



**REPORT OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 1 2015**

2015



Bank Zachodni WBK

 Grupa Santander

FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Consolidated financial statements of Bank Zachodni WBK Group					
I Net interest income		1 050 213	867 751	253 130	207 130
II Net fee and commission income		459 180	441 930	110 675	105 488
III Operating profit		1 353 589	571 179	326 253	136 339
IV Profit before tax		1 354 270	571 079	326 417	136 315
V Net profit attributable to owners of BZ WBK S.A.		1 035 766	449 492	249 648	107 293
VI Total net cash flow		(3 233 495)	1 717 542	(779 362)	409 973
VII Total assets		131 422 610	112 084 295	32 140 526	26 870 351
VIII Deposits from banks		7 719 169	10 003 802	1 887 789	2 398 246
IX Deposits from customers		92 476 789	80 114 033	22 615 991	19 206 011
X Total liabilities		112 284 966	97 208 729	27 460 251	23 304 181
XI Total equity		19 137 644	14 875 566	4 680 275	3 566 170
XII Non-controlling interests in equity		1 019 542	564 976	249 338	135 444
XIII Profit of the period attributable to non-controlling interests		54 929	10 850	13 239	2 590
XIV Number of shares		99 234 534	93 545 089		
XV Net book value per share in PLN/EUR		192,85	159,02	47,16	38,12
XVI Solvency ratio		12,81%	13,79%		
XVII Profit per share in PLN/EUR		10,44	4,81	2,52	1,15
XVIII Diluted earnings per share in PLN/EUR		10,43	4,80	2,51	1,15
XIX Declared or paid dividend per share in PLN/EUR *		-	10,70	-	2,57

Stand alone financial statements of Bank Zachodni WBK S.A.

I Net interest income		763 424	827 150	184 006	197 439
II Net fee and commission income		385 628	404 346	92 947	96 516
III Operating profit		869 923	573 610	209 676	136 919
IV Profit before tax		869 923	573 610	209 676	136 919
V Profit for the period		709 858	462 808	171 095	110 471
VI Total net cash flow		(3 109 992)	1 736 260	(749 594)	414 441
VII Total assets		118 117 293	109 043 791	28 886 596	26 141 441
VIII Deposits from banks		5 164 075	9 679 068	1 262 919	2 320 396
IX Deposits from customers		86 091 498	80 248 546	21 054 414	19 238 258
X Total liabilities		100 434 704	95 008 797	24 562 168	22 776 783
XI Total equity		17 682 589	14 034 994	4 324 429	3 364 657
XII Number of shares		99 234 534	93 545 089		
XIII Net book value per share in PLN/EUR		178,19	150,03	43,58	35,97
XIV Solvency ratio		14,05%	15,10%		
XV Profit per share in PLN/EUR		7,15	4,95	1,72	1,18
XVI Diluted earnings per share in PLN/EUR		7,15	4,94	1,72	1,18
XVII Declared or paid dividend per share in PLN/EUR *		-	10,70	-	2,57


FINANCIAL HIGHLIGHTS for the period ended 31.12.2014	Consolidated statement of financial position		Statement of financial position	
	PLN k	EUR k	PLN k	EUR k
I Total assets	134 501 874	31 556 172	121 607 365	28 530 926
II Deposits from banks	8 359 856	1 961 349	6 171 077	1 447 828
III Deposits from customers	94 981 809	22 284 168	90 149 236	21 150 373
IV Total liabilities	116 450 180	27 320 972	104 495 353	24 516 189
V Total equity	18 051 694	4 235 200	17 112 012	4 014 737
VI Non-controlling interests in equity	1 520 799	356 802	-	-

* On 23 April 2015, the AGM of Bank Zachodni WBK adopted a resolution to distribute the net profit of PLN 1,994,632 k in respect of 2014 as follows: PLN 1,041,980 k to be allocated to reserves and the remainder of PLN 952,652 k to be left undistributed.

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

- for balance sheet items – 4.0890 PLN rate to EUR as at 31.03.2015 stated by National Bank of Poland (NBP), 4.2623 PLN rate to EUR as at 31.12.2014; 4.1713 PLN rate to EUR as at 31.03.2014
- for profit and loss items – as at 31.03.2015: 4.1489 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2015), as at 31.03.2014: 4.1894 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2014)

As at 31.03.2015, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 062/A/NBP/2015 dd. 31.03.2015.



**CONSOLIDATED FINANCIAL
STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 1 2015**

2015



Bank Zachodni WBK

 Grupa Santander

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In thousands of PLN

Consolidated income statement

		01.01.2015 31.03.2015	01.01.2014 31.03.2014
	for reporting period:		
Interest income		1 453 759	1 237 445
Interest expense		(403 546)	(369 694)
Net interest income	Note 4	1 050 213	867 751
Fee and commission income		557 141	522 437
Fee and commission expense		(97 961)	(80 507)
Net fee and commission income	Note 5	459 180	441 930
Dividend income		3	112
Net gains/(losses) on subordinated entities		522 995	-
Net trading income and revaluation	Note 6	80 629	(6 840)
Gains (losses) from other financial securities	Note 7	187 561	39 049
Other operating income	Note 8	72 856	100 428
Impairment losses on loans and advances	Note 9	(190 702)	(162 007)
Operating expenses incl.:		(829 146)	(709 244)
<i>Bank's staff, operating expenses and management costs</i>	Notes 10, 11	(741 723)	(627 884)
<i>Depreciation/amortisation</i>		(66 682)	(70 655)
<i>Other operating expenses</i>	Note 12	(20 741)	(10 705)
Operating profit		1 353 589	571 179
Share in net profits (loss) of entities accounted for by the equity method		681	(100)
Profit before tax		1 354 270	571 079
Corporate income tax	Note 13	(263 575)	(110 737)
Consolidated profit for the period		1 090 695	460 342
of which:			
<i>attributable to owners of BZ WBK S.A.</i>		1 035 766	449 492
<i>attributable to non-controlling interests</i>		54 929	10 850
Net earnings per share (PLN/share)			
Basic earnings per share		10,44	4,81
Diluted earnings per share		10,43	4,80

Consolidated statement of comprehensive income

		01.01.2015 31.03.2015	01.01.2014 31.03.2014
	for reporting period:		
Consolidated profit for the period		1 090 695	460 342
Other comprehensive income which can be transferred to the profit and loss account:		(141 829)	(11 060)
Available-for sale financial assets valuation		(49 579)	18 457
<i>including deferred tax</i>		9 420	(3 507)
Cash flow hedges valuation		(125 518)	(32 111)
<i>including deferred tax</i>		23 848	6 101
Other comprehensive income for the period, net of income tax		(141 829)	(11 060)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		948 866	449 282
Attributable to:			
<i>owners of BZ WBK S.A.</i>		892 677	438 502
<i>non-controlling interests</i>		56 189	10 780

In thousands of PLN

Consolidated statement of financial position

as at:		31.03.2015	31.12.2014	31.03.2014
Assets				
Cash and balances with central banks	Note 14	4 675 812	6 806 521	5 925 534
Loans and advances to banks	Note 15	3 209 297	2 523 063	4 993 336
Financial assets held for trading	Note 16	5 492 518	5 238 741	3 513 543
Hedging derivatives		242 341	238 889	245 869
Loans and advances to customers	Note 17	88 022 427	85 820 571	70 271 352
Investment securities	Note 18	24 064 364	27 057 093	21 388 238
Investments in associates	Note 19	809 833	42 792	63 344
Intangible assets		414 748	505 385	469 934
Goodwill		1 688 516	2 542 325	2 542 325
Property, plant and equipment		744 870	756 950	605 828
Net deferred tax assets	Note 20	1 249 300	1 181 610	535 554
Assets classified as held for sale	Note 21	682	1 378	3 503
Investment property		-	-	14 134
Other assets	Note 22	807 902	1 786 556	1 511 801
Total assets		131 422 610	134 501 874	112 084 295
Liabilities				
Deposits from banks	Note 23	7 719 169	8 359 856	10 003 802
Hedging derivatives		2 051 107	1 258 224	502 926
Financial liabilities held for trading	Note 16	3 209 041	2 781 680	1 239 836
Deposits from customers	Note 24	92 476 789	94 981 809	80 114 033
Subordinated liabilities	Note 25	1 620 155	1 539 967	1 397 146
Debt securities in issue	Note 26	3 189 461	3 373 374	505 454
Current income tax liabilities		213 098	624 189	86 237
Other liabilities	Note 27	1 806 146	3 531 081	3 359 295
Total liabilities		112 284 966	116 450 180	97 208 729
Equity				
Equity attributable to owners of BZ WBK S.A.		18 118 102	16 530 895	14 310 590
Share capital		992 345	992 345	935 451
Other reserve funds		13 394 677	12 309 424	10 137 952
Revaluation reserve		808 457	951 546	697 917
Retained earnings		1 886 857	362 869	2 089 778
Profit of the current period		1 035 766	1 914 711	449 492
Non-controlling interests in equity		1 019 542	1 520 799	564 976
Total equity		19 137 644	18 051 694	14 875 566
Total equity and liabilities		131 422 610	134 501 874	112 084 295

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 as at 31.12.2014	992 345	12 309 424	951 546	2 277 580	1 520 799	18 051 694
Other comprehensive income which can be transferred to the profit and loss account	-	-	(143 089)	1 035 766	56 189	948 866
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies.	-	1 032 206	-	(342 469)	(540 854)	148 883
Transfer to other capital	-	48 254	-	(48 254)	-	-
Share scheme charge	-	4 793	-	-	-	4 793
Dividends	-	-	-	-	(16 592)	(16 592)
As at 31.03.2015	992 345	13 394 677	808 457	2 922 623	1 019 542	19 137 644

As at the end of the period revaluation reserve in the amount of PLN 808 457 k comprises of debt securities and equity shares classified as available for sale of PLN 447 786 k and PLN 575 997 k respectively and additionally cash flow hedge activities of PLN (209 871) 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 as 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 as 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	-	-	(10 990)	449 492	10 780	449 282
Transfer to other capital	-	22 207	-	(22 207)	-	-
Dividends	-	-	-	-	(56 659)	(56 659)
As at 31.03.2014	935 451	10 137 952	697 917	2 539 270	564 976	14 875 566

As at the end of the period revaluation reserve in the amount of PLN 697 917 k comprises of debt securities and equity shares classified as available for sale of PLN 120 318 k and PLN 565 429 k respectively and additionally cash flow hedge activities of PLN 5 955 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	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Profit before tax		1 354 270	571 079
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(681)	100
Depreciation/amortisation		66 682	70 655
Impairment losses		234	-
(Profit) loss from investing activities		(718 460)	(49 612)
		702 045	592 222
Changes:			
Provisions		(1 169 763)	(135 934)
Trading portfolio financial instruments		963 015	(1 194 210)
Loans and advances to banks		20 940	161 048
Loans and advances to customers		(2 201 856)	(2 139 209)
Deposits from banks		(743 536)	3 725 109
Deposits from customers		(2 033 883)	1 588 067
Other assets and liabilities		1 091 079	376 740
		(4 074 004)	2 381 611
Interests and similar charges		33 407	(42 699)
Dividend received		(3)	(112)
Paid income tax		(709 089)	(181 717)
Net cash flow from operating activities		(4 047 644)	2 749 305
Inflows		37 009 657	70 639 917
Sale of subordinated entities		244 316	-
Sale/maturity of investment securities		36 754 801	70 624 900
Sale of intangible assets and property, plant and equipment		10 537	14 905
Dividend received		3	112
Outflows		(35 686 975)	(71 555 464)
Purchase of investment securities		(35 663 951)	(71 541 520)
Purchase of intangible assets and property, plant and equipment		(23 024)	(13 944)
Net cash flow from investing activities		1 322 682	(915 547)
Inflows		289 291	-
Debt securities in issue		100 000	-
Drawing of loans		189 291	-
Outflows		(797 824)	(116 216)
Debt securities buy out		(107 200)	-
Repayment of loans		(557 791)	(17 016)
Dividends and other payments to shareholders		(16 592)	(48 234)
Other financing outflows		(116 241)	(50 966)
Net cash flow from financing activities		(508 533)	(116 216)
Total net cash flow		(3 233 495)	1 717 542
Cash at the beginning of the accounting period		13 268 425	12 300 486
Cash at the end of the accounting period		10 034 930	14 018 028

In thousands of PLN

Income statement of Bank Zachodni WBK

	for reporting period:	
	01.01.2015 31.03.2015	01.01.2014 31.03.2014
Interest income	1 090 670	1 201 716
Interest expenses	(327 246)	(374 566)
Net interest income	763 424	827 150
Fee and commission income	450 521	464 907
Fee and commission expenses	(64 893)	(60 561)
Net fee and commission income	385 628	404 346
Dividend income	16 592	56 659
Net gains/(losses) on subordinated entities	234 391	-
Net trading income and revaluation	58 317	15 885
Gains (losses) from other financial securities	187 377	41 624
Other operating income	42 629	28 811
Impairment losses on loans and advances	(161 250)	(160 055)
Operating expenses incl.:	(657 185)	(640 810)
<i>Bank's staff, operating expenses and management costs</i>	(599 468)	(586 239)
<i>Depreciation/amortisation</i>	(48 823)	(47 071)
<i>Other operating expenses</i>	(8 894)	(7 500)
Operating profit	869 923	573 610
Profit before tax	869 923	573 610
Corporate income tax	(160 065)	(110 802)
Profit for the period	709 858	462 808
Net earnings per share (PLN/share)		
Basic earnings per share	7,15	4,95
Diluted earnings per share	7,15	4,94

Statement of comprehensive income of Bank Zachodni WBK

	for reporting period:	
	01.01.2015 31.03.2015	01.01.2014 31.03.2014
Profit for the period	709 858	462 808
Other comprehensive income which can be transferred to the profit and loss account:	(144 075)	(12 246)
Available-for sale financial assets valuation	(52 857)	16 993
<i>including deferred tax</i>	10 043	(3 229)
Cash flow hedges valuation	(125 014)	(32 111)
<i>including deferred tax</i>	23 753	6 101
Other comprehensive income for the period, net of income tax	(144 075)	(12 246)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	565 783	450 562

In thousands of PLN

Statement of financial position of Bank Zachodni WBK

as at:	31.03.2015	31.12.2014	31.03.2014
ASSETS			
Cash and balances with central banks	4 623 904	6 567 108	5 925 530
Loans and advances to banks	4 370 714	3 673 519	4 964 726
Financial assets held for trading	5 561 175	5 221 034	3 449 057
Hedging derivatives	242 341	238 889	245 869
Loans and advances to customers	74 896 165	74 645 880	69 430 701
Investment securities	21 819 382	24 465 448	21 120 399
Investments in subsidiaries and associates	2 377 325	2 387 250	279 191
Intangible assets	376 400	393 265	327 574
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	668 279	676 212	593 829
Net deferred tax assets	886 116	794 008	508 344
Assets classified as held for sale	637	637	3 503
Investment property	-	-	14 134
Other assets	606 339	855 599	492 418
Total assets	118 117 293	121 607 365	109 043 791
LIABILITIES			
Deposits from banks	5 164 075	6 171 077	9 679 068
Hedging derivatives	1 961 609	1 233 926	502 939
Financial liabilities held for trading	3 209 243	2 781 686	1 240 104
Deposits from customers	86 091 498	90 149 236	80 248 546
Subordinated liabilities	1 519 319	1 439 835	1 397 146
Debt securities in issue	982 426	983 646	505 505
Current income tax liabilities	182 313	475 363	72 993
Other liabilities	1 324 221	1 260 584	1 362 496
Total liabilities	100 434 704	104 495 353	95 008 797
Equity			
Share capital	992 345	992 345	935 451
Other reserve funds	13 182 734	13 177 940	10 324 574
Revaluation reserve	803 020	947 095	700 690
Retained earnings	1 994 632	-	1 611 471
Profit of the current period	709 858	1 994 632	462 808
Total equity	17 682 589	17 112 012	14 034 994
Total equity and liabilities	118 117 293	121 607 365	109 043 791

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 31.12.2014	992 345	13 177 940	947 095	1 994 632	17 112 012
Other comprehensive income which can be transferred to the profit and loss account	-	-	(144 075)	709 858	565 783
Share scheme charge	-	4 794	-	-	4 794
As at 31.03.2015	992 345	13 182 734	803 020	2 704 490	17 682 589

As at the end of the period revaluation reserve in the amount of PLN 803 020 k comprises of debt securities and equity shares classified as available for sale of PLN 446 067 k and PLN 570 673 k respectively and additionally cash flow hedge activities of PLN (208 295) 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	-	-	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
Total comprehensive income	-	-	(12 246)	462 808	450 562
As at 31.03.2014	935 451	10 324 574	700 690	2 074 279	14 034 994

As at the end of the period revaluation reserve in the amount of PLN 700 690 k comprises of debt securities and equity shares classified as available for sale of PLN 119 646 k and PLN 569 294 k respectively and additionally cash flow hedge activities of PLN 5 955 k and provision for retirement allowances – actuarial gains of PLN 5 795 k.

