit and loss items – as at 31.12.2014: 4.1893 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2014), as at 31.12.2013: 4.2110 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2013)

As at 31.12.2014, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 252/A/NBP/2014 dd. 31.12.2014.



**CONSOLIDATED FINANCIAL
STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 4 2014**

2014



Bank Zachodni WBK

 Grupa Santander

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In thousands of PLN

Consolidated income statement

	for reporting period:	01.10.2014	01.01.2014	01.10.2013	01.01.2013
		31.12.2014	31.12.2014	31.12.2013	31.12.2013
Interest income		1 577 627	5 723 043	1 240 318	5 215 203
Interest expense		(506 636)	(1 726 221)	(378 476)	(1 938 643)
Net interest income	Note 4	1 070 991	3 996 822	861 842	3 276 560
Fee and commission income		585 767	2 211 332	543 924	2 089 422
Fee and commission expense		(113 828)	(363 571)	(85 421)	(310 866)
Net fee and commission income	Note 5	471 939	1 847 761	458 503	1 778 556
Dividend income		5	80 229	665	58 738
Net gains/(losses) on subordinated entities		10 602	10 602	419 011	418 692
Net trading income and revaluation	Note 6	48 318	101 043	49 752	186 114
Gains (losses) from other financial securities	Note 7	159 015	225 552	9 376	297 594
Other operating income	Note 8	83 110	317 034	16 338	73 545
Impairment losses on loans and advances	Note 9	(284 622)	(836 555)	(177 241)	(729 301)
Operating expenses incl.:		(857 437)	(3 103 832)	(808 198)	(2 862 078)
<i>Bank's staff, operating expenses and management costs</i>	Notes 10, 11	(749 344)	(2 719 479)	(740 401)	(2 607 613)
<i>Depreciation/amortisation</i>		(84 438)	(308 022)	(51 349)	(219 321)
<i>Other operating expenses</i>	Note 12	(23 655)	(76 331)	(16 448)	(35 144)
Operating profit		701 921	2 638 656	830 048	2 498 420
Share in net profits (loss) of entities accounted for by the equity method		349	1 385	2 674	16 297
Profit before tax		702 270	2 640 041	832 722	2 514 717
Corporate income tax	Note 13	(206 028)	(592 749)	(171 017)	(500 106)
Consolidated profit for the period		496 242	2 047 292	661 705	2 014 611
of which:					
<i>attributable to owners of BZ WBK S.A.</i>		445 230	1 914 711	651 846	1 982 328
<i>attributable to non-controlling interests</i>		51 012	132 581	9 859	32 283
Net earnings per share (PLN/share)					
Basic earnings per share		4,63	19,91	6,98	21,24
Diluted earnings per share		4,62	19,86	6,96	21,17

Consolidated statement of comprehensive income

	for reporting period:	01.10.2014	01.01.2014	01.10.2013	01.01.2013
		31.12.2014	31.12.2014	31.12.2013	31.12.2013
Consolidated profit for the period		496 242	2 047 292	661 705	2 014 611
Other comprehensive income which can be transferred to the profit and loss account:		(118 350)	256 216	221 427	(169 702)
Available-for sale financial assets valuation		(48 304)	488 423	282 698	(165 896)
<i>including deferred tax</i>		9 178	(92 800)	(53 713)	31 520
Cash flow hedges valuation		(97 808)	(172 108)	(9 330)	(43 611)
<i>including deferred tax</i>		18 584	32 701	1 772	8 285
Other comprehensive income which can't be transferred to the profit and loss account:		(4 508)	(11 670)	6 215	6 215
Provision for retirement allowances – actuarial gains/losses		(5 566)	(14 408)	7 673	7 673
<i>including deferred tax</i>		1 058	2 738	(1 458)	(1 458)
Other comprehensive income for the period, net of income tax		(122 858)	244 546	227 642	(163 487)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		373 384	2 291 838	889 347	1 851 124
Attributable to:					
<i>owners of BZ WBK S.A.</i>		321 720	2 157 350	879 487	1 818 835
<i>non-controlling interests</i>		51 664	134 488	9 860	32 289

In thousands of PLN

Consolidated statement of financial position

	as at:	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Assets					
Cash and balances with central banks	Note 14	6 806 521	5 406 209	5 149 686	5 767 930
Loans and advances to banks	Note 15	2 523 063	3 478 761	2 212 704	2 991 521
Financial assets held for trading	Note 16	5 238 741	3 466 586	2 344 901	2 489 967
Hedging derivatives		238 889	230 872	321 956	270 342
Loans and advances to customers	Note 17	85 820 571	84 964 651	68 132 143	69 687 638
Investment securities	Note 18	27 057 093	26 535 786	22 090 764	20 554 714
Investments in associates and joint ventures	Note 19	42 792	64 480	63 444	124 258
Intangible assets		505 385	500 947	506 792	337 880
Goodwill		2 542 325	2 542 325	2 542 325	1 688 516
Property, plant and equipment		756 950	681 723	632 642	601 466
Net deferred tax assets	Note 20	1 181 610	964 884	476 430	684 473
Assets classified as held for sale	Note 21	1 378	2 652	3 503	3 503
Investment property		-	14 070	14 166	14 198
Other assets	Note 22	1 786 556	1 533 895	1 568 511	748 859
Total assets		134 501 874	130 387 841	106 059 967	105 965 265
Liabilities					
Deposits from banks	Note 23	8 359 856	7 787 640	6 278 797	11 342 679
Hedging derivatives		1 258 224	807 877	367 524	557 758
Financial liabilities held for trading	Note 16	2 781 680	2 085 957	1 277 162	1 112 599
Deposits from customers	Note 24	94 981 809	93 022 956	78 542 982	76 188 012
Subordinated liabilities	Note 25	1 539 967	1 509 717	1 384 719	1 409 577
Debt securities in issue	Note 26	3 373 374	3 570 081	500 645	-
Current income tax liabilities		624 189	362 842	100 983	140 590
Other liabilities	Note 27	3 531 081	3 564 126	3 124 212	1 466 919
Total liabilities		116 450 180	112 711 196	91 577 024	92 218 134
Equity					
Equity attributable to owners of BZ WBK S.A.		16 530 895	16 207 510	13 872 088	13 671 776
Share capital		992 345	992 345	935 451	935 451
Other reserve funds		12 309 424	12 310 490	10 115 745	10 794 920
Revaluation reserve		951 546	1 075 056	708 907	481 266
Retained earnings		362 869	360 138	129 657	129 657
Profit of the current period		1 914 711	1 469 481	1 982 328	1 330 482
Non-controlling interests in equity		1 520 799	1 469 135	610 855	75 355
Total equity		18 051 694	17 676 645	14 482 943	13 747 131
Total equity and liabilities		134 501 874	130 387 841	106 059 967	105 965 265

In thousands of PLN

Movements in consolidated equity

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance at at 31.12.2013	935 451	10 115 745	708 907	2 111 985	610 855	14 482 943
Other comprehensive income which can be transferred to the profit and loss account	-	-	254 309	1 914 711	134 488	2 303 508
Other comprehensive income which can't be transferred to the profit and loss account:	-	-	(11 670)	-	-	(11 670)
Issue of shares	56 894	2 102 575	-	-	-	2 159 469
Adjustment to equity from acquisition of controlling interest in Santander Consumer Bank	-	(663 825)	-	-	995 059	331 234
Transfer to other capital	-	750 915	-	(750 915)	-	-
Share scheme charge	-	6 846	-	-	-	6 846
Adjustment to equity from the incorporation of Dom Maklerski BZ WBK (Brokerage House) into the structure of Bank Zachodni WBK.	-	(2 832)	-	2 832	-	-
Other	-	-	-	(101)	-	(101)
Dividends	-	-	-	(1 000 932)	(219 603)	(1 220 535)
As at 31.12.2014	992 345	12 309 424	951 546	2 277 580	1 520 799	18 051 694

As at the end of the period revaluation reserve in the amount of PLN 951 546 k comprises of debt securities and equity shares classified as available for sale of PLN 493 867 k and PLN 571 335 k respectively and additionally cash flow hedge activities of PLN (108 201) k and accumulated actuarial losses -provision for retirement allowances of PLN (5 455) k.

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance at at 31.12.2013	935 451	10 115 745	708 907	2 111 985	610 855	14 482 943
Other comprehensive income which can be transferred to the profit and loss account	-	-	373 311	1 469 481	82 824	1 925 616
Other comprehensive income which can't be transferred to the profit and loss account:	-	-	(7 162)	-	-	(7 162)
Issue of shares	56 894	2 102 575	-	-	-	2 159 469
Adjustment to equity from acquisition of controlling interest in Santander Consumer Bank	-	(663 825)	-	-	995 059	331 234
Transfer to other capital	-	750 915	-	(750 915)	-	-
Share scheme charge	-	5 080	-	-	-	5 080
Dividends	-	-	-	(1 000 932)	(219 603)	(1 220 535)
As at 30.09.2014	992 345	12 310 490	1 075 056	1 829 619	1 469 135	17 676 645

As at the end of the period revaluation reserve in the amount of PLN 1 075 056 k comprises of debt securities and equity shares classified as available for sale of PLN 530 974 k and PLN 562 442 k respectively and additionally cash flow hedge activities of PLN (17 413) k and accumulated actuarial losses -provision for retirement allowances of PLN (947) k.

In thousands of PLN

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2012	746 376	5 704 680	872 400	1 560 911	93 347	8 977 714
Other comprehensive income which can be transferred to the profit and loss account	-	-	(169 708)	1 982 328	32 289	1 844 909
Other comprehensive income which can't be transferred to the profit and loss account:	-	-	6 215	-	-	6 215
Issue of shares	189 075	4 354 766	-	-	-	4 543 841
Transfer to other capital	-	720 311	-	(720 311)	-	-
Dividend relating to 2012	-	-	-	(710 943)	(40 421)	(751 364)
Share purchase mandate adjustment	-	(684 289)	-	-	-	(684 289)
Share scheme charge	-	20 287	-	-	-	20 287
Minority interest recognized on acquisition	-	-	-	-	525 640	525 640
Other	-	(10)	-	-	-	(10)
As at 31.12.2013	935 451	10 115 745	708 907	2 111 985	610 855	14 482 943

As at the end of the period revaluation reserve in the amount of PLN 708 907 k comprises of debt securities and equity shares classified as available for sale of PLN 102 744 k and PLN 567 982 k respectively and additionally cash flow hedge activities of PLN 31 966 k and actuarial gains - provision for retirement allowances of PLN 6 215 k.

In thousands of PLN

Consolidated statement of cash flows

	for the period	01.01.2014- 31.12.2014	01.01.2013- 31.12.2013
Profit before tax		2 640 041	2 514 717
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(1 385)	(16 297)
Depreciation/amortisation		308 022	219 321
Impairment losses		14 028	2 468
Gains (losses) on exchange differences		(493)	(6 135)
(Profit) loss from investing activities		(244 697)	(298 573)
		2 715 516	2 415 501
Changes:			
Provisions		(30 308)	(19 053)
Trading portfolio financial instruments		(415 159)	(734 266)
Loans and advances to banks		(404 211)	(615 142)
Loans and advances to customers		(5 809 053)	(278 348)
Deposits from banks		(124 276)	(376 094)
Deposits from customers		9 322 696	465 283
Liabilities arising from debt securities in issue		(171 366)	-
Other assets and liabilities		(272 828)	(362 754)
		2 095 495	(1 920 374)
Interests and similar charges		353 104	232 090
Dividend received		(80 278)	(58 738)
Paid income tax		(567 112)	(401 835)
Net cash flow from operating activities		4 516 725	266 644
Inflows		252 427 064	216 612 615
Sale of shares or interests in associates and joint ventures		2 592	-
Sale/maturity of investment securities		252 318 165	216 548 514
Sale of intangible assets and property, plant and equipment		26 029	5 363
Dividend received		80 278	58 738
Outflows		(257 000 117)	(213 201 832)
Purchase of investment securities		(256 692 323)	(213 028 023)
Purchase of intangible assets and property, plant and equipment		(307 794)	(173 809)
Net cash flow from investing activities		(4 573 053)	3 410 783
Inflows		2 729 755	543 535
Debt securities in issue		1 955 600	500 645
Drawing of long-term loans		771 100	42 890
Proceeds from issuing shares		3 055	-
Outflows		(2 612 931)	(1 498 668)
Debt securities buy out		(902 863)	-
Repayment of long-term loans		(194 952)	(580 416)
Dividends and other payments to shareholders		(1 220 537)	(751 364)
Other financing outflows		(294 579)	(166 888)
Net cash flow from financing activities		116 824	(955 133)
Total net cash flow		60 496	2 722 294
Cash at the beginning of the accounting period		12 300 487	7 704 551
Cash acquired in a business combination		1 169 992	1 873 641
Cash at the end of the accounting period		13 530 975	12 300 486

In thousands of PLN

Income statement of Bank Zachodni WBK

	for reporting period:			
	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Interest income	1 192 588	4 856 042	1 208 887	5 085 818
Interest expenses	(414 713)	(1 541 395)	(384 456)	(1 962 385)
Net interest income	777 875	3 314 647	824 431	3 123 433
Fee and commission income	479 420	1 873 349	469 427	1 795 743
Fee and commission expenses	(71 531)	(251 035)	(67 335)	(236 638)
Net fee and commission income	407 889	1 622 314	402 092	1 559 105
Dividend income	1	417 914	-	132 052
Net gains/(losses) on subordinated entities	-	-	-	(804)
Net trading income and revaluation	35 533	93 599	49 090	183 379
Gains (losses) from other financial securities	162 385	231 508	9 386	297 671
Other operating income	28 813	108 105	12 883	69 414
Impairment losses on loans and advances	(212 341)	(731 194)	(171 834)	(701 542)
Operating expenses incl.:	(666 241)	(2 578 497)	(761 898)	(2 693 328)
<i>Bank's staff, operating expenses and management costs</i>	(601 706)	(2 331 429)	(698 330)	(2 456 058)
<i>Depreciation/amortisation</i>	(50 456)	(192 636)	(48 748)	(209 471)
<i>Other operating expenses</i>	(14 079)	(54 432)	(14 820)	(27 799)
Operating profit	533 914	2 478 396	364 150	1 969 380
Profit before tax	533 914	2 478 396	364 150	1 969 380
Corporate income tax	(157 580)	(483 764)	(60 467)	(357 909)
Profit for the period	376 334	1 994 632	303 683	1 611 471
Net earnings per share (PLN/share)				
Basic earnings per share	3,91	20,74	3,25	17,26
Diluted earnings per share	3,90	20,69	3,24	17,21

Statement of comprehensive income of Bank Zachodni WBK

	for reporting period:			
	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Profit for the period	376 334	1 994 632	303 683	1 611 471
Other comprehensive income which can be transferred to the profit and loss account:	(123 639)	245 378	221 127	(170 080)
Available-for sale financial assets valuation	(56 902)	474 540	282 327	(166 363)
<i>including deferred tax</i>	10 811	(90 163)	(53 642)	31 609
Cash flow hedges valuation	(95 739)	(171 604)	(9 330)	(43 611)
<i>including deferred tax</i>	18 191	32 605	1 772	8 285
Other comprehensive income which can't be transferred to the profit and loss account:	(4 057)	(11 219)	5 795	5 795
Provision for retirement allowances – actuarial gains/losses	(5 009)	(13 851)	7 154	7 154
<i>including deferred tax</i>	952	2 632	(1 359)	(1 359)
Other comprehensive income for the period, net of income tax	(127 696)	234 159	226 922	(164 285)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	248 638	2 228 791	530 605	1 447 186

In thousands of PLN

Statement of financial position of Bank Zachodni WBK

as at:	31.12.2014	30.09.2014	31.12.2013	30.09.2013
ASSETS				
Cash and balances with central banks	6 567 108	5 156 967	5 149 682	5 767 926
Loans and advances to banks	3 673 519	3 566 480	2 165 376	2 987 812
Financial assets held for trading	5 221 034	3 424 640	2 188 672	2 416 802
Hedging derivatives	238 889	228 913	321 956	270 266
Loans and advances to customers	74 645 880	72 198 043	67 614 542	69 211 771
Investment securities	24 465 448	24 415 711	21 924 489	20 536 827
Investments in subsidiaries, associates and joint ventures	2 387 250	2 435 605	279 191	279 191
Intangible assets	393 265	363 051	342 805	326 745
Goodwill	1 688 516	1 688 516	1 688 516	1 688 516
Property, plant and equipment	676 212	603 171	621 228	591 487
Net deferred tax assets	794 008	607 309	469 801	568 868
Assets classified as held for sale	637	2 652	3 503	3 503
Investment property	-	14 070	14 166	14 198
Other assets	855 599	468 867	583 119	515 989
Total assets	121 607 365	115 173 995	103 367 046	105 179 901
LIABILITIES				
Deposits from banks	6 171 077	4 999 418	6 278 784	11 343 314
Hedging derivatives	1 233 926	801 794	367 536	557 758
Financial liabilities held for trading	2 781 686	2 087 383	1 277 247	1 113 094
Deposits from customers	90 149 236	86 690 160	78 735 663	76 364 993
Subordinated liabilities	1 439 835	1 408 691	1 384 719	1 409 577
Debt securities in issue	983 646	984 153	500 695	-
Current income tax liabilities	475 363	267 352	92 807	133 191
Other liabilities	1 260 584	1 206 842	1 145 163	1 209 260
Total liabilities	104 495 353	98 445 793	89 782 614	92 131 187
Equity				
Share capital	992 345	992 345	935 451	935 451
Other reserve funds	13 177 940	13 042 768	10 324 574	10 319 461
Revaluation reserve	947 095	1 074 791	712 936	486 014
Profit of the current period	1 994 632	1 618 298	1 611 471	1 307 788
Total equity	17 112 012	16 728 202	13 584 432	13 048 714
Total equity and liabilities	121 607 365	115 173 995	103 367 046	105 179 901

In thousands of PLN

Movements in 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
Opening balance as at 31.12.2013	935 451	10 324 574	712 936	1 611 471	13 584 432
Other comprehensive income which can be transferred to the profit and loss account	-	-	245 378	1 994 632	2 240 010
Other comprehensive income which can't be transferred to the profit and loss account	-	-	(11 219)	-	(11 219)
Issue of shares	56 894	2 102 575	-	-	2 159 469
Transfer to other capital	-	610 539	-	(610 539)	-
Transfer to dividends for 2013	-	-	-	(1 000 932)	(1 000 932)
Share scheme charge	-	6 846	-	-	6 846
Adjustment to equity from the incorporation of Dom Maklerski BZ WBK (Brokerage House) into the structure of Bank Zachodni WBK.	-	133 406	-	-	133 406
As at 31.12.2014	992 345	13 177 940	947 095	1 994 632	17 112 012

As at the end of the period revaluation reserve in the amount of PLN 947 095 k comprises of debt securities and equity shares classified as available for sale of PLN 488 575 k and PLN 570 978 k respectively and additionally cash flow hedge activities of PLN (107 033) k and accumulated actuarial losses -provision for retirement allowances of PLN (5 425) k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2013	935 451	10 324 574	712 936	1 611 471	13 584 432
Other comprehensive income which can be transferred to the profit and loss account	-	-	354 693	1 618 298	1 972 991
Other comprehensive income which can't be transferred to the profit and loss account	-	-	7 162	-	7 162
Issue of shares	56 894	2 102 575	-	-	2 159 469
Transfer to other capital	-	610 539	-	(610 539)	-
Transfer to dividends for 2013	-	-	-	(1 000 932)	(1 000 932)
Share scheme charge	-	5 080	-	-	5 080
As at 30.09.2014	992 345	13 042 768	1 074 791	1 618 298	16 728 202

As at the end of the period revaluation reserve in the amount of PLN 1 074 791 k comprises of debt securities and equity shares classified as available for sale of PLN 523 865 k and PLN 570 103 k respectively and additionally cash flow hedge activities of PLN (17 809) 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
Opening balance as at 31.12.2012	746 376	5 292 875	877 221	1 367 589	8 284 061
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
As at 31.12.2013	935 451	10 324 574	712 936	1 611 471	13 584 432

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 102 015 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 6 215 k.

In thousands of PLN

Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2014- 31.12.2014	01.01.2013- 31.12.2013
Profit before tax		2 478 396	1 969 380
Total adjustments:			
Depreciation/amortisation		192 636	209 471
(Profit) loss from investing activities		(248 645)	(298 585)
Impairment losses		3 519	2 468
		2 425 906	1 882 734
Changes in:			
Trading portfolio financial instruments		(778 438)	(614 918)
Loans and advances to banks		(270 717)	(576 230)
Loans and advances to customers		(7 031 338)	(675 816)
Deposits from banks		(107 707)	(277 508)
Deposits from customers		11 020 204	454 767
Provisions		7 490	15 097
Other assets and liabilities		(415 265)	(306 075)
		2 424 229	(1 980 683)
Interests and similar charges		269 290	223 327
Dividend received		(417 914)	(132 052)
Paid income tax		(478 230)	(362 220)
Net cash flow from operating activities		4 223 281	(368 894)
Inflows		237 926 010	216 683 080
Sale/maturity of investment securities		237 483 273	216 546 516
Sale of intangible assets and property, plant and equipment		24 823	4 512
Dividend received		417 914	132 052
Outflows		(241 954 228)	(213 196 750)
Purchase of investment securities		(241 678 469)	(213 027 023)
Purchase of intangible assets and property, plant and equipment		(275 759)	(169 727)
Net cash flow from investing activities		(4 028 218)	3 486 330
Inflows		904 285	500 695
Debt securities in issue		475 000	500 695
Proceeds from issuing shares		3 055	-
Drawing of long-term loans		426 230	-
Outflows		(1 243 857)	(900 436)
Repayment of long-term loans		(32 861)	(31 368)
Dividends and other payments to shareholders		(1 000 932)	(710 943)
Other financing outflows		(210 064)	(158 125)
Net cash flow from financing activities		(339 572)	(399 741)
Total net cash flow		(144 509)	2 717 695
Cash at the beginning of the accounting period		12 253 154	7 700 732
Cash acquired in a business combination		4 881	1 834 727
Cash at the end of the accounting period		12 113 526	12 253 154

In thousands of PLN

Additional notes to consolidated financial statements

1. Basis of preparation of interim 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 Group for the year 2013.

The consolidated financial statements of the Group for the year 2013 are available at the Bank's official website: www.bzwbk.pl.

Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2014 to 31 December 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 has an obligation to publish its results for Q4 2014, which is deemed to be the current interim reporting period.

Accounting policies

The condensed interim consolidated financial statements 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.

The accounting policies have been applied consistently by Group entities.

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

Comparability with results of previous periods

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

On 1 July 2014, Bank Zachodni WBK took control over Santander Consumer Bank Group ("SCB Group"). The effect of the transaction is for the first time reflected in the consolidated financial statements of Bank Zachodni WBK Group for Q3 2014. The comparable data presented in the report were derived from the consolidated financial statements published before acquisition of the control. This to a large extent explains the significant YoY and QoQ changes in the individual financial items.

The financial statements of Bank Zachodni WBK Group for the fourth quarter of 2014 are the first financial statements prepared after incorporation of Dom Maklerski BZWBK into the structure of Bank Zachodni WBK. The incorporation has no effect on comparability of the Group's consolidated data, but certain items of the financial statements of Bank Zachodni WBK presented in the current reporting period are not comparable with previous years. See Note 35 for details of the incorporation.

Changes in judgments and estimates

Compared with the consolidated financial statements for 2013, in Q4 2014 there were no material changes in Bank Zachodni WBK Group's accounting estimates or judgments.

In thousands of PLN

New standards and interpretations or changes to existing standards or interpretations which can be applicable to BZ WBK Group and are not yet effective or have neither been implemented earlier

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
IFRIC 21 Interpretation : Levies	The interpretation determines how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements.	The amended IFRIC 21 is to apply to the annual periods starting after 17 June 2014	The Group will apply the interpretation in the financial year starting from January 1, 2015. *
IFRS 9 Financial Instruments, Amendments to IFRS 9	A change in classification and measurements – replacing the existing categories of financial instruments with two measurement categories: amortised cost and fair value. Changes in hedge accounting.	1 January 2018 (the date is preliminarily considered by the IASB)	The Group has not yet analysed the amendments to IFRS 9.
Improvement to IAS 19 Staff Benefits	The improvement applies to the contributions paid under the defined benefit plans paid by employees or third parties. The purpose of the improvement is to simplify the accounting for rules applicable to the contributions paid irrespective of the employment period.	1 January 2015	The change will not have any material impact on the financial statements.
IAS 27 Equity Method in Separate Financial Statements	The amendments will allow entities to use the equity method as one of the optional methods for accounting for investments in subsidiaries, associates and joint ventures in the separate financial statements.	1 January 2016	The change will not have any material impact on the financial statements.
Annual improvements to IFRS, the 2010-2012 cycle	The issues included: - IFRS 2 Definition of 'vesting condition'; - IFRS 3 Accounting for contingent consideration in a business combination; - IFRS 8 Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets; - IFRS 13 Short-term receivables and payables; - IAS 7 Interest paid that is capitalised; - IAS 16 / IAS 38 Revaluation method - proportionate restatement of accumulated depreciation; - IAS 24 Key management personnel.	1 January 2015	The change will not have any material impact on the financial statements.
Annual improvements to IFRS, the 2011-2013 cycle	The issues included: - IFRS 3: scope exceptions for joint ventures; - MSSF 13: scope of paragraph 52 (portfolio exception); - IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.	1 January 2015	The change will not have any material impact on the financial statements.
Amendments to IFRS 11 Joint Arrangements	The amendment introduces additional guidelines regarding the method of accounting for acquisitions of interests in joint operations.	1 January 2016	The Group has not yet analysed the amendments.
Amendments to IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 lay down the rule of consumption of economic benefits with regard to accounting for amortisation and depreciation. The IASB explained that the method based on revenues generated from operating the business should not be used to calculate amortisation/depreciation.	1 January 2016	The Group has not yet analysed the amendments.
Amendments to IFRS 14	Regulatory deferral accounts.	1 January 2016	The Group has not yet analysed the amendments.
Amendments to IFRS 15	Revenue from contracts.	1 January 2017	The Group has not yet analysed the amendments.