In thousands of PLN

Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Profit before tax		869 923	573 610
Total adjustments:			
Depreciation/amortisation		48 823	47 071
(Profit) loss from investing activities		(429 829)	(49 559)
Impairment losses		234	-
		489 151	571 122
Changes in:			
Provisions		(79 262)	(93 200)
Trading portfolio financial instruments		811 647	(1 286 010)
Loans and advances to banks		(64 050)	161 048
Loans and advances to customers		(250 285)	(1 816 159)
Deposits from banks		(1 196 634)	3 400 284
Deposits from customers		(3 596 200)	1 520 901
Other assets and liabilities		337 929	368 383
		(4 036 855)	2 255 247
Interests and similar charges		(2 325)	(43 066)
Dividend received		(16 592)	(56 659)
Paid income tax		(511 428)	(166 286)
Net cash flow from operating activities		(4 078 049)	2 560 358
Inflows		28 711 820	70 687 720
Sale of investments in subsidiaries		244 316	-
Sale/maturity of investment securities		28 457 964	70 624 900
Sale of intangible assets and property, plant and equipment		9 540	14 587
Dividend received		-	48 233
Outflows		(27 384 718)	(71 454 188)
Purchase of investment securities		(27 366 271)	(71 442 009)
Purchase of intangible assets and property, plant and equipment		(18 447)	(12 179)
Net cash flow from investing activities		1 327 102	(766 468)
Inflows		189 290	-
Drawing of loans		189 290	-
Outflows		(548 335)	(57 630)
Repayment of loans		(461 172)	(8 018)
Other financing outflows		(87 163)	(49 612)
Net cash flow from financing activities		(359 045)	(57 630)
Total net cash flow		(3 109 992)	1 736 260
Cash at the beginning of the accounting period		12 113 526	12 253 154
Cash at the end of the accounting period		9 003 534	13 989 414

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 2014.

The consolidated financial statements of the Group for the year 2014 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 2015 to 31 March 2015 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 Q1 2015, 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 2014.

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 was 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.

The financial statements of Bank Zachodni WBK Group for the first quarter of 2015 are the first financial statements prepared after closing of the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited. As a result of the transaction, BZ WBK lost control over and ceased to consolidate the two insurance companies. The transaction is described in detail in Note 37.

Changes in judgments and estimates

Compared with the consolidated financial statements for 2014, in Q1 2015 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
Amendment to IAS 27 Equity method in separate financial statements	The amendment will allow entities to account for investments in subsidiaries, associates and joint ventures using the equity method in their separate financial statements.	1 January 2016	The impact analysis has not been completed yet.
Annual improvements cycle 2012-2014	The issues included in this cycle are: <ul style="list-style-type: none"> • IFRS 5 Changes in methods of disposal; • IFRS 7 Servicing Contracts; • IAS 19 Discount rate: regional market issue; • IAS 34 Disclosure of information 'elsewhere in the interim financial report'. 	1 January 2016	The impact analysis has not been completed yet.
Amendment to IFRS 11 Joint Arrangements	The purpose of the amendment is to issue new guidance on the disclosure of acquisition of an interest in a joint operation. It specifies the accounting treatment of such acquisition.	1 January 2016	The impact analysis has not been completed yet.
Amendment to IAS 16 and IAS 38	The amendment to IAS 16 and IAS 38 sets out the rule of consumption of the economic benefits with regard to recognition of depreciation and amortisation. IASB explained that the revenue-based method should not be used to calculate depreciation/amortisation.	1 January 2016	The impact analysis has not been completed yet.
IFRS 14 Regulatory Deferral Accounts	Under IFRS 14, first-time adopters of IFRS are permitted to continue to recognise amounts related to rate regulation in accordance with their previous accounting rules. To enhance comparability with entities that already apply IFRS and that do not recognise such amounts, the effect of rate regulation must be presented separately from other items, both in the statement of financial position and income statement and statement of other comprehensive income.	1 January 2016	The impact analysis has not been completed yet.
Amendments to IFRS 10 and IAS 28	The amendments will only apply to the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	The impact analysis has not been completed yet.
Amendments to IFRS 15	Revenue from Contracts with Customers.	1 January 2017	The impact analysis has not been completed yet.
IFRS 9 Financial Instruments	Amendment to the classification and measurement – replacement of the existing categories of financial instruments with two measurement categories: amortised cost and fair value. Amendments to hedge accounting.	1 January 2018 (IASB has been considering whether to set the date as the new effective date of the standard)	The impact analysis has not been completed yet.

In thousands of PLN

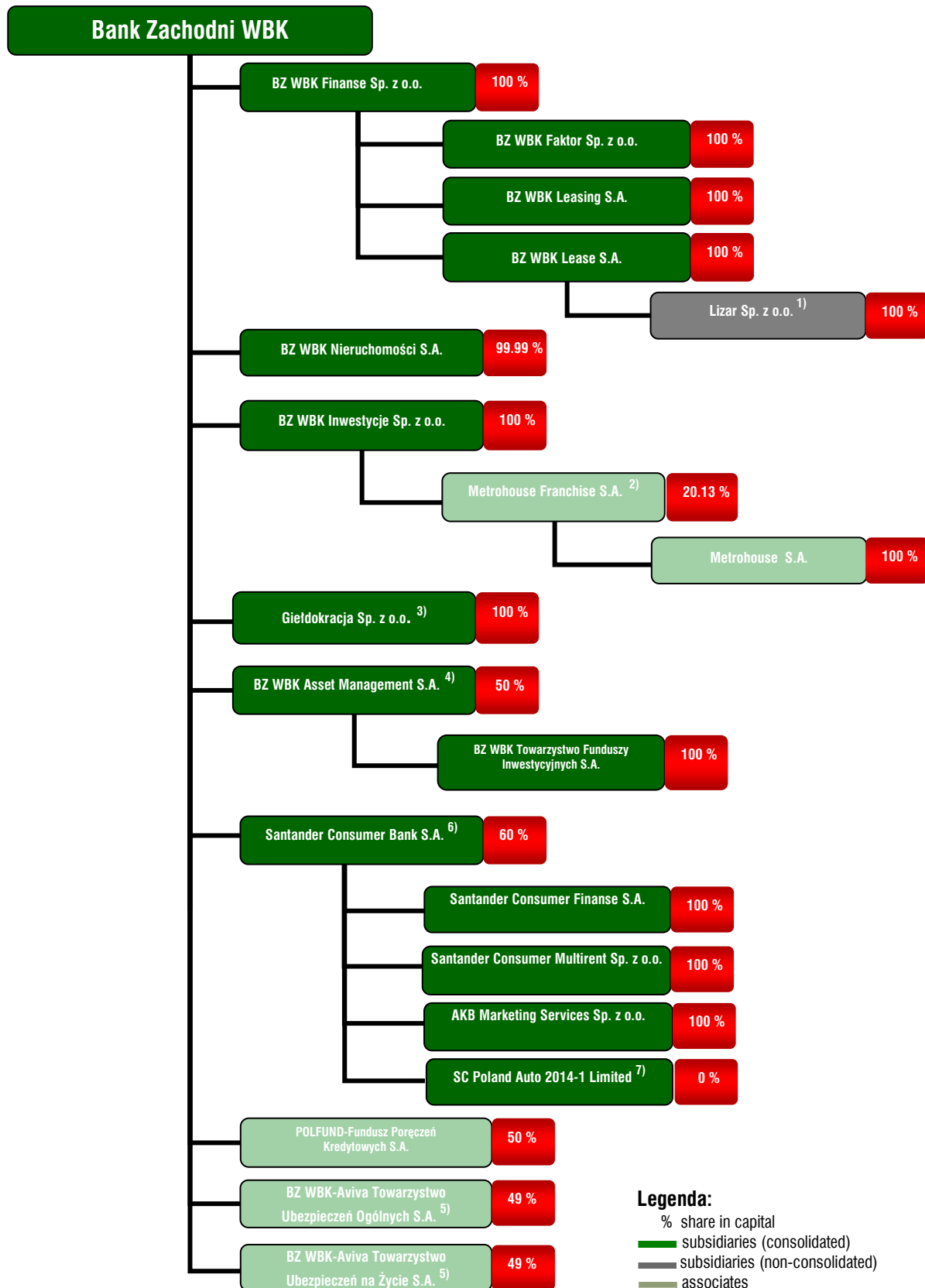
Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2015

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
Amendment to IAS 19 Employee Benefits	The amendment applies to contributions from employees or third parties. Specifically, it simplifies the accounting principles regarding the contributions which are independent of the number of years of service.	1 January 2015	The amendment does not have a significant impact on financial statements
Annual improvements to IFRS, the 2010-2012 cycle	The issues included in this cycle are: <ul style="list-style-type: none"> - IFRS 2 Definition of 'vesting condition'; - IFRS 3 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 16 / IAS 38 Revaluation method – proportionate restatement; - IAS 24 Key management personnel. 	1 January 2015	The amendment does not have a significant impact on financial statements
Annual improvements to IFRS, the 2011-2013 cycle	The issues included in this cycle are: <ul style="list-style-type: none"> - IFRS 1 Meaning of 'effective IFRS'; - IFRS 3 3 Scope of exception for joint ventures; - MSSF 13 Scope of paragraph 52 (portfolio exception); - IAS 40 Clarification of the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. 	1 January 2015	The amendment does not have a significant impact on 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 31.03.2015:



In thousands of PLN

- 1) Lizar Sp. z o.o. – subsidiary unconsolidated due to irrelevance of their business operations and financial data .
- 2) Detailed information on the registration of Metrohouse Franchise S.A. are described in Note 37.
- 3) Detailed information are described in Note 35.
- 4) As at 31 March 2015, 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) On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUnŻ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Detailed information are described in Note 37.
- 6) On 1 July 2014, Bank Zachodni WBK completed the acquisition of the controlling stake in Santander Consumer Bank S.A. (“Group SCB”).
- 7) 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.

In 2015 introduced the following changes:

- change of the methodology of capital and income from capital allocation between business segments;
- change of the methodology of obligatory reserve allocation and results on obligatory reserve;
- customer resegmentation between business segments;
- due to organizational changes in the second half of 2014 - there is presentation change of internal transactions with lease companies, between Business & Corporate Banking and Retail Banking.

In all 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.

Result on the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. oraz BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. na rzecz AVIVA International Insurance Limited (described in Note 37) is presented in ALM and Centre segment.

Retail Banking

Retail Banking generates income from the sale of products and services to personal customers and small and micro companies. In the offer for customers of this segment there are 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.

In thousands of PLN

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 provided to all the Bank's customers (segment allocates revenues and costs from this activity to other segments, the allocation level may be subject to changes in consecutive years);
- underwriting and financing of securities issues, financial advice and brokerage services (until the incorporation of Brokerage House into the structure of the Bank at 31.10.2014, above 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 BZ WBK 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 income statement (by business segments)

01.01.2015-31.03.2015	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Santander Consumer	Total
Net interest income	481 160	135 791	34 434	145 781	253 047	1 050 213
incl. internal transactions	(20 412)	(8 547)	46	31 663	(2 750)	-
Other income	354 613	80 935	66 810	769 415	51 448	1 323 221
incl. internal transactions	17 406	18 487	(24 984)	39 124	(50 033)	-
Dividend income	-	-	-	-	3	3
Operating costs	(480 241)	(76 231)	(56 558)	(25 225)	(124 209)	(762 464)
incl. internal transactions	(2 450)	(259)	(1)	2 998	(288)	-
Depreciation/amortisation	(27 457)	(3 668)	(4 568)	(20 953)	(10 036)	(66 682)
Impairment losses on loans and advances	(126 864)	(37 601)	442	(1 691)	(24 988)	(190 702)
Share in net profits (loss) of entities accounted for by the equity method	1 151	-	-	(470)	-	681
Profit before tax	202 362	99 226	40 560	866 857	145 265	1 354 270
Corporate income tax						(263 575)
Non-controlling interests						(54 929)
Profit for the period						1 035 766

Consolidated statement of financial position (by business segment)

31.03.2015	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Santander Consumer	Total
Loans and advances to customers	46 216 067	22 442 400	6 872 617	76 858	12 414 485	88 022 427
Investments in associates	14 129	-	-	795 704	-	809 833
Other assets	5 898 025	1 285 805	7 434 780	24 819 804	3 151 936	42 590 350
Total assets	52 128 221	23 728 205	14 307 397	25 692 366	15 566 421	131 422 610
Deposits from customers	60 902 861	15 703 309	7 516 691	729 598	7 624 330	92 476 789
Other liabilities and equity	3 222 053	2 324 452	6 592 961	16 507 975	10 298 380	38 945 821
Total equity and liabilities	64 124 914	18 027 761	14 109 652	17 237 573	17 922 710	131 422 610

In thousands of PLN

Consolidated income statement (by business segments)

01.01.2014-31.03.2014	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Net interest income	543 987	146 849	32 334	144 581	867 751
incl. internal transactions	(21 659)	(10 055)	6 385	25 329	-
Other income	383 554	78 700	83 685	28 628	574 567
incl. internal transactions	8 905	16 188	(26 958)	1 865	-
Dividend income	-	-	112	-	112
Operating costs	(463 356)	(66 754)	(50 185)	(58 294)	(638 589)
incl. internal transactions	(2 328)	(42)	(945)	3 315	-
Depreciation/amortisation	(28 977)	(3 883)	(2 683)	(35 112)	(70 655)
Impairment losses on loans and advances	(92 030)	(74 254)	(581)	4 858	(162 007)
Share in net profits (loss) of entities accounted for by the equity method	-	-	275	(375)	(100)
Profit before tax	343 178	80 658	62 957	84 286	571 079
Corporate income tax					(110 737)
Non-controlling interests					(10 850)
Profit for the period					449 492