* Based on the adopted interpretation, the Group will recognise an annual Banking Guarantee fee and the stabilization fund fee when the liability becomes due, i.e. in January 2015. The change will have a significant impact on the interim financial statements prepared in 2015.

In thousands of PLN

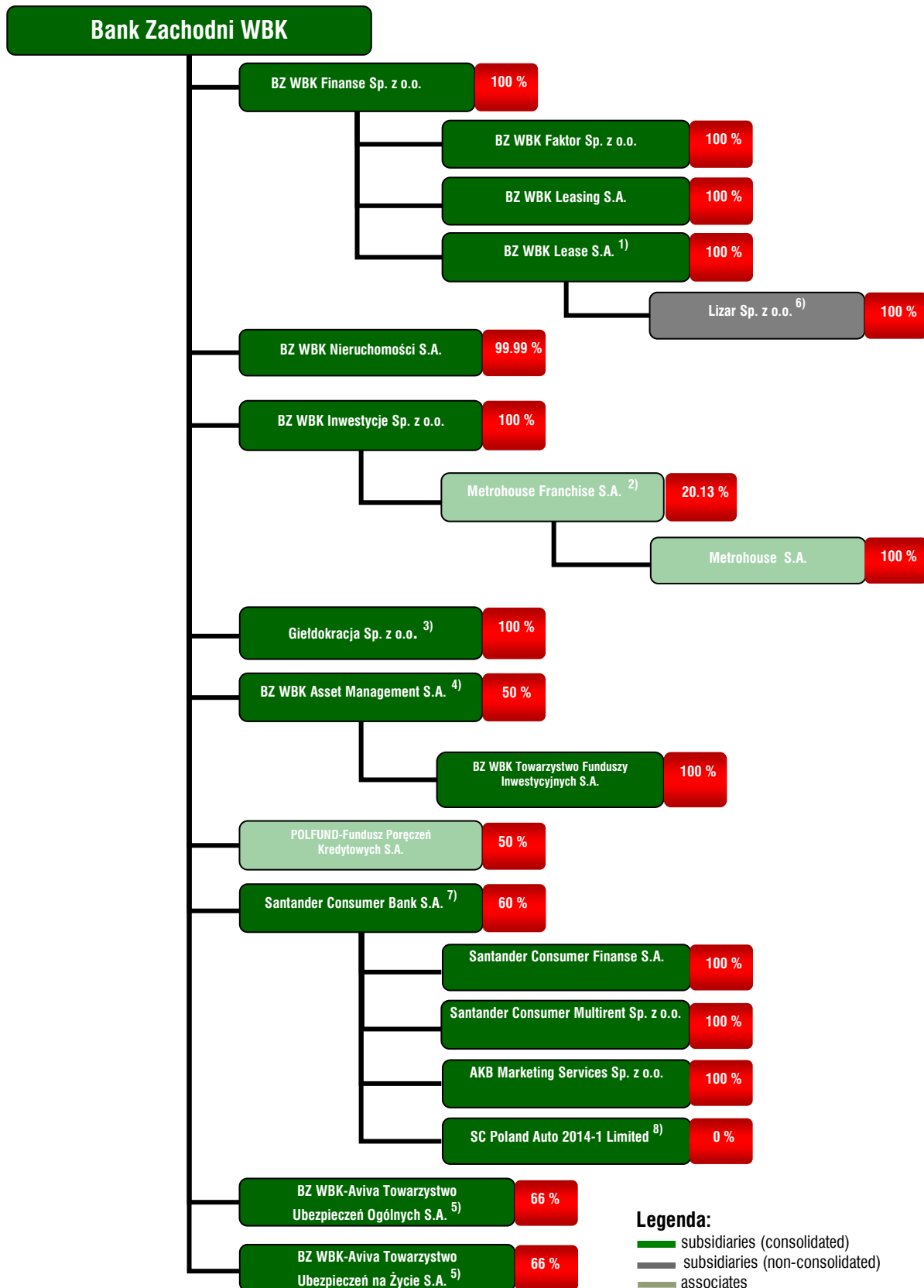
Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2014

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
IAS 32 Financial Instruments: Presentation	Defines the rules of netting financial instruments.	1 January 2014	The Group has analysed the amendments to IAS 32. The amendments will not have any material impact on the financial statements.
IFRS 10 Consolidated Financial Statements – Amendments	The amendments lay down the guidance for transition to IFRS 10 and provides additional guidance on exemption from IFRS 10, 11 and 12	1 January 2014	The Group has analysed the amendments to IFRS 10. The amendments will not have any material impact on the financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 27	The amendments relate to deconsolidation of “investment entities”, such as some mutual funds.	1 January 2014	The Group has analysed the amendments. The amendments will not have any material impact on the financial statements.
Amendments to IAS 36 „Impairment of assets”	The amendments to IAS 36 relates to modification of the requirements for disclosure of information relating to the recoverable amount of impaired non-financial assets, and is a consequence of amendments to IFRS 13	1 January 2014	The Group has analysed the amendments to IAS 36. The amendments will not have any material impact on the financial statements.
Amendments to IAS 39 Financial Instruments: Recognition and Measurement	The amendments relate to the possibility of continuation of hedge accounting in the event of novation of derivatives.	1 January 2014	The amendments will not have any material impact on the financial statements.

In thousands of PLN

2. Description of organization of Bank Zachodni WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group as at 31.12.2014:



In thousands of PLN

- 1) As at 31 January 2014, Kredyt Lease S.A., a subsidiary of Bank Zachodni WBK, was renamed as BZ WBK Lease S.A.. All the other identification details of the company, including its registered office address, NIP, REGON and KRS numbers remained unchanged.
- 2) Detailed information on the registration of Metrohouse Franchise S.A. are described in Note 38.
- 3) Detailed information are described in Note 35.
- 4) As at 31 December 2014, Bank Zachodni WBK was a co-owner of BZ WBK Asset Management S.A., together with Banco Santander S.A. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK exercises control over the company and its subsidiary, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Consequently, the company is treated as a subsidiary.
- 5) Detailed information on the controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. (General Insurance Company) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. (Life Insurance Company) are described in Note 36.
- 6) Lizar Sp. z o.o. – subsidiary unconsolidated due to irrelevance of their business operations and financial data .
- 7) On 1 July 2014, Bank Zachodni WBK completed the acquisition of the controlling stake in Santander Consumer Bank S.A. ("Group SCB").
- 8) S.C. Poland Auto 2014-1 Limited set up for the purpose of securitisation of a part of the loan portfolio; its shareholders are foreign individuals who have no ties with the Group; the company is controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7.

On 1 July 2014, Bank Zachodni WBK S.A. took control over Santander Consumer Bank S.A.

The scope of activities Santander Consumer Bank includes amongst other:

- opening and keeping bank accounts,
- accepting saving and term deposits,
- performance of cash settlements,
- granting and contracting loans and advances,
- accepting and making money deposits in banks and other local and foreign financial institutions,
- granting and accepting bank sureties and guarantees,
- providing financial and investment advisory services as well as providing agency and representation services within the scope of operations of the Bank,
- purchasing, selling and intermediating in trade of receivables,
- purchasing and holding shares, bonds as well as other securities issued by companies and other legal entities, coordination and management of operations of such companies and other legal entities,
- founding or assistance with founding companies or other legal entities whose establishing will be considered as favorable for the Bank, as well as acquisition of shares or securities issued by these companies or legal entities in another form,
- performance of spot and forward transactions as well as other transactions on derivatives.

Additional SCB subsidiaries activities are:

- AKB Marketing Services Sp. z o.o. - operations ancillary to banking activities,
- Santander Consumer Multirent Sp. z o.o. - Leasing activities (finance & operating),
- Santander Consumer Finance S.A. - the Company's core business is investing cash surpluses and co-operation with Bank Zachodni WBK and Warta as a financial agent,
- SC Poland Auto 2014-1 Limited - Special purpose vehicle set up for the purpose of issuing asset backed securities.

In thousands of PLN

3. Segment reporting

Operational activity of Bank Zachodni WBK Group has been divided into five segments: Retail Banking, Business & Corporate Banking, Global Banking & Markets, ALM (Assets and Liabilities Management) and Centre, and Santander Consumer. They were identified based on customers and product types.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for the Group and may be assigned to a given segment either directly or based on reasonable assumptions.

Settlements among business segments relate to rewarding for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by agreements between segments, which are based on single rates for specific services or breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for the operational activity and may be assigned to the segment directly or on a reasonable basis.

There was a change in the methodology of capital and income from capital allocation between business segments in 2014.

Additionally, due to organizational changes, there is presentation change of internal transactions with lease companies, between Business & Corporate Banking and Retail Banking. In both cases comparable data are adjusted accordingly.

The principles of income and cost identification, as well as assets and liabilities for segmental reporting purposes are consistent with the accounting policy applied in Bank Zachodni WBK Group.

Retail Banking

Retail Banking offers a wide range of savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, GSM phones top-ups, foreign payments and Western Union and private-banking services. For small and micro companies, the segment provides, among others, lending and deposit taking services, cash management services, leasing, factoring, letters of credit and guarantees. Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios. It also covers insourcing services provided to retail customers based on mutual agreements with other banks and financial institutions.

Business & Corporate Banking

Business & Corporate Banking segment covers products and activities targeted at business entities, local governments and the public sector. In addition to banking services covering lending and deposit activities, the segment provides services in the areas of cash management, leasing, factoring, trade financing and guarantees.

Global Banking & Markets

In the Global Banking & Markets segment, the Group derives income from the sale of products and services to the largest international and local corporations, including:

- transactional banking with such products as cash management, deposits, leasing, factoring, letters of credit, guarantees, bilateral lending and trade finance;
- lending, including project finance, syndicated facilities and bond issues;
- FX and interest rate risk management products;

In thousands of PLN

- underwriting and financing of securities issues, financial advice and brokerage services related to the activities of the Brokerage House.

Through its presence in the wholesale market, Global Banking & Markets also generates revenues from interest rate and FX risk positioning activity.

ALM and Centre

The segment covers central operations such as financing of other Group's segments, including liquidity, interest rate risk and FX risk management. It also includes managing the Bank's strategic investments and transactions generating income and/or costs that cannot be directly or reasonably assigned to a given segment.

Santander Consumer

Santander Consumer business segment includes activities of the Santander Consumer Group, which was consolidated to the BZWBK Group from 1 July 2014.

Activities of this segment focus on selling products and services addressed to both individual and business customers. This segment focuses mainly on loans products, i.e. car loans, credit cards, cash loans, installment loans and lease products. In addition, Santander Consumer segment includes term deposits and insurance products (mainly related to loans products).

In thousands of PLN

Consolidated statement of financial position (by business segment)

31.12.2014	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	44 163 668	22 574 558	6 690 975	45 711	12 345 659	85 820 571
Investments in associates and joint ventures	14 129	-	-	28 663	-	42 792
Other assets	6 263 979	792 062	7 183 601	31 186 437	3 212 432	48 638 511
Total assets	50 441 776	23 366 620	13 874 576	31 260 811	15 558 091	134 501 874
Deposits from customers	63 099 887	15 146 548	7 359 263	2 508 494	6 867 617	94 981 809
Other liabilities and equity	3 949 528	1 885 700	4 752 568	20 241 795	8 690 474	39 520 065
Total equity and liabilities	67 049 415	17 032 248	12 111 831	22 750 289	15 558 091	134 501 874

In thousands of PLN

Consolidated income statement (by business segments)

01.01.2013-31.12.2013	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Net interest income	1 988 339	640 695	120 956	526 570	3 276 560
incl. internal transactions	(89 930)	(32 397)	24 787	97 540	-
Other income	1 359 293	242 191	359 382	793 635	2 754 501
incl. internal transactions	49 695	41 675	(91 428)	58	-
Dividend income	-	-	2 158	56 580	58 738
Operating costs	(1 881 203)	(298 378)	(191 299)	(271 877)	(2 642 757)
incl. internal transactions	(8 462)	(397)	(4 493)	13 352	-
Depreciation/amortisation	(141 679)	(23 079)	(11 893)	(42 670)	(219 321)
Impairment losses on loans and advances	(422 974)	(303 642)	(14 936)	12 251	(729 301)
Share in net profits (loss) of entities accounted for by the equity method	14 500	-	928	869	16 297
Profit before tax	916 276	257 787	265 296	1 075 358	2 514 717
Corporate income tax					(500 106)
Non-controlling interests					(32 283)
Profit for the period					1 982 328

01.10.2013-31.12.2013	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Net interest income	528 067	161 164	33 269	139 342	861 842
incl. internal transactions	(21 683)	(9 358)	5 992	25 049	-
Other income	332 865	69 012	104 692	446 411	952 980
incl. internal transactions	9 851	8 372	(17 458)	(765)	-
Dividend income	-	-	665	-	665
Operating costs	(488 052)	(87 032)	(49 221)	(132 544)	(756 849)
incl. internal transactions	(3 204)	(112)	(1 225)	4 541	-
Depreciation/amortisation	(32 784)	(5 684)	(2 929)	(9 952)	(51 349)
Impairment losses on loans and advances	(67 319)	(107 341)	(4 602)	2 021	(177 241)
Share in net profits (loss) of entities accounted for by the equity method	2 211	-	239	224	2 674
Profit before tax	274 988	30 119	82 113	445 502	832 722
Corporate income tax					(171 017)
Non-controlling interests					(9 859)
Profit for the period					651 846

In thousands of PLN

Consolidated statement of financial position (by business segment)

31.12.2013	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Loans and advances to customers	41 891 101	21 319 440	4 870 247	51 355	68 132 143
Investments in associates and joint ventures	14 129	-	20 842	28 473	63 444
Other assets	5 435 087	714 409	4 177 308	27 537 576	37 864 380
Total assets	47 340 317	22 033 849	9 068 397	27 617 404	106 059 967
Deposits from customers	57 976 197	12 978 044	5 317 988	2 270 753	78 542 982
Other liabilities and equity	6 430 096	2 689 623	2 611 046	15 786 220	27 516 985
Total equity and liabilities	64 406 293	15 667 667	7 929 034	18 056 973	106 059 967

In thousands of PLN

4. Net interest income

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Interest income				
Loans and advances to enterprises	432 967	1 725 168	419 209	1 727 968
Loans and advances to individuals, of which:	789 273	2 621 114	505 840	2 079 419
<i>Home mortgage loans</i>	246 917	891 251	199 140	841 385
Debt securities incl.:	207 264	770 291	176 203	787 373
<i>Investment portfolio available for sale</i>	188 364	719 755	169 634	743 718
<i>Trading portfolio</i>	18 900	50 536	6 569	43 655
Leasing agreements	42 439	164 026	37 295	163 382
Loans and advances to banks	22 643	101 600	23 983	106 395
Public sector	2 795	14 325	3 850	20 736
Reverse repo transactions	5 157	25 966	2 909	15 200
Interest recorded on hedging IRS	75 089	300 553	71 029	314 730
Total	1 577 627	5 723 043	1 240 318	5 215 203
Interest expenses				
Deposits from individuals	(289 992)	(952 507)	(214 499)	(1 142 253)
Deposits from enterprises	(117 250)	(433 325)	(101 359)	(504 426)
Repo transactions	(22 464)	(79 553)	(20 680)	(105 703)
Deposits from public sector	(17 219)	(85 047)	(21 875)	(105 436)
Deposits from banks	(9 681)	(34 404)	(5 162)	(25 929)
Subordinated liabilities and issue of securities	(50 030)	(141 385)	(14 901)	(54 896)
Total	(506 636)	(1 726 221)	(378 476)	(1 938 643)
Net interest income	1 070 991	3 996 822	861 842	3 276 560

In thousands of PLN

5. Net fee and commission income

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Fee and commission income				
eBusiness & payments	139 046	593 815	158 931	613 869
Current accounts and money transfer	85 621	315 801	80 820	310 721
Asset management fees	67 781	262 620	63 937	258 363
Foreign exchange commissions	89 803	332 584	79 913	296 676
Credit commissions	76 901	292 485	59 614	230 066
Insurance commissions	43 057	125 094	28 604	105 994
Brokerage commissions	20 909	84 230	25 702	105 422
Credit cards	35 726	123 492	23 164	88 138
Off-balance sheet guarantee commissions	9 469	40 897	9 981	36 025
Finance lease commissions	1 941	7 091	1 651	5 879
Issue arrangement fees	2 608	4 607	5 618	11 834
Distribution fees	2 427	10 653	2 653	15 099
Other commissions	10 478	17 963	3 336	11 336
Total	585 767	2 211 332	543 924	2 089 422
Fee and commission expenses				
eBusiness & payments	(43 547)	(157 211)	(41 800)	(158 549)
Distribution fees	(5 413)	(27 744)	(7 391)	(32 424)
Brokerage commissions	(3 064)	(13 648)	(3 841)	(16 088)
Credit cards	(8 687)	(22 289)	(4 204)	(14 706)
Asset management fees and other costs	(1 815)	(8 115)	(1 918)	(7 578)
Finance lease commissions	(5 888)	(17 580)	(3 221)	(11 863)
Credit commissions paid	(30 000)	(53 935)	(5 923)	(12 734)
Other	(15 414)	(63 049)	(17 123)	(56 924)
Total	(113 828)	(363 571)	(85 421)	(310 866)
Net fee and commission income	471 939	1 847 761	458 503	1 778 556

6. Net trading income and revaluation

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Net trading income and revaluation				
Derivative instruments and interbank fx transactions	50 090	31 781	62 861	180 696
Other FX related income	5 346	62 162	(13 508)	(3 221)
Profit on market maker activity	28	1 278	(299)	1 845
Profit on equity instruments	(6 909)	(6 909)	(422)	5 706
Profit on debt instruments	(237)	12 731	1 120	1 088
Total	48 318	101 043	49 752	186 114

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 8,752 k for 2014, the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 13,761 k for 4Q 2014 and the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 817 k for 2013 and the value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (851) k for 4Q 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 (918) 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 (22,992) 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

7. Gains (losses) from other financial securities

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Gains (losses) from other financial securities				
Profit on sale of equity shares	2 014	16 720	(2 045)	(1 171)
Profit on sale of debt securities	164 166	217 897	12 483	299 335
Charge due to impairment losses	(5 224)	(6 850)	-	-
Total profit (losses) on financial instruments	160 956	227 767	10 438	298 164
Change in fair value of hedging instruments	(69 916)	(244 820)	(5 453)	68 709
Change in fair value of underlying hedged positions	67 975	242 605	4 391	(69 279)
Total profit (losses) on hedging and hedged instruments	(1 941)	(2 215)	(1 062)	(570)
Total	159 015	225 552	9 376	297 594

8. Other operating income

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Other operating income				
Income on sale of services	5 287	18 630	4 863	14 823
Insurance indemnity received	1 086	1 495	162	846
Reimbursements of BGF charges	2 267	16 949	1 094	15 732
Release of provision for legal cases and other assets	18 371	40 501	7 764	13 854
Settlements of leasing agreements	461	1 529	(167)	2 427
Recovery of other receivables	1 013	9 113	377	857
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	7 812	13 562	(2 176)	5 994
Income from net insurance activities	37 798	178 083	-	-
Received compensations, penalties and fines	171	1 495	164	760
Other	8 844	35 677	4 257	18 252
Total	83 110	317 034	16 338	73 545

As a result of the controlling stake at over the companies BZ WBK-AVIVA TUO S.A. and BZ WBK-AVIVA TUŹ S.A. the Group recognized net income from insurance activities.

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014
Income from net insurance activities		
Written premiums	80 228	413 864
Reinsurers' share in written premium	(905)	(3 217)
Total premiums written and reinsurers' share in written premium	79 323	410 647
Indemnity payments and insurance benefits paid	(41 219)	(256 506)
Reinsurers' share in indemnity payments and insurance benefits paid	527	1 853
Change in the balance of premium provisions and unexpired risks provisions	4 472	31 431
Change in the balance of provisions for life insurance in respect of deductible	(13 153)	104 259
Change in the balance of provisions for life insurance in respect of deductible – reinsurers' share	3 055	4 464
Change in the balance of provisions for life insurance in respect of policyholder's risk	4 895	(120 108)
Net insurance benefits and indemnity payments	(41 423)	(234 607)
Other net insurance income	(102)	2 043
Net income from insurance operations	37 798	178 083

In thousands of PLN

9. Impairment losses on loans and advances

Impairment losses on loans and advances	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Collective and individual impairment charge	(350 973)	(975 342)	(220 523)	(890 806)
Incurring but not reported losses charge	59 307	98 774	54 508	174 566
Recoveries of loans previously written off	5 495	11 971	(8 487)	3 294
Off-balance sheet credit related facilities	1 549	28 042	(2 739)	(16 355)
Total	(284 622)	(836 555)	(177 241)	(729 301)

10. Employee costs

Employee costs	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Salaries and bonuses	(323 280)	(1 138 579)	(260 242)	(1 069 052)
Salary related costs	(44 076)	(187 989)	(36 487)	(177 315)
Staff benefits costs	(11 103)	(35 500)	(10 695)	(33 011)
Professional trainings	(6 294)	(16 119)	(9 222)	(14 951)
Retirement fund, holiday provisions and other employee costs	(817)	(2 365)	(7 516)	(10 010)
Integration costs*	(15 020)	(69 030)	(27 938)	(71 166)
Total	(400 590)	(1 449 582)	(352 100)	(1 375 505)

11. General and administrative expenses

General and administrative expenses	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Maintenance and rentals of premises	(85 630)	(352 724)	(85 854)	(357 045)
Marketing and representation	(68 700)	(164 729)	(48 387)	(100 698)
IT systems costs	(42 038)	(157 700)	(34 888)	(132 235)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(12 467)	(109 235)	(26 280)	(86 482)
Postal and telecommunication costs	(16 545)	(52 648)	(13 194)	(51 590)
Consulting fees	(7 804)	(30 137)	(18 423)	(36 779)
Cars, transport expenses, carriage of cash	(14 613)	(71 139)	(16 937)	(68 422)
Other external services	(31 370)	(86 279)	(19 019)	(63 107)
Stationery, cards, cheques etc.	(12 116)	(32 691)	(11 324)	(30 040)
Sundry taxes	(6 910)	(26 886)	(6 709)	(26 032)
Data transmission	(5 560)	(20 542)	(4 767)	(21 666)
KIR, SWIFT settlements	(5 449)	(20 937)	(4 738)	(20 828)
Security costs	(5 012)	(20 037)	(4 394)	(18 508)
Costs of repairs	(5 315)	(9 564)	(2 574)	(6 929)
Integration costs*	(23 100)	(93 153)	(82 456)	(190 611)
Other	(6 125)	(21 496)	(8 357)	(21 136)
Total	(348 754)	(1 269 897)	(388 301)	(1 232 108)

*In addition to the integration costs included in Notes 10 and 11, the amortisation/depreciation related to the cost of integration for 2014 was PLN 15,078 k and PLN 2,576 k for 2013.

In thousands of PLN

12. Other operating expenses

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Other operating expenses				
Charge of provisions for legal cases and other assets	(12 842)	(41 115)	(7 212)	(12 631)
Costs of purchased services	(1 182)	(3 454)	(1 150)	(2 126)
Other membership fees	(146)	(984)	(330)	(1 072)
Paid compensations, penalties and fines	(900)	(5 292)	(799)	(1 890)
Donation paid	(1 629)	(5 498)	(2 751)	(3 711)
Other	(6 956)	(19 988)	(4 206)	(13 714)
Total	(23 655)	(76 331)	(16 448)	(35 144)

13. Corporate income tax

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Corporate income tax				
Current tax charge	(388 841)	(1 078 849)	(11 631)	(337 880)
Deferred tax	182 813	486 100	(159 386)	(162 226)
Total	(206 028)	(592 749)	(171 017)	(500 106)

	01.10.2014- 31.12.2014	01.01.2014- 31.12.2014	01.10.2013- 31.12.2013	01.01.2013- 31.12.2013
Corporate total tax charge information				
Profit before tax	702 270	2 640 041	832 722	2 514 717
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(133 432)	(501 608)	(158 217)	(477 796)
Non-deductible expenses	(17 152)	(24 609)	(6 314)	(13 018)
Sale of receivables	(47 587)	(61 684)	(18 308)	(34 842)
Non-tax income	-	15 051	-	10 569
Non-tax deductible bad debt provisions	(4 234)	(8 527)	(3 009)	(8 359)
Adjustment of prior year tax	1 709	(13 274)	-	4 242
Consolidation adjustments	(2 023)	3 449	15 120	15 120
Other	(3 309)	(1 547)	(289)	3 978
Total income tax expense	(206 028)	(592 749)	(171 017)	(500 106)

	31.12.2014	30.09.2014	31.12.2013
Deferred tax recognised directly in equity			
Relating to equity securities available-for-sale	(133 969)	(131 895)	(133 282)
Relating to debt securities available-for-sale	(116 251)	(124 461)	(24 114)
Relating to cash flow hedging activity	25 381	4 245	(8 956)
Relating to valuation of defined benefit plans	1 279	222	-
Total	(223 560)	(251 889)	(166 352)

14. Cash and balances with central banks

	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Cash and balances with central banks				
Cash	2 455 976	1 872 030	1 766 257	1 480 169
Current accounts in central banks	4 350 545	3 534 179	3 383 429	4 287 761
Total	6 806 521	5 406 209	5 149 686	5 767 930

Bank Zachodni WBK and Santander Consumer Bank hold an obligatory reserve in 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

15. Loans and advances to banks

Loans and advances to banks	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Loans and advances	317 986	598 879	1 237 751	1 577 648
Current accounts	1 808 114	1 198 796	798 153	1 182 981
Buy-sell-back transactions	397 017	1 683 517	176 987	231 003
Gross receivables	2 523 117	3 481 192	2 212 891	2 991 632
Impairment write down	(54)	(2 431)	(187)	(111)
Total	2 523 063	3 478 761	2 212 704	2 991 521

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.12.2014		30.09.2014		31.12.2013		30.09.2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	1 919 323	2 304 675	1 371 620	1 439 921	1 021 659	1 022 029	915 937	945 652
Interest rate operations	1 280 091	1 635 916	1 049 713	1 100 714	632 187	632 007	622 317	636 514
Forward	-	139	10	-	-	-	26	-
Options	1 798	1 798	1 224	1 247	4 323	4 328	4 821	4 827
IRS	1 270 908	1 626 173	1 036 785	1 087 568	614 204	617 986	601 582	615 907
FRA	7 385	7 806	11 694	11 899	13 660	9 693	15 888	15 780
Transactions on equity instruments	9 956	33 400	8 170	31 135	2 819	717	1 236	388
Options	9 956	33 400	8 170	31 135	2 819	717	1 236	388
FX operations	629 276	635 359	313 737	308 072	386 653	389 305	292 141	308 537
CFRS	129 987	169 956	85 546	89 069	95 304	147 521	74 129	141 074
Forward	38 428	34 840	14 116	38 154	28 994	49 144	18 583	31 700
FX Swap	310 711	287 270	146 684	117 471	202 087	130 025	152 300	87 508
Spot	4 731	2 419	1 314	1 130	792	1 037	2 835	2 314
Options	140 796	140 798	62 120	62 090	59 476	61 578	44 294	45 941
Other	4 623	76	3 957	158	-	-	-	-
Transactions concerning precious metals and commodities	-	-	-	-	-	-	243	213
Debt and equity securities	3 319 418	-	2 094 966	-	1 323 242	-	1 574 030	-
Debt securities	3 235 504	-	2 074 533	-	1 281 038	-	1 501 096	-
Government securities:	3 230 890	-	2 070 000	-	1 076 229	-	1 500 671	-
- bonds	3 230 890	-	2 070 000	-	1 076 229	-	1 500 671	-
Central Bank securities:	-	-	-	-	199 972	-	-	-
- bills	-	-	-	-	199 972	-	-	-
Commercial securities:	4 614	-	4 533	-	4 837	-	425	-
- bonds	4 614	-	4 533	-	4 837	-	425	-
Equity securities:	83 914	-	20 433	-	42 204	-	72 934	-
- listed	83 914	-	20 433	-	42 204	-	72 934	-
Short sale	-	477 005	-	646 036	-	255 133	-	166 947
Total financial assets/liabilities	5 238 741	2 781 680	3 466 586	2 085 957	2 344 901	1 277 162	2 489 967	1 112 599

Financial assets and liabilities held for trading - trading derivatives include the value of adjustments resulting from counterparty risk in the amount of PLN 6,116 k as at 31.12.2014, PLN (7,623) k as at 30.09.2014, PLN (1,668) k as at 31.12.2013, PLN (1,807) k as at 30.09.2013.

In thousands of PLN

17. Loans and advances to customers

Loans and advances to customers	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Loans and advances to enterprises	39 149 855	39 201 587	34 252 562	35 168 537
Loans and advances to individuals, of which:	47 784 052	47 159 918	34 041 366	34 412 424
<i>Home mortgage loans</i>	30 860 840	30 651 225	25 294 769	25 545 203
Finance lease receivables	3 815 843	3 701 194	3 052 093	2 967 802
Loans and advances to public sector	190 811	251 717	225 766	264 176
Buy-sell-back transactions	100	18 018	40 718	535 936
Other	6 420	8 173	9 363	5 301
Gross receivables	90 947 081	90 340 607	71 621 868	73 354 176
Impairment write down	(5 126 510)	(5 375 956)	(3 489 725)	(3 666 538)
Total	85 820 571	84 964 651	68 132 143	69 687 638

Movements on impairment losses on loans and advances to customers	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Individual and collective impairment				
As at the beginning of the period	(3 036 549)	(3 036 549)	(1 207 321)	(1 207 321)
Individual and collective impairment acquired in a business combination	(1 287 435)	(1 287 435)	(1 667 026)	(1 667 026)
Charge/write back of current period	(975 342)	(624 369)	(890 806)	(670 283)
Write off/Sale of receivables	815 289	262 739	708 113	382 805
Transfer	50 920	47 920	14 194	14 283
F/X differences	(13 490)	(5 479)	6 297	530
Balance at the end of the period	(4 446 607)	(4 643 173)	(3 036 549)	(3 147 012)
IBNR				
As at the beginning of the period	(453 176)	(453 176)	(336 886)	(336 886)
IBNR acquired in a business combination	(302 550)	(302 493)	(198 306)	(198 306)
Charge/write back of current period	98 636	41 649	174 754	120 170
Transfer	(19 104)	(16 908)	(89 862)	(100 041)
F/X differences	(3 709)	(1 855)	(2 876)	(4 463)
Balance at the end of the period	(679 903)	(732 783)	(453 176)	(519 526)
Allowance for impairment	(5 126 510)	(5 375 956)	(3 489 725)	(3 666 538)

In June 2014, Santander Consumer Bank completed the securitisation of a car and hire purchase loan portfolio of PLN 1,751,436,438 as at the transaction date. The transaction was executed as a traditional securitisation scheme involving transfer of securitised receivables to SC Poland Auto 2014-1 Limited (SCV), a special purpose vehicle registered in Ireland. Based on the securitised assets, SPV issued two classes of bonds of PLN 1,367m in total secured by a registered pledge on SPV assets:

- Class A bonds of PLN 1,158 m rated: AA (Fitch) Aa3 (Moody's),
- Class B bonds of PLN 209 m rated: A (Fitch) Aa3 (Moody's).

Initially, the bonds were taken up by SCB in full. Subsequently, Class A and Class B bonds were sold to third parties in unconditional and repo transactions. Interest on bonds consists of 1M WIBOR plus margin. As a result of securitisation, SCB raised funding in exchange for transfer of future cash flows from the securitised credit portfolio. The bonds are planned to be redeemed in full by 20 June 2025, however, SCB expects that it will take place no later than 3 years after the date of transaction.

The transaction was financed from a loan of PLN 411,776,438 granted by SCB to SPV, which is subordinated to senior secured bonds. Interest on the loan is fixed and paid from SPV funds, while the principal will be repaid upon the full redemption of bonds. The value of securitisation bonds held by SCB as at 31.12.2014 was PLN 393,746,775.

The contractual terms of securitisation do not satisfy the criteria for derecognition of securitised assets from SCB financial statements pursuant to IAS 39. Consequently, as at 31.12.2014, SCB recognised the securitised assets of PLN 1,094,737 k net under Loans and advances to customers, and liability of PLN 1,236,631 k under Deposits from customers in respect of cash flows to SPV on account of securitisation.

In thousands of PLN

18. Investment securities available for sale

Investment securities available for sale	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Available for sale investments - measured at fair value				
Debt securities	26 152 181	25 670 023	21 217 376	19 879 300
Government securities:	19 971 450	17 326 882	13 245 914	13 615 113
- bonds	19 971 450	17 326 882	13 245 914	13 615 113
Central Bank securities:	3 959 781	5 361 315	5 599 222	3 799 208
- bills	3 959 781	5 361 315	5 599 222	3 799 208
Commercial securities:	2 220 950	2 981 826	2 372 240	2 464 979
- bonds	2 220 950	2 981 826	2 372 240	2 464 979
Equity securities	886 937	845 765	851 603	650 475
- listed	66 406	28 804	36 852	36 666
- unlisted	820 531	816 961	814 751	613 809
Investment certificates	17 975	19 998	21 785	24 939
Total	27 057 093	26 535 786	22 090 764	20 554 714

19. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Balance as at 1 January	63 444	63 444	115 685	115 685
Share of profits/(losses)	1 385	1 036	16 297	13 623
Dividends	-	-	(5 050)	(5 050)
Impairment	(4 095)	-	-	-
Reclassification*	(17 942)	-	(63 488)	-
Balance at the end of the period	42 792	64 480	63 444	124 258
Balance sheet value of associates and joint ventures	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 792	42 715	42 602	42 378
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. *	-	-	-	34 272
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	-	-	-	27 006
Krynicky Recykling S.A. *	-	17 706	16 675	16 464
Metrohouse Franchise S.A./Metrohouse S.A. *	-	4 059	4 167	4 138
Total	42 792	64 480	63 444	124 258

* Details have been described in Note 38.

In thousands of PLN

20. Net deferred tax assets

Deferred tax assets	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Provisions for loans	632 421	699 232	492 703	511 410
Unrealized liabilities due to derivatives	681 206	432 280	271 334	298 592
Other provisions which are not taxable costs	104 450	90 414	101 921	82 367
Deferred income	357 322	276 867	154 024	104 546
Difference between balance sheet and taxable value of leasing portfolio	148 660	143 823	90 818	94 647
Unrealised interest expense on loans, deposits and securities	187 002	169 468	46 043	130 548
Other	18 131	14 379	9 506	7 905
Total	2 129 192	1 826 463	1 166 349	1 230 015
Deferred tax liabilities	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Revaluation of financial instruments available for sale*	(223 373)	(251 341)	(166 318)	(112 870)
Unrealised receivables on derivatives	(411 875)	(304 279)	(242 969)	(219 432)
Unrealised interest income on loans, securities and interbank deposits	(201 987)	(191 949)	(148 992)	(185 313)
Provision due to application of investment relief	(3 227)	(3 287)	(3 402)	(3 440)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(6 228)	(5 337)	(3 163)	(2 769)
Difference between balance sheet and taxable value of unfinancial value assets	(358)	(2 319)	(4 742)	(5 708)
Valuation of shares/interests in subsidiaries	(84 680)	(86 792)	(106 961)	-
Other	(15 854)	(16 275)	(13 372)	(16 010)
Total	(947 582)	(861 579)	(689 919)	(545 542)
Net deferred tax assets	1 181 610	964 884	476 430	684 473

*Changes in deferred tax liabilities were recognised in the consolidated statement of comprehensive income.

As at 31 December 2014 the calculation of deferred tax assets did not include purchased receivables of PLN 11 874 k and loans that will not be realised of PLN 95 001 k.

As at 31 December 2013 the calculation of deferred tax assets did not include purchased receivables of PLN 16 614 k and loans that will not be realised of PLN 105 361 k.

21. Assets classified as held for sale

Assets classified as held for sale	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Land and buildings	1 378	2 652	3 503	3 503
Total	1 378	2 652	3 503	3 503

22. Other assets

Other assets	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Receivables arising from insurance contracts*	749 309	754 204	770 048	-
Interbank and interbranch settlements	456 910	148 945	260 445	105 133
Sundry debtors	382 925	395 786	372 226	429 963
Prepayments	125 754	153 657	71 446	88 549
Repossessed assets	41 425	41 425	60 965	72 348
Settlements of stock exchange transactions	22 615	34 345	30 989	52 332
Other	7 618	5 533	2 392	534
Total	1 786 556	1 533 895	1 568 511	748 859

* As a result of the acquisition of control over the companies BZ WBK-AVIVA TUO S.A. and BZ WBK-AVIVA TUŽ S.A. the Group recognized receivables arising from insurance contracts.

In thousands of PLN

23. Deposits from banks

Deposits from banks	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Repo/sell-buy-back transactions	7 045 487	5 819 766	4 438 563	9 756 743
Term deposits	399 402	677 191	1 379 631	1 191 523
Loans from other banks	548 545	1 009 206	-	-
Current accounts	366 422	281 477	460 603	394 413
Total	8 359 856	7 787 640	6 278 797	11 342 679

24. Deposits from customers

Deposits from customers	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Deposits from individuals	58 257 053	57 398 747	47 999 116	45 135 723
Term deposits	30 938 819	31 705 249	22 345 562	19 608 561
Current accounts	27 204 883	25 583 057	25 590 954	25 464 622
Other	113 351	110 441	62 600	62 540
Deposits from enterprises	33 150 169	31 778 859	27 045 417	26 769 562
Term deposits	16 164 448	16 588 088	13 344 322	13 770 612
Current accounts	13 640 292	11 653 271	10 813 018	9 896 637
Sell-buy-back transactions	157 134	328 548	166 973	134 725
Loans	2 668 541	2 632 670	2 256 907	2 367 384
Other	519 754	576 282	464 197	600 204
Deposits from public sector	3 574 587	3 845 350	3 498 449	4 282 727
Term deposits	1 371 671	1 704 791	1 152 427	2 133 814
Current accounts	2 202 706	2 131 628	2 333 530	2 144 357
Other	210	8 931	12 492	4 556
Total	94 981 809	93 022 956	78 542 982	76 188 012

In thousands of PLN

25. 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	
Tranche 5 *	14.12.2016	PLN	100 000	

Movements in subordinated liabilities	31.12.2014	30.09.2014	31.12.2013	30.09.2013
As at the beginning of the period	1 384 719	1 384 719	409 110	409 110
Subordinated liabilities acquired in a business combination	100 144	100 144	978 237	978 237
Increase (due to):	118 364	60 426	54 896	63 158
- interest on subordinated loan	63 659	45 882	54 896	40 607
- FX differences	54 705	14 544	-	22 551
Decrease (due to):	(63 260)	(35 572)	(57 524)	(40 928)
- interest repayment	(63 260)	(35 572)	(54 481)	(40 928)
- FX differences	-	-	(3 043)	-
Subordinated liabilities - as at the end of the period	1 539 967	1 509 717	1 384 719	1 409 577
Short-term	4 903	5 663	4 352	3 937
Long-term (over 1 year)	1 535 064	1 504 054	1 380 367	1 405 640

* Concerns Santander Consumer Bank

In thousands of PLN

26. Debt securities in issue

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	31.12.2014
SCBP00320280	not quoted	28 000	PLN	29.01.2015	
SCBB00110150	not quoted	15 000	PLN	04.02.2015	
SCBB00120050	not quoted	5 000	PLN	04.02.2015	
SCBP00350592	not quoted	59 200	PLN	12.02.2015	
SCBX00021500	not quoted	150 000	PLN	13.04.2015	
SCB00020	PLSNTND00075	240 000	PLN	05.06.2015	
SCBP00300111	not quoted	106 000	PLN	15.12.2015	
SCB00021	not quoted	40 000	PLN	24.12.2015	
SCB00013	not quoted	25 000	PLN	27.01.2016	
SCBP00310038	not quoted	38 000	PLN	29.01.2016	
SCBP00330500	not quoted	50 000	PLN	29.01.2016	
SCB00014	not quoted	10 000	PLN	03.02.2016	
SCBP00340050	not quoted	50 000	PLN	12.02.2016	
SCBP00360217	not quoted	21 700	PLN	12.02.2016	
SCB00016	not quoted	50 000	PLN	24.02.2016	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
Series A	PLBZ00000150	500 000	PLN	19.12.2016	
SCB00006	PLSNTND00034	100 000	PLN	07.08.2017	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00010	not quoted	20 000	PLN	30.08.2017	
SCB00012	PLSNTND00042	204 000	PLN	04.10.2017	
SCB00012	PLSNTND00042	11 000	PLN	04.10.2017	
Series B	PLBZ00000168	475 000	PLN	17.07.2017	
SCB00019	not quoted	220 000	PLN	30.10.2017	
SCB00017	PLSNTND00059	50 000	PLN	18.06.2018	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
Securitization Bonds Float - Class A	XS1070423931	430 337	PLN	20.06.2025	
Debt securities in issue					
- as at the end of the period					3 373 374

In thousands of PLN

27. Other liabilities

Other liabilities	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Settlements of stock exchange transactions	48 377	49 496	32 381	107 748
Interbank and interbranch settlements	239 148	371 539	250 941	324 006
Provisions:	1 591 570	1 542 529	1 555 371	394 547
<i>Employee provisions</i>	365 083	307 599	293 962	252 285
<i>Provisions for legal claims</i>	49 504	49 318	45 104	45 165
<i>Provisions for off-balance sheet credit facilities</i>	87 517	88 253	95 934	93 797
<i>Technical insurance provisions *</i>	1 074 445	1 080 992	1 117 071	-
<i>Provisions for restructuring **</i>	11 721	13 067	-	-
<i>Other</i>	3 300	3 300	3 300	3 300
Sundry creditors	332 202	266 126	248 564	324 391
Other deferred and suspended income	165 124	151 527	109 395	116 915
Public and law settlements	58 952	54 081	43 081	55 663
Accrued liabilities	366 187	395 802	161 646	117 347
Finance lease related settlements	29 595	29 739	37 158	25 318
Liabilities from insurance contracts and other*	854	4 215	1 387	984
Share purchase mandate adjustment *	699 072	699 072	684 288	-
Total	3 531 081	3 564 126	3 124 212	1 466 919

* As a result of the controlling stake at the companies BZ WBK-AVIVA TUO S.A. and BZ WBK-AVIVA TUŻ S.A. the Group recognized share purchase mandate adjustment, technical insurance provisions and liabilities from insurance contracts.

** Provision acquired as a result of the acquisition of control on July 1, 2014 in the amount of PLN 15 547 k (as at 31.12.2014 in the amount of PLN 11 721 k) referred to:

- restructuring of employment in the bank PLN 3 323 k (ast at 31.12.2014 in the amount of PLN 2 692 k)
- liquidation of branches PLN 12 224 k. (as at 31.12.2014 in the amount of PLN 9 029 k).

The restructuring is related to the business reorganisation plan for Santander Consumer Finance (SCF) in Poland which was adopted by the Group in 2010. The plan was adopted after SCF Group had taken control over AIG Bank Polska S.A. and in the wake of subsequent restructuring actions carried out in the years 2013-2014 (amongst others, restructuring of the business transferred from Santander Consumer Finance S.A.). In the years 2010 - 2012, the Bank incurred costs and capex of 91 547k in relation to the delivery of the restructuring plan and merger. It is expected that most of cash flows related to the raised restructuring provision will materialise in the years 2015-2018.

In thousands of PLN

Change in provisions	31.12.2014	30.09.2014	31.12.2013	30.09.2013
As at the beginning of the period	1 555 371	1 555 371	226 696	226 696
Employee provisions	293 962	293 962	190 865	190 865
Provisions for legal claims	45 104	45 104	15 912	15 912
Provisions for off-balance sheet credit facilities	95 934	95 934	16 619	16 619
Technical insurance provisions	1 117 071	1 117 071	-	-
Other	3 300	3 300	3 300	3 300
Provision acquired in a business combination	78 730	78 730	1 304 489	186 902
Employee provisions	36 243	36 243	95 282	94 766
Provisions for legal claims	8 809	8 809	28 961	28 961
Provisions for off-balance sheet credit facilities	18 131	18 131	63 175	63 175
Technical insurance provisions	-	-	1 117 071	-
Provisions for restructuring	15 547	15 547	-	-
Other	-	-	-	-
Provision charge	494 159	350 495	545 803	389 767
Employee provisions	312 857	208 716	280 953	193 376
Provisions for legal claims	12 403	11 912	2 449	2 155
Provisions for off-balance sheet credit facilities	167 454	129 767	262 401	194 236
Technical insurance provisions	-	-	-	-
Provisions for restructuring	1 445	100	-	-
Other	-	-	-	-
Utilization	(256 263)	(222 163)	(255 718)	(224 986)
Employee provisions	(257 891)	(223 003)	(255 042)	(224 528)
Provisions for legal claims	(254)	(228)	(460)	(452)
Provisions for off-balance sheet credit facilities	1 882	1 068	(216)	(6)
Technical insurance provisions	-	-	-	-
Provisions for restructuring	-	-	-	-
Other	-	-	-	-
Write back	(280 427)	(219 904)	(258 745)	(184 224)
Employee provisions	(20 088)	(8 319)	(10 942)	(2 194)
Provisions for legal claims	(16 558)	(16 279)	(1 758)	(1 411)
Provisions for off-balance sheet credit facilities	(195 884)	(156 647)	(246 045)	(180 619)
Technical insurance provisions	(42 626)	(36 079)	-	-
Provisions for restructuring	(5 271)	(2 580)	-	-
Other	-	-	-	-
Other changes	-	-	(7 154)	392
Employee provisions	-	-	(7 154)	-
Provisions for legal claims	-	-	-	-
Provisions for off-balance sheet credit facilities	-	-	-	392
Provisions for restructuring	-	-	-	-
Other	-	-	-	-
Balance at the end of the period	1 591 570	1 542 529	1 555 371	394 547
Employee provisions	365 083	307 599	293 962	252 285
Provisions for legal claims	49 504	49 318	45 104	45 165
Provisions for off-balance sheet credit facilities	87 517	88 253	95 934	93 797
Technical insurance provisions	1 074 445	1 080 992	1 117 071	-
Provisions for restructuring	11 721	13 067	-	-
Other	3 300	3 300	3 300	3 300

In thousands of PLN

28. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Assets	31.12.2014		30.09.2014		31.12.2013		30.09.2013	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	6 806 521	6 806 521	5 406 209	5 406 209	5 149 686	5 149 686	5 767 930	5 767 930
Loans and advances to banks	2 523 063	2 523 063	3 478 761	3 478 761	2 212 704	2 212 704	2 991 521	2 991 521
Financial assets held for trading	5 238 741	5 238 741	3 466 586	3 466 586	2 344 901	2 344 901	2 489 967	2 489 967
Hedging derivatives	238 889	238 889	230 872	230 872	321 956	321 956	270 342	270 342
Loans and advances to customers	85 820 571	85 835 391	84 964 651	85 291 146	68 132 143	68 703 474	69 687 638	69 209 115
Investment securities	27 057 093	27 057 093	26 535 786	26 535 786	22 090 764	22 090 764	20 554 714	20 554 714
Investments in associates and joint ventures	42 792	42 792	64 480	64 480	63 444	63 444	124 258	124 258
Liabilities								
Deposits from banks	8 359 856	8 359 856	7 787 640	7 789 243	6 278 797	6 278 797	11 342 679	11 342 679
Hedging derivatives	1 258 224	1 258 224	807 877	807 877	367 524	367 524	557 758	557 758
Financial liabilities held for trading	2 781 680	2 781 680	2 085 957	2 085 957	1 277 162	1 277 162	1 112 599	1 112 599
Subordinated liabilities	1 539 967	1 789 755	1 509 717	1 671 983	1 384 719	1 623 024	1 409 577	1 713 602
Deposits from customers	94 981 809	94 975 685	93 022 956	93 010 755	78 542 982	78 518 847	76 188 012	76 176 389

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 Group has financial instruments which in accordance with the IFRS are not carried at fair value in the consolidated 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 Group 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 associates and joint ventures: The financial assets representing investments in 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.

In thousands of PLN

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

As at 31.12.2014 and in the comparable periods the Group 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 Group 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.

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).