Consolidated statement of financial position (by business segment)

31.03.2014	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Loans and advances to customers	42 509 095	21 519 761	6 210 047	32 449	70 271 352
Investments in associates	14 129	-	21 117	28 098	63 344
Other assets	8 488 033	1 489 897	5 940 673	25 830 996	41 749 599
Total assets	51 011 257	23 009 658	12 171 837	25 891 543	112 084 295
Deposits from customers	58 338 087	14 783 832	5 211 468	1 780 646	80 114 033
Other liabilities and equity	4 140 812	2 152 002	6 935 111	18 742 337	31 970 262
Total equity and liabilities	62 478 899	16 935 834	12 146 579	20 522 983	112 084 295

In thousands of PLN

4. Net interest income

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Interest income		
Loans and advances to enterprises	407 718	406 655
Loans and advances to individuals, of which:	743 045	496 569
<i>Home mortgage loans</i>	225 225	198 361
Debt securities incl.:	167 547	192 681
<i>Investment portfolio available for sale</i>	159 288	178 843
<i>Trading portfolio</i>	8 259	13 838
Leasing agreements	41 812	37 623
Loans and advances to banks	18 107	25 906
Public sector	2 275	4 270
Reverse repo transactions	3 631	4 562
Interest recorded on hedging IRS	69 624	69 179
Total	1 453 759	1 237 445
Interest expenses		
Deposits from individuals	(217 270)	(208 909)
Deposits from enterprises	(103 555)	(99 046)
Repo transactions	(14 289)	(19 486)
Deposits from public sector	(16 067)	(19 825)
Deposits from banks	(7 795)	(3 663)
Subordinated liabilities and issue of securities	(44 570)	(18 765)
Total	(403 546)	(369 694)
Net interest income	1 050 213	867 751

In thousands of PLN

5. Net fee and commission income

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Fee and commission income		
eBusiness & payments	130 043	151 352
Current accounts and money transfer	87 472	76 386
Asset management fees	68 759	62 853
Foreign exchange commissions	74 083	76 231
Credit commissions	62 959	69 831
Insurance commissions	64 079	15 933
Brokerage commissions	16 988	22 979
Credit cards	34 449	30 793
Off-balance sheet guarantee commissions	9 952	9 879
Finance lease commissions	3 096	1 579
Issue arrangement fees	1 968	580
Distribution fees	2 247	3 012
Other commissions	1 046	1 029
Total	557 141	522 437
Fee and commission expenses		
eBusiness & payments	(44 127)	(40 618)
Distribution fees	(7 095)	(7 752)
Brokerage commissions	(3 459)	(4 365)
Credit cards	(8 621)	(5 971)
Asset management fees and other costs	(2 035)	(2 252)
Finance lease commissions	(6 253)	(3 343)
Credit commissions paid	(9 492)	(418)
Other	(16 879)	(15 788)
Total	(97 961)	(80 507)
Net fee and commission income	459 180	441 930

6. Net trading income and revaluation

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Net trading income and revaluation		
Derivative instruments and interbank fx transactions	74 617	(48 138)
Other FX related income	1 313	44 760
Profit on equity instruments	1 884	403
Profit on debt instruments	2 815	(3 865)
Total	80 629	(6 840)

Net trading income and revaluation includes value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (3,974) k for 1Q 2015 and PLN (260) k for 1Q 2014.

In thousands of PLN

7. Gains (losses) from other financial securities

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Gains (losses) from other financial securities		
Profit on sale of equity shares	17	14 093
Profit on sale of debt securities	187 974	26 074
Charge due to impairment losses	(234)	-
Total profit (losses) on financial instruments	187 757	40 167
Change in fair value of hedging instruments	(7 249)	(24 155)
Change in fair value of underlying hedged positions	7 053	23 037
Total profit (losses) on hedging and hedged instruments	(196)	(1 118)
Total	187 561	39 049

8. Other operating income

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Other operating income		
Income on sale of services	2 515	5 265
Insurance indemnity received	436	103
Reimbursements of BGF charges	22 547	9 578
Release of provision for legal cases and other assets	4 829	1 612
Settlements of leasing agreements	392	194
Recovery of other receivables	1 142	206
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	7 492	6 830
Income from net insurance activities	26 296	59 736
Received compensations, penalties and fines	165	994
Other	7 042	15 910
Total	72 856	100 428

Until 27 February 2015 the Bank exercised control over the companies BZ WBK-AVIVA TUO S.A. and BZ WBK-AVIVA TUŻ S.A., and recognized income from insurance activities on a consolidated basis.

	01.01.2015- 27.02.2015*	01.01.2014- 31.03.2014
Income from net insurance activities		
Written premiums	46 050	152 224
Reinsurers' share in written premium	(16 842)	(686)
Total premiums written and reinsurers' share in written premium	29 208	151 538
Indemnity payments and insurance benefits paid	(37 036)	(119 689)
Reinsurers' share in indemnity payments and insurance benefits paid	182	233
Change in the balance of premium provisions and unexpired risks provisions	6 161	11 782
Change in the balance of premium provisions - reinsurers' share	15 930	-
Change in the balance of provisions for life insurance in respect of deductible	(5 757)	2 479
Change in the balance of provisions for life insurance in respect of deductible – reinsurers' share	857	(11 868)
Change in the balance of provisions for life insurance in respect of policyholder's risk	15 859	22 992
Net insurance benefits and indemnity payments	(3 804)	(94 071)
Other net insurance income	892	2 269
Net income from insurance operations	26 296	59 736

* On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. following the exercise of a call option by Aviva International Insurance Limited ("Aviva Ltd."). Detailed information are described in Note 37.

In thousands of PLN

9. Impairment losses on loans and advances

Impairment losses on loans and advances	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Collective and individual impairment charge	(208 536)	(166 115)
Incurred but not reported losses charge	3 425	(17 668)
Recoveries of loans previously written off	17 362	407
Off-balance sheet credit related facilities	(2 953)	21 369
Total	(190 702)	(162 007)

10. Employee costs

Employee costs	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Salaries and bonuses	(317 908)	(254 884)
Salary related costs	(58 457)	(49 549)
Staff benefits costs	(8 248)	(7 316)
Professional trainings	(3 052)	(2 575)
Retirement fund, holiday provisions and other employee costs	(577)	(825)
Integration costs *	(503)	(20 314)
Total	(388 745)	(335 463)

*In addition to the integration costs included in Notes 10 and 11, the amortisation/depreciation related to the cost of integration for 1Q 2015 was PLN 5,592 k and PLN 2,710 k for 1Q 2014.

11. General and administrative expenses

General and administrative expenses	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Maintenance and rentals of premises	(91 406)	(86 408)
Marketing and representation	(31 469)	(22 497)
IT systems costs	(46 062)	(36 355)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(65 306)	(31 952)
Postal and telecommunication costs	(16 383)	(13 052)
Consulting fees	(12 165)	(5 725)
Cars, transport expenses, carriage of cash	(19 367)	(18 358)
Other external services	(25 968)	(17 920)
Stationery, cards, cheques etc.	(8 107)	(6 853)
Sundry taxes	(7 616)	(7 004)
Data transmission	(5 311)	(4 956)
KIR, SWIFT settlements	(5 723)	(5 493)
Security costs	(5 005)	(4 621)
Costs of repairs	(1 347)	(1 053)
Integration costs *	(6 045)	(25 353)
Other	(5 698)	(4 821)
Total	(352 978)	(292 421)

*In addition to the integration costs included in Notes 10 and 11, the amortisation/depreciation related to the cost of integration for 1Q 2015 was PLN 5,592 k and PLN 2,710 k for 1Q 2014.

In 2015, the total cost of the annual Banking Guarantee Fund fee paid by Bank Zachodni WBK was PLN 200,856k compared with PLN 104,409k reported in 2014.

In 2015, the total cost of the annual Banking Guarantee Fund fee paid by Santander Consumer Bank was PLN 30 070k compared with PLN 16 581k reported in 2014.

In thousands of PLN

12. Other operating expenses

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Other operating expenses		
Charge of provisions for legal cases and other assets	(11 631)	(3 025)
Costs of purchased services	(367)	(934)
Other membership fees	(260)	(274)
Paid compensations, penalties and fines	(2 088)	(326)
Donation paid	(1 320)	(590)
Other	(5 075)	(5 556)
Total	(20 741)	(10 705)

13. Corporate income tax

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Corporate income tax		
Current tax charge	(297 535)	(167 091)
Deferred tax	33 960	56 354
Total	(263 575)	(110 737)

	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014
Corporate total tax charge information		
Profit before tax	1 354 270	571 079
Tax rate	19%	19%
Tax calculated at the tax rate	(257 311)	(108 505)
Permanent differences	(8 207)	3 180
Sale of receivables	(3 500)	(4 169)
Non-tax deductible bad debt provisions	(1 143)	(1 394)
Adjustment of prior year tax	10 431	(7 168)
Consolidation adjustments	(4 177)	8 230
Other	332	(911)
Total income tax expense	(263 575)	(110 737)

	31.03.2015	31.03.2014
Deferred tax recognised directly in equity		
Relating to equity securities available-for-sale	(135 072)	(132 557)
Relating to debt securities available-for-sale	(105 036)	(28 170)
Relating to cash flow hedging activity	49 229	(1 397)
Relating to valuation of defined benefit plans	1 280	(1 458)
Total	(189 599)	(163 582)

14. Cash and balances with central banks

	31.03.2015	31.12.2014	31.03.2014
Cash and balances with central banks			
Cash	1 585 002	2 455 976	1 338 614
Current accounts in central banks	3 090 810	4 350 545	4 586 920
Total	4 675 812	6 806 521	5 925 534

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	31.03.2015	31.12.2014	31.03.2014
Loans and advances	133 124	317 986	2 203 715
Current accounts	2 586 054	1 808 114	962 190
Buy-sell-back transactions	490 153	397 017	1 827 587
Gross receivables	3 209 331	2 523 117	4 993 492
Impairment write down	(34)	(54)	(156)
Total	3 209 297	2 523 063	4 993 336

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2015		31.12.2014		31.03.2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	2 282 033	2 667 202	1 919 323	2 304 675	907 908	976 801
Interest rate operations	1 309 405	1 650 586	1 280 091	1 635 916	612 461	623 161
Forward	-	22	-	139	38	-
Options	11 097	11 097	1 798	1 798	3 210	3 210
IRS	1 293 119	1 632 536	1 270 908	1 626 173	599 802	613 123
FRA	5 189	6 931	7 385	7 806	9 411	6 828
Transactions on equity instruments	9 230	9 230	9 956	33 400	3 231	9 187
Options	9 230	9 230	9 956	33 400	3 231	9 187
FX operations	963 398	1 007 386	629 276	635 359	292 205	344 447
CIRS	144 111	206 869	129 987	169 956	79 990	150 658
Forward	31 773	105 060	38 428	34 840	15 953	37 160
FX Swap	630 801	547 003	310 711	287 270	117 828	76 392
Spot	3 113	2 893	4 731	2 419	1 048	822
Options	145 561	145 561	140 796	140 798	77 386	79 415
Other	8 039	-	4 623	76	-	-
Transactions concerning precious metals and commodities	-	-	-	-	11	6
Debt and equity securities	3 210 485	-	3 319 418	-	2 605 635	-
Debt securities	3 168 515	-	3 235 504	-	2 581 883	-
Government securities:	3 168 170	-	3 230 890	-	2 578 360	-
- bonds	3 168 170	-	3 230 890	-	2 578 360	-
Commercial securities:	345	-	4 614	-	3 523	-
- bonds	345	-	4 614	-	3 523	-
Equity securities:	41 970	-	83 914	-	23 752	-
- listed	41 970	-	83 914	-	23 752	-
Short sale	-	541 839	-	477 005	-	263 035
Total financial assets/liabilities	5 492 518	3 209 041	5 238 741	2 781 680	3 513 543	1 239 836

Financial assets and liabilities held for trading - trading derivatives include the value of adjustments resulting from counterparty risk in the amount of PLN 2,115 k as at 31.03.2015; PLN 6,116 k as at 31.12.2014 and PLN (2 663) k as at 31.03.2014.

In thousands of PLN

17. Loans and advances to customers

Loans and advances to customers	31.03.2015	31.12.2014	31.03.2014
Loans and advances to enterprises	39 704 096	39 149 855	35 556 777
Loans and advances to individuals, of which:	49 223 547	47 784 052	34 199 687
<i>Home mortgage loans</i>	32 282 079	30 860 840	25 474 084
Finance lease receivables	3 856 551	3 815 843	3 133 003
Loans and advances to public sector	173 540	190 811	219 961
Buy-sell-back transactions	280 145	100	763 839
Other	8 787	6 420	7 730
Gross receivables	93 246 666	90 947 081	73 880 997
Impairment write down	(5 224 239)	(5 126 510)	(3 609 645)
Total	88 022 427	85 820 571	70 271 352

Movements on impairment losses on loans and advances to customers	31.03.2015	31.12.2014	31.03.2014
Individual and collective impairment			
As at the beginning of the period	(4 446 607)	(3 036 549)	(3 036 549)
Individual and collective impairment acquired in a business combination	-	(1 287 435)	-
Charge/write back of current period	(208 536)	(975 342)	(166 115)
Write off/Sale of receivables	104 026	815 289	54 570
Transfer	31	50 920	30 409
F/X differences	5 730	(13 490)	(1 997)
Balance at the end of the period	(4 545 356)	(4 446 607)	(3 119 682)
IBNR			
As at the beginning of the period	(679 903)	(453 176)	(453 176)
IBNR acquired in a business combination	-	(302 550)	-
Charge/write back of current period	3 407	98 636	(17 700)
Transfer	(15)	(19 104)	(18 144)
F/X differences	(2 372)	(3 709)	(943)
Balance at the end of the period	(678 883)	(679 903)	(489 963)
Allowance for impairment	(5 224 239)	(5 126 510)	(3 609 645)

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 31.03.2015 was PLN 318,537,698.

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 31.03.2015, SCB recognised the securitised assets of PLN 863,571 k net under Loans and advances to customers, and liability of PLN 984,475 k under Deposits from customers in respect of cash flows to SPV on account of securitisation.

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

Pursuant to the decision of the Swiss National Bank, following the end of the reporting period, 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 3.5447 vs. 3.9110 as at a 31 March 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 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 and 31 March 2015.

In thousands of PLN

Gross mortgage loans by currency	31.03.2015	31.12.2014
CHF denominated mortgage loans	14 544 182	13 405 583
<i>Bank Zachodni WBK SA</i>	11 341 348	10 444 894
<i>Santander Consumer Bank</i>	3 202 834	2 960 689
Mortgage loans denominated in other currencies	17 737 897	17 455 257
Total	32 282 079	30 860 840

Bank Zachodni WBK Group actively manages the CHF position using derivative instruments (swaps) and direct financing including loans and repo transactions. As at the end of March 2015, the volume of the above instruments added up to CHF 2.7 bn and CHF 1.1 bn, respectively.