As at 31.12.2014 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.12.2014	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 878 034	3 359 317	1 390	5 238 741
Hedging derivatives	-	238 889	-	238 889
Financial investment assets - debt securities	16 581 263	9 570 918	-	26 152 181
Financial investment assets - equity securities	54 155	-	850 757	904 912
Total	18 513 452	13 169 124	852 147	32 534 723
Financial liabilities				
Financial liabilities held for trading	477 005	2 304 675	-	2 781 680
Hedging derivatives	-	1 258 224	-	1 258 224
Total	477 005	3 562 899	-	4 039 904
30.09.2014	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 621 231	1 845 355	-	3 466 586
Hedging derivatives	-	230 872	-	230 872
Financial investment assets - debt securities	12 771 709	12 898 313	-	25 670 022
Financial investment assets - equity securities	28 804	-	836 960	865 764
Total	14 421 744	14 974 540	836 960	30 233 244
Financial liabilities				
Financial liabilities held for trading	646 036	1 439 921	-	2 085 957
Hedging derivatives	-	807 877	-	807 877
Total	646 036	2 247 798	-	2 893 834
31.12.2013	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	900 016	1 444 885	-	2 344 901
Hedging derivatives	-	321 956	-	321 956
Financial investment assets - debt securities	10 995 044	10 222 332	-	21 217 376
Financial investment assets - equity securities	36 852	-	836 536	873 388
Total	11 931 912	11 989 173	836 536	24 757 621
Financial liabilities				
Financial liabilities held for trading	255 133	1 022 029	-	1 277 162
Hedging derivatives	-	367 524	-	367 524
Total	255 133	1 389 553	-	1 644 686

In thousands of PLN

30.09.2013	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 160 211	1 186 443	143 313	2 489 967
Hedging derivatives	-	270 342	-	270 342
Financial investment assets - debt securities	15 653 838	1 760 483	2 464 979	19 879 300
Financial investment assets - equity securities	36 666	-	638 748	675 414
Total	16 850 715	3 217 268	3 247 040	23 315 023
Financial liabilities				
Financial liabilities held for trading	166 947	834 479	111 173	1 112 599
Hedging derivatives	-	557 758	-	557 758
Total	166 947	1 392 237	111 173	1 670 357

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
31.12.2014	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	-	-	836 536	-
Profits or losses	-	-	-	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	-	-
Purchase	-	-	5 868	-
Sale	-	-	(100)	-
Matured	-	-	-	-
Impairment	-	-	(3 799)	-
Transfer	1 389	-	12 252	-
At the period end	1 389	-	850 757	-

Level III	Financial assets			Financial liabilities
30.09.2014	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	-	-	836 536	-
Profits or losses	-	-	(122)	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	(122)	-
Purchase	-	-	2 272	-
Sale	-	-	(100)	-
Matured	-	-	-	-
Impairment	-	-	(1 626)	-
Transfer	-	-	-	-
At the period end	-	-	836 960	-

In thousands of PLN

Level III	Financial assets			Financial liabilities
31.12.2013	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	178 107	1 237 344	653 579	(74 182)
Profits or losses	-	-	197 029	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	197 029	-
Purchase	-	-	1 000	-
Sale	-	-	(14 302)	-
Matured	-	-	-	-
Impairment	-	-	(2 081)	-
Transfer	(178 107)	(1 237 344)	1 311	74 182
At the period end	-	-	836 536	-

Level III	Financial assets			Financial liabilities
30.09.2013	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	178 107	1 237 344	653 579	(74 182)
Profits or losses	7 574	48 665	(10 229)	4 274
<i>recognised in income statement</i>	7 574	79 142	-	4 274
<i>recognised in equity</i>	-	(30 477)	(10 229)	-
Purchase	-	999 970	-	-
Sale	-	(14 154)	(5 761)	-
Matured	(42 368)	-	-	(41 265)
Impairment	-	-	-	-
Transfer	-	193 154	1 159	-
At the period end	143 313	2 464 979	638 748	(111 173)

29. Contingent liabilities

Significant court proceedings

As at 31.12.2014 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 364,074 k, which is ca 2.02% of the Group's equity. This amount includes PLN 176,684 k claimed by the Group, PLN 182,274 k in claims against the Group and PLN 5,116 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2014 the amount of significant court proceedings which had been completed amounted to PLN 187,263 k.

As at 31.12.2013 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 340,392 k, which is ca 2.35% of the Group's equity. This amount includes PLN 79,392 k claimed by the Group, PLN 200,245 k in claims against the Group and PLN 60,788 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2013 the amount of significant court proceedings which had been completed amounted to PLN 91,227 k.

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	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Liabilities sanctioned				
- financial	19 959 943	17 969 762	17 592 801	16 461 563
- credit lines	17 047 109	15 350 206	15 229 838	14 245 494
- credit cards debits	2 367 098	2 234 245	1 875 032	1 842 089
- import letters of credit	413 654	385 311	441 505	295 090
- term deposits with future commencement term	132 082	-	46 426	78 890
- guarantees	4 383 084	4 292 555	3 822 213	3 858 884
Total	24 343 027	22 262 317	21 415 014	20 320 447

30. Off-balance sheet liabilities relating to derivatives' nominal values

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

Derivatives' nominal values	31.12.2014	30.09.2014	31.12.2013	30.09.2013
1. Term derivatives (hedging)	35 207 413	33 367 479	29 792 094	29 898 928
a) Single-currency interest rate swap	2 988 000	3 038 000	2 665 000	1 515 000
b) Macro cash flow hedge -purchased (IRS)	2 740 423	2 790 171	3 229 513	3 244 472
c) Macro cash flow hedge -purchased (CIRS)	14 369 815	13 444 465	11 847 013	12 355 350
d) Macro cash flow hedge -sold (CIRS)	15 109 175	13 850 900	12 050 568	12 784 106
e) FX Swap cash flow hedge -purchased (FX)	-	122 843	-	-
f) FX Swap cash flow hedge-sold (FX)	-	121 100	-	-
2. Term derivatives (trading)	178 576 882	136 557 641	128 271 971	141 673 676
a) Interest rate operations	94 948 232	80 650 800	81 693 883	88 260 670
Single-currency interest rate swap	86 269 606	71 225 880	57 441 526	59 104 934
FRA - purchased amounts	6 450 000	7 850 000	23 350 000	28 200 000
Options	1 792 126	1 556 120	902 357	775 736
Forward- sold amounts	436 500	18 800	-	180 000
b) FX operations	83 628 650	55 906 841	46 578 088	53 407 452
FX swap – purchased amounts	20 757 332	12 517 767	10 710 489	15 338 292
FX swap – sold amounts	20 728 416	12 477 266	10 623 485	15 246 093
Forward- purchased amounts	3 372 360	2 612 290	2 546 613	2 989 334
Forward- sold amounts	3 394 071	2 654 564	2 585 261	3 017 610
Cross-currency interest rate swap – purchased amounts	6 331 120	5 962 819	5 412 520	4 686 151
Cross-currency interest rate swap – sold amounts	6 372 837	5 972 893	5 482 036	4 767 542
FX options -purchased CALL	5 519 076	3 390 550	2 272 212	1 815 788
FX options -purchased PUT	5 817 181	3 464 071	2 336 630	1 865 427
FX options -sold CALL	5 519 076	3 390 550	2 272 212	1 815 788
FX options -sold PUT	5 817 181	3 464 071	2 336 630	1 865 427
c) Transactions concerning precious metals and commodities	-	-	-	5 554
Commodity swap - purchased amounts	-	-	-	2 792
Commodity swap - sold amounts	-	-	-	2 762
3. Currency transactions- spot	4 653 161	2 488 932	2 076 924	4 154 465
Spot-purchased	2 327 749	1 244 557	1 038 347	2 077 535
Spot-sold	2 325 412	1 244 375	1 038 577	2 076 930
4. Transactions on equity financial instruments	678 415	515 842	53 526	70 793
Derivatives contract - purchased	341 307	255 564	11 275	217
Derivatives contract - sold	337 108	260 278	42 251	70 576
5. Capital options related to subsidiary entities	255 738	250 530	248 832	-
Total	219 371 609	173 180 424	160 443 347	175 797 862

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

In thousands of PLN

31. Basis of FX conversion

As at 31.12.2014, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 252/A/NBP/2014 dd. 31.12.2014.

32. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholders 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 consolidated report for Q4 2014 /3.02.2015/ are Banco Santander S.A. and ING Otwarty Fundusz Emerytalny.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	3.02.2015	4.11.2014	3.02.2015	4.11.2014	3.02.2015	4.11.2014	3.02.2015	4.11.2014
Banco Santander S.A.	68 880 774	68 880 774	69,41%	69,41%	68 880 774	68 880 774	69,41%	69,41%
ING Otwarty Fundusz Emerytalny	5 110 586	5 110 586	5,15%	5,15%	5 110 586	5 110 586	5,15%	5,15%
Other	25 243 174	25 243 174	25,44%	25,44%	25 243 174	25 243 174	25,44%	25,44%
Total	99 234 534	99 234 534	100,00%	100,00%	99 234 534	99 234 534	100,00%	100,00%

33. Changes in shareholding of members of the Management and Supervisory Board

No. of Bank Zachodni WBK shares held and rights to them	As at 03.02.2015	As at 04.11.2014	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	58 166	58 166	-

	03.02.2015		04.11.2014	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Management Board members				
Mateusz Morawiecki	13 711	3 857	13 711	3 857
Andrzej Burliga	4 888	2 204	4 888	2 204
Eamonn Crowley	1 003	2 094	1 003	2 094
Michael McCarthy	1 075	2 424	1 075	2 424
Juan de Porras Aguirre	-	2 217	-	2 217
Piotr Partyga	2 855	2 094	2 855	2 094
Marcin Prell	-	1 983	-	1 983
Marco Antonio Silva Rojas	-	2 704	-	2 704
Mirosław Skiba	5 857	2 248	5 857	2 248
Feliks Szyszkowiak	4 704	2 248	4 704	2 248
Total	34 093	24 073	34 093	24 073

In thousands of PLN

34. Related party disclosures

Transactions with associates	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Assets	-	-	-	1 329
Loans and advances to customers	-	-	-	1
Other assets	-	-	-	1 328
Liabilities	2 931	14 403	7 168	129 133
Deposits from customers	2 931	14 403	7 168	128 860
Other liabilities	-	-	-	273
Income	3	2	130 894	93 535
Interest income	-	-	42 033	29 863
Fee and commission income	3	2	88 703	63 577
Other operating income	-	-	158	95
Expenses	201	162	11 645	9 318
Interest expense	201	162	6 033	5 499
Fee and commission expense	-	-	3 641	2 341
Operating expenses incl.:	-	-	1 971	1 478
<i>General and administrative expenses</i>	-	-	<i>1 971</i>	<i>1 478</i>

In thousands of PLN

Transactions with Santander Group	31.12.2014	30.09.2014	31.12.2013	30.09.2013
Assets	259 377	148 035	802 305	660 855
Loans and advances to banks, incl:	697	1 790	706 166	562 595
<i>loans and advances</i>	-	-	674 579	547 644
<i>current accounts</i>	697	1 790	31 587	14 951
Financial assets held for trading	256 908	145 232	93 723	96 995
Hedging derivatives	869	839	1 081	1 041
Loans and advances to customers	-	-	4	2
Other assets	903	174	1 331	222
Liabilities	410 462	311 479	216 668	203 918
Deposits from banks incl.:	155 537	135 748	71 485	66 186
<i>current accounts</i>	155 537	56 413	71 485	66 186
<i>term deposits</i>	-	79 335	-	-
Hedging derivatives	21 505	9 761	6 235	12 241
Financial liabilities held for trading	158 907	97 447	85 784	61 710
Deposits from customers	74 459	65 792	48 970	18 765
Other liabilities	54	2 731	4 194	45 016
Income	219 596	56 750	(46 459)	(44 211)
Interest income	7 585	5 425	13 528	9 830
Fee and commission income	4 911	2 544	5 345	3 897
Other operating income	-	-	814	639
Net trading income and revaluation	207 100	48 781	(66 146)	(58 577)
Expenses	8 309	9 014	23 137	18 582
Interest expense	1 309	974	404	301
Fee and commission expense	204	3	14 927	13 254
Operating expenses incl.:	6 796	8 037	7 806	5 027
<i>Bank's staff, operating expenses and management costs</i>	6 796	8 037	7 806	5 027
Contingent liabilities	725	4 776	117	345 038
Sanctioned:	725	4 776	-	344 921
- financing-related	-	-	-	344 921
- <i>guarantees</i>	725	4 776	-	-
Received:	-	-	117	117
- <i>guarantees</i>	-	-	117	117
Derivatives' nominal values	32 826 135	23 379 225	17 687 584	17 309 397
Cross-currency interest rate swap – purchased amounts	3 052 808	2 560 839	2 733 296	2 720 940
Cross-currency interest rate swap – sold amounts	2 970 459	2 506 879	2 764 571	2 742 571
Single-currency interest rate swap	7 265 993	5 414 438	4 360 662	3 740 972
Options	1 669 031	1 431 419	822 678	711 144
FX swap – purchased amounts	2 920 096	1 957 138	1 592 208	2 258 448
FX swap – sold amounts	2 896 754	1 945 376	1 599 563	2 249 791
FX options -purchased CALL	3 002 819	2 095 581	1 044 075	778 214
FX options -purchased PUT	3 116 998	2 119 059	1 076 295	789 323
FX options -sold CALL	2 516 257	1 257 297	682 163	574 955
FX options -sold PUT	2 700 183	1 307 180	717 682	615 131
Spot-purchased	90 068	129 472	44 475	63 161
Spot-sold	90 297	129 365	44 563	63 096
Forward- purchased amounts	96 328	122 108	93 727	-
Forward- sold amounts	100 936	147 510	100 936	-
Commodity swap - purchased amounts	-	-	-	-
Commodity swap - sold amounts	-	-	-	1 651
Capital derivatives contract - purchased	337 108	255 564	10 690	-

In thousands of PLN

35. Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK

On 10 June 2014, the KNF gave its consent to Bank Zachodni WBK to expand its stockbroking operations, which enabled the bank to work intensively towards division of Dom Maklerski BZ WBK ("Brokerage House"; DM BZ WBK) and incorporation of its organised part into the bank's structure.

On 30 September 2014, the Extraordinary General Meeting of Shareholders of Bank Zachodni WBK adopted a resolution on division of the Brokerage House, pursuant to the Division Plan of 24 July 2014.

The division has been completed by transferring to Bank Zachodni WBK (the acquiring company) an organised part of the enterprise of the Brokerage House (the divided company), whose business is provision of stockbroking services and other services that do not constitute advertising activity. At the same time, a company has been formed - Gieldokracja Sp. z o.o. - which took over the part of the Brokerage House business connected with provision of educational services related to the capital market, advertising and communication services, and maintenance of internet portals.

As Bank Zachodni WBK was the sole shareholder of the Brokerage House, the Division Plan did not provide for increasing the bank's share capital through an issue and allocation of shares in exchange for the transferred part of the company's assets. The bank took up all the stake in the newly formed company Gieldokracja Sp. z o.o., i.e. 1,000 shares with a nominal value of PLN 100 per share and a total nominal value of PLN 100 k.

On 31 October 2014, the Court registered the removal of The Brokerage House from the business register (KRS) without a liquidation procedure and on the same day Gieldokracja Sp. z o.o. was registered.

The Brokerage House is now a unit of the bank, providing stockbroking services and will act as a brokerage office.

36. Acquisition of controlling interest in Santander Consumer Bank S.A.

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, 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.

Assets and liabilities as at the acquisition date

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

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

In thousands of PLN

Below is an estimate of the carrying value of the acquired assets and liabilities.

	as at:	01.07.2014
ASSETS		
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
Total assets		15 086 823
LIABILITIES		
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)
Total liabilities		(12 599 175)
Book value of identifiable net assets		2 487 648

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

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.

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.

In thousands of PLN

Assets and liabilities recognised at the acquisition date

On 31 December 2014 the Bank made a final settlement of the acquisition of control over BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.

Furthermore, the Bank completed the process of estimation of the fair value of the selected assets and liabilities of the insurance companies, as at the acquisition date, in particular the receivables and liabilities under insurance agreements.

The table below shows a preliminary estimation of the fair value of the acquired assets and liabilities.

as at 31.12.2013	BZ WBK-Aviva TUO S.A.	BZ WBK-Aviva TUŻ S.A.
ASSETS		
Loans and advances to banks	7 015	61 972
Financial assets held for trading	97 921	25 258
Investment securities	81 508	66 509
Intangible assets	128 306	24 974
Property, plant and equipment	671	571
Net deferred tax assets	(2 694)	(4 994)
Other assets	27 330	793 886
Total assets	340 057	968 176
LIABILITIES		
Current income tax liabilities	(2 189)	(1 206)
Other liabilities	(260 995)	(889 512)
Total liabilities	(263 184)	(890 718)
Fair value of identifiable net assets	76 873	77 458

The item "Intangible assets", with a fair value of:

- PLN 128,289 k for BZ WBK-Aviva TUO S.A. and
- PLN 24,974 k for BZ WBK-Aviva TUŻ S.A.

includes additional assets that meet the criteria of being recognised as intangible fixed assets. The assets originate from revaluation of the insurance agreements existing in the two companies.

Non-controlling interests

As at controlling stake, non-controlling interests were recognised, representing 34% of the share capital and the total number of votes in either insurance company, which remain under control of Aviva International Insurance Limited. The book value of these shares estimated using the fair value method is PLN 525,640 k.

Goodwill calculation

as at	31.12.2013
Goodwill	
Total consideration	-
Balance sheet value a previously owned block of shares	63 489
Revaluation of shares held	419 011
Non-controlling interests	525 640
Less: fair value of identifiable net assets	(154 331)
Total	853 809

The goodwill arising on acquisition represents a control premium, and arises from the possibility to generate additional benefits from the expected synergies, increase in revenues and the achieved market share. These benefits were not recognised separately from the goodwill as they did not meet the conditions for being treated as intangible assets.

The goodwill arising on acquisition is not expected to be deducted for tax purposes.

In thousands of PLN

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 1,036,800 k. 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 684,288 k. 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.

On 18 September 2014, with reference to current report No. 37/2013 dated 2 August, Bank Zachodni WBK S.A. informed that it received a notification from AVIVA regarding the execution of a call option for the acquisition by AVIVA of 17% of the shares in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A.

The completion of the transaction is conditional upon AVIVA and the Bank obtaining consent from the supervisory authorities for the completion of the share transfer.

38. Acquisitions and disposals of investments in subsidiaries, associates and joint ventures

Acquisitions and disposals of investments in subsidiaries, associates and joint ventures in 1-4Q 2014 and in 1-4Q 2013.

Changes to the shareholding of Krynicki Recycling S.A.

On 9 December 2014, 320,000 ordinary bearer shares in Krynicki Recycling S.A. were sold on the regulated market. As a result, BZ WBK Inwestycje currently holds 3,332,648 shares in the company, representing 19.96% of its share capital. Consequently, as at 31 December 2014, Krynicki Recycling S.A. was no longer an associated undertaking of BZ WBK Inwestycje.

Deregistration of BFI Serwis Sp. z o.o. in liquidation

In November 2014, BFI Serwis Sp. z o.o. (subsidiary of Bank Zachodni WBK) was removed from the National Court Register.

Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK

The incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK and the foundation of a company Gieldokracja Sp. z o.o has been described in detail in Note 35.

Acquisition of controlling interest in Santander Consumer Bank S.A.

Acquisition of controlling interest in Santander Consumer Bank S.A. has been described in detail in Note 36.

Registration of Metrohouse Franchise S.A.

1 July 2014 the company Metrohouse Franchise S.A. was registered.

In September 2014, the shares of Metrohouse SA were contributed to Metrohouse Franchise SA in exchange for the newly issued shares of MHF. As a result, on 30 September 2014, BZ WBK Inwestycje Sp. z o.o. held 20.58% stake in Metrohouse Franchise SA. Following the registration of an increase in the share capital of MHF, BZ WBK Inwestycje Sp. z o.o. held a 20.13% stake in the share capital and voting power in the company as at 31 December 2014.

In thousands of PLN

Merger of Bank Zachodni WBK and Kredyt Bank S.A.

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 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 consolidated report of Bank Zachodni WBK Group for Q4 2014, the acquisition of Kredyt Bank was accounted for. Merger of Bank Zachodni WBK and Kredyt Bank has been described in detail in Report of Bank Zachodni WBK Group for 2013 in Note 55.

Kredyt Trade

On 29 June 2012, the Extraordinary General Meeting of Kredyt Trade Sp. z o.o. adopted a resolution on dissolution and liquidation of Kredyt Trade Sp. z o.o. (a subsidiary of former Kredyt Bank). On 22 August 2013, the company was deleted from the National Court Register (KRS).

The Group has finally settled remaining assets and liabilities of the entity. The liquidation result of PLN (312) k was taken to 'Profit or loss on sale/liquidation of subsidiaries and associates.'

Kredyt Trade provided auxiliary administrative services to the former Kredyt Bank, primarily in respect of managing and leasing properties and equipment.

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.

Merger of BZ WBK leasing companies

On 29 March 2013, the BZ WBK leasing companies merged in accordance with Article 492 (1) (1) of the Code of Companies and Partnerships. The merger was effected by acquisition of BZ WBK Finanse & Leasing S.A. by BZ WBK Leasing S.A., being the acquiring entity, and by transfer of the whole of the assets of BZ WBK Finanse & Leasing S.A. to BZ WBK Leasing S.A. in exchange for shares to be issued by BZ WBK Leasing S.A. to the existing partner in BZ WBK Finanse & Leasing S.A. The merger did not have any impact on the structure of the consolidated balance sheet or the financial results, as presented in this report.

39. 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.

40. 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.

In thousands of PLN

41. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments

In the reporting period there was a transfer of equity instruments held by BZ WBK Investycje between levels of the fair value hierarchy. Due to changes in valuation techniques, these instruments have been moved from Category I to Category III. In addition, investment certificates so far in the trading portfolio of the Brokerage House have been transferred from Category I to Category III as a result of adaptation and standardization of classification rules.

42. 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.

43. Comments concerning the seasonal or cyclical character of the interim activity

The business activity of Bank Zachodni WBK and its subsidiary undertakings has no material seasonal character.

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

Detailed information on:

- incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK
- acquisition of controlling interest in Santander Consumer Bank S.A.
- merger of Bank Zachodni WBK and Kredyt Bank
- controlling stake in the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A
- merger of leasing companies.

are presented in Notes 35,36,37 and 38.

45. Issues, repurchases and repayments of debt and equity securities

31.12.2014

Issue of bonds in 4Q 2014

Detailed information on the issue of bonds are presented in Note 26.

31.12.2013

Issue of bonds in 4Q 2013

Detailed information on the issue of bonds are presented in Note 26.

In thousands of PLN

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.

Information on the merger of Bank Zachodni WBK and Kredyt Bank is presented in Note 38.

46. Dividend per share

As of the date of publication of this report, the Management Board of Bank Zachodni WBK SA had not made a decision in respect of recommendation on dividend payout for 2014.

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 was PLN 7.60 per share.

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

As at 31.12.2014 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totaling a minimum of 10% of the issuer's equity.

48. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets

As at 31.12.2014 and as at 31.12.2013, either Bank Zachodni WBK or its subsidiaries did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets.

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

In the period from 01.01.2014 to 31.12.2014 or BZ WBK SA or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

In thousands of PLN

50. Events which occurred subsequently to the end of the interim period

The impact of the National Swiss Bank decision on the FX mortgage loans

Following the decision of the National Swiss Bank, in January 2015 there occurred a material depreciation of the zloty against the Swiss franc. As at 31 December 2014, the average NBP PLN/CHF exchange rate was 3.5477 vs. 4.0179 as at a 30 January 2015. The exchange rate movement affected the value and the risk profile of assets, liabilities and off-balance sheet financial instruments denominated in the currency under review. The table below presents the estimated impact of the change in the CHF/PLN exchange rate on the PLN equivalent of the mortgage loan-book value of Bank Zachodni WBK Group as at 31 December 2014.

Gross mortgage loans by currency as at 31.12.2014	FX rates as at 31.12.2014	FX rates as at 31.01.2015
CHF denominated mortgage loans, of which:	13 405 583	15 195 162
<i>Bank Zachodni WBK</i>	10 444 894	11 839 236
<i>Santander Consumer Bank</i>	2 960 689	3 355 926
Mortgage loans denominated in other currencies	17 455 257	17 425 761
Total	30 860 840	32 620 923

The above-mentioned volatility of the exchange rate would decrease the CAD ratio by 17 bp.

51. Macroeconomic situation in 2014

Economic growth

In 2014, the Polish economy was growing by more than 3%YoY, yet the economic activity slightly slowed in the second half of the year due to considerable changes in the external economic environment - the euro zone slid into stagnation and Russia introduced counter-sanctions against the European Union. This undermined the external demand for Polish products and weighed on the country's economic prospects. It is estimated that output gap stayed negative over the past year. The main driver of GDP growth was domestic demand. Private consumption growth was improving steadily, supported by favourable situation on the labour market and decent growth of households' income, but it kept at a moderate level. A healthy growth was also recorded in fixed investment, which rose at a nearly double-digit pace. Stronger domestic demand and slower growth of external demand resulted in deterioration of net exports contribution to GDP growth, which was most likely negative. However, a further deterioration of economic prospects of the main Poland's trade partners negatively affected, among others, domestic exports and industrial output, which significantly slowed in the second half of 2014. Notwithstanding, the Polish external imbalance was relatively low – according to our estimation the current account deficit accounted for ca.1.5% of GDP at the end of 2014 vs. 1.3% of GDP in 2013.

Labour market

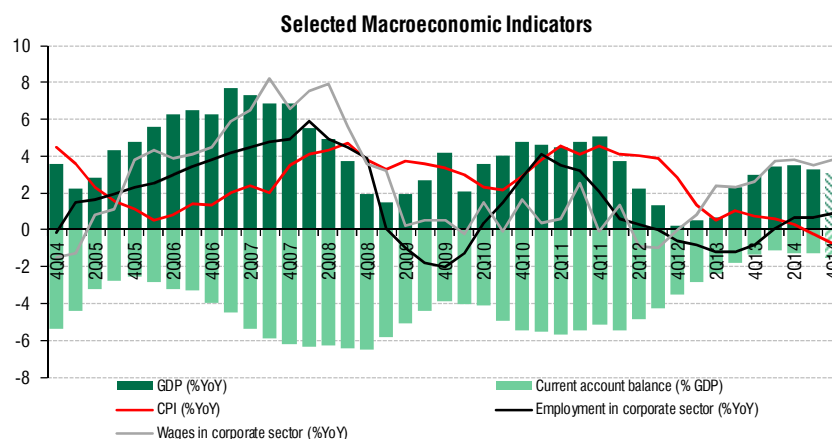
In 2014 the labour market was continuing the improvement started in the previous year. Average employment in the corporate sector was increasing gradually, and higher demand for employees was generated mostly by industrial manufacturing and retail sales. Tendencies in other sectors remained weak. Registered unemployment rate reached 11.5% at the end of the year, i.e. was by 1.9 p.p. lower than a year earlier. It was the most pronounced decline in annual terms since 2008. So far, the pace of improvement in the labour market continues and is even strengthening, but deterioration of prospects for exports and industrial manufacturing may negatively affect situation on the labour market. Wages in the corporate sector increased in nominal terms by 3.8% YoY, which together with very weak growth of consumer prices and positive increase in employment caused a significant rise in disposable incomes in real terms. According to our estimation, real wage bill in the corporate sector increased by ca. 4.5%YoY, the highest pace since 2008.

Inflation

Inflationary pressure was really low throughout 2014 under the impact of still relatively weak economic growth and deflationary tendencies outside Poland. The Russian embargo on food from the European Union was another factor supporting a decline in prices, as it caused an oversupply of food products in the Polish and the wider EU market. At the end of the year oil prices plunged, which translated into a decline of fuel prices in the domestic market. In July CPI inflation fell below zero, for the first time since the economic transformation and was declining steadily, reaching -0.9% YoY at the year-end. Annual average CPI inflation was equal to 0.0%, core inflation, excluding food and energy prices, was at 0.6% YoY and PPI inflation at -1.5%YoY.

Monetary policy

In the first part of 2014, the Monetary Policy Council was acting in line with the forward guidance policy, started back in 2013, i.e. it was keeping interest rates flat and declaring they would remain stable at least until end of 3Q 2014. The change in the external economic environment encouraged the MPC to drop this declaration in July. Interest rates were cut in October, with the reference rate going down by 50 basis points (to 2.00%), the lombard rate by 100 basis points (to 3.00%) with the deposit rate staying flat. Thus, the MPC decided to narrow the corridor between the NBP interest rates. In the following months the Council suggested that further rate cuts are possible, but did not decide to change them.

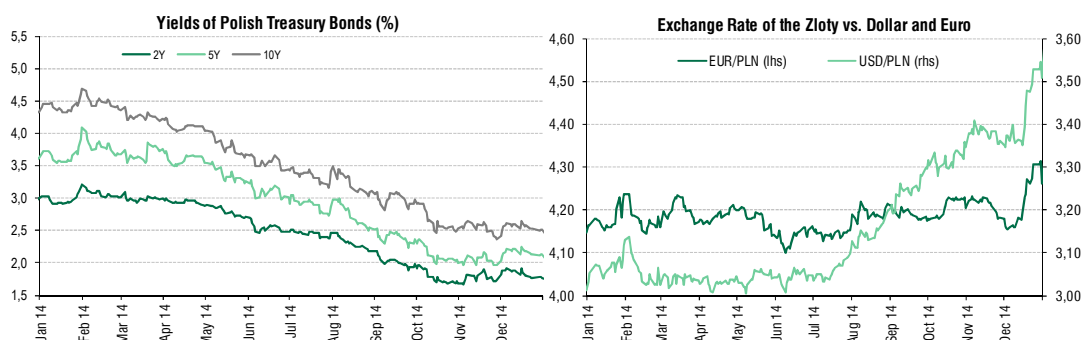


Credit and deposit markets

In 2014, the situation on the loan market improved. Companies' investment loans accelerated from 1.6% YoY at the beginning of the year to ca. 6% YoY at the end (after FX adjustment). Investment loans for corporates showed a high, double-digit growth, while current loans and real estate loans were underperforming, but showing significant acceleration and a positive growth rate. Loans in the household sector also rebounded quite visibly (increase by ca. 5% YoY on average), but the pace of growth was slower as compared with corporates. The second half of 2014 brought some termination in positive tendencies in this sector, but the pace of growth remained slightly above 4% YoY. Growth rate of households' deposits was relatively slower than in the previous year, but gradually speeding up over the 2014. At the same time growth rate of corporate deposits was higher than in 2013 and characterized by high volatility. In general, low interest rates in Poland did not really encourage depositors to search for alternative investment.

Financial market

Year 2014 in the global financial markets was very turbulent. The Federal Reserve decision to start tapering of the quantitative easing program triggered worries over the emerging market which rely on external financing. This affected the asset value in those countries, also in Poland at the beginning of the year. Consequently, Polish zloty and bonds weakened. Later on, the market was influenced by worries over the Russia-Ukraine conflict and this also had a negative impact on the Polish assets. Over the course of the year, investor moods were also adversely affected by worries over unstable situation in Iraq and results of the Scottish independence referendum. However, expectations regarding future ECB and Fed actions were the main market driver. Suggestions that rates in the US could be hiked earlier than the market expected had a negative impact on investor sentiment. At the same time, markets were supported by ECB monetary policy easing after the asset purchase program was introduced. In late 2014, market sentiment was further supported by stronger expectations for extension of the program to include corporate and government bonds. At the same time, worries over the situation in Russia, a significant plunge in oil prices and the ruble's depreciation weighed on the EM assets.



Falling yields in the core markets, dovish rhetoric of the MPC and low inflation were supporting Polish debt and money markets, and consequently interest rates and bond yields reached their fresh all-time lows. In early 2014, some uncertainty persisted in the debt market that the transfer of bond holdings of private pension funds (OFE) to the state pension fund (ZUS) would adversely influence the liquidity and this would be reflected in prices. However, these worries did not materialize. In June Polish assets were temporarily hit by the "tape scandal" that fuelled concerns that earlier elections could be called – this had a stronger impact on the FX market rather than the FI market. At the end of 2014, 2Y bond yields were at 1.77% (123 bp lower than a year ago), 10Y reached 2.51% (181 bp lower than a year earlier).

At the beginning of 2014 the zloty depreciated on the back of concerns regarding the looming monetary policy tightening in the US. EUR/PLN surged to 4.25 from 4.15. Later, after some recovery, the domestic currency depreciated again due to worries over the conflict in Ukraine. Later in the year, the zloty was supported by expectations for the ECB to start the asset purchases program and this dragged EUR/PLN down to c.4.09, the lowest level in 2014. As the year-end was approaching, the zloty was under pressure of the situation in Russia and EUR/PLN reached 4.34, its highest level in the last year. Meanwhile, USD/PLN was rather stable around 3.0 in H1 2014 but was rising significantly in the following six months amid euro's depreciation vs. the dollar. It was close to 3.55 at the year-end.

52. Activities of Bank Zachodni WBK Group in Q4 2014

Retail Banking

Personal loans

In Q4 2014, cash loan sales were steady QoQ and increased by 9% YoY. The sales activities were accompanied by the seasonal multi-media campaign (run from November to December 2014) whose advertising message focused on promoting the Christmas Lottery. The campaign was targeted at customers availing of a cash loan with the Worry-Free Loan insurance.

The Q4 mortgage sales (calculated as the value of positive credit decisions) exceeded the all-time high level of PLN 1bn, increasing by 8% QoQ and 36.7% YoY.

Personal accounts and bundled products

Personal accounts

In Q4 2014, Bank Zachodni WBK continued to acquire new customers on the back of existing personal account offer, closing 2014 with annual sales of 492k accounts. The portfolio of new personal accounts was dominated by the flagship products such as: Account Worth Recommending (Konto Godne Polecenia), Account 1 | 2 | 3, Aktywni 50+ Account and VIP Account.

Debit and pre-paid cards

Activities of Bank Zachodni WBK in the area of debit cards focused on the promotion of card payments and improvement of functionality and security of card transactions.

A number of noteworthy initiatives were launched in the area of pre-paid cards, such as Seasonal Cards sales campaign (KFnŚ 2014) with the record sales of 39k cards, cross-selling using the database of new pre-paid card customers, and conclusion of an agreement with a new partner for online cards issuance. As at 31 December 2014, the portfolio of Bank Zachodni WBK comprised 968,3k pre-paid cards, an increase of 42.2% YoY and 18.7% QoQ.

Savings and investment products

Deposits

Until the end of October 2014, Bank Zachodni WBK took intensive efforts to acquire new customers and deposit funds, mainly with a 4-month high-paying New Easy Earning Deposit. In order to strengthen the relationship and encourage more activity, respective deposits were bundled with other products as part of special offers such as "Guaranteed 4%" or "500 for 500".

Starting from November 2014, the focus was transferred to retention of maturing bank deposits and development of long-standing relationships with customers. Bonus Deposits were added to incentivise customers to buy BZ WBK products and earn adequately high interest in return. The target group included both transactional customers (opening new personal accounts or using credit cards) and saving & investment customers (availing of a wide array of products, including structured deposits and accounts coming with advisory services of the Brokerage Office).

Structured deposits

In Q4 2014, the bank continued to sell structured deposits with a wide variety of tenors and underlying instruments to suit the customers' needs.

Customers were offered 6-, 9-, 12-, 15- and 24-month deposits with yields linked to exchange rates or stock indices and 100% capital protection at maturity. The bank offered 40 products in the total of 20 subscriptions, including:

- 14 subscriptions for standard personal customers:
 - ✓ In six subscriptions, the bank offered deposits whose interest rate was linked to the EUR/PLN or USD/PLN rate and was also dependent on the investment strategy adopted by the customer: appreciation, depreciation or stabilisation of currency.
 - ✓ In six subscriptions, the yield was linked to stock indices: SX7E and DAX.
 - ✓ Two subscriptions of FX structured deposits paid interest depending on EUR/PLN or USD/PLN rates.
- 6 subscriptions were made exclusively to VIP personal customers, with interest linked to USD/PLN or EUR/PLN exchange rate.

In all, PLN 325.5m worth of funds was collected as a result of aforementioned subscriptions.

Investment funds

In Q4 2014, the customers of BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI) were particularly interested in treasury bond and corporate bond sub-funds. Consequently, the strongest net sales were posted by the following sub-funds: Arka Platinum Konserwatywny (stable growth fund), Arka BZ WBK Obligacji Skarbowych (treasury bond sub-fund), Arka BZ WBK Obligacji Korporacyjnych (corporate bond sub-fund), Arka BZ WBK Gotówkowy (money market fund) and Arka Prestiż Obligacji Skarbowych (treasury bond fund).

As at 31 December 2014, the total net assets managed by BZ WBK TFI were PLN 12.8bn and increased by 14.7% YoY and 5.1% QoQ. In Q4 2014, the increase in the value of assets was most strongly impacted by the positive net sales.

On 10 October 2014, the Arka Optima investment programme was withdrawn by BZ WBK TFI.

On 13 October 2014, changes to the Statutes of Arka BZ WBK FIO, which were announced on 12 July 2014, became effective. Consequently, three subfunds were renamed (Arka BZ WBK Obligacji Plus to Arka Platinum Konserwatywny, Arka BZ WBK Fundusz Akcji Zagranicznych to Arka Platinum Stabilny, Arka BZ WBK Energii to Arka Platinum Dynamiczny) and their investment policies were modified.

In 2014, the TFI managed funds with a stock component improved their performance results. The majority of equity and mixed funds reported 1-year and 3-year rates of return above the median. Amid upturn Turkish equity market, Arka BZ WBK Akcji Tureckich (Turkish equity fund) was ranked 2nd on the list of top 10 retail funds (by rate of return in the period from January to December 2014) published by Analizy Online on 7 January 2015, with the yield of 34.3% (w zł). Also, two subfunds of Arka BZ WBK FIO: Arka BZ WBK Zrównoważony (balanced fund) and Arka BZ WBK Stabilnego Wzrostu (stable growth fund) were among the six funds recognised by Analizy Online for their steadily increasing performance (ranking of funds in the review of their November 2014 performance). Both subfunds were placed in the first quartile in terms of 6-month, annual and 10-year results.

Leasing

Throughout 2014, BZ WBK Leasing S.A. and BZ WBK Lease S.A. financed PLN 2,825.9m worth of net assets, which represents a 30% growth YoY and makes the company one of the largest players on the leasing market. A particularly pronounced growth was recorded in the vehicles segment, where the sales of cars, trucks and large vehicles reached PLN 1,315.6m (+41% YoY). Sales of machines and equipment went up by 27% YoY to PLN 1,465.5m (on the back of, inter alia, performance in the agriculture sector), which strengthened the company's leadership position in the machines and equipment financing market.

In Q4 2014, the agreement execution procedure was streamlined for customers. In November, a new external sales network was set up in cooperation with agents and authorised representatives. Leasing companies also implemented cooperative agreement with the Bank to launch sales of selected bank products as part of the outsourcing of banking business-related operations.

Business & Corporate Banking

As at the end of December 2014, the Business & Corporate Banking Division provided services to the customer base of 9,000 entities from all the business sectors, supporting them in building and growing their business.

In Q4 2014, Corporate Banking continued the dynamic growth in some of its key business lines in accordance with the strategy of a two-digit growth.

The profile and performance of the target customer segments are presented below.

Target customer segments

Corporate Customers

Q4 saw the continuation of work on further enhancing the image of Corporate Banking as a reliable business partner, financing both the working capital needs and investment projects of customers. The primary focus was on building long-term relationships with customers by supporting their current operations and offering a rich variety of products, both credit and non-credit. In 2014, loan volumes in Corporate Banking Centres increased by 14%, significantly outperforming the market. At the same time, by expanding its offer of transaction products, the Bank systematically increased its deposit base. Deposit portfolio increased by 17% vs. 9.4% market growth in 2014. One of the main focus in 2014 was customer acquisition - 469 new corporate customers were won with PLN 28.7m revenue in 2014, which is 96% higher result comparing to 2013. Comprehensive set of customer service initiatives were implemented in the following key areas: operational client service, credit process efficiency, quality measurement and management. It was accompanied by continued investment in people, products and processes. In Q4 2014, Corporate Banking continued to improve cross-sell growth especially in a number of key products with high potential such as foreign trade finance, factoring, leasing and interest rate products.

Property Segment

The property segment provides solutions in the area of property finance. This specialized team manages relationships in all of Poland, additionally acting as "product specialist" for corporate and GBM clients with property activity. The strategy focuses mainly on 3 sectors: residential development, commercial development and commercial investment. Good dynamics in revenue and volume growth result from a number of activities: concentration on balance sheet volumes, new Development deal with focus on winning of Prime deals (100% success rate in winning targeted Prime deals), increasing visibility in the market (funding projects for majority of top developers).

Large Corporate

Large Corporate segment continues to service customers with annual revenues exceeding PLN 500m. Customers benefit from tailor-made solutions and approach through a complete and comprehensive customer proposition covering loans, deposits, transactional banking, treasury, leasing, factoring, but also a range of more sophisticated capital markets products. The Department manages relationships with some of the key market players. A new long-term strategy has been prepared for this segment to ensure further growth of volumes, revenues and market share.

Factoring activity

In Q4 2014, BZ WBK Faktor reported a turnover at PLN 4,028.4m, up 11% QoQ. On an annual basis, the value of purchased receivables totalled PLN 14,427.9m (including PLN 4.4bn worth-of non-recourse factoring) and increased by 33% YoY, exceeding significantly the market growth rate of 17% YoY. The major part of factoring volumes was generated on behalf of Bank Zachodni WBK customers. With this performance the company retained a 13% share in the market and was ranked the 3rd among the members of the Polish Factors Association. As at 31 December 2014, the company's loan portfolio totalled PLN 2,299m, an increase of 36% YoY.

Global Banking & Markets

As at the end of December 2014, the active Global Banking & Markets (GBM) customer base included nearly 150 largest companies and groups from energy, financial, FMCG, pharmaceutical, retail, mining, chemical and household appliance sectors.

In addition, GBM was responsible for the bank's activities on the financial markets and provided specialist financial products (including brokerage ones) to retail and corporate customers.

The profile and performance of the respective business lines are presented below.

Global Transactional Banking

Global Transactional Banking provides support to GBM customers in respect of cash management in current accounts and deposits, and financing of working capital needs. The offer also includes trade finance, guarantees, factoring, leasing and custodian services.

Throughout 2014, the bank provided financing to companies from the energy, pharmaceutical, shipbuilding and financial sectors. It also actively cooperated with companies from the fuel, retail, food, mining and construction sectors regarding other products and services.

In Q4 2014, Transactional Banking closed a number of financing, guarantee and trade finance deals with companies from the financial, mining, fuel, pharmaceutical and retail sectors.

As at 31 December 2014, the portfolio of active credit agreements of the Global Transactional Banking (i.e. a sum of open credit lines) totalled PLN 3.1bn (up 8% YoY). A YoY increase was also noted in the factoring business volumes, which amounted to PLN 0.9bn as at the end of December 2014, a large portion coming from the FMCG sector.

The value of balances in customer deposits and current accounts increased by 44% YoY to PLN 6.5bn at the end of December 2014. Term deposits had a significant share in the deposit base, contributing 72%.

Financial Solutions and Advisory

Corporate Finance

In Q4 2014, the Corporate Finance Department sold shares in Krynicki Recycling. It also provided analytical and advisory services to customers and was engaged as a financial/transactional advisor for companies from the mining, fuel, financial and energy sectors.

Under the agreement with the European Investment Bank, the Department managed the Urban Regeneration Fund for Greater Szczecin (JESSICA Programme). Ca. 66% of the credit line was drawn as at the end of 2014.

Credit Markets

The GBM Credit Markets Department provides funding towards medium and long-term investment projects delivered by GBM customers through loans and debt issue.

In Q4 2014, the Department provided funding towards customers from the telecom, mining, power, fuel and financial sectors. It also closed financing deals with companies from the construction and retail sectors.

In addition, the Department worked closely with the Global Transactional Banking and Business and Corporate Banking Division as regards financing for customers from the retail and public sectors.

As at 31 December 2014, the value of the loan-book of the business line under review totalled PLN 4.0bn, an increase of 36% YoY, whereas the value of active credit agreements (i.e. a sum of open credit lines) climbed to nearly PLN 6.4bn.

Financial Markets

Treasury

In Q4 2014, the Treasury continued the income diversification strategy based on development of interest rate hedges. The range of interest rate hedging instruments offered by the bank was extended to include new solutions for corporate customers. Also, intensive efforts were taken to expand the scope of interest rate hedges for SME customers and mortgage borrowers.

Foreign exchange continues to be the main source of revenues. The bank offered a number of new solutions to customers to hedge against the currency risk in a long term. Also, additional tools were introduced to facilitate foreign currency transactions made in the bank's branches. On top of that, the bank continued to promote hedging instruments among corporate and SME customers.

Brokerage activity

On 31 October 2014, the brokerage activity was formally incorporated in the structure of the bank, which used to act as an agent for Dom Maklerski BZ WBK in respect of brokerage services. As a result, retail, corporate and business customers were presented with comprehensive and competitive products and services.

The annual performance of the Brokerage Office in 2014 as measured by the stock trading volumes in the main WSE markets was as follows:

- The share in equity trading totalled 6.89% and declined by 0.25 p.p. YoY, which placed the Brokerage Office in the 3rd position on the equity market compared with the 4th position in 2013.
- The share in futures trading amounted to 8.63%, i.e. down 2.29 p.p. YoY. Despite the decline, the Brokerage Office maintained the 3rd position on the futures market.
- The share in options trading went up by 6.27 p.p. YoY to 19.17%, giving the Brokerage Office the 2nd position on the options market (compared with the 4th place in 2013).

"Next Generation Bank" Program

Q4 2014 saw continuation of works launched in the previous periods in individual project streams of the Next Generation Bank Program. The process of adjusting the new linkage measure (introduced in Q1 2014) to the Santander Group's business model was finalized in the Retail Banking. In addition, actions were taken with a view to simplifying further processes and products. Preparations and roll-outs with regard to Multichannel CRM significantly accelerated, including customer activation and onboarding under the fast track procedure. The Business & Corporate Banking implemented new solutions, enhancing the quality of the customer service while in the Global Banking & Markets area new offers for customers were designed in collaboration with the Business & Corporate Banking Division. As regards the HR stream, works were continued to strengthen the engagement of employees, i.e. development of leadership styles, redefinition of manager roles and a new approach to staff development. In addition, in Q4 2014, actions were taken to establish priorities and a new structure for the Program in 2015, including further simplification of processes and products, modernization of the proposition as part of the "Simple Bank" stream and execution of Multichannel CRM.

Santander Consumer Bank Group

Profile

Santander Consumer Bank is a financial institution with many years' experience and a strong position in the consumer finance sector, focused on providing households with innovative products and banking services. The bank's business is based on a tried-and-tested business model with a multi-product and multi-channel approach, addressed to a diverse customer base, as well as a continuous and regular cross-selling and up-selling. The bank's offer is supplemented with car finance through leases provided by Santander Consumer Multirent Sp. z o.o., a wholly-owned subsidiary of Santander Consumer Bank.

Loans

As at 31 December 2014, gross loans and advances to Santander Consumer Bank Group amounted to PLN 13,913.9m and increased by 3% QoQ as a result of the steady growth of cash loans (+6% QoQ), credit card receivables (+12% QoQ) and instalment loans (+10% QoQ). The increased demand for cash loans is a result of reduced interest rates in the market and the intensive marketing campaign. Credit card receivables increased on the back of co-branded cards, while the increase in instalment loans was driven by the stronger activity of the bank's key customers. As the credit portfolio was growing, its structure was improved with a higher share of high-margin products.

Deposits

Deposits from customers increased by PLN 351.5m QoQ, mainly driven by business term deposits.

Retail deposits are the bulk of the bank's deposit base, and mainly include term deposits with a fixed capitalisation rate at the year-end. The remaining portion is made up by business deposits.

With regard to retail deposits, the bank continued the process of balance stabilisation while gradually reducing the cost of this source of funding. The bank focuses on the sale of deposits for tenors exceeding 1 year, by offering attractive pricing, particularly on 24M and 36M deposits.

Selected Distribution Channels

Branch Network and Complementary Channels

As at 31 December 2014, Bank Zachodni WBK had a network of 788 branches (locations), i.e. down by 15 QoQ and by 42 YoY. The lower number of branches is the outcome of optimisation processes, involving restructure or liquidation of outlets (with or without their deregistration from the National Court Register).

The bank's branch network was supported by 115 Partner outlets (116 outlets as at the end of September 2014 and 113 outlets as at the end of December 2013).

ATMs/Cash Deposit Machines

At the end of December 2014, the ATM network of Bank Zachodni WBK comprised 1,365 machines (1,374 as at the end of September 2014 and 1,385 as at the end of December 2013). In Q4 2014, the bank continued the process of rationalisation of ATMs, mainly through their relocation to more frequented and more accessible places.

In Q4 2014, BZ WBK network of cash deposit machines was expanded to include additional 53 machines installed in branches, reaching 204 items in total at the end of the year.

Mobile Banking

On 1 November 2014, the bank launched an upgraded version of BZWBK24 mobile featuring:

- access to credit (e.g. cash loans, overdrafts and overdraft limit increases) for customers with a pre-defined credit limit in place;
- improved screen layouts.

In December 2014, the bank added certain new features to its BZWBK24 mobile banking offer:

- BZWBK24 mobile application for tablets which is integrated with Android (downloadable free of charge from Google Play) and features all functionalities of mobile banking;
- Mobile Shopping service available via BZWBK24 mobile application for phones integrated with Windows Phone (previously only iOS or Android);
- Online Advisor services available via BZWBK24 mobile application for smartphones and tablets - enables contact with BZ WBK advisor (via video call, audio call or internet chat).

Internet Banking

In December 2014, the bank launched an upgraded version of BZWBK24 Internet platform featuring:

- new website in BZWBK24 Internet providing easy access to basic information about a selected account, most frequent operations, sites, pre-populated forms;
- Online Advisor services (also accessible via BZWBK24 mobile).

In Q4 2014, mobile and internet banking customers could avail of a number of special offers, including Mobile Shopping, phone top-ups via electronic banking, Przelew24 services, 50% lower fee on cash loans, seasonal discounts with selected partners as part of Special Offers, Christmas Card Lottery (Losomania).

Telephone Banking Centre (CBT)

The Telephone Banking Centre delivered the following initiatives:

- campaign supporting the Programme for regular bank customers;
- extended range of after-sales services available via 1 9999 helpline including: acceptance of instructions for automatic credit card payments, change of the correspondence address, consent to receive commercial information via electronic channels;
- continued quality assessment to verify the customers' satisfaction with services delivered by the bank, including the helpline;
- extension of Call Centre infrastructure to handle Kredyt Bank card holders upon migration.

The quality of services rendered by BZ WBK Telephone Banking Centre has improved, which is confirmed by the 5th position (7 notches up) in the banking helpline survey carried out by ARC Rynek i Opinia polling institution.

Distribution network of Santander Consumer Bank

As at 31 December 2014, Santander Consumer Bank sold its products through the following distribution channels:

- A network of 173 own branches (including two Customer Service Points that are being converted into regular branches) and 106 franchise outlets;
- A structure for mobile sales of car loans;
- A structure for mobile sales of corporate deposits;
- Remote channels, including the call center and Internet;
- A network of 588 partners selling the bank's car loans and 14,019 active partners selling the bank's instalment loans and credit cards.

Employment

As at 31 December 2014, the number of FTEs in Bank Zachodni WBK Group was 14,835 vs. 12,612 as at 31 December 2013. The headcount figures as at the end of December also include FTEs of Santander Consumer Bank Group of 2,720.

In Q4 2014, BZ WBK Group continued optimisation of organisational structure, taking account of current business needs and market environment.

Results of asset quality review and stress tests in Bank Zachodni WBK

The results of an asset quality review carried out by the European Central Bank (ECB) and the results of stress tests carried out by the ECB in cooperation with the European Banking Authority as at 31 December 2013 were released on 26 October 2014.

The results confirm that Bank Zachodni WBK operates with capital adequacy ratios significantly exceeding the requirements of the regulator, is financially stable and has very high resilience to adverse economic conditions.