18. Investment securities available for sale

Investment securities available for sale	31.03.2015	31.12.2014	31.03.2014
Available for sale investments - measured at fair value			
Debt securities	23 153 777	26 152 181	20 518 830
Government securities:	18 715 879	19 971 450	14 068 718
- bonds	18 715 879	19 971 450	14 068 718
Central Bank securities:	2 149 821	3 959 781	3 799 208
- bills	2 149 821	3 959 781	3 799 208
Commercial securities:	2 288 077	2 220 950	2 650 904
- bonds	2 288 077	2 220 950	2 650 904
Equity securities	892 748	886 937	848 754
- listed	72 203	66 406	33 140
- unlisted	820 545	820 531	815 614
Investment certificates	17 839	17 975	20 654
Total	24 064 364	27 057 093	21 388 238

19. Investments in associates

Movements on investments in associates	31.03.2015	31.12.2014	31.03.2014
Balance as at 1 January	42 792	63 444	63 444
Share of profits/(losses)	681	1 385	(100)
Impairment	-	(4 095)	-
Reclassification *	766 360	(17 942)	-
Balance at the end of the period	809 833	42 792	63 344

Balance sheet value of associates	31.03.2015	31.12.2014	31.03.2014
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 322	42 792	42 227
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. oraz BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	767 511	-	-
Krynicki Recykling S.A. *	-	-	16 950
Metrohouse Franchise S.A./Metrohouse S.A. *	-	-	4 167
Total	809 833	42 792	63 344

* On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUnŻ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Details have been described in Note 37.

Information about the reclassification of Krynicki Recykling S.A. and Metrohouse Franchise S.A./Metrohouse S.A. as at 31.12.2014 are included in note 37.

In thousands of PLN

20. Net deferred tax assets

Deferred tax assets	31.03.2015	31.12.2014	31.03.2014
Provisions for loans	638 039	632 421	503 752
Unrealized liabilities due to derivatives	869 209	681 206	284 043
Other provisions which are not taxable costs	105 645	104 450	88 883
Deferred income	364 570	357 322	159 107
Difference between balance sheet and taxable value of leasing portfolio	159 392	148 660	95 018
Unrealised interest expense on loans, deposits and securities	154 949	187 002	42 903
Other	19 566	18 131	12 987
Total	2 311 370	2 129 192	1 186 693
Deferred tax liabilities	31.03.2015	31.12.2014	31.03.2014
Revaluation of financial instruments available for sale*	(189 500)	(223 373)	(163 627)
Unrealised receivables on derivatives	(491 177)	(411 875)	(213 496)
Unrealised interest income on loans, securities and interbank deposits	(185 850)	(201 987)	(148 019)
Provision due to application of investment relief	(3 189)	(3 227)	(3 363)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(6 312)	(6 228)	(3 354)
Difference between balance sheet and taxable value of unfinancial value assets	382	(358)	(4 259)
Valuation of shares/interests in subsidiaries	(148 306)	(84 680)	(92 214)
Other	(38 118)	(15 854)	(22 807)
Total	(1 062 070)	(947 582)	(651 139)
Net deferred tax assets	1 249 300	1 181 610	535 554

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

As at 31 March 2015 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 115 303 k.

As at 31 March 2014 the calculation of deferred tax assets did not include purchased receivables of PLN 14 213 k and loans that will not be realised of PLN 101 647 k.

21. Assets classified as held for sale

Assets classified as held for sale	31.03.2015	31.12.2014	31.03.2014
Land and buildings	638	638	3 503
Other fixed assets	44	740	-
Total	682	1 378	3 503

22. Other assets

Other assets	31.03.2015	31.12.2014	31.03.2014
Receivables arising from insurance contracts *	-	749 309	747 056
Interbank and interbranch settlements	68 131	456 910	102 877
Sundry debtors	348 690	382 925	412 352
Prepayments**	322 459	125 754	153 762
Repossessed assets	33 095	41 425	46 923
Settlements of stock exchange transactions	28 574	22 615	38 795
Other	6 953	7 618	10 036
Total	807 902	1 786 556	1 511 801

* On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUnŻ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Details have been described in Note 37.

In thousands of PLN

In the period of 31.12.2014 and 31.03.2014 were recognized receivables arising from insurance contracts.

** "Prepayments" include Banking Guarantee Fund fees paid by Bank Zachodni WBK, which as at 31.03.2015 were PLN 150,642 k and PLN 78,228 k as at 31.03.2014.

As at 31.03.2015, the Banking Guarantee Fund fees paid by Santander Consumer Bank were PLN 22,552 k.

23. Deposits from banks

Deposits from banks	31.03.2015	31.12.2014	31.03.2014
Repo/sell-buy-back transactions	5 710 140	7 045 487	6 738 618
Term deposits, other	889 096	399 402	217 915
Loans from other banks	652 255	548 545	324 179
Current accounts	467 678	366 422	2 723 090
Total	7 719 169	8 359 856	10 003 802

24. Deposits from customers

Deposits from customers	31.03.2015	31.12.2014	31.03.2014
Deposits from individuals	55 719 778	58 257 053	48 146 216
Term deposits	26 625 008	30 938 819	21 739 703
Current accounts	28 972 240	27 204 883	26 350 134
Other	122 530	113 351	56 379
Deposits from enterprises	32 720 159	33 150 169	27 787 057
Term deposits	16 632 417	16 164 448	13 809 640
Current accounts	13 005 690	13 640 292	10 661 098
Sell-buy-back transactions	271 228	157 134	232 691
Loans	2 236 720	2 668 541	2 257 874
Other	574 104	519 754	825 754
Deposits from public sector	4 036 852	3 574 587	4 180 760
Term deposits	2 199 177	1 371 671	2 213 944
Current accounts	1 829 546	2 202 706	1 957 001
Other	8 129	210	9 815
Total	92 476 789	94 981 809	80 114 033

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

* Concerns Santander Consumer Bank

In thousands of PLN

Movements in subordinated liabilities	31.03.2015	31.12.2014	31.03.2014
As at the beginning of the period	1 539 967	1 384 719	1 384 719
Subordinated liabilities acquired in a business combination	-	100 144	-
Increase (due to):	97 665	118 364	26 239
- interest on subordinated loan	18 045	63 659	13 884
- FX differences	79 620	54 705	12 355
Decrease (due to):	(17 477)	(63 260)	(13 812)
- interest repayment	(17 477)	(63 260)	(13 812)
Subordinated liabilities - as at the end of the period	1 620 155	1 539 967	1 397 146
Short-term	4 594	4 903	4 392
Long-term (over 1 year)	1 615 561	1 535 064	1 392 754

26. Debt securities in issue

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	31.03.2015
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	
SCBP00330500	not quoted	50 000	PLN	29.01.2016	
SCBP00310038	not quoted	38 000	PLN	29.01.2016	
SCB00014	not quoted	10 000	PLN	03.02.2016	
SCBP00360217	not quoted	21 700	PLN	12.02.2016	
SCBP00340050	not quoted	50 000	PLN	12.02.2016	
SCB00016	not quoted	50 000	PLN	24.02.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
Seria A	PLBZ00000150	500 000	PLN	19.12.2016	
Seria B	PLBZ00000168	475 000	PLN	17.07.2017	
SCB00006	PLSNTND00034	100 000	PLN	07.08.2017	
SCB00010	not quoted	20 000	PLN	30.08.2017	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00012	PLSNTND00042	215 000	PLN	04.10.2017	
SCB00019	PLSNTND00083	220 000	PLN	30.10.2017	
SCB00022	PLSNTND00091	100 000	PLN	16.02.2018	
SCB00017	PLSNTND00059	50 000	PLN	18.06.2018	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
Securitization Bonds Float A	XS1070423931	254 972	PLN	20.06.2025	
Debt securities in issue					
- as at the end of the period					3 189 461

In thousands of PLN

27. Other liabilities

Other liabilities	31.03.2015	31.12.2014	31.03.2014
Settlements of stock exchange transactions	23 616	48 377	86 051
Interbank and interbranch settlements	394 333	239 148	379 674
Provisions:	421 807	1 591 570	1 419 437
<i>Employee provisions</i>	271 761	365 083	214 286
<i>Provisions for legal claims</i>	46 665	49 504	45 654
<i>Provisions for off-balance sheet credit facilities</i>	89 684	87 517	74 785
<i>Technical insurance provisions *</i>	-	1 074 445	1 081 412
<i>Provisions for restructuring **</i>	10 397	11 721	-
<i>Other</i>	3 300	3 300	3 300
Sundry creditors	288 867	332 202	352 490
Other deferred and suspended income	170 915	165 124	108 782
Public and law settlements	103 148	58 952	104 278
Accrued liabilities	364 403	366 187	175 038
Finance lease related settlements	38 662	29 595	33 302
Liabilities from insurance contracts and other *	395	854	1 171
Share purchase mandate adjustment *	-	699 072	699 072
Total	1 806 146	3 531 081	3 359 295

* 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.

On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŃ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Details have been described in Note 37.

** Provision acquired as a result of the acquisition of control on July 1, 2014 in the amount of PLN 15 547 k (as at 31.03.2015 in the amount of PLN 10 397 k) referred to:

- restructuring of employment in the bank PLN 3 323 k (as at 31.03.2015 in the amount of PLN 2 135 k)
- liquidation of branches PLN 12 224 k. (as at 31.03.2015 in the amount of PLN 8 261 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.).

It is expected that most of cash flows related to the raised restructuring provision will materialise in the years 2015-2018.

The Group raises provisions for disputable or expected, certain or highly probable, future liabilities that can be reliably estimated.

The liabilities arise from past events and an outflow of resources embodying economic benefits will be required to settle the present obligation.

In thousands of PLN

Change in provisions	31.03.2015	31.12.2014	31.03.2014
As at the beginning of the period	1 591 570	1 555 371	1 555 371
Employee provisions	365 083	293 962	293 962
Provisions for legal claims	49 504	45 104	45 104
Provisions for off-balance sheet credit facilities	87 517	95 934	95 934
Technical insurance provisions	1 074 445	1 117 071	1 117 071
Provisions for restructuring	11 721	-	-
Other	3 300	3 300	3 300
Provision acquired in a business combination	-	78 730	-
Employee provisions	-	36 243	-
Provisions for legal claims	-	8 809	-
Provisions for off-balance sheet credit facilities	-	18 131	-
Technical insurance provisions	-	-	-
Provisions for restructuring	-	15 547	-
Other	-	-	-
Provision charge	105 535	494 159	98 741
Employee provisions	72 302	312 857	65 549
Provisions for legal claims	459	12 403	695
Provisions for off-balance sheet credit facilities	32 517	167 454	32 497
Technical insurance provisions	-	-	-
Provisions for restructuring	257	1 445	-
Other	-	-	-
Utilization	(146 531)	(256 263)	(144 093)
Employee provisions	(142 983)	(257 891)	(144 305)
Provisions for legal claims	(2 762)	(254)	(7)
Provisions for off-balance sheet credit facilities	(786)	1 882	219
Technical insurance provisions	-	-	-
Provisions for restructuring	-	-	-
Other	-	-	-
Write back	(1 129 084)	(280 427)	(90 582)
Employee provisions	(22 958)	(20 088)	(920)
Provisions for legal claims	(536)	(16 558)	(138)
Provisions for off-balance sheet credit facilities	(29 564)	(195 884)	(53 865)
Technical insurance provisions	(1 074 445)	(42 626)	(35 659)
Provisions for restructuring	(1 581)	(5 271)	-
Other	-	-	-
Other changes	317	-	-
Employee provisions	317	-	-
Provisions for legal claims	-	-	-
Provisions for off-balance sheet credit facilities	-	-	-
Provisions for restructuring	-	-	-
Other	-	-	-
Balance at the end of the period	421 807	1 591 570	1 419 437
Employee provisions	271 761	365 083	214 286
Provisions for legal claims	46 665	49 504	45 654
Provisions for off-balance sheet credit facilities	89 684	87 517	74 785
Technical insurance provisions	-	1 074 445	1 081 412
Provisions for restructuring	10 397	11 721	-
Other	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.

	31.03.2015		31.12.2014		31.03.2014		
	Assets	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks		4 675 812	4 675 812	6 806 521	6 806 521	5 925 534	5 925 534
Loans and advances to banks		3 209 297	3 209 297	2 523 063	2 523 063	4 993 336	4 993 336
Financial assets held for trading		5 492 518	5 492 518	5 238 741	5 238 741	3 513 543	3 513 543
Hedging derivatives		242 341	242 341	238 889	238 889	245 869	245 869
Loans and advances to customers		88 022 427	87 898 874	85 820 571	85 835 391	70 271 352	70 823 605
Investment securities		24 064 364	24 064 364	27 057 093	27 057 093	21 388 238	21 388 238
Investments in associates		809 833	809 833	42 792	42 792	63 344	63 344
Liabilities							
Deposits from banks		7 719 169	7 719 169	8 359 856	8 359 856	10 003 802	10 003 802
Hedging derivatives		2 051 107	2 051 107	1 258 224	1 258 224	502 926	502 926
Financial liabilities held for trading		3 209 041	3 209 041	2 781 680	2 781 680	1 239 836	1 239 836
Subordinated liabilities		1 620 155	1 828 117	1 539 967	1 789 755	1 397 146	1 397 146
Deposits from customers		92 476 789	92 489 192	94 981 809	94 975 685	80 114 033	80 119 319

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

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

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

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

As at 31.03.2015 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:

In thousands of PLN

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 31.03.2015 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2015	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 607 871	3 883 264	1 383	5 492 518
Hedging derivatives	-	242 341	-	242 341
Financial investment assets - debt securities	14 276 419	8 877 358	-	23 153 777
Financial investment assets - equity securities	53 357	-	857 230	910 587
Total	15 937 647	13 002 963	858 613	29 799 223
Financial liabilities				
Financial liabilities held for trading	541 839	2 667 202	-	3 209 041
Hedging derivatives	-	2 051 107	-	2 051 107
Total	541 839	4 718 309	-	5 260 148

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	-	242 341	-	242 341
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	13 172 576	852 147	32 538 175
Financial liabilities				
Financial liabilities held for trading	477 005	2 304 675	-	2 781 680
Hedging derivatives	-	2 051 107	-	2 051 107
Total	477 005	4 355 782	-	4 832 787

31.03.2014	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 761 662	1 751 881	-	3 513 543
Hedging derivatives	-	253 869	-	253 869
Financial investment assets - debt securities	11 526 502	8 992 328	-	20 518 830
Financial investment assets - equity securities	33 140	-	836 268	869 408
Total	13 321 304	10 998 078	836 268	25 155 650
Financial liabilities				
Financial liabilities held for trading	-	1 239 836	-	1 239 836
Hedging derivatives	-	502 926	-	502 926
Total	-	1 742 762	-	1 742 762

In thousands of PLN

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

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
31.03.2015				
Beginning of the period	1 390	-	850 757	-
Profits or losses	(22)	-	3 321	-
<i>recognised in income statement</i>	(22)	-	-	-
<i>recognised in equity</i>	-	-	3 321	-
Purchase	22	-	-	-
Sale	(7)	-	-	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	3 152	-
At the period end	1 383	-	857 230	-

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
31.12.2014				
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	1 390	-	12 252	-
At the period end	1 390	-	850 757	-

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
31.03.2014				
Beginning of the period	-	-	837 408	-
Profits or losses	-	-	(1 175)	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	(1 175)	-
Purchase	-	-	35	-
Sale	-	-	-	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	-	-
At the period end	-	-	836 268	-

In thousands of PLN

29. Contingent liabilities

Significant court proceedings

As at 31.03.2015 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 324,331 k, which is ca 1,69% of the Group's equity. This amount includes PLN 140,608 k claimed by the Group, PLN 178,852 k in claims against the Group and PLN 4,871 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2015 the amount of significant court proceedings which had been completed amounted to PLN 3,637 k.