Changes in the share capital of Bank Zachodni WBK in Q4 2014

Sale of shares in Bank Zachodni WBK by way of an accelerated book building

On 6 October 2014, the sale of 1,984,691 shares in Bank Zachodni WBK by Banco Santander was settled. The transaction was effected through an accelerated book building targeted at qualified institutional buyers from member states of the European Economic Area. As a result, the share of Banco Santander in the total number of votes at the general meeting of the shareholders of Bank Zachodni WBK decreased from 71.41% to 69.41%.

The transaction was executed in relation to Banco Santander's undertaking toward the Polish Financial Supervision Authority (KNF) made in connection with obtaining the KNF approval for the merger of Bank Zachodni WBK and Kredyt Bank to keep the free float of Bank Zachodni WBK shares at the minimum level of 30%.

Exceeding 5% of BZ WBK share capital by ING Otwarty Fundusz Emerytalny

According to the notification of 9 October 2014, ING Otwarty Fundusz Emerytalny (ING OFE) open-ended pension fund acquired additional shares of Bank Zachodni WBK and consequently exceeded 5% of the total number of votes at the company's general meeting of shareholders. On 9 October 2014, the total of 5,110,586 BZ WBK shares were deposited in the Fund's securities account, representing 5.15 % of the bank's share capital and voting power.

Changes in the structure of Bank Zachodni WBK Group

Incorporation of Dom Maklerski BZ WBK in the structure of Bank Zachodni WBK and set-up of a new company Gieldokracja

In accordance with the Division Plan approved by the Extraordinary General Meeting of Bank Zachodni WBK of 30 September 2014, in Q4 2014 the division of Dom Maklerski BZ WBK (DM BZ WBK) was effected through the transfer:

- to Bank Zachodni WBK of an organised part of the enterprise of DM BZ WBK connected with the provision of brokerage services as well as other services not constituting the advertising business;
- to Gieldokracja, a newly founded limited liability company, of an organised part of the enterprise of DM BZ WBK connected with educational activities with respect to the operation of the capital market, operating internet portals and providing advertising and information-related services.

On 31 October 2014, Dom Maklerski BZ WBK was deregistered from the National Court Register (KRS) without the liquidation procedure, and Gieldokracja was registered in KRS.

Dom Maklerski BZ WBK became a separate unit of the bank which meets the definition of a brokerage office and conducts brokerage activity in accordance with the clearance issued by the Polish Financial Supervision Authority (KNF) on 10 June 2014.

As Bank Zachodni WBK was the sole shareholder of Dom Maklerski BZ WBK, the bank's share capital was not increased through the issue of shares in exchange for the acquired assets of the company. The bank took up all shares in the newly founded company Gieldokracja, i.e. 1,000 shares with the nominal value of PLN 100 each and the total nominal value of PLN 100k.

Diversification of funding sources for the core business of the Bank and subsidiaries

Credit Agreement

On 18 December 2014, Bank Zachodni WBK signed an agreement with a foreign bank for USD 50m worth of general purpose financing. The funds were disbursed on 16 January 2015. Pursuant to the agreement, the loan bears a variable interest rate based on 6M Libor and is to be repaid in two years of the date of the agreement.

Issue of debt securities of Santander Consumer Bank

In 2014, Santander Consumer Bank continued its issue of bonds as part of the debt securities issue programme, guaranteed by Santander Consumer Finance.

In H2 2014, bonds with a nominal value of PLN 670m were issued, with maturities ranging from 6 months to 5 years. The bonds bear a variable interest rate based on 6M/3M WIBOR, while the interest rate on short-term instruments is fixed. All the securities have been issued in a private placement.

Bank Zachodni WBK Rating

In its press release of 26 November 2014, Fitch Ratings affirmed the ratings of Bank Zachodni WBK of 2 June 2014 and key rating drivers.

The rating actions on Bank Zachodni WBK as at 31 December 2014 are summarised below.

- Long-term foreign currency IDR: BBB+, Outlook Stable
- Short-term foreign currency IDR: F2
- Viability Rating: bbb
- Support Rating: 2
- National long-term rating: AA-(pol), Outlook Stable.
- Senior unsecured debt national long-term rating: AA-(pol).

The rating actions on IDRs are based on Fitch's view of a high probability that Bank Zachodni WBK would be supported, if required, by its controlling entity. Fitch believes that Poland is a strategically important market for Banco Santander, which gives Bank Zachodni WBK a relevant position in the Group.

The agency expects that continued parent support will provide a floor for the bank's Long-term IDR at one notch below that of its parent.

The VR of the bank reflects its strong stand-alone credit risk profile, underpinned by healthy internal capital generation, solid performance, good asset quality, strong liquidity and stable funding base.

The agency states that Bank Zachodni WBK VR could be upgraded by one notch, to "bbb+" if it continues to perform strongly after the integration of other banks, if the key financial metrics remain sound and if there is no significant deterioration in the Polish economy.

Fitch Rating	Ratings raised/affirmed in the announcement of 2.06.2014 and affirmed in the announcement of 26.11.2014 ¹⁾		Ratings affirmed/assigned in the announcement of 4.12.2013 ²⁾
	International Ratings		
Long-term IDR	BBB+		BBB
Outlook for the long-term IDR rating	stable		stable
Short-term IDR	F2		F3
Viability rating	bbb		bbb
Support rating	2		2
National Ratings			
National long-term rating	AA-(pol)		A+(pol)
Senior unsecured debt national long-term rating	AA-(pol)		A+(pol)
Outlook for the national long-term rating	stable		stable

¹⁾ BZ WBK ratings valid as at 31.12.2014

²⁾ BZ WBK ratings valid as at 31.12.2013

53. Overview of Bank Zachodni WBK Group performance after four quarters of 2014

Financial and business highlights

- Total income of Bank Zachodni WBK Group increased by 8.0% YoY to PLN 6,579.0m. Excluding the gains on subordinated entities, total income increased by 15.8% YoY.
- Total costs grew by 8.4% YoY to PLN 3,103.8m.
- Profit-before-tax was PLN 2,640.0m and up 5.0% YoY.
- Profit attributable to the shareholders of Bank Zachodni WBK was PLN 1,914.7m and decreased by 3.4% YoY.
- Capital Adequacy Ratio stood at 12.91% based on a new calculation methodology compliant with CRD IV/CRR approach (13.92% as at 31 December 2013, calculated in line with the Polish Financial Supervision Authority Resolution of 10 March 2010).
- Return on Equity was 14.4% (16.6% as at 31 December 2013), and 15.5% (18.4% as at 31 December 2013) excluding the cost of integration with Kredyt Bank. In Q3 2014, the Group's capital base was increased by PLN 2,159.5m as a result of two issues of shares of Bank Zachodni WBK.
- Cost to income ratio was 47.2% (47.0% in 2013), and 44.5% excluding the cost of integration with Kredyt Bank (42.7% in 2013).
- Net impairment losses on loans and advances amounted to PLN 836.6m compared with PLN 729.3m in 2013.
- NPL ratio was 8.4% (7.9% as at 31 December 2013), while the ratio of impairment losses to the average gross credit volumes was 1.0% (no changes vs. 31 December 2013).
- Net loans to deposits ratio was 90.4% as at 31 December 2014 compared with 86.7% as at 31 December 2013.
- Gross loans to customers went up 27.0% YoY to PLN 90,947.1m due to a YoY increase of 40.4% in personal loans (to PLN 47,784.1m) and a YoY increase of 14.1% in loans and advances to enterprises and the public sector (to PLN 39,340.7m).
- Deposits from customers grew by 20.9% YoY to PLN 94,981.8m due to a YoY increase of 21.4% in the value of deposits from personal customers (to PLN 58,257.0m) and a YoY increase of 20.2% in the value of deposits from enterprises & the public sector (to PLN 36,724.8m).
- Net value of assets in mutual funds and private portfolios totalled PLN 13.2bn, and was up 4.9% QoQ and 13.6% YoY.
- The number of customers using BZWBK24 electronic banking services reached over 3m (+2.7% YoY), the number of customers with access to mobile banking services amounted to 0.5m (+102.1% YoY), while the payment card base of Bank Zachodni WBK Group included 4.3m debit cards (+15.8% YoY) and 1m credit cards (+57.3% YoY), including credit cards of SCB customers as at 31 December 2014.

External factors significantly affecting financial results in 2014

- Economic slowdown in the euro zone. Contracting economies of Russia and Ukraine as a result of the conflict between both countries.
- Higher than in 2013 but decelerating over 2014 growth of industrial output, construction output and retail sales.
- Good situation of the labour market – gradual increase of employment in enterprise sector, declining unemployment and relatively fast wage growth, supporting private consumption.
- Low inflationary pressure, CPI inflation rate remaining well below the NBP's official target (2.5%).
- Reduction in the NBP official rates and narrowing of the rates corridor.
- Changes of moods in international financial markets under influence of expectations for future policy of main central banks (Fed, ECB), incoming macroeconomic data, worries about military conflicts and economic sanctions.
- Changes of the zloty exchange rate against main currencies. Drop of yields of Polish bond.
- Robust growth of investment loans with a moderate increase in total banking loans.

Income Statement of Bank Zachodni WBK Group – presented on an annual and quarterly basis

The table below shows changes in the key items of the Group's consolidated income statement for Q4 2014 compared with Q3 2014 and for the whole of 2014 compared with 2013.

PLN m						
Condensed Income Statement (for analytical purposes)	Q4 2014	Q3 2014	2014	2013	QoQ Change	YoY Change
Total income	1 844,0	1 752,5	6 579,0	6 089,9	5,2%	8,0%
- Net interest income	1 071,0	1 152,8	3 996,8	3 276,6	-7,1%	22,0%
- Net fee & commission income	471,9	482,7	1 847,8	1 778,6	-2,2%	3,9%
- Other income	301,1	117,0	734,4	1 034,7	157,4%	-29,0%
Total costs	(857,4)	(804,9)	(3 103,8)	(2 862,1)	6,5%	8,4%
- Staff, general and administrative expenses	(749,3)	(697,2)	(2 719,5)	(2 607,6)	7,5%	4,3%
- Depreciation/amortisation	(84,4)	(82,4)	(308,0)	(219,3)	2,4%	40,4%
- Other operating expenses	(23,7)	(25,3)	(76,3)	(35,2)	-6,3%	116,8%
Impairment losses on loans and advances	(284,6)	(216,0)	(836,6)	(729,3)	31,8%	14,7%
Profit/loss attributable to the entities accounted for using the equity method	0,3	0,9	1,4	16,2	-66,7%	-91,4%
Profit-before-tax	702,3	732,5	2 640,0	2 514,7	-4,1%	5,0%
Tax charges	(206,1)	(156,4)	(592,7)	(500,1)	31,8%	18,5%
Net profit for the period	496,2	576,1	2 047,3	2 014,6	-13,9%	1,6%
- Net profit attributable to BZ WBK shareholders	445,2	515,9	1 914,7	1 982,3	-13,7%	-3,4%
- Net profit attributable to non-controlling shareholders	51,0	60,2	132,6	32,3	-15,3%	310,5%

The profit-before-tax earned by Bank Zachodni WBK Group in Q4 2014 was PLN 702.3m and down 4.1% QoQ. It amounted to PLN 2,640.0m for the entire 2014, an increase of 5.0% YoY.

The profit attributable to the shareholders of Bank Zachodni WBK for the last three months of the year was PLN 445.2m and decreased by 13.7% QoQ. On an annual basis, it amounted to PLN 1,914.7m, i.e. down by 3.4% YoY.

Impact of changes in the Group structure on comparability of the periods covered by the income statement

From December 2013, Bank Zachodni WBK had acquired direct control over three subsidiaries (BZ WBK-Aviva TUO, BZ WBK-Aviva TUnž and Santander Consumer Bank) and included them in its consolidated accounts, which resulted in significant increases in the individual income and cost items of the consolidated income statement, with a moderate impact on the PBT for 2014.

The BZ WBK-Aviva insurance companies that have been consolidated in the financial statements since 1 January 2014, in the comparable period met the definition of associates and were recognised using the equity method.

Since 1 July 2014, the consolidated pre-tax profit of Bank Zachodni WBK Group had also contained the results of Santander Consumer Bank and its connected entities (SCB Group), which for the second half of 2014 was PLN 268.6m (after consolidation and intercompany adjustments).

Upon gaining control over BZ WBK-Aviva companies in December 2013 r., the pre-existing shareholding in both entities were re-measured to fair value, which increased the profit-before-tax of the Group by PLN 419m and caused the high base effect in the consolidated profit and loss account for 2014.

Key factors affecting the profit of Bank Zachodni WBK Group in 2014

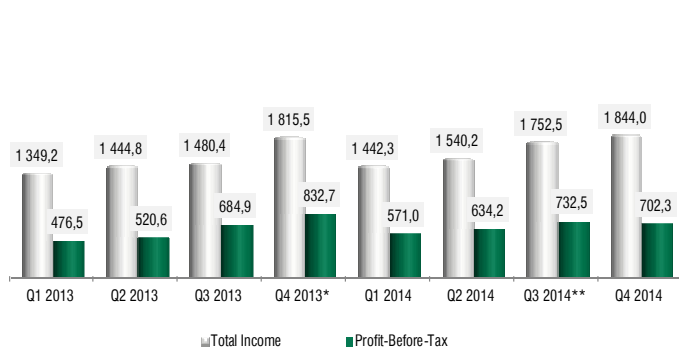
- Increase in the net interest income of PLN 720.2m YoY, reflecting the growth in the quarterly net interest margin, which increased steadily over three consecutive quarters of the year (from 3.60% in Q1 2014 to 4.07% in Q3 2014) to slide to 3.55% in Q4. The net interest margin increased YoY in the lower interest rate environment due to the harmonisation of the post-merger deposit offer, continued optimisation of deposit and credit product parameters, favourable directions of business development, and the first-time consolidation of SCB Group in the financial statements. The decline in the net interest margin in the last quarter of the year is mainly attributable to the interest rate cut in November which negatively affected interest income on loans, in particular the retail portfolio.

- Moderate growth in the fee and commission income (+PLN 69.2m YoY) driven by the development of the Polish economy and financial markets, regulatory changes, competitive pressure and the extended scope of consolidation of Bank Zachodni WBK Group's financial statements. An increase in the fee income from credit facilities, foreign exchange transactions and credit cards was accompanied by a decline in brokerage fees and fees for e-business and payment transactions. The inclusion of SCB in the consolidated accounts resulted in higher fee and commission income of Bank Zachodni WBK Group, mainly in the segment of credit cards and insurance, whereas the consolidation of BZ WBK-Aviva companies triggered a change in the recognition of insurance income generated by the Group, which reduced insurance fee income and expanded other operating income.
- Decrease of PLN 300.3m in other income is due to a high-base effect arising from recognition of the gross profit from re-measurement to fair value (as at the date of gaining control) of the bank's pre-existing stake in BZ WBK-Aviva companies (PLN 419m) in Q4 2013 and also to the lower gains on the trading portfolio and other financial instruments (-PLN 85.1m and -PLN 72m YoY), realised in the management of the Group's financial assets structure in accordance with the pursued strategic objectives and in view of the conditions prevailing in the bonds, IRS and FX markets. The resulting income decline was partly offset by the net insurance income of PLN 178.1m generated by BZ WBK-Aviva TUO and BZ WBK TUŃ.
- Increase of PLN 107.3m YoY in loan impairment losses (including SCB Group) as a result of a close monitoring of the credit risk attached to individual credit portfolios of Bank Zachodni WBK Group.
- Effective cost management by Bank Zachodni WBK Group amid the delivery of diverse development projects and continued integration. Excluding the integration and other non-recurring costs, operating expenses of SCB Group and BZ WBK-Aviva companies along with the amortisation arising from allocation of the purchase price of the insurance entities, the underlying cost base of Bank Zachodni WBK Group decreased by 2.8% YoY.

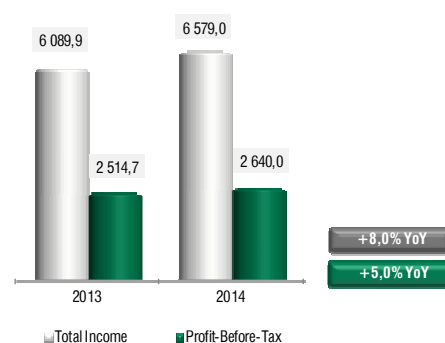
Key factors affecting the profit of Bank Zachodni WBK Group in Q4 2014

- Decrease in the net interest income (-PLN 81.8m QoQ) driven by the narrowing net interest margin in Q4 (from 4.07% in Q3 2014 to 3.55% in Q4 2014) in response to the NBP interest rate cut in October (reference rate by 50 b.p., lombard rate by 100 b.p.) and the market expectations of further cuts.
- Increase in other income as a result of the gain on the sale of treasury bonds (+PLN 151.5m QoQ) achieved in the bond market rally as part of management of the Group's balance sheet.
- Increase in impairment losses on loans and advances (+PLN 68.6m QoQ) as a consequence of one-off events in the corporate portfolio.
- Increase in total costs (+PLN 52.5m QoQ) under the impact of integration and other non-recurring costs. Adjusting for these projects, total costs increased by 1.9%.

Total Income and Profit-Before-Tax by Quarters in 2013 and 2014 (PLN m)



Total Income and Profit-Before-Tax for 2013 and 2014 (PLN m)



* As Bank Zachodni WBK acquired additional 16% stake in BZ WBK-Aviva TUO and 16% stake in BZ WBK-Aviva TUŃ, its previous shares in both entities (50% in each) were measured at fair value at the acquisition date, which increased the Group's PBT for Q4 2013 by PLN 419m.

** On 1 July 2014, Bank Zachodni WBK acquired ordinary and preference shares in SCB, representing 60% of the share capital and 67% of votes at the General Meeting of SCB. In this way, SCB became a subsidiary and together with its connected entities became a part of Bank Zachodni WBK Group.

Structure of Bank Zachodni WBK Group profit-before-tax by contributing entities

The table below shows the profit contribution of respective members of Bank Zachodni WBK Group to the consolidated income statement for Q4 2014 vs Q3 2014 and for the entire 2014 vs. 2013.

PLN m

Components of Bank Zachodni WBK Group Profit-Before-Tax by contributing entities	Q4 2014	Q3 2014	2014	2013	QoQ Change	YoY Change
Bank Zachodni WBK S.A.	533,9	749,6	2 478,4	1 969,4	-28,8%	25,8%
Existing subsidiary undertakings:	168,3	211,9	500,0	186,4	-20,6%	168,2%
Santander Consumer Bank and its subsidiaries ¹⁾	119,4	149,2	268,6	-	-20,0%	-
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. ²⁾	23,7	19,9	75,4	78,6	19,1%	-4,1%
BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. ³⁾	10,6	9,8	29,1	-	8,2%	-
BZ WBK Leasing S.A., BZ WBK Lease S.A. and Finanse Sp. z o.o. ⁴⁾	6,7	17,5	72,8	48,4	-61,7%	50,4%
Dom Maklerski BZ WBK S.A. ⁵⁾	2,5	9,3	24,6	41,2	-73,1%	-40,3%
Faktor Sp. z o.o.	(1,9)	5,7	21,2	16,7	-	26,9%
Other subsidiary undertakings ⁶⁾	7,3	0,5	8,3	1,5	1360,0%	453,3%
Equity method valuation	0,3	0,9	1,4	16,2	-66,7%	-91,4%
Elimination of dividends received by BZ WBK ⁷⁾	-	(229,5)	(338,7)	(75,5)	-	348,6%
Other intercompany and consolidation adjustments ⁸⁾	(0,2)	(0,4)	(1,1)	418,2	-	-
Profit-after-tax	702,3	732,5	2 640,0	2 514,7	-4,1%	5,0%

- 1) On 1.07.2014, Bank Zachodni WBK acquired ordinary and preference shares in Santander Consumer Bank (SCB), representing 60% of the share capital of SCB and 67% of votes at the SCB General Meeting. The following SCB subsidiaries are also subject to consolidation: AKB Marketing Services Sp. z o.o., Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse S.A. and S.C. Poland Auto 2014-1 Limited. The amounts provided above represent profit-before-tax of SCB Group after intercompany and consolidation adjustments.
- 2) Combined profit-before-tax of these entities excludes dividend received by BZ WBK Asset Management from BZ WBK Towarzystwo Funduszy Inwestycyjnych in the amount of PLN 30.3m in 2014 and PLN 23.2m in 2013.
- 3) BZ WBK-Aviva TUO and BZ WBK-Aviva TUŃZ changed their status from joint ventures to subsidiary undertakings at the end of 2013. Throughout 2013, both entities were accounted for using the equity method. As at 31 December 2013 only their statements of financial position were consolidated with Bank Zachodni WBK. The amount provided above represents profit-before-tax of both companies after consolidation adjustments and post-audit profit adjustments.
- 4) Effective from 31 January 2014, Kredyt Lease changed the company's name to BZ WBK Lease.
- 5) BZ WBK Brokerage House SA was removed from the Court Register on 31.10.2014. Part of the company which had been involved in brokerage activities was incorporated into the structure of BZ WBK S.A., and the rest was transferred to the newly created company Geldokracja Sp. z o.o which is responsible for advertising and information.
- 6) The amounts for 2014 include BZ WBK Inwestycje, BZ WBK Nieruchomości and BFI Serwis in liquidation (de-registered on 20 November 2014). In 2013, there was also Kredyt Trade (de-registered on 22 August 2013).
- 7) The amount for Q3 2014 and 2014 includes dividend income of PLN 229.5m received by Bank Zachodni WBK from SCB.
- 8) Intercompany and consolidation adjustments (other than dividends) for 2013 include the impact of re-measurement to fair value of the pre-existing BZ WBK shareholding in BZ WBK-Aviva companies as at the date of gaining control over them (PLN 419m).

The unconsolidated profit-before-tax of Bank Zachodni WBK for the last three months of 2014 decreased by 28.8% QoQ on account of a dividend PLN 229.5m from Santander Consumer Bank recognised in the comparable period. Q4 2014 also witnessed a decrease in the net interest income (-PLN 69.7m QoQ) following another interest rate cut by the Monetary Policy Council, the increased staff and administrative expenses (+PLN 62.0m QoQ) due to the development projects pursued, revised salaries /bonus accruals and higher net loan impairment charges (+PLN 31m QoQ) as a result of the review/validation of credit risk parameters, and movements in provisioning for the corporate loan portfolio. The negative impact of the above-mentioned components was reduced by higher gains on other financial instruments (+PLN 151.1m QoQ) driven by a bond market rally.

In annual terms, the unconsolidated profit-before-tax of Bank Zachodni WBK went up by 25.8% YoY on account of higher net interest (+PLN 191.2m YoY) and commission (+PLN 63.2m YoY) income and increased dividend income (+PLN 285.9m YoY, incl. PLN 229.5m from Santander Consumer Bank), which more than compensated for lower gains on other financial instruments (-PLN 66.2m YoY) and net trading income and revaluation (-PLN 89.8m YoY). The growth in the profit-before-tax was also aided by the reduction in operating expenses (-PLN 114.8m YoY) and net impairment losses (-PLN 29.7m YoY).

In Q4 2014, the total profit-before-tax of subsidiaries contributing to the consolidated income statement of Bank Zachodni WBK decreased by 20.6% QoQ as a result of the incorporation of a part of Dom Maklerski BZ WBK into the bank's structures and the decrease in gross profits reported by three subsidiaries (despite their continually rising core business volumes), of which:

- SCB Group (-20% QoQ) – the decrease in the PBT reflects the lower net commission income due to credit agency fees (driven by the growing distribution network and credit sales), reduced net interest income (following the interest rates cut by the MPC in October) and higher impairment charge driven by expanding loan-books and modified sanctioning strategy for cash loans;
- leasing companies (-PLN 61.7% QoQ) – the change induced by eroding net interest income after the decision of the MPC mentioned above and higher impairment charges on lease receivables as the gross portfolio reached a record value (over PLN 4.5bn);
- Faktor (-PLN 7.6m QoQ) – a result of higher impairment charges on factoring receivables following an update of credit parameters.

At the same time, the following companies reported a stronger profit-before-tax:

- BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (+19.1% QoQ) – an increase resulting from recognition in Q4 of the success fee for the performance of mutual funds, and a release of the provision for State levies;
- BZ WBK-Aviva TUO and BZ WBK-Aviva TUŃ – an 8.2% increase QoQ in the profit-before-tax on the back of higher revenues from the insurance business;
- The subsidiaries reported as “other” (+PLN 6.8m QoQ) – an effect of the gain of PLN 10.5m earned on the partial disposal of the stake in Krynicki Recykling by Inwestycje.

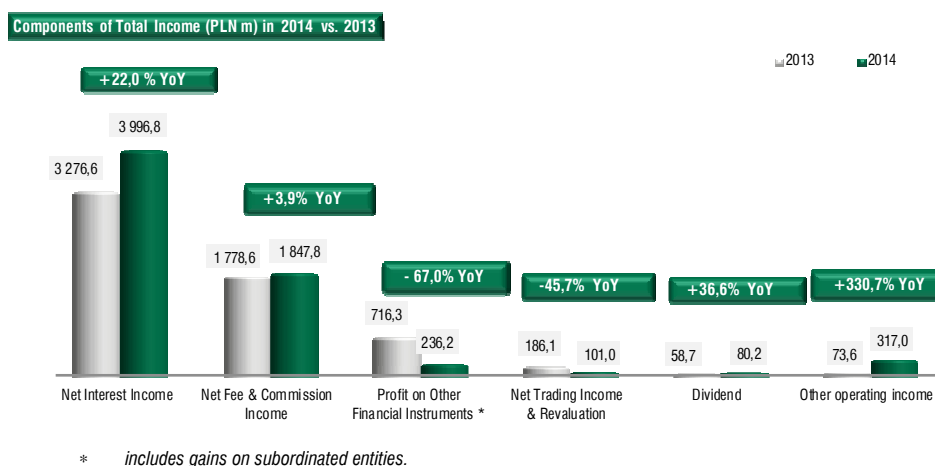
On an annual basis, both the leasing companies and the factoring company reported a major increase in the profit-before-tax (+50.4% YoY and +26.9% YoY, respectively) driven by strong business growth throughout the year.