As at 31.03.2014 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 233,948 k, which is ca 1.57% of the Group's equity. This amount includes PLN 62,404 k claimed by the Group, PLN 153,378 k in claims against the Group and PLN 18,166 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2014 the amount of significant court proceedings which had been completed amounted to PLN 119,586 k.

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	31.03.2015	31.12.2014	31.03.2014
Liabilities sanctioned			
- financial	20 456 166	19 959 943	16 643 021
- credit lines	17 437 645	17 047 109	14 126 276
- credit cards debits	2 576 296	2 367 098	1 877 973
- import letters of credit	406 082	413 654	429 907
- term deposits with future commencement term	36 143	132 082	208 865
- guarantees	4 040 268	4 383 084	4 944 213
Total	24 496 434	24 343 027	21 587 234

In thousands of PLN

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	31.03.2015	31.12.2014	31.03.2014
1. Term derivatives (hedging)	36 444 106	35 207 413	30 807 577
a) Single-currency interest rate swap	3 323 000	2 988 000	2 665 000
b) Macro cash flow hedge -purchased (IRS)	2 249 946	2 740 423	2 958 943
c) Macro cash flow hedge -purchased (CIRS)	14 758 380	14 369 815	12 439 053
d) Macro cash flow hedge -sold (CIRS)	16 112 780	15 109 175	12 744 581
2. Term derivatives (trading)	210 353 383	178 576 882	139 422 966
a) Interest rate operations	113 938 203	94 948 232	86 633 362
Single-currency interest rate swap	102 378 287	86 269 606	63 741 002
FRA - purchased amounts	8 970 000	6 450 000	21 600 000
Options	2 429 916	1 792 126	1 127 360
Forward- sold amounts	160 000	436 500	165 000
b) FX operations	96 415 180	83 628 650	52 786 887
FX swap – purchased amounts	24 936 531	20 757 332	10 668 449
FX swap – sold amounts	24 851 720	20 728 416	10 608 620
Forward- purchased amounts	3 534 516	3 372 360	2 902 886
Forward- sold amounts	3 631 116	3 394 071	2 945 047
Cross-currency interest rate swap – purchased amounts	6 923 176	6 331 120	6 821 992
Cross-currency interest rate swap – sold amounts	6 986 015	6 372 837	6 903 879
FX options -purchased CALL	6 234 754	5 519 076	2 956 362
FX options -purchased PUT	6 541 299	5 817 181	3 011 645
FX options -sold CALL	6 234 754	5 519 076	2 956 362
FX options -sold PUT	6 541 299	5 817 181	3 011 645
c) Transactions concerning precious metals and commodities	-	-	2 717
Commodity swap - purchased amounts	-	-	1 361
Commodity swap - sold amounts	-	-	1 356
3. Currency transactions- spot	2 705 322	4 653 161	2 572 518
Spot-purchased	1 352 792	2 327 749	1 286 373
Spot-sold	1 352 530	2 325 412	1 286 145
4. Transactions on equity financial instruments	589 097	678 415	33 191
Derivatives contract - purchased	294 557	341 307	11 983
Derivatives contract - sold	294 540	337 108	21 208
5. Capital options related to subsidiary entities	-	255 738	250 278
Total	250 091 908	219 371 609	173 086 530

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

31. Basis of FX conversion

As at 31.03.2015, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 062/A/NBP/2015 dd. 31.03.2015.

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 Q1 2015 /28.04.2015/ are Banco Santander S.A. and ING Otworthy Fundusz Emerytalny.

In thousands of PLN

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	28.04.2015	03.02.2015	28.04.2015	03.02.2015	28.04.2015	03.02.2015	28.04.2015	03.02.2015
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 28.04.2015	As at 03.02.2015	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	55 311	58 166	(2 855)

Management Board members	28.04.2015		03.02.2015	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
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	-	2 094	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 Szyszkowski	4 704	2 248	4 704	2 248
Total	31 238	24 073	34 093	24 073

34. Related party disclosures

Transactions with associates	31.03.2015	31.12.2014	31.03.2014
Assets	65	-	-
Other assets	65	-	-
Liabilities	120 342	2 931	6 981
Deposits from customers	119 996	2 931	6 981
Other liabilities	346	-	-
Income	5 651	3	1
Fee and commission income	5 651	3	1
Expenses	628	201	45
Interest expense	260	201	45
Fee and commission expense	251	-	-
Operating expenses incl.:	117	-	-
<i>General and administrative expenses</i>	<i>117</i>	-	-

On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŃ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Detailed information are described in Note 37.

Transactions with BZ WBK-AVIVA TUŃ S.A., BZ WBK-Aviva TUO S.A. in the profit and loss account are presented as transactions for the associates for the period from 1 March to 31 March 2015.

In thousands of PLN

Transactions with Santander Group	31.03.2015	31.12.2014	31.03.2014
Assets	405 567	259 377	1 060 762
Loans and advances to banks, incl:	6 069	697	974 736
<i>loans and advances</i>	-	-	927 310
<i>current accounts</i>	6 069	697	47 426
Financial assets held for trading	351 607	256 908	84 580
Hedging derivatives	10 991	869	1 148
Other assets	36 900	903	298
Liabilities	544 032	410 462	294 642
Deposits from banks incl.:	182 169	155 537	111 858
<i>current accounts</i>	182 169	155 537	111 858
Hedging derivatives	3 134	21 505	8 814
Financial liabilities held for trading	257 690	158 907	107 909
Deposits from customers	80 592	74 459	55 390
Other liabilities	20 447	54	10 671
Income	506 674	219 596	(32 145)
Interest income	3 435	7 585	4 681
Fee and commission income	413	4 911	293
Other operating income	-	-	155
Net trading income and revaluation	502 826	207 100	(37 274)
Expenses	3 986	8 309	2 990
Interest expense	296	1 309	295
Fee and commission expense	247	204	832
Operating expenses incl.:	3 443	6 796	1 863
<i>Bank's staff, operating expenses and management costs</i>	3 425	6 796	1 863
<i>other operating expenses</i>	18	-	-
Contingent liabilities	5 478	725	73
Sanctioned:	5 478	725	-
- financing-related	5 193	-	-
- <i>guarantees</i>	285	725	-
Received:	-	-	73
- <i>guarantees</i>	-	-	73
Derivatives' nominal values	38 855 637	32 826 135	21 788 580
Cross-currency interest rate swap – purchased amounts	3 235 188	3 052 808	3 264 102
Cross-currency interest rate swap – sold amounts	3 100 916	2 970 459	3 304 451
Single-currency interest rate swap	8 249 981	7 265 993	4 777 104
Options	2 332 290	1 669 031	1 018 821
FX swap – purchased amounts	3 978 124	2 920 096	1 866 873
FX swap – sold amounts	3 929 896	2 896 754	1 867 959
FX options -purchased CALL	3 270 227	3 002 819	1 442 940
FX options -purchased PUT	3 401 249	3 116 998	1 460 273
FX options -sold CALL	2 964 526	2 516 257	1 169 601
FX options -sold PUT	3 140 050	2 700 183	1 210 574
Spot-purchased	382 977	90 068	98 683
Spot-sold	382 173	90 297	98 653
Forward- purchased amounts	92 488	96 328	100 936
Forward- sold amounts	101 012	100 936	94 271
Commodity swap - sold amounts	-	-	1 356
Capital derivatives contract - purchased	294 540	337 108	11 983

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

Acquisitions and disposals of investments in subsidiaries, associates and joint ventures in 1Q 2015 and in 1Q 2014

The closing of the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited

On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŃ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). After the fulfilment of the conditions precedent, including the obtaining of the European Commission consent and a decision of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) confirming the absence of formal grounds for objecting to the direct acquisition by Aviva Ltd. and indirect acquisition by Aviva plc.

In thousands of PLN

of 17% of shares in TUnŻ S.A. and 17% of shares in TUO S.A., the ownership transfer of the abovementioned shares has been completed.

After the transfer, the Bank holds 49% of the total number of shares in the share capital and the total number of the votes at the general meetings of each of the Insurance Companies, with the remaining 51% of the shares and votes being held by Aviva Ltd.

Tables below present an analysis of assets and liabilities which were transferred upon the control loss and total profit before tax on the transaction.

	as at 27.02.2015	BZ WBK-Aviva TUO S.A.	BZ WBK-Aviva TUŻ S.A.
ASSETS			
Loans and advances to banks		17 629	52 187
Financial assets held for trading		5 784	27 493
Investment securities		234 773	104 897
Intangible assets		179	180
Property, plant and equipment		552	786
Net deferred tax assets		(1 613)	(93)
Other assets		58 228	743 166
Total assets		315 532	928 616
LIABILITIES			
Current income tax liabilities		(9 626)	(3 470)
Other liabilities		(196 992)	(861 955)
Total liabilities		(206 618)	(865 425)
Book value of net assets		108 914	63 191

	as at 27.02.2015
Total profit before tax on the transaction	
Fair value of consideration received	244 317
Revaluation of retained non-controlling interest	766 360
Non-controlling interests derecognised	540 854
Other adjustments related to loss of control	35 604
Less: book value of identifiable net assets	(172 105)
Less: derecognition of goodwill	(853 809)
Total	561 221

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.

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

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

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

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

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

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

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

In the reporting period no such changes were made.

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

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

In thousands of PLN

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

Detailed information on controlling stake in the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A is presented in Note 37.

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

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

45. Dividend per share

On 23. April 2015, the AGM of Bank Zachodni WBK adopted a resolution to distribute the net profit of PLN 1,994,632k in respect of 2014 as follows: PLN 1,041,980k to be allocated to reserves and the remainder of PLN 952,652k to be left undistributed.

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.

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

As at 31.03.2015 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.

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

As at 31.03.2015 and as at 31.03.2014, 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.

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

In the period from 01.01.2015 to 31.03.2015 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

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

Polish Financial Supervisory Authority recommendation concerning the Bank Zachodni WBK S.A. profit distribution for the year 2014

Management Board of Bank Zachodni WBK S.A. informed that on 1st April 2015 it received from the Polish Financial Supervisory Authority the recommendation to withhold the entire profit earned by the Bank for the period from 1st January 2014 till 31st December 2014 until the Polish Financial Supervisory Authority determines the additional capital requirement for the Bank.

General Meeting of Bank's Shareholders

On 23 April 2015, the Annual General Meeting of Bank Zachodni WBK Shareholders was convened which:

1. Accepted the financial accounts and consolidated financial accounts of the Bank Zachodni WBK S.A. Group for the period between 1 January 2014 to 31 December 2014.
2. Accepted the Management Board's report on the Bank's Zachodni WBK S.A. and Management Board's report on the BZ WBK Group activities for 2014.
3. Divided the net profit generated by the Bank in the year between 1 January 2014 to 31 December 2014 in the amount of PLN 1,994,631,702.59 in the following way allocating the amount of PLN 1,041,980,176.19 to the reserve capital, the remaining part of net profit in the amount of PLN 952,651,526.40 is left undivided.
4. Granted the word of approval to the Members of the Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK SA. Management Board and the Supervisory Board.
5. Reviewed and approved of interim financial statements of Dom Maklerski BZ WBK S.A. prepared for the period from 1 January 2014 to 31 October 2014.
6. Approved the BZ WBK Supervisory Board's report on its activities in 2014, the BZ WBK Supervisory Board's report on the examination of: BZ WBK financial statements for 2014, consolidated financial statements of the BZ WBK Group for 2014; report on BZ WBK and BZ WBK Group operations.
7. Appointed the Chairman of the Supervisory Board and Supervisory Board Members for a new term of office.
8. Determined the remuneration of the Supervisory Board Members.

Change in the composition of the Supervisory Board

Bank Zachodni WBK S.A. informed that Extraordinary General Meeting of Bank on 23rd April 2015 appointed new member of the Supervisory Board, i. e.: Mr Jose Garcia Cantera.

New term of office of the Management Board of Bank Zachodni WBK S.A.

Bank Zachodni WBK S.A. informed that on 23rd April 2015, the Bank's Supervisory Board appointed the Bank's Management Board for the next term of office in the following composition:

Mateusz Morawiecki	- President of Management Board
Andrzej Burliga	- Member of the Management Board
Eamonn Crowley	- Member of the Management Board
Beata Daszyńska-Muzyczka	- Member of the Management Board
Michael McCarthy	- Member of the Management Board
Carlos Polaino-Izquierdo	- Member of the Management Board
Juan de Porras Aguirre	- Member of the Management Board
Marcin Prell	- Member of the Management Board
Mirosław Skiba	- Member of the Management Board
Feliks Szyszkowiak	- Member of the Management Board
Paweł Wieczorek	- Member of the Management Board

50. Macroeconomic situation in Q1 2015

Economic growth

At the start of 2015, the estimated economic growth in Poland continued at more than 3% YoY, similarly to Q4 2014. The growth gathered momentum mainly driven by domestic demand, especially private consumption, supported by favourable labour market situation and positive moods of consumers. Investment also rose quickly, underpinned by the positive mood of entrepreneurs, high capacity utilization and low interest rates. After a temporary slowdown in 2014, exports rebounded, primarily due to recovery in the euro zone, especially in Germany. Imports also accelerated, supported by strong domestic demand. Nevertheless, an increase in imports, in nominal terms, was constrained by lower prices of commodities due to a considerable decline in global oil prices. The Polish external imbalance remained low – according to our estimates, at the end of Q1 2015, the current account deficit decreased to below 1% of GDP (the lowest level since the mid-90s) vs. 1.4% of GDP at the end of 2014.

Labour market

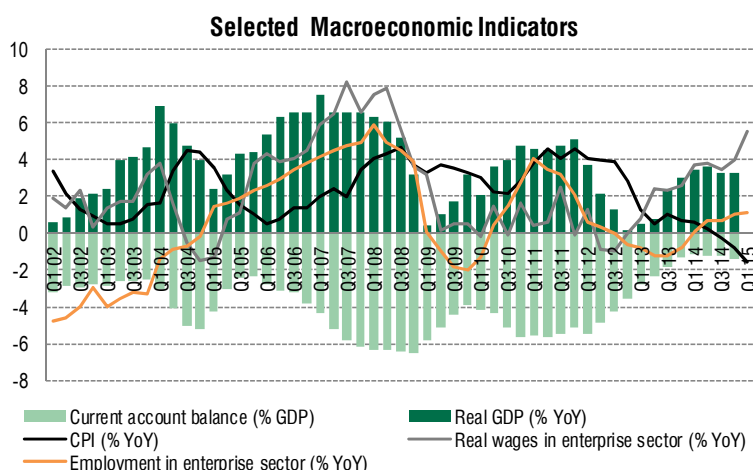
In Q1 2015, the domestic labour market remained in very good shape. Average employment in the corporate sector increased gradually, with a higher demand for staff being generated mostly by industrial manufacturing, trade and transport sectors. Unemployment rate fell and nominal wage growth was approx. 3.5% YoY, which together with negative growth in consumer prices and positive increase in employment caused a significant increase in real disposable household income. According to our estimates, real wage bill in the corporate sector increased by approx. 4.5% YoY, the highest growth since 2008.