The profit-before-tax of BZ WBK Asset Management and BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI) declined by 4.1% YoY despite the reduction of the cost base and an increase in the average value of assets under management. The decrease in profitability is attributed, among other things, to changes in the structure of assets towards lower margin funds/low risk portfolios and increasing funds management costs incurred by BZ WBK TFI (with accompanying income increase). In addition, the income from proprietary investments fell in parallel with interest rates and the value of funds available for placements.

The gain realised by Inwestycje on the partial sale of the stake in Krynicki Recykling substantially increased the profit-before-tax of companies referred to as “other subsidiaries”. The performance of Dom Maklerski BZ WBK is not subject to a comparative analysis as the entity was struck off the register of companies on 31 October 2014.

Total income

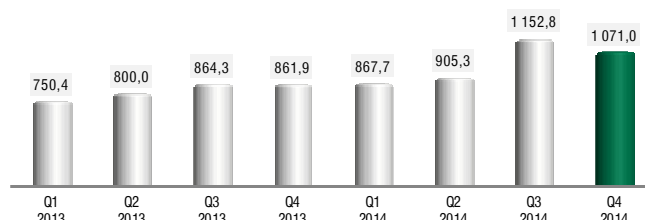
The total income achieved by Bank Zachodni WBK Group in Q4 2014 was PLN 1,884.0m and up 5.2% QoQ. The total income for the whole of 2014 was PLN 6,579.0m and increased by 8.0% YoY. Adjusting for the gains on subordinated entities (Krynicki Recykling in 2014 and BZ WBK-Aviva companies in 2013), the respective income went up by 15.8% r/r.



Net interest income

The interest income for Q4 2014 was PLN 1,071m and decreased by 7.1% QoQ. In the entire 2014, the net interest income was PLN 3,996.8m and increased by 22% YoY.

Net Interest Income by Quarters in Years 2013-2014 (PLN m)



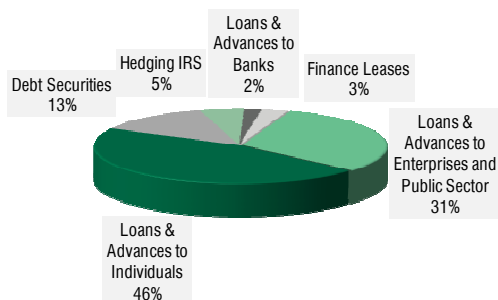
The net interest income of Bank Zachodni WBK Group includes the net interest income from CIRS transactions designated as hedging instruments under cash flow hedge accounting, totalling PLN 231.8m in 2014 (incl. PLN 55.1m in Q4 2014 and PLN 61.2m in Q3 2014) vs. PLN 254.4m in 2013, which is disclosed in the line item "Interest income from IRS hedges" (Note 4 "Net interest income"), showing PLN 300.6m in 2014 (incl. PLN 75.1m in Q4 2014 and PLN 83.3m in Q3 2014) vs. PLN 314.7m in 2013.

Taking into account the net income from non-hedging CIRS/IRS transactions (PLN 21.5m for 2014 vs. PLN 13.9m for 2013, and PLN 4.0m for Q4 2014 vs. PLN 5.8m for Q3 2014), which are used for the purpose of liquidity management and reported under "Net trading income and revaluation", the underlying net interest income decreased by 7.2% QoQ and increased by 22.1% YoY.

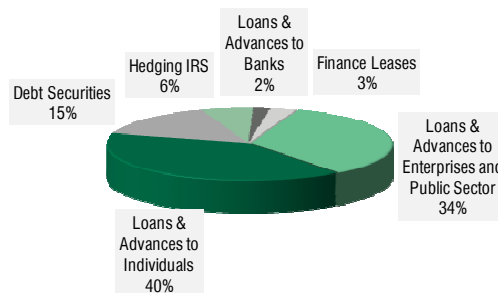
The YoY increase in the net interest income was achieved in the falling interest rate environment (discounting the expected cuts in the NBP interest rates) as a combined result of:

- increase in the Group's interest income (+9.7% YoY to PLN 5,723.0m) on the back of the half-yearly interest income of Santander Consumer Bank S.A., and
- fast decrease in interest expenses, which decelerated over the year as a result of incorporation of the SCB expenses and the deposit sales campaign conducted by Bank Zachodni WBK (-11.0% YoY to PLN 1,726.2m).

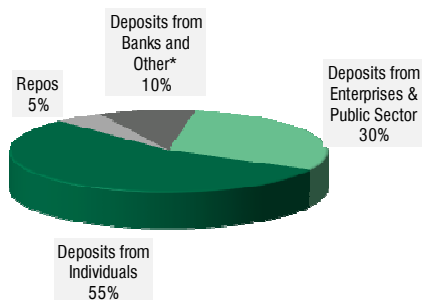
Structure of Interest Revenues in 2014



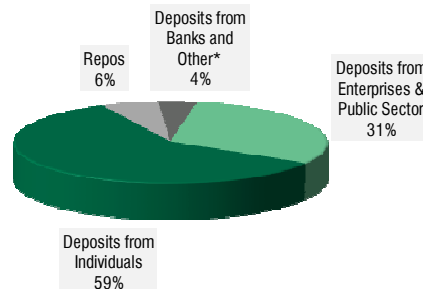
Structure of Interest Revenues in 2013



Structure of Interest Expense in 2014



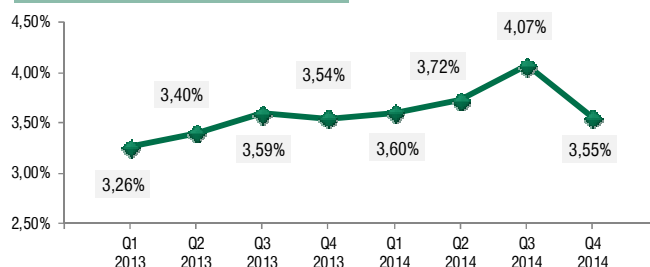
Structure of Interest Expense in 2013



* includes deposits from banks, subordinated liabilities and security issues

The negative QoQ change in the net interest income is an effect of further cuts in the NBP interest rates, which most visibly impacted interest income (-4.0% QoQ to PLN 1,577.6m), particularly from loans and leases. The resulting gap was partly covered by the growing interest income on debt securities driven by more sizable trading portfolio. The falling interest rates were also reflected in the slowing growth of interest expense (+3.3% to PLN 506.6m) driven by the expansion of term deposit base in Q3 2014, the increase in savings account balances and the steps taken by the bank to retain and strengthen the linkage with its deposit holders.

Net Interest Margin by Quarters in Years 2013-2014 (including SWAP points*)



* The calculation of adjusted net interest margin of Bank Zachodni WBK takes account of swap points allocation from derivative instruments used for the purpose of liquidity management. However, it has excluded interest income from the debt trading portfolio since Q1 2014.

Until the end of June 2014, the net interest margin of Bank Zachodni WBK Group gradually increased (from 3.26% in Q1 2013 to 3.72% in Q2 2014) amid sharp declines in reference interest rates (ending in July 2013) and their relative stabilisation in the subsequent periods. This upward trend in the net interest margin is a combined effect of harmonisation of the bank's post-merger offer, effective management of the schedule of interest rates and also expanding business volumes.

In Q3 2014, the quarterly net interest margin climbed from 3.72% to 4.07% due to incorporation of the gross credit receivables (PLN 13.5bn) and the net interest income of SCB Group (PLN 259.8m) in the consolidated financial statements. Excluding the contribution of SCB Group, the underlying net interest margin of Bank Zachodni WBK Group declined to 3.59%, reflecting the market expectations of reference rates trends and intensive measures taken by the bank to build a strong and stable deposit base through the acquisition and retention of new deposits. In the period under review, the New Easy Earning Deposit – with a fixed 4% rate of interest – was the key product to acquire new customers.

Over the last three months of 2014, the net interest margin slid from 4.07% to 3.55% as a result of the October rate cuts, which lowered the cap on the maximum interest rate on consumer loans and exerted a negative pressure on WIBOR rates. This caused erosion of interest income from credit portfolios while constraining the growth of interest expenses generated by the enlarged deposit base. The decline in the net interest income was accompanied by an increasing volume of retail loans, balances in current accounts and loans to the central bank and other banks.

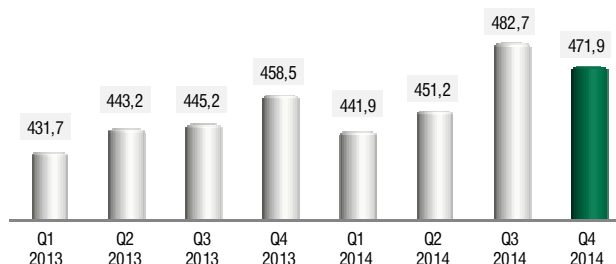
Net Fee and commission income

PLN m

Net Fee and Commission Income	Q4 2014	Q3 2014	2014	2013	QoQ Change	YoY Change
E-Business and payments ¹⁾	95,5	105,5	436,6	455,3	-9,5%	-4,1%
FX fees	89,8	85,3	332,6	296,7	5,3%	12,1%
Account maintenance and cash transactions ²⁾	83,4	73,8	302,2	303,3	13,0%	-0,4%
Asset management and distribution	63,0	60,3	237,4	233,5	4,5%	1,7%
Credit fees ³⁾	43,0	60,2	228,1	211,4	-28,6%	7,9%
Insurance fees ⁴⁾	43,1	50,3	125,1	106,0	-14,3%	18,0%
Credit cards	27,0	26,4	101,2	73,4	2,3%	37,9%
Brokerage fees	17,8	18,6	70,6	89,3	-4,3%	-20,9%
Other ⁵⁾	9,3	2,3	14,0	9,7	304,3%	44,3%
Total	471,9	482,7	1 847,8	1 778,6	-2,2%	3,9%

- 1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic & telecommunications services.
- 2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 "Net Fee and Commission Income" of the consolidated financial statements are included in the line item "Other".
- 3) Fees related to lending, leasing and factoring activities which are not amortised to interest income.
- 4) Following the acquisition of control over BZ WBK-Aviva companies, the presentation of insurance income has been changed. At present, the major part of income from the insurance business is disclosed in "Other operating income" instead of "Net fee and commission income". In 2014, the respective income contributed PLN 178.1m to the Group's "Other operating income", including PLN 31.8m for Q3 2014 and 37.8m for Q4 2014.
- 5) Guarantees & sureties, issue arrangement fees and others.

Net Fee & Commission Income by Quarters in Years 2013-2014 (PLN m)



In 2014, the net fee and commission income was PLN 1,847.8m and increased by 3.9% YoY. In Q4 2014, the net fee and commission income amounted to PLN 471.9m, down by 2.2% QoQ.

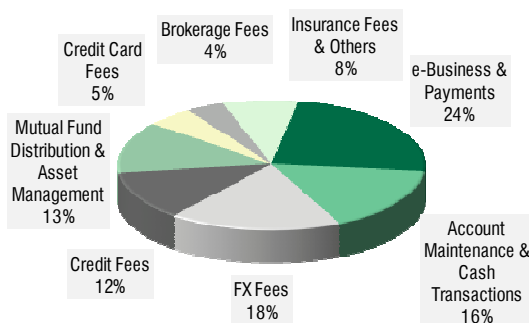
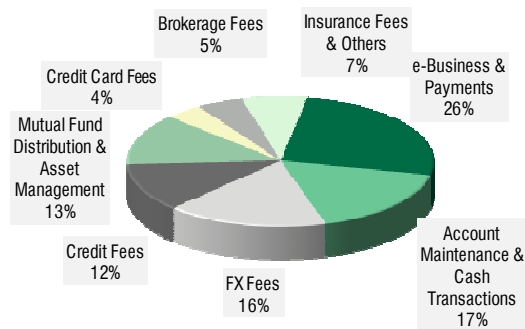
On a quarterly basis, the Group's net fees from brokerage activity, FX transactions, credit cards and asset distribution & management remained fairly stable.

There was, however, a decrease in credit fees (-28.6% QoQ), which mainly stemmed from higher commission payments to credit agents of Santander Consumer Bank on the back of the growing credit volumes and external sales network.

The decline in insurance fees (-14.3% QoQ) occurred as part of the settlement process for insurance returns related with premature repayments of loans.

The net fee and commission income disclosed under "eBusiness and payments" line item decreased by 9.5% QoQ, reflecting the higher costs charged by payment organisations and the lower income from withdrawals made in third-party ATMs and from currency conversions for transactions made in different currencies than the account currency.

The net fee and commission income from account maintenance & cash transactions increased by 13% QoQ as a result of the migration of all accounts and data on a common IT platform.

Net Commission Income Structure in 2014**Net Commission Income Structure in 2013**

On a year-on-year basis, the most pronounced growth was noted in the net credit card fee income (+37.9% YoY), which was primarily attributed to the developing credit card base, increase in credit card transaction volumes and revision of selected credit card fees and charges. The growth rate under this product line was accelerated by the half yearly net fee and commission income contributed by Santander Consumer Bank.

The fast increase in net credit fee income, resulting from the robust acquisition of large corporate finance deals as well as factoring business - was partly absorbed by the credit intermediation costs of Santander Consumer Bank S.A., which slowed down the resultant growth to 7.9% YoY.

The high increase in FX fees (+12.1% YoY) stems from increased FX customer trading volumes and volatility of the currency market.

The bancassurance fee income grew by 18% YoY due to the six-month contribution of PLN 61.9m from Santander Consumer Bank. Excluding the respective amount from the consolidated income statement, the underlying net insurance fee income decreased, reflecting a changed presentation of the Group's net insurance income implemented upon gaining control over BZ WBK-Aviva companies. Presently, a majority of the relevant net income (PLN 178.1m for 2014) is disclosed under other operating income. Viewed on a stand-alone basis, the underlying insurance fee income of Bank Zachodni WBK went up by 14.4% YoY, driven mainly by the sale of cash loan and card insurance.

The Group's net fee income from fund distribution & asset management were relatively stable (+1.7% YoY) as the average net assets under management increased YoY and changed their structure in favour of a larger contribution of low-margin products.

The net fee and commission income aggregated under "eBusiness and payments" line item decreased by 4.1% YoY. The growth in the total net fees from foreign payments, trade finance as well as ATM services was decelerated, among others, by lower income from interchange fees (as a result of their statutory reduction since the beginning of July 2014) and withdrawals in the BZ WBK ATMs made with third party cards.

The decline in the net brokerage fees (-20.9% YoY) was due to lower income earned by Dom Maklerski BZ WBK in the secondary market, mainly on account of remuneration of PLN 8m recognised in 2013 for the sale of Bank Zachodni WBK shares held by Banco Santander and KBC Bank NV. The net brokerage fee income was also adversely affected by the equity market downturn observed in 2014 and continued pressure on margins across all segments of the domestic stock exchange market.

Other net income**Gains on other financial instruments**

In Q4 2014, the gains on other financial instruments plus the gains on subordinated entities decreased by PLN 158.3m to PLN 169.6m. In the whole of 2014, the gains were PLN 236.2m and down by 67.0% YoY due to recognition of PLN 419m upon gaining control over BZ WBK-Aviva insurance companies.

In the last quarter of 2014, the Group realised a gain on the sale of treasury bonds of PLN 164.2m (i.e. PLN 151.5m more than in Q3) amid bond yields falling to their new all-time lows. In the entire 2014, the gains on sale of treasury bonds were PLN 217.9m, down by PLN 81.4m YoY. The operations performed as part of duration management on the available-for-sale debt securities portfolio were aligned on an on-going basis with the market conditions and the Group's risk and liquidity management objectives

The Group's gains from other financial securities in 2014 also include a realised gain on the sale of the bank's equity investments, including a stake in Kuźnia Polska (PLN 14.1m) and PKM Duda (PLN 2.7m, including PLN 2.1m in Q4 2014).

The gains on subordinated entities of PLN 10.5m reflect the disposal of 320k shares of Krynicki Recykling by Inwestycje in December 2014, which decreased the indirect shareholding of Bank Zachodni WBK to below 20% and induced re-classification of the company out of the category of associated undertakings.

Net trading income and revaluation ("net trading income")

In Q4 2014, net trading income and revaluation was PLN 48.3m, down by 17.9% on 2013. In the entire 2014, it reached PLN 101.0m, decreasing by 45.7% YoY.

In the last quarter of 2014, the Group generated a profit on derivatives and interbank FX and derivative trading of PLN 50.1m (+27.4% QoQ), which allowed it to close 2014 with an annual profit of PLN 31.8m vs. PLN 180.7m a year before, a decrease by 82.4% YoY. At the same time, the profit on other FX transactions increased from a loss of PLN 3.2m for 2013 to PLN 62.2m for 2014.

The above-mentioned result on interbank FX and derivative trading includes the net interest-related income of PLN 21.5m (incl. 4.0m in Q4 2014 and PLN 5.8m in Q3 2014) on the non-hedging CIRS/IRS transactions vs. PLN 13.9 for 2013. It excludes, however, the net interest income from the CIRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 231.8m for 2014, incl. PLN 55.1m in Q4 2014 and PLN 61.2m in Q3 2014, vs. PLN 254.4m in 2013) which is disclosed in Note 4 "Net interest income" under "Interest income from IRS hedges".

Debt securities trading brought in the profit of PLN 5.8m for 2014 compared to PLN 6.8m in the previous year.

This performance largely reflects developments on the interest rate and currency markets. In 2014, the yield curves on domestic bonds and IRS rates were trending downwards, causing the spread in the segment of 2-10 years to narrow down YoY. In Q4 2014 alone, these yields/rates hit all-time lows with occasional short-lived rebounds.

In 2014, the situation in the currency market was much more volatile compared to the interest rate market. Movements were particularly strong in December 2014. From October to December, the zloty was weaker in relation to all the main currencies. The domestic currency depreciated most from end-September 2014 against the US dollar (over 6%) and British pound (2%). The respective loss on a year-on-year basis was ca. 16% and 10%. In relation to the euro and the Swiss franc the zloty lost nearly 3% and 5%, respectively.

Other income items

In Q4, like in the prior period, there was no material dividend income from equity investment. For the whole of 2014, the dividend income reached PLN 80.2m and exceeded the level reported in 2013 by PLN 21.5m due to higher dividend pay-outs from Aviva Group non-controlled entities.

In 2014, other operating income grew by 330.7% YoY to PLN 317.0m, which mostly resulted from acquisition of control over BZ WBK-Aviva TUO and BZ WBK-Aviva TUŃ and their inclusion in the Group's consolidated income statements starting from 1 January 2014. Consequently, the line incorporates the net income of PLN 178.1m from the insurance activities of the above-mentioned entities, which is composed of the gross premiums written, reinsurers' share of premium written, net claims and benefits, and other net insurance income. The other operating income also comprises PLN 15.2m representing the write-down of the legal risk provision related to interchange fees collected in the past (both by the former Kredyt Bank and Bank Zachodni WBK), PLN 12.4m in respect of public liabilities refund to BZ WBK Lease, PLN 16.9m of gains on the disposal of Bank Zachodni WBK properties and PLN 15.0m representing the contribution of SCB Group.

In Q4 2014, the other operating income increased by 78.6% QoQ to PLN 83.1m. Over the last three months of the year, the Group generated a revenue of PLN 8.1m on disposal of its properties, and posted PLN 18.1m in respect of released provisions for public liabilities of BZ WBK TFI S.A. (PLN 4.9m), for claims related to the sale of receivables of former Kredyt Bank (PLN 3.4m), for cost accruals and tangible expenses of the Group (PLN 5.4m). Furthermore, the revenues from insurance activities were higher by PLN 6m than in Q3 2014.

Impairment charges

	PLN m					
Impairment Losses on Loans and Advances	Q4 2014	Q3 2014	2014	2013	QoQ Change	YoY Change
Collective and individual impairment charge	(351,0)	(231,3)	(975,4)	(890,8)	51,8%	9,5%
Impaired but not reported losses charge	59,3	9,3	98,8	174,6	537,6%	-43,4%
Recoveries of loans previously written off	5,5	1,5	12,0	3,3	266,7%	263,6%
Off-balance sheet credit related facilities	1,6	4,5	28,0	(16,4)	-64,4%	-
Total	(284,6)	(216,0)	(836,6)	(729,3)	31,8%	14,7%

In Q4 2014, net loan impairment charges were PLN 284.6m and up 31.8% QoQ. The last three months of the year witnessed increased provisioning for the corporate loan portfolio, the sale of non-performing loans of PLN 516.3m, continued credit reviews and validation of parameters used in the provision calculation process.

In 2014, the loan impairment charge to the income statement of Bank Zachodni WBK Group was PLN 836.6m, up 14.7% YoY. The contribution from SCB Group was PLN 78.5m.

In 2014, the negative balance of provisions for incurred and reported losses (on individual and collective exposures) was PLN 975.4m and up 9.5% YoY as a result of increased impairment charges on individually and collectively assessed business loans which was partly offset by decreased impairment charges on retail exposures.

The decline of 43.4% YoY in the positive balance of charges for the incurred by not reported losses (IBNR) is due to the transfer of selected credit exposures from this category (mainly exposures towards business customers) to the portfolio of evidenced impairment, effected in 2013.

In 2014, Bank Zachodni WBK Group sold overdue personal, mortgage and business receivables in the principal amount of PLN 698.2m vs. PLN 693.9m in the corresponding period. The net result on this transaction was negative at PLN 24.4m.

The changes in the value and structure of impairment charges reflect the Group's prudential approach to credit risk management.

As at 31 December 2014, Bank Zachodni WBK Group's NPL ratio was 8.4% compared with 8.0% as at 30 September 2014 and 7.9% at the end of December 2013. The cost of credit was 1.0% vs. 0.9% three months before and 1% twelve months before. Excluding the impact of Santander Consumer Bank, the underlying NPL ratio and the cost of credit ratio as at 31 December 2014 were 8.1% and 1.0% respectively.

Total costs

	PLN m					
Total costs	Q4 2014	Q3 2014	2014	2013	QoQ Change	YoY Change
Staff, general and administrative expenses, of which:	(749,3)	(697,2)	(2 719,5)	(2 607,6)	7,5%	4,3%
- Staff expenses	(400,6)	(380,4)	(1 449,6)	(1 375,5)	5,3%	5,4%
- General and administrative expenses	(348,7)	(316,8)	(1 269,9)	(1 232,1)	10,1%	3,1%
Depreciation/amortisation	(84,4)	(82,4)	(308,0)	(219,3)	2,4%	40,4%
Other operating expenses	(23,7)	(25,3)	(76,3)	(35,2)	-6,3%	116,8%
Total costs	(857,4)	(804,9)	(3 103,8)	(2 862,1)	6,5%	8,4%
Integration costs and other non-recurring costs ¹⁾	(66,7)	(28,6)	(205,8)	(264,4)	133,2%	-22,2%
Underlying costs	(790,7)	(776,3)	(3 103,8)	(2 862,1)	1,9%	-
Total costs of subsidiaries consolidated effective from 2014 ²⁾	(157,4)	(160,5)	(374,1)	-	-1,9%	-
Underlying total costs	(948,1)	(936,8)	(2 523,9)	(2 597,7)	-	-2,8%

1) Integration costs are composed of staff, general & administrative expenses (PLN 162.2 m in 2014, PLN 261.8 m in 2013, PLN 38.1 m in Q4 2014 and PLN 19.9 m in Q3 2014) and amortisation (PLN 15.1m in 2014, PLN 2.6m in 2013, PLN 4.7m in Q4 2014 and PLN 4.0m in Q3 2014).

2) Costs of BZ WBK-Aviva TUŃZ and BZ WBK-Aviva TUO (including amortisation from purchase price allocation and after intercompany adjustments) and SCB with subsidiaries (after intercompany adjustments).

In Q4 2014, the total operating expenses of Bank Zachodni WBK Group increased by 6.5% QoQ driven by higher integration and non-recurring costs. Adjusting for these items (PLN 66.7m in Q4 2014 and PLN 28.6m in Q3 2013), the total cost base of the Group increased by 1.9% QoQ.

Over the four quarters of 2014, the total expenses of the Group amounted to PLN 3,103.8m, and were 8.4% higher YoY. Excluding the integration and other non-recurring costs (PLN 205.8m in 2014 and PLN 264.4m in the corresponding period), the operating costs of SCB Group, BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ, and the depreciation of PLN 84.4m arising from allocation of the purchase price of the two insurance companies, the total underlying costs dropped by 2.8% YoY. It should be noted that this result was achieved by continuing intensive development initiatives geared towards improvement of the Group's product range, customer service and corporate culture in accordance with the "Next Generation Bank" strategic programme.

As the Group's costs and income were growing at a similar pace YoY (+8.4% and +8%, respectively), the Group's cost-to-income ratio was 47.2%, which is nearly the same as a year before (47.0% in 2013). Adjusted for the integration costs, the cost-to-income ratio was 44.5% vs. 42.7% in the corresponding period.