Inflation

Inflationary pressure was low at the start of 2015, influenced by positive supply shocks, deflationary tendencies in Polish economic environment and still negative output gap. CPI inflation was -1.5% YoY on average, reaching the all-time low at -1.6% YoY in February. The slight increase in March (to -1.5% YoY) was probably a start of upward trend. Gradual price growth should be supported by reviving consumer demand and stopping downward trend in fuel and food prices. CPI inflation, excluding food and energy prices, was 0.4% YoY in Q1, while PPI inflation was approx. -2.7% YoY.

Monetary policy

In March, the Monetary Policy Council (MPC) cut interest rates by 50 bps, with the reference rate falling to a historical low of 1.50% in reaction to a longer period of expected deflation. At the same time, the MPC declared that it had concluded the monetary policy easing cycle. However, the MPC did not close the door to further rate adjustments – according to minutes from the March meeting, most MPC members supported the view that the MPC should address unexpected strong shocks in the Polish economy or its environment.



Credit and deposit markets

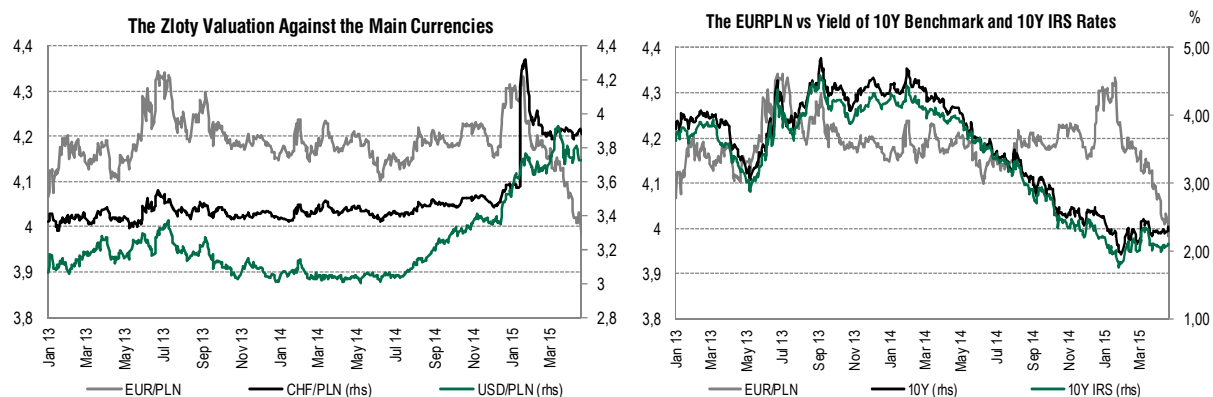
At the start of 2015, the credit market situation was relatively positive. Growth rate of companies' loans was maintained at 5-6% YoY (after FX adjustment). Investment loans for businesses showed a high, double-digit growth rate. Working capital loans increased at a slower pace and real estate loans were stagnant. The growth in loans for households was rather slow at approx. 3-4% YoY. The growth in household and business deposit was solid, slightly below 10% YoY, supported by the increasing incomes of the two groups.

Financial market

The financial market situation in Q1 2015 was supportive for the interest rate and equity markets, while the FX market remained under pressure of external factors, especially actions of central banks and geopolitical risk (prolonging Ukraine-Russia conflict and the situation in Greece after the Syriza party won the Greek general election).

Strengthening of the domestic interest rate market was due to a number of factors, the most important being: (1) expectations of interest rate cuts by the MPC; (2) actions taken by the European Central Bank, which decided in January to extend its assets purchase programme to include sovereign debt of euro zone countries; (3) weaker expectations of imminent rate hikes in the USA and (4) positive results of domestic debt auctions. These factors pushed bond yields and IRS rates to all-time lows, with the yield on 10Y benchmark bonds reaching 1.96% and 10Y IRS reaching 1.77%. February and March saw a correction and an upward move of rates, due to inter alia positive data from the USA, which fuelled worries about rate hike in the USA, the MPC declaration about the end of the easing cycle and geopolitical risk factors (economic problems in Greece, situation in Ukraine).

The FX market was more volatile than the interest rate market. This was primarily due to the January's decision of the Swiss National Bank, which abandoned its policy of defending the EUR/CHF floor at 1.20, which caused a rapid appreciation of the franc. This decision fuelled the FX market volatility and strengthened worries about the countries with a large exposure to CHF-denominated loans, including Poland. Due to this decision, the CHF/PLN rate climbed temporarily to a very high rate caused by a sudden shortage of liquidity. In the following months the zloty trimmed most of its losses against the Swiss currency, while the rate returned below 4.00. Still, at the end of Q1 the CHF/PLN rate was 10% higher than at the end of 2014 and by slightly more than 14% as compared to end of March 2014. The domestic currency lost considerably versus the dollar, which was due to a considerable strengthening of USD amid higher expectations of interest rate hikes by the FOMC in response to the robust data from the US economy. The USD/PLN exchange rate climbed temporarily to 3.95 and was oscillating close to 3.81 at the end of the quarter. Thus, in Q1 the zloty lost almost 9% versus the dollar as compared to end of 2014 and about 26% as compared to end of March 2014. At the end of March, the zloty was 4% stronger versus the euro as compared to end of December 2014 and by 2% as compared to end of March 2014.



51. Activities of Bank Zachodni WBK Group in Q1 2015

Retail Banking – Personal Customers

Personal Loans

Cash Loans

In Q1 2015, cash loan sales went up by 6% YoY. The most pronounced growth rate was noted in the remote distribution channels such as Telephone Banking Centre and internet banking.

In February and March, the bank's sales activities were supported by a multi-media campaign run in TV, press, Internet, cinemas and branch network. The campaign focused on a fast and easy lending procedure under which regular customers are granted credit decision without the need to present any additional documents.

Mortgage Loans

In Q1 2015, the range of products and services of Bank Zachodni WBK was expanded to include a Capped Loan (Kredyt nie droższy niż). Borrowers who meet certain criteria are offered a capped rate (3M WIBOR) on a home loan or an equity release in PLN for the period from 1 to 5 years (chosen by the customer) to hedge interest rate risk.

The value of new mortgage loan drawdowns totalled 862.8m and was higher by 47% on the same period last year. The mortgage loan-book increased by 8% YoY to PLN 28.7bn.

Credit Cards

In February 2015, Bank Zachodni WBK launched a Starter Card (Karta na start) – a special offer on MasterCard Silver credit card with the limit of PLN 2.5k. Customers who sign up for the above credit card for the first time or after a break and open a PLN personal account with BZ WBK do not pay an annual/monthly fee (for the first two years) and can use a number of services free of charge, including cash withdrawals at BZ WBK ATMs, conversion of FX transactions and activation of the Ratio service (payment in instalments).

As part of professional concierge services, in March the holders of Visa Platinum and Visa Platinum Porsche were covered by a programme under which they are updated on major cultural events and can have a reservation made or tickets purchased for them.

As at 31 March 2015, the credit card portfolio of Bank Zachodni WBK comprised 707.7k instruments, an increase of 9% YoY.

Personal Accounts and Bundled Products

Personal Accounts

In Q1 2015, Bank Zachodni WBK continued to acquire new customers on the basis of its existing range of personal accounts, in particular the Account Worth Recommending (Konto Godne Polecenia) with its bundled products, which was the main focus of the bank's promotional campaigns in the reporting period. The sale of the Account Worth Recommending was supported by the following special offers:

- Account for Investor (Konto dla Inwestora) – a bonus available for customers who open and activate a brokerage account and a personal account under the Well-Matched Duo (Owocny Duet) offer.
- Energy in Account (Energia w Koncie) – an offer launched in cooperation with Polska Grupa Energetyczna (PGE), a Polish utility provider, under which PGE customers may get back as much as 10% of their electricity bill payments (with a defined annual limit) if they open a personal account and pay bills.

Debit and Prepaid Cards

In February 2015, the bank introduced the following changes to the debit card offer which had been communicated to customers in November 2014:

- VISA Electron VIP card linked to the Account Worth Recommending (under a family offer) to be renewed with MasterCard Omni card;
- holders of MasterCard Omni card bundled with the Account Worth Recommending were offered free cash withdrawals from any ATMs in Poland in exchange for a monthly fee;
- Maestro Oszczędnościowa card was withdrawn from the offer;
- MasterCard PAYBACK and MasterCard PAYBACK Multi cards are available with all personal accounts offered by the bank (except for Avocado account);
- The limit of CashBack transactions with VISA card was increased to PLN 300.

In Q1 2015, the range of prepaid cards was extended to include the following products:

- Virtual VISA card – an innovative product created in cooperation with PayUp (Eurocash) which is sold via POS terminals (card details are printed by the terminal) and can be used in the selected retail chains (Lewiatan, Groszek, Delikatesy Abc, Delikatesy Centrum, Eurosklepy);
- Cards issued for bank's partners with a limited merchant network.

As at 31 March 2015, the personal debit card portfolio of Bank Zachodni WBK was comprised of more than 3.95m items (including 892k prepaid cards), up 9% YoY. The increase is mainly attributed to prepaid cards, whose volume climbed by 28% YoY on account of rapid sales.

Taking into account business cards, a total number of Bank Zachodni WBK debit cards (including pre-paid cards) reached 4.1m items.

Savings and Investment Products

Deposits

The main objective of the bank in Q1 2015 was to retain customers and deposits acquired in the last year's deposit campaign by strengthening the relationship with the bank and optimising yields in a low interest rate environment. The retention process was supported by the Bonus Deposits introduced in December 2014 which pay relatively high interest on condition of an active use of other banking products (both settlement and savings/investment products), and by the Mobile Deposits which are available only in a mobile banking channel. At the same time, the bank modified the range of savings accounts, including an account called à la Deposit Account paying up to 2.5% per annum.

In the reporting period, the bank launched a special offer - Account for Investor, i.e. a brokerage account bundled with the Account Worth Recommending, which helped increase the awareness of products offered by BZ WBK Brokerage Office among personal customers. In addition, the distribution network of BZ WBK brokerage services was expanded to exceed 300 outlets as at the end of March with more than 600 trained and certified advisors. As a consequence, the number of newly opened brokerage accounts increased notably.

Structured Deposits

In Q1 2015, the bank continued to sell structured deposits, offering 6-, 9-, 12-, 15-, 18- and 24-month deposits with yields linked to exchange rates or stock indices and 100% capital protection at maturity.

The bank offered 38 products in the total of 18 subscriptions, including:

- 13 subscriptions for standard personal customers:
 - ✓ In six subscriptions, the bank offered deposits where the 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 five subscriptions, the yield was linked to stock indices: SX5E and SX7E;
 - ✓ Two subscriptions of FX structured deposits paid interest depending on EUR/PLN or USD/PLN rates.

- Five subscriptions were made exclusively to VIP personal customers, with interest linked to USD/PLN or EUR/PLN exchange rate.

In all, PLN 367.5m worth of funds were collected as a result of the aforementioned subscriptions.

On 6 February 2015, at the Annual European Structured Products and Derivatives Conference held in London, the bank received, for the second year in row, the Best in Sales Award for the largest distributor of structured products in Poland, reinforcing its leadership position in the domestic market.

Investment Funds

Given the rise in the stock market and slowdown in the treasury bond market, in Q1 2015 customers of BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI) were more inclined towards mixed Platinum and corporate bond sub-funds while treasury bond and money market subfunds lost their appeal. The strongest net sales were posted by the following sub-funds: Arka Platinum Konserwatywny (stable growth fund), Arka BZ WBK Obligacji Korporacyjnych and Arka Prestiż Obligacji Korporacyjnych (corporate bond sub-funds).

As at 31 March 2015, the total net assets managed by BZ WBK TFI were PLN 13.7bn and increased by 22% YoY and 7% QoQ, driven by positive net sales and the growth in value of participation units.

In Q1 2015, the Prospectus and the Statutes of Arka BZ WBK FIO were amended as follows:

- On 2 January 2015 formal changes were introduced without an impact on an investment policy:
 - ✓ two sub-funds were renamed: Arka BZ WBK Ochrony Kapitału into Arka BZ WBK Gotówkowy and Arka BZ WBK Akcji into Arka BZ WBK Akcji Polskich;
 - ✓ benchmarks were modified for the following sub-funds: Arka BZ WBK Akcji Polskich, Arka BZ WBK Zrównoważony and Arka BZ WBK Stabilnego Wzrostu.
- On March 2015 the investment policy of Arka Platinum Stabilny and Arka Platinum Dynamiczny sub-funds was modified to allow investments of more than 35% of assets in securities which are issued or guaranteed by the State Treasury or the National Bank of Poland.

In the reporting period, BZ WBK TFI won the following accolades for the performance in 2014:

- The managers of the debt and equity components of Arka BZ WBK Zrównoważony sub-fund (Arka BZ WBK FIO) received the Golden Wallet award from *Parkiet* daily (16 March 2015) for the best balanced fund and sub-fund in 2014.
- Arka Prestiż Obligacji Korporacyjnych SFIO, Arka Prestiż Obligacji Skarbowych SFIO and Credit Agricole Stabilnego Wzrostu FIO received Alfa 2014 accolade from Analizy Online (17 March 2015).

Bancassurance

In Q1 2015, Bank Zachodni WBK focused on the implementation of Recommendation U issued by KNF. Relevant changes were introduced on the last weekend of March 2015 and were preceded by intensive training and certification workshops aimed at preparing bank's employees to sell insurance products under an agency model. Since 30 March 2015, the bank has offered a wide range of individual insurance products and has been acting as an insurance broker of BZ WBK-Aviva companies under insurance agreements.

In addition, as part of cooperation with BZ WBK-Aviva insurance companies, in Q1 2015:

- the scope of insurance products offered by the bank was extended to include a new product for SME customers: "Partner in Business"
- a number of sales competitions were organised for advisors to promote and reward the sale of insurance products
- Insurance Retention Team was set up in the Telephone Banking Centre to convince insurance customers to continue their relationship with the bank.

Retail Banking – Small and Medium Enterprises

Loans

In Q1 2015, the SME lending process was streamlined by increasing the maximum amount of loan in the simplified procedure from PLN 200k to PLN 300k.

In March 2015, the range of SME products and services was expanded to include Capped Rate, i.e. an embedded cap option which allows borrowers to hedge against interest rate risk.

The above solutions contributed to the record high sales of SME loans in Q1 2015.

Payment Cards

In early March 2015, the bank introduced new solutions for holders of business payment cards, namely:

- the functionality of debit card transaction limit management was expanded to include an opportunity to set monthly limits for cash, non-cash and remote transactions;
- the limit for CashBack transactions with VISA cards was increased to PLN 300.

Leasing Business

In Q1 2015, BZ WBK Leasing and BZ WBK Lease financed PLN 788m worth of net assets, which represents a 21% growth YoY and ranks the companies among the top three players on the leasing market.

In the vehicles segment, sales went up by 8% to PLN 367.3m, mainly on account of cars.

Sales of machines and equipment grew particularly dynamically, reaching PLN 403.3m for the first three months of 2015 (33% YoY). This increase was driven mainly by the agro sector, which is actively targeted by the leasing companies. In January 2015, the range of products and services offered by BZ WBK Leasing was extended to include a land purchase loan – an innovative product addressed to sole traders. As a pioneering product in Poland, the loan was recognised by the financial sector and received an award from *Gazeta Finansowa* for the best product for business in the agriculture category.

Business and Corporate Banking

New Development Directions

Following the Management Board's approval of the concept of BZ WBK as the first-choice bank for foreign trade (December 2014), measures were taken to develop the products and strengthen the market position with regard to services for export and import companies. The objective of the project is threefold:

- to develop products, processes and systems;
- to increase market presence and ensure effective communication with customers;
- to set up sales teams dedicated to the international business.

At the end of 2014, the Management Board gave its approval to the intensification of activities in the agro sector. Measures were taken to set up a dedicated team and expand the range of products and services for personal, SME and corporate customers from the above sector.

The bank maintained the second position among the participants of the De Minimis Guarantees Programme in terms of sales (the Business and Corporate Banking Division and the Global Banking and Markets Division are the business owners of the product).

The International Desk provided support to customers in terms of business networking through participation in the Fruit Logistica trade show in Berlin (one of the largest events in the fresh produce sector in the world) and in the trade mission of the Ministry of Foreign Affairs in Turkey, which attracted 150 companies from Poland.

Development of Products and Services

The Business and Corporate Banking Division continuously improves its products and services, striving to maintain high quality and competitiveness and deliver an unparalleled customer experience.

- In Q1 2015, additional service quality surveys were implemented to cover different areas of the bank's business. The results will be used to develop products and services;
- The bank added new features to its electronic banking platform, including:
 - ✓ changes and improvements regarding account statements and reports;
 - ✓ new solutions related to the management of transfer batches and foreign transfer formats;
 - ✓ simplified registration process for foreign currency transactions;
- The range of FX electronic money orders was expanded (EUR, USD, CHF, GBP);
- The process of changing transaction limits for business cards was simplified – customers may now do it by calling the Business Support Centre (COB);
- New terms of cooperation were introduced as part of cash pooling services in relation to customers with a sound financial standing.

Business Performance

In Q1 2015, the portfolio of Business and Corporate Banking grew by 4% QoQ. The largest financing deals were concluded with companies from the medical and chemical sectors. The growth in transactional banking volumes was accompanied by an increase in the deposit base, reaching 5% QoQ.

The volume of leasing transactions with Business and Corporate Banking customers came in at PLN 184m, up 30% YoY. The utilisation of factoring lines was lower than last year, however, a clear upward trend was observed in the consecutive months of the quarter. In Q1 2015, the new factoring business totalled PLN 390m. Interest rate hedging transactions earned 200% higher YoY profit and FX transactions performed better than expected.

The upward trend in customer acquisition continued through Q1 2015, providing the necessary base to strengthen customer relationships and improve cross-selling.

Factoring Business

In Q1 2015, the turnover of BZ WBK Faktor came in at PLN 3,539.3m, up 11% YoY. This gave the company a market share of 12% and the fourth position in the ranking of the members of the Polish Association of Factoring Companies. As at the end of March 2015, the company's credit exposure was PLN 2,154.5m and higher by 13% YoY.

Global Banking and Markets

The Global Banking and Markets Division (GBM) provides services to the largest corporate customers of Bank Zachodni WBK. As at the end of March 2015, the active GBM customer base included nearly 130 companies and groups from the fuel, energy, mining, financial, FMCG, pharmaceutical, retail, chemical and household appliance sectors.

In addition, GBM is responsible for the bank's activities on the financial markets and provides 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 and deposit accounts, and financing of working capital needs. The offer also includes trade finance, guarantees, factoring, leasing and custodian services.

In the reporting period, the bank provided financing to companies from the fuel, energy, pharmaceutical, shipbuilding and financial sectors. It also actively cooperated with companies from the retail, food, mining and construction sectors in relation to other products and services.

In Q1 2015, Global Transactional Banking closed a number of financing, guarantee and trade finance deals with companies from the fuel, mining, financial, construction, transport, pharmaceutical and retail sectors.

As at 31 March 2015, the portfolio of active agreements of the Global Transactional Banking (i.e. a sum of open credit lines) totalled PLN 3.6bn. The factoring business volumes increased by 12% to PLN 1.0bn as at the end of March 2015, a large portion coming from the FMCG sector.

The value of balances in customer deposits and current accounts amounted to PLN 6.7bn. Term deposits had a significant share in the deposit base, contributing 73%.

Financial Solutions and Advisory

Corporate Finance

In Q1 2015, the Corporate Finance Department closed the first deal in corporate equity derivatives with a company from the chemical sector. The transaction was executed in collaboration with the Business and Corporate Banking Division.

Under the agreement with the European Investment Bank, the Department managed the Urban Regeneration Fund for Greater Szczecin (JESSICA Programme), reporting total drawdowns equal to 82% of the credit line as at the end of March 2015.

Credit Markets

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

In Q1 2015, the Department provided funding for customers from the energy sector. GBM not only played a leading role in the deal but also acted as a facility agent and a collateral agent.

Credit Markets also closed financing deals with companies from the telecom, mining, fuel and retail sectors. The Department worked closely with other units in its lending capacity, including within the global framework of Santander Group.

As at 31 March 2015, the value of the loan-book in the business line under review totalled PLN 4.0bn, an increase of 21% YoY, whereas the value of active agreements (i.e. a sum of open credit lines) climbed to nearly PLN 7.1bn

Financial Markets

Treasury

In Q1 2015, the Financial Markets Area continued an income diversification strategy based on the development of interest rate hedges. The range of products offered by the bank was extended to include new interest rate hedging instruments for mortgage borrowers and SMEs.

Foreign exchange remained the main source of revenues. The bank continued to promote solutions enabling customers to hedge against currency risk in the long term and stabilise their balance sheet positions.

Brokerage Office

On 31 October 2014, Dom Maklerski BZ WBK was deregistered and brokerage activity was formally incorporated into the structure of the bank, which formerly acted as an agent for the subsidiary. As a result, retail, corporate and business customers were presented with a comprehensive range of competitive products and services which are now more accessible through the network of banking outlets.

In Q1 2015, BZ WBK Brokerage Office received an award from the Warsaw Stock Exchange in recognition of the highest share in the options trading without market-making in 2014.

Santander Consumer Bank Group

Loans

As at 31 March 2015, gross loans and advances to Santander Consumer Bank Group amounted to PLN 13,963.6m and were slightly up on the end of 2014 as a result of the steady growth of cash loans (+2% QoQ) and credit card receivables (+3% QoQ). The gradual increase in cash loan balances is attributed to the continued growth in the sale of new loans as an effect of, inter alia, interest rates cut in March 2015 and an intensive marketing campaign run by the bank. Credit card receivables increased on the back of co-branded cards. The structure of credit portfolio was improved with a higher share of high-margin products.

Deposits

Deposits from customers decreased by 6% QoQ, mainly on account of lower balance of short-term business deposits.

Retail deposits have the highest share in the bank's deposit base, and include mainly fixed-rate term deposits from personal customers. The remaining portion is made up of 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 24-month and 36-month deposits.

Debt Securities

In Q1 2015, Santander Consumer Bank continued to issue bonds as part of the debt securities issuance programme, guaranteed by Santander Consumer Finance.

The bank issued bonds in a private placement with a nominal value of PLN 100m and maturity of three years. The bonds bear a variable interest rate based on 6M WIBOR.

Development of the product and service offer

Loan offer

In the period under review a new eHP internet sales channel was launched for instalment loans, namely. As part of the car loan offer new schedules were introduced to enable the sale of loans under the new formula, including loans with a repayment grace period.

Remote distribution channel

In Q1 2015, works were continued to implement internet banking, remote processes for credit cards and process of confirming identity by transfers for cash loans.

A YoY increase of 45% was reported in the cash loan sales through the remote channel.

Selected Distribution Channels

Branch Network and Complementary Channels

As at 31 March 2015, Bank Zachodni WBK had a network of 784 branches (locations), down 4 QoQ and 46 YoY. The decrease is an effect of the continued optimisation process, involving the relocation, liquidation and set-up of new outlets.

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

ATMs/Cash Deposit Machines

As part of development of self-service channels, Bank Zachodni WBK launched a process designed to ensure dual functionality of self-service devices. As a result, new devices will serve both as ATMs and cash deposit machines. In addition, the bank continued its process of the network rationalisation, which helped to increase the accessibility of self-service devices and enhance customer experience.

As at 31 March 2015, the ATM network of Bank Zachodni WBK comprised 1,362 machines (1,365 as at the end of December 2014 and 1,387 as at the end of March 2014). New cash deposit machines were installed in branches, reaching a total of 280 units (vs. 204 as at 31 December 2014 and 79 as at 31 March 2014). In addition, five devices combined the function of an ATM and a cash deposit machine.

Mobile Banking

On 9 February 2015, the bank launched an upgraded version of BZWBK24 mobile, featuring among other functions access to the BLIK mobile payments system which enables execution of payments in POS, ATM withdrawals and online payments using BLIK code (one-off six-digit code valid for 120 seconds) or BLIK check (one-off nine-digit code valid for 72 hours and requiring password authentication).

On 20 February 2015, the bank launched a BZWBK24 mobile application for tablets which run the Android operating system (on 5 March 2015 for tablets with iOS) featuring new functionalities, such as a quick view of recent operations and "Sign up for loan" tile to apply for a cash loan, overdraft or overdraft increase.

The BZWBK24 mobile application topped the mobile banking ranking published by Money.pl, ahead of 19 other applications.

In addition, BZWBK24 mobile for personal customers won an accolade in the 2014 IT Leader of Financial Institutions Awards organised by Gazeta Bankowa, in the category "electronic banking and e-finance" (18 March 2015).

Internet Banking

On 9 February 2015, the bank launched an upgraded version of the BZWBK24 Internet platform which:

- features optimisation changes;
- enables to set up BLIK checks;
- limits transfers to mobile phones to phone numbers specially defined in the bank.

Telephone Banking Centre

In Q1 2015, the Telephone Banking Centre delivered a number of initiatives, including:

- introduced organisational solutions to ensure better accessibility of the Virtual Branch for customers;
- took over tasks related to e-mail correspondence with regard to prepaid cards (as part of centralisation of contact channels) and launched prepaid card cancellation in the KPP application;
- set up the Insurance Retention Team and completed another retention process via Credit Card Retention Team;
- expanded the scope of services available via helpline to include information about mortgage loans;
- took over event-driven campaigns from branch banking and delivered new campaigns;
- contributed to the onboarding process (Welcome Call campaign) and delivered a relationship campaign targeted at inactive or moderately active customers.

Bank Zachodni WBK was ranked first among 23 financial institutions in the banking helpline surveys (mystery caller and mystery mailing) carried out by Dive Poland, in terms of the accessibility and quality of services via phone and e-mail.

Distribution Network of Santander Consumer Bank

As at 31 March 2015, Santander Consumer Bank sold its products through the following distribution channels:

- own network of 173 branches (no changes vs. 2014 YE)
- 110 franchise outlets (+4 QoQ);
- a network of 585 partners selling car loans (-3 QoQ);
- 13,538 active partners selling hire-purchase loans (-481 QoQ).

Other Information

Employment

As at 31 March 2015, the number of FTEs in Bank Zachodni WBK Group was 14,677 vs. 14,835 as at 31 December 2014 and 12,347 as at 31 March 2014. The headcount figures as at the end of March 2015 also include FTEs of Santander Consumer Bank Group of 2,721 (2,720 as at 31 December 2014), however, they do not take into account the employees of BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ (64 FTEs as at 31 December 2014) following the loss of control over the above insurance companies as of 27 February 2015.

Loss of control over BZ WBK-AVIVA TUnŻ and BZ WBK-AVIVA TUO

Pursuant to the agreements of 1 August 2013 between Bank Zachodni WBK, Aviva International Insurance Limited (Aviva), BZ WBK Aviva Towarzystwo Ubezpieczeń na Życie (BZ WBK Aviva TUŻ) and BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych (BZ WBK Aviva TUO), on 18 September 2014 Bank Zachodni WBK received a notification from Aviva regarding the exercise of a call option for the acquisition of 17% of the shares in BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO. After the fulfilment of the conditions precedent, i.e. obtaining a consent from the European Commission and a decision of the Polish Financial Supervision Authority (KNF) confirming the absence of grounds for objecting to the direct acquisition by Aviva of 17% of the shares in BZ WBK-AVIVA TUnŻ and BZ WBK-AVIVA TUO, respectively, on 27 February 2015, the bank concluded a sale agreement with Aviva and transferred an ownership title to the foregoing shares to Aviva. After the transfer, the bank holds a 49% interest in the share capital and the total voting power of each of the insurance companies, with the remaining 51% of the shares and votes being held by Aviva.

Resignation of a Supervisory Board Member

On 5 February 2015, Mr. José Antonio Alvarez resigned from his position as Bank Supervisory Board member, effective immediately.

General Meeting of Shareholders of Bank Zachodni WBK S.A. of 23 April 2015 r. appointed Mr. José Garcia Cantera as Supervisory Board member.

On 23 April 2015, the Supervisory Board of Bank Zachodni WBK appointed the Management Board for a new term of office, the composition of which is provided in note 49.

Distribution of profit for 2014

On 1 April 2015, the Management Board of Bank Zachodni WBK received the KNF recommendation to retain the entire profit earned by the bank for the period from 1 January 2014 till 31 December 2014 until KNF determines the additional capital requirement for the bank.

In view of the above, the Management Board of the bank recommended that the net profit of PLN 1,994.6m earned in 2014 be distributed as follows:

- PLN 1,042m to be allocated to capital reserves,
- PLN 952.6m to remain undistributed.

The above recommendation was approved by the Supervisory Board of the bank and submitted to the Annual General Meeting of the bank to be convened on 23 April 2015.

The resolutions made the Annual General Meeting of 23 April 2015 are presented in note 49.

Certificates of Deposit Issuance Programme

On 18 March 2015, the Management Board of Bank Zachodni WBK adopted a resolution on the Certificates of Deposits Issuance Programme with a nominal value of up to PLN 3bn. The purpose of the issue is to raise funds to finance the bank's working capital requirements.

CDs will be issued in tranches and can be denominated in PLN, EUR, USD or CHF. Detailed parameters of individual tranches will be specified in the issuance terms and conditions.

Other Awards

On 13 March 2015, the bank was named a trustworthy company with best-in-class service standards in the report of the 7th Polish Service Quality Programme.