Staff expenses

In Q4 2014, the Group's staff expenses increased by 5.3% QoQ to PLN 400.6m as a result of increased provisions for staff bonuses and salary reviews (the latter effective from October 2014).

In annual terms, the Group's staff expenses increased by 5.4% YoY to PLN 1,449.6m. The growth reported under the "salaries and bonuses", "statutory deductions from salaries" and "training costs" (6.5% YoY, 6.0% YoY and 7.8% YoY) results from the input of Santander Consumer Bank Group and BZ WBK Aviva companies with their staffing levels at 2,720 and 68 FTEs, respectively at the end of December 2014. Excluding the impact of new subsidiaries included in the consolidation scope since 2014, the above line items showed a steady decline resulting from the continued employment optimisation process in Bank Zachodni WBK Group.

The underlying staff expenses (i.e. excluding the subsidiaries incorporated in the consolidated financial statements for 2014 and integration costs) fell by 3.9% YoY.

General and administrative expenses

The general and administrative expenses of the enlarged Bank Zachodni WBK Group increased by 3.1% YoY to PLN 1,269.9m. In Q4 2014, these costs amounted to PLN 348.7m, growing by 10.1% QoQ driven on account of one-off services, outsourcing and data transmission.

A major year-on-year increase was reported under the cost of marketing and entertainment (+63.6% YoY) driven by a larger number of extensive advertising campaigns for the products of Bank Zachodni WBK (e.g. 1|2|3 Account, Duet cash loan, SME lending proposition, Account Worth Recommending, seasonal cash loan, New Easy Earning Deposit – New Funds) and contribution of SCB Group and BZ WBK-Aviva companies to the expenses for 2014. The costs paid by the Group to the market regulators went up as well (+26.3% YoY) following the implementation of the revised Banking Guarantee Fund Act in October 2013, which set up a stabilisation fund created from the prudential fees paid by the banks participating in the guarantee system. A notable increase was also noted in the IT usage costs (+19.3% YoY), mainly due to the contribution from the subsidiaries. The cost of external services increased by 36.7% YoY as a result of extended outsourcing of selected functions. Costs generated by consumables, cards and cheques accelerated by 8.8% YoY as a result of increased demand for plastic cards arising from higher sales of debit and credit cards.

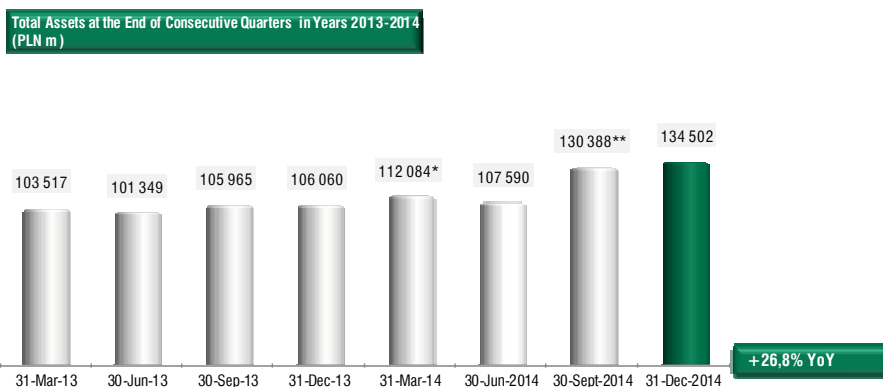
At the same time, a decrease was noted in the cost of consultancy and advisory services (-18.1% YoY) due to high base effect resulting from the launch or acceleration of new development projects in 2013 (including the Next Generation Bank programme, incorporation of Dom Maklerski BZ WBK and the purchase of a controlling stake in Santander Consumer Bank), which required specialist knowledge and independent expert opinions. Concurrently, there was a drop in the costs of data transmission (-5.2% YoY) and the costs of maintenance & rental of premises (-1.2% YoY).

Excluding the contribution of SCB Group, BZ WBK Aviva companies as well as integration and other non-recurring costs, the consolidated general and administrative expenses decreased by 2.2% YoY.

Financial Position

Assets

As at 31 December 2014, total assets of Bank Zachodni WBK Group amounted to PLN 134,501.9m, and increased by 3.2% QoQ and 26.8% YoY. The value and structure of the Group's statement of financial position is mainly affected by the parent company, which accounts for 90.4% of the consolidated total assets vs. 88.3% at the end of September 2014 and 97.5% at the end of December 2013. The lower share of Bank Zachodni WBK reflects the assumption of control over and consolidation of Santander Consumer Bank effective from 1 July 2014.



* As at 31 March 2014, the balance sheet total of Bank Zachodni WBK Group takes into account high short-term transactions, including a deal of PLN 2.3bn in the interbank market.

** As at 30 September 2014, the balance sheet total includes for the first time the total assets of SCB Group controlled by Bank Zachodni WBK from 1 July 2014.

The table below presents major developments in the key categories of the consolidated assets of Bank Zachodni WBK Group as at 31 December 2014 versus 30 September 2014 and 31 December 2013.

Assets (condensed presentation for analytical purposes)	PLN m							
	31.12.2014	Structure 31.12.2014	30.09.2014	Structure 30.09.2014	31.12.2013	Structure 31.12.2013	Change QoQ	Change YoY
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers *	85 820,6	63,8%	84 964,6	65,1%	68 132,1	64,2%	1,0%	26,0%
Investment securities	27 057,1	20,1%	26 535,8	20,4%	22 090,8	20,8%	2,0%	22,5%
Cash and operations with Central Banks	6 806,5	5,1%	5 406,2	4,1%	5 149,7	4,9%	25,9%	32,2%
Fixed assets, intangibles and goodwill	5 477,6	4,1%	3 697,4	2,8%	2 666,8	2,5%	48,1%	105,4%
Financial assets held for trading and hedging derivatives	3 804,7	2,8%	3 725,0	2,9%	3 681,8	3,5%	2,1%	3,3%
Loans and advances to banks	2 523,1	1,9%	3 478,8	2,7%	2 212,7	2,1%	-27,5%	14,0%
Other assets	3 012,3	2,2%	2 580,0	2,0%	2 126,1	2,0%	16,8%	41,7%
Total	134 501,9	100,0%	130 387,8	100,0%	106 060,0	100,0%	3,2%	26,8%

* Includes impairment write-down.

The QoQ movements in the statement of the consolidated financial position of Bank Zachodni WBK Group reflect the business development tendencies, acquisition efforts and the Group's management of its balance sheet structure and liquidity. The YoY movements also include the impact of SCB Group (BZ WBK-Aviva TUO and BZ WBK-Aviva TUnZ have been consolidated in the statement of financial position of Bank Zachodni WBK Group since 31 December 2013).

Compared with the end of December 2013 and September 2014, the fastest growth was noted in the financial assets held for trading and hedging derivatives (which increased by 105.4% YoY and 48.1% QoQ). This is an effect of higher turnover in state treasury bonds from the trading portfolio effected as part of the Group's liquidity management amid reduced yields of treasury securities. The Group's goals in liquidity and balance sheet management combined with the favourable situation on the debt securities market resulted in an increase in investment securities (+22.5% YoY, +2% QoQ) following expansion of the portfolio of treasury bonds available for sale (to PLN 20bn), commercial bonds (to PLN 2.2bn), and NBP bills (to PLN 4 bn). SCB contributed PLN 2.2bn to the investment portfolio, mainly in the form of treasury bonds and NBP bills.

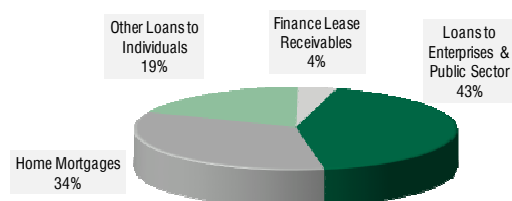
A pronounced growth was reported under loans and advances to banks (+32.2% YoY and +25.9% QoQ), which takes into account, among others, the mandatory reserve requirements in the context of deposit base growth.

Net loans and advances to customers were PLN 85,820.6m, increasing by 26% YoY while remaining stable QoQ. SCB Group contributed PLN 12.3bn to the consolidated net loans and advances to customers (after intercompany adjustments).

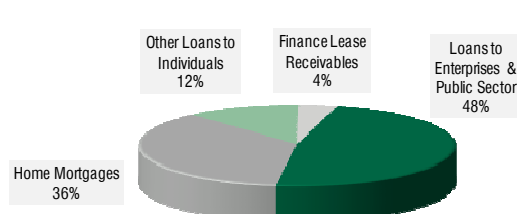
Credit portfolio

Gross Loans and Advances to Customers	31.12.2014	30.09.2014	31.12.2013	QoQ Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to individuals	47 784,1	47 159,9	34 041,4	1,3%	40,4%
Loans and advances to enterprises and public sector customers	39 340,7	39 453,3	34 478,3	-0,3%	14,1%
Finance lease receivables	3 815,8	3 701,2	3 052,1	3,1%	25,0%
Other	6,5	26,2	50,1	-75,2%	-87,0%
Total	90 947,1	90 340,6	71 621,9	0,7%	27,0%

Structure of Loans & Advances to Customers as at 31.12.2014



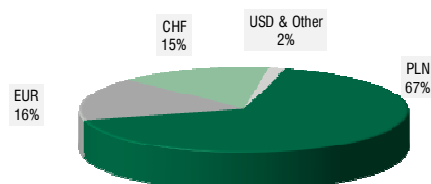
Structure of Loans & Advances to Customers as at 31.12.2013



As at 31 December 2014, gross loans and advances to customers were PLN 90,947.1m, increasing by 27% on the end of 2013. In quarterly terms, however, this line item was relatively stable, reflecting the slight, mutually compensating movements in constituent portfolios, including increases in mortgages, cash loans and leases, with a simultaneous decrease in loans and advances to enterprises.

As a result of consolidation of SCB Group (a gross credit portfolio of PLN 13.9bn), which specializes in retail banking, the main item in the structure of gross loans and advances of Bank Zachodni WBK Group are loans and advances to individuals, followed by loans and advances to enterprises and public sector customers.

FX Structure of Loans & Advances to Customers as at 31.12.2014

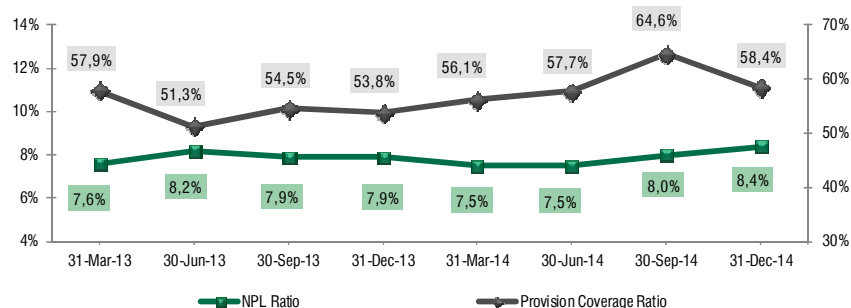


Compared with the end of 2013, loans and advances to individuals increased by 40.4% YoY to PLN 47,784.1m at the end of December 2014, including PLN 12.5bn contributed by SCB Group. Home mortgages, which represent the major portion of loans and advances to individuals, increased by 22% YoY to PLN 30,860.8m. The second significant constituent item, i.e. cash loans, grew by 72.5% to PLN 9,741.6m.

Loans and advances to enterprises and public sector companies amounted to PLN 39,340.7m, up 14.1% YoY due to the strong business lending activity of Bank Zachodni WBK, particularly in the segment of corporate and GBM customers.

As at 31 December 2014, the finance lease receivables, including among others the portfolio of BZ WBK Leasing and BZ WBK Lease, totalled PLN 3,815.8m, increasing by 25% YoY amid the robust sales of vehicles and machines and equipment. Loans granted by the leasing companies to finance machines and vehicles, which totalled PLN 1,207.2 as at 31 December 2014 (vs. PLN 1,144.5m as at 30 September 2014 and PLN 846.2m as at 31 December 2013) are disclosed outside the leasing portfolio as loans and advances to enterprises.

Credit Quality Ratios by Quarters in 2013 and 2014



As at 31 December 2014, non-performing (impaired) loans to customers accounted for 8.4% of the gross portfolio vs. 8% and 7.9% three and twelve months before, respectively. The provision coverage for the NPLs was 58.4% vs. 64.6% as at 30 September 2014 and 53.8% as at 31 December 2013.

Excluding the impact of SCB Group, the non-performing loans to customers represented 8.1% of the gross portfolio, while the provision coverage for the NPLs was 51.4%.

Equity and Liabilities

The table below presents major developments in the key categories of the consolidated liabilities and equity of Bank Zachodni WBK Group as at 31 December 2014 vs. 30 September 2014 and 31 December 2013.

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	31.12.2014	Structure 31.12.2014	30.09.2014	Structure 30.09.2014	31.12.2013	Structure 31.12.2013	Change QoQ	Change YoY
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	94 981,8	70,6%	93 023,0	71,3%	78 543,0	74,1%	2,1%	20,9%
Deposits from banks	8 359,9	6,2%	7 787,6	6,0%	6 278,8	5,9%	7,3%	33,1%
Subordinated liabilities and debt securities in issue	4 913,3	3,7%	5 079,8	3,9%	1 885,4	1,8%	-3,3%	160,6%
Financial liabilities held for trading and hedging derivatives	4 039,9	3,0%	2 893,8	2,2%	1 644,7	1,6%	39,6%	145,6%
Other liabilities	4 155,3	3,1%	3 927,0	3,0%	3 225,2	3,0%	5,8%	28,8%
Total equity	18 051,7	13,4%	17 676,6	13,6%	14 482,9	13,6%	2,1%	24,6%
Total	134 501,9	100,0%	130 387,8	100,0%	106 060,0	100,0%	3,2%	26,8%

In the consolidated liabilities and equity as at 31 December 2014, the highest YoY growth was observed in the subordinated liabilities and debt securities in issue (+160.6% YoY), which was down to the latest issue of bonds by Bank Zachodni WBK with a nominal value of PLN 475m and the contribution of SCB Group of PLN 2.5bn made up of the bonds issued as part of the debt securities programme guaranteed by Santander Consumer Finance, and the bonds issued as part of the securitisation of the retail loans portfolio of Santander Consumer Bank.

The growth in the portfolio of financial liabilities held for trading and hedging derivatives (+145.6% YoY and 39.6% QoQ) was driven by IRS and FX swaps.

An increase in deposits from banks (+33.1% YoY and 7.3% QoQ) reflects the Group's stronger trading in repo market, including the contribution of PLN 1.4bn from SCB Group.

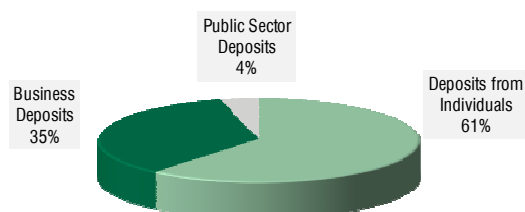
Deposits from customers increased by 20.9% YoY under the impact of higher balances in the term deposits of personal and business customers with an accompanying moderate increase in current account balances. The QoQ increase (+2.1%) is attributable to an increase in current account balances.

Total equity went up by 24.6% YoY, mainly as a consequence of a two-time increase in the share capital of Bank Zachodni WBK by a total of PLN 2,159.5m. In Q3 2014, the bank issued 305,543 series K ordinary bearer shares (registered on 11 July 2014) with a nominal value of PLN 3.1m under the 4th Incentive Scheme for the Group employees and 5,383,902 series L ordinary shares totalling PLN 2,156.4m (registered on 18 July 2014), which were placed with Santander Consumer Finance in exchange for an in-kind contribution of shares in Santander Consumer Bank. The nominal value of series L shares of PLN 53.8m increased the share capital, while the share premium of PLN 2,102.6m was recognised in the supplementary capital.

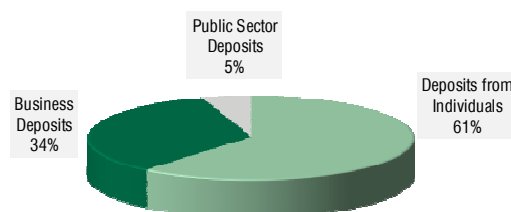
Deposit base

PLN m					
Deposits from Customers	31.12.2014	30.09.2014	31.12.2013	Change QoQ	Change YoY
	1	2	3	1/2	1/3
Deposits from individuals	58 257,0	57 398,8	47 999,1	1,5%	21,4%
Deposits from enterprises and public sector customers	36 724,8	35 624,2	30 543,9	3,1%	20,2%
Total	94 981,8	93 023,0	78 543,0	2,1%	20,9%

Structure of Customer Deposits as at 31.12.2014



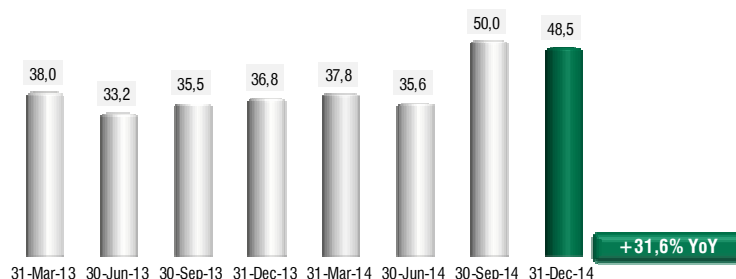
Structure of Customer Deposits as at 31.12.2013



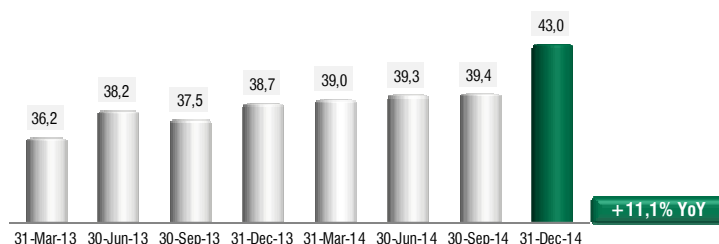
Deposits from customers, which represent 70.6% of the Group's liabilities, are the primary source of funding its lending business. The deposits increased by 2.1% QoQ and 20.9%YoY to PLN 94,981.8m at the end of 2014, including a contribution of PLN 6.9bn by SCB Group.

Term deposits from the Group customers increased by 31.6% YoY to PLN 48,474.9m; current account balances increased by 11.1% to PLN 43,047.9m, while the Group's other liabilities increased by 16.7% to PLN 3,459.0m. The latter item includes loans from the European Investment Bank (EUR 350m, CHF 256.5m and PLN 196.7m) to finance the bank's lending activity and disclosed as loans and advances under deposits from enterprises. The reported increase results from disbursement of a new line of EUR 100m in Q3 2014 to finance loans to SME and corporate customers.

Term Deposits at the End of Consecutive Quarters of 2013 and 2014 (PLN bn)



Current Accounts* at the End of Consecutive Quarters of 2013 and 2014 (PLN bn)



* Includes savings accounts

The retail deposits base increased by 21.4% YoY to PLN 58,257.0m driven by a rapid growth in term deposits from individuals (+38.5% YoY), consolidation of SCB Group and strong acquisition activity pursued by the bank in Q3 2014, mainly by means of the attractively priced New Easy Earning Deposit, which attracted approx. PLN 3.8bn new funds from its launch in mid-August 2014 to the end of September. In Q4 2014, the focus was placed on strengthening the relations with new customers by offering them deposits combined with other active products, retaining maturing deposits and building long-term co-operation. In effect, the Group stabilised its deposit base - the decline in term deposits in Q4 (-2.4% QoQ) was amply compensated for by an increase in current account balances (+6.3% QoQ).

Similar initiatives were taken with respect to enterprises and public sector customers. In particular, the bank launched new attractive products (e.g. one-month Business Impet Deposit for new funds), increased interest rates on negotiated deposits, enhanced service quality and strengthened the relationship with customers. Deposits from this segment grew by 20.2% YoY to PLN 36,724.8m under the impact of higher term deposits (+21.0% YoY) and current accounts balances (+20.5% YoY). Like in the case of the retail segment, in the last quarter of the year, the drop in term deposits (-4.1% QoQ) was accompanied by an increase in current account balances (+14.9% QoQ).

Selected ratios

Selected Financial Ratios	2014	2013
Total costs/Total income ¹⁾	47,2%	47,0%
Net interest income/Total income	60,8%	53,8%
Net interest margin ²⁾	3,7%	3,8%
Net commission income/Total income	28,1%	29,2%
Customer loans/Customer deposits	90,4%	86,7%
NPL ratio	8,4%	7,9%
NPL coverage ratio	58,4%	53,8%
Credit risk ratio ³⁾	1,0%	1,0%
ROE ⁴⁾	14,4%	16,6%
ROA ⁵⁾	1,6%	1,9%
Capital adequacy ratio ⁶⁾	12,9%	13,9%
Book value per share (in PLN)	181,9	154,8
Earnings per share (in PLN) ⁷⁾	19,9	21,2

1) Excluding integration costs, the adjusted cost-to-income ratio was 44.5% for 2014 and 42.7% for 2013.

2) Net interest income annualised on a cumulative basis (excluding interest income from the debt trading portfolio) to average interest-bearing assets (excluding debt trading portfolio), net of impairment write-down.

3) Impairment losses on loans and advances (for 4 consecutive quarters) to average gross loans and advances to customers.

4) Net profit attributable to the BZ WBK shareholders (for 4 consecutive quarters) to average equity calculated based on total equity (as at the beginning and end of the reporting period), net of the current period profit and non-controlling interests.

Excluding the impact of integration costs, adjusted ROE was 15.5% as at 31.12.2014 and 18.4% as at 31.12.2013.

5) Net profit attributable to the BZ WBK shareholders (for 4 consecutive quarters) to average total assets.

6) The calculation of a capital adequacy ratio as at 31.12.2014 takes account of the equity and total capital requirements for relevant risks using the standardised approach in line with CRD IV/CRR package, effective from 1 January 2014 by virtue of the decision of the European Parliament and European Banking Authority. If the total own funds used in the CAD ratio calculation included the annual net profit for 2014 (after deducting expected charges and dividends), the respective ratio would be at 13.4%. The calculation of a capital adequacy ratio as at 31.12.2013 takes account of the equity and total capital requirements for relevant risks, using the standardised approach in line with KNF (Polish Financial Supervision Authority) Resolution no. 76/2010 of 10 March 2010 (as amended).

7) Net profit for the period attributable to the shareholders of BZ WBK divided by the number of ordinary shares.

Capital adequacy

The table below shows the calculation of the capital adequacy ratio for Bank Zachodni WBK Group as at 31 December 2014, 30 September 2014 and 31 December 2013.

		PLN m		
		31.12.2014	30.09.2014	31.12.2013
I	Total capital requirement	8 081,3	7 912,3	6 693,7
II	Own funds after reductions	13 044,9	13 292,8	11 647,0
CAD [II/(I*12.5)]		12,91%	13,44%	13,92%

As at 31 December 2014 and 30 September 2014, the capital adequacy ratio was calculated on the basis of own funds and total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package (consisting of the Capital Requirements Directive IV and the Capital Requirements Regulation), which became effective on 1 January 2014 by the decision of the European Parliament and the European Banking Authority.

Total own funds as at 31 December 2014 include part of the current year profit in the amount of PLN 370.9m as permitted by the Financial Supervision Authority on 30 October 2014.

If the annual net profit for 2014 (after deducing expected charges and dividends) were included in the total own funds used in the calculation of the CAD ratio for the Group, which in accordance with CRR/CRD IV rules is permissible (provided certain formal conditions are met) and will take place later on during the year, the CAD ratio would reach 13.4%.

The calculation of a consolidated capital adequacy ratio of Bank Zachodni WBK Group as at 31 December 2013 takes account of the equity and total capital requirements for credit, market and operational risks, using the standardised approach in line with Annex no. 4 of Polish Financial Supervision Authority (KNF) Resolution no. 76/2010 of 10 March 2010 (as amended).

54. Factors which may affect future financial results in the perspective of at least next quarter

- Worries about weaker economic growth worldwide, in particular in the euro zone, which implies weaker prospects for Polish exports.
- Deceleration of Polish economic growth.
- Favourable growth rate of real households' income due to low inflation, employment growth and gradual acceleration of wage growth. Impulse from the fiscal policy in the form of higher tax allowances for families with children and introduction of minimum nominal pension indexation.
- Significant zloty's depreciation after the National Swiss Bank removed the 1.20 floor for EUR/CHF and reduced the 3M LIBOR CHF below zero.
- Expectations for further policy easing. Low financing costs for households and companies, which should be supportive for a gradual rise in demand for bank loans. At the same time, low interest on deposits should encourage banks' clients to look for alternative forms of saving / investing.
- Changes in the ECB monetary policy.
- The changes of assets' financing cost depending on the pace and scale of changes of main interest rates, changes of the zloty exchange rate, development of liquidity situation of the banking sector and intensity of price competition between the banks regarding collecting the deposits.
- Possible increase of volatility of financial market in case of disappointment about the pace of global economic revival or worries about too fast pace of monetary policy tightening by the Fed.
- Further developments on the global stock market and its impact on customer willingness to purchase investment funds units or keep savings in safe bank deposits as an alternative.



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

Date	Name	Function	Signature
27.01.2015	Marco Antonio Silva Rojas	Member of the Management Board	
27.01.2015	Wojciech Skalski	Financial Accounting Area Director	