52. Overview of Bank Zachodni WBK Group performance after Q1 2015

Financial and Business Highlights

- Total income of Bank Zachodni WBK Group for Q1 2015 increased by 64.5% YoY to PLN 2,373.4m. Excluding one-off gains on subordinate entities totalling PLN 523m (on account of partial disposal of BZ WBK-Aviva subsidiaries resulting in a loss of control), the underlying total income grew by 28.3% YoY.
- Total costs went up by 16.9% YoY to PLN 829.1m.
- Profit before tax was PLN 1,354.3m and increased by 137.1% YoY, and by 45.6% YoY excluding one-off gains.
- Profit attributable to the shareholders of Bank Zachodni WBK was PLN 1,035.8m and 130.4% higher YoY (36.3% excluding one-off gains).
- Capital Ratio stood at 12.81% as per the calculation methodology defined in CRD IV/CRR package (12.91% as at 31 December 2014 and 13.79% as at 31 March 2014).
- Return on Equity (ROE) was 16.3% (14.4% as at 31 December 2014 and 16.6% as at 31 March 2014), and 14.1% excluding the impact of divestment in BZ WBK-Aviva companies.
- Cost-to-income ratio was 44.8% after exclusion of one-off gains (49.2% in Q1 2014), and 44.2% if further adjusted for the cost of integration with Kredyt Bank (45.8% in Q1 2014).
- Net impairment losses on loans and advances amounted to PLN 190.7m compared with PLN 162m in Q1 2014.
- NPL ratio was 8.3% (8.4% as at 31 December 2014 and 7.5% as at 31 March 2014), while the ratio of impairment losses to the average gross credit volumes was 0.9% (1% on 31 December 2014 and 31 March 2014).
- Loan-to-deposit ratio was 95.2% as at 31 March 2015 compared with 90.4% as at 31 December 2014 and 87.7% as at 31 March 2014. The ratio increased YoY due to the acquisition of a controlling stake in Santander Consumer Bank while the QoQ growth was impacted by the zloty depreciation.
- Gross loans to customers increased by 26.2% YoY to PLN 93,246.7m due to the growth of personal loans by 43.9% YoY and loans to enterprises and the public sector by 11.5% YoY to PLN 49,223.6m and PLN 39,877.6m, respectively.
- Deposits from customers increased by 15.4% YoY to PLN 92,476.8m as a combined effect of the expansion of personal deposits by 15.7% YoY to PLN 55,719.8m and deposits from enterprises and the public sector by 15% YoY to PLN 36,757m.
- Net value of assets in mutual funds and private portfolios amounted to PLN 14.3bn and grew by 8.7% QoQ and 22.7% YoY.
- The number of customers using BZWBK24 electronic banking services totalled 3.1m (+4.8% YoY), the number of customers with access to mobile services stood at 0.5m (+90.4% YoY), while the BZ WBK Group payment card base included 4.1m debit cards (+8.9% YoY) and more than 1m credit cards (+60.6% YoY) including the cards of SCB customers as at 31 March 2015.

Factors and events affecting financial results in Q1 2015

- Accelerated industrial output and construction output.
- Good situation in the labour market – gradual increase in employment in the enterprise sector, declining unemployment and relatively fast wage growth, supporting private consumption.
- Low inflationary pressure, CPI inflation rate falling to the lowest level ever (-1.6% YoY).
- Reduction in the NBP official rates and the end of easing cycle.
- Moderate growth in loans in the banking sector, high growth in investment loans.
- Economic revival in the euro zone.
- Changes of moods in international financial markets amid expectations of future policy of the main central banks (Fed, ECB), incoming macroeconomic data, concerns about political situation.
- Decision of the Swiss National Bank to stop defending the EUR/CHF floor at 1.20, strong depreciation of the zloty versus the Swiss currency and cut of 3M LIBOR rates below zero.
- Start of European Central Bank's quantitative easing programme.
- Volatility of the zloty exchange rate versus main currencies. Decline of Polish bond yields.

Income Statement of Bank Zachodni WBK Group

The table below illustrates changes in the key items of the Group's consolidated income statement in Q1 2015 compared with the corresponding period last year.

PLN m			
Condensed Income Statement (for analytical purposes)	Q1 2015	Q1 2014	YoY Change
Total income	2 373,4	1 442,4	64,5%
- Net interest income	1 050,2	867,8	21,0%
- Net fee & commission income	459,2	441,9	3,9%
- Other income	864,0	132,7	551,1%
Total costs	(829,1)	(709,2)	16,9%
- Staff, general and administrative expenses	(741,7)	(627,9)	18,1%
- Depreciation/amortisation	(66,7)	(70,6)	-5,5%
- Other operating expenses	(20,7)	(10,7)	93,5%
Impairment losses on loans and advances	(190,7)	(162,0)	17,7%
Profit/loss attributable to the entities accounted for using the equity method	0,7	(0,1)	-800,0%
Profit before tax	1 354,3	571,1	137,1%
Tax charges	(263,6)	(110,8)	137,9%
Net profit for the period	1 090,7	460,3	137,0%
- Net profit attributable to BZ WBK shareholders	1 035,8	449,5	130,4%
- Net profit attributable to non-controlling shareholders	54,9	10,8	408,3%

In Q1 2015, Bank Zachodni WBK Group posted a profit before tax of PLN 1,354.3 m, up 137.1% YoY. Profit attributable to shareholders of Bank Zachodni WBK was PLN 1,035.8m and increased by 130.4% YoY. Adjusted for one-off gains on subordinate entities (resulting from partial disposal and control loss of BZ WBK-Aviva companies), the underlying profit before tax and attributable profit increased by 45.6% YoY and 36.3% YoY, respectively.

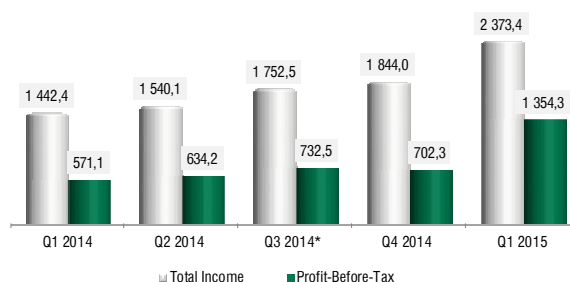
Impact of changes in the Group structure on comparability of the periods covered by the Income Statement

- On 1 July 2014, Bank Zachodni WBK acquired control over Santander Consumer Bank and its subsidiaries (SCB Group), which resulted in a significant YoY increase in respective income and cost items of the consolidated income statement of Bank Zachodni WBK Group. Adjusted for intercompany transactions and consolidation adjustments, SCB Group contributed most to the net interest income (PLN 250.9m) and net fee and commission income (PLN 47.8m) of the consolidated income of Bank Zachodni WBK Group for Q1 2015. The share of SCB Group in the total costs and impairment losses amounted to PLN 134m and PLN 24.9m, respectively. Its contribution to Bank Zachodni WBK Group's profit before tax totalled PLN 145.2m.
- Pursuant to the agreements of 1 August 2013 and 27 February 2015, Bank Zachodni WBK lost control over BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO insurance companies, which now meet the definition of associated undertakings and are accounted for using the equity method. Prior to their reclassification, i.e. from the beginning of January 2014 till the end of February 2015, the companies were included in the consolidation scope of Bank Zachodni WBK. As a result of partial divestment (disposal of 17% stake in each of the above-mentioned insurance companies) and control loss, the Group's consolidated profit before tax for Q1 2015 was increased by gains on the sale (PLN 234.4m), adjustments resulting from the loss of control (PLN 288.6m) as well as reversal of first-day valuation adjustment of call options (PLN 23.4m) and reversal of negative valuation of the Group's liability arising from the expired put option of Aviva Ltd. (PLN 14.8m).
- On 31 October 2014, Dom Maklerski BZ WBK was divided (and removed from the National Court Register) through the transfer to Bank Zachodni WBK of an organised part of the enterprise specialising in the provision of brokerage services and set-up of Gieldokracja, a limited liability company, which took over a part of the enterprise connected with the provision of educational, advertising and communication services. The brokerage activity is now an integral part of the operations of Bank Zachodni WBK.

Key factors affecting the profit of Bank Zachodni WBK Group in Q1 2015

- Changes in the structure of Bank Zachodni WBK Group (see above), in particular partial disposal and deconsolidation of BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ insurance companies, contributed PLN 523m in total to the Group's consolidated profit before tax. In the condensed income statement, this amount is included in other income line item, whereas in the complete financial statements, it is disclosed in a separate line item "gains on subordinate entities". Taking into account the adjustments relating to the call and put options granted to Aviva Ltd. under the contractual arrangements for the sale of shares in BZ WBK-Aviva entities, the total gross gain on the transaction amounted to PLN 561.2m
- Higher net interest income (+PLN 182.5m YoY) amid a stable net interest margin (3.60% in Q1 2014 vs. 3.59% in Q1 2015) on a YoY basis. This performance was achieved in a low interest rate environment (two NBP rate cuts in October 2014 and March 2015 by 100 bps in total) due to SCB Group inclusion in the consolidation scope. Excluding the contribution of SCB Group, the underlying net interest margin narrowed driven by a decline in interest income on loans, in particular the retail portfolio.
- Stable fee and commission income (+PLN 17.3m YoY) driven by the development of the Polish economy and financial markets, regulatory changes, competitive pressures and altering scope of consolidation of Bank Zachodni WBK Group's financial statements. A dynamic growth in the fee income from insurance products, distribution and asset management as well as account maintenance and cash transactions was largely offset by lower fees from loans and e-Business and payments.
- An increase in other income by PLN 208.3m (excluding PLN 523m resulting from the settlement of the partial divestment and loss of control over BZ WBK-Aviva companies) due to a YoY growth in gains on the trading portfolio and other financial instruments (by PLN 87.5m and PLN 148.5m, respectively) 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. Concurrently, there was a decline in net insurance income (-PLN 33.4m) generated by BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ and disclosed under other operating income, which was attributable to deconsolidation of the companies and the Group's return to the former presentation of the entire insurance income as fee and commission income (starting from March 2015), without any of it being transferred to other operating income.
- An increase of PLN 28.7m YoY in loan impairment losses, mainly due to the contribution of PLN 24.9m from consolidation of SCB Group. Continued monitoring of the credit risk attached to individual credit portfolios of Bank Zachodni WBK Group and proactive credit risk management policy pursued.
- Effective cost management by Bank Zachodni WBK Group based on a strict budget policy. Excluding the integration 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 increased by 5.6% YoY on account of regulatory charges which exceeded savings in respective cost lines.

Total Income and Profit-Before-Tax by Quarters in 2014 and 2015 (PLN m)



* On 1 July 2014, Santander Consumer Bank 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 illustrates the profit contribution of respective members of Bank Zachodni WBK Group to the consolidated profit before tax in Q1 2015 compared with the corresponding period of 2014.

PLN m

Components of Bank Zachodni WBK Group Profit-Before-Tax by contributing entities	Q1 2015	Q1 2014	YoY Change
Bank Zachodni WBK S.A.	869,9	573,6	51,7%
Existing subsidiary undertakings:	196,6	54,4	261,4%
Santander Consumer Bank and its subsidiaries ¹⁾	145,2	-	-
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. ²⁾	17,3	17,2	0,6%
BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. ³⁾	12,1	(4,0)	-
BZ WBK Leasing S.A., BZ WBK Lease S.A. and Finanse Sp. z o.o.	15,6	26,7	-41,6%
Dom Maklerski BZ WBK S.A. ⁴⁾	-	7,7	-
Faktor Sp. z o.o.	6,4	6,5	-1,5%
Other subsidiary undertakings ⁵⁾	0,02	0,3	-93,3%
Equity method valuation	0,7	(0,1)	-
Elimination of dividends received by BZ WBK ⁶⁾	(16,6)	(56,7)	-70,7%
Other intercompany and consolidation adjustments ⁷⁾	303,7	(0,1)	-
Profit before tax	1 354,3	571,1	137,1%

- 1) On 1 July 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 for respective periods 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 41.6m in Q1 2015 and PLN 30.3m in Q1 2014.
- 3) BZ WBK-Aviva TUO and BZ WBK-Aviva TUInZ changed their status from subsidiary to associated undertakings as of 27 February 2015. Since then, both entities have been accounted for using the equity method. The amount provided above represents profit before tax of both companies after consolidation adjustments and post-audit profit adjustments.
- 4) Dom Maklerski BZ WBK (BZ WBK Brokerage House) was removed from the National Court Register on 31 October 2014. Part of the company which had been involved in brokerage activities was incorporated into the structure of BZ WBK, and the remaining part was transferred to the newly created company Gieldokracja which is responsible for advertising and information services.
- 5) The amount for Q1 2014 includes profit before tax of BZ WBK Inwestycje, BZ WBK Nieruchomości and BFI Serwis in liquidation (deregistered on 20 November 2014). Q1 2015 also includes Gieldokracja (registered on 31 October 2014).
- 6) Dividend received from BZ WBK Asset Management (PLN 16.6m in Q1 2015 and PLN 56.7m in Q1 2014).
- 7) Consolidation adjustments (other than dividends) for Q1 2015 include the items resulting from the loss of control (PLN 288.6m) and reversal of negative valuation of the Group's liability under the expired put option of Aviva Ltd. (PLN 14.8m).

In Q1 2015, the unconsolidated PBT of Bank Zachodni WBK increased by 51.7% YoY on account of the gains recognised on the partial disposal of the bank's shares in BZ WBK Aviva companies of PLN 234.4m; higher income on other financial instruments (+PLN 145.8m YoY) attributed mainly to the sale of treasury bonds; improved net trading income (+PLN 42.4m YoY) and lower staff and operating costs (-PLN 13.2m YoY). At the same time, the bank noted a decrease in net interest income (-PLN 63.7m YoY) due to falling interest rates, a drop in net fee and commission income (-PLN 18.7m YoY) and a lower dividend from BZ WBK Asset Management (-PLN 40.1m YoY).

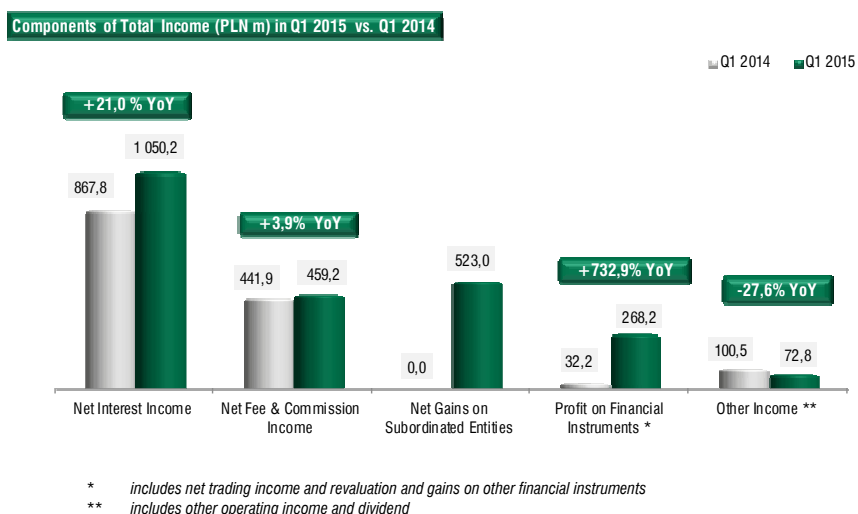
The subsidiaries consolidated by Bank Zachodni WBK reported an increase of 261.4% YoY in their total profit before tax mainly as a result of acquisition and consolidation of SCB Group. Excluding the profit of SCB Group from the current period and the profit of BZ WBK Brokerage House from the comparable period, the underlying total profit before tax of the subsidiaries increased by 10.1% YoY. Higher share of BZ WBK-Aviva companies (including intercompany transactions and consolidation adjustments) in profit before tax of Bank Zachodni WBK Group for Q1 2015 is due to the previous year's adjustment for amortisation arising on allocation of the purchase price of BZ WBK Aviva companies (PLN 21.1m). Lower profit before tax earned by BZ WBK Leasing and BZ WBK Lease and their parent entity – BZ WBK Finanse - is an effect of a public liabilities refund of PLN 12.4m recognised in Q1 2014. Over the first three months of 2015, the leasing business of BZ WBK Group grew dynamically (16% YoY increase in the value of the performing leasing portfolio), as did the factoring business of BZ WBK Faktor (increase in factoring turnover and credit portfolio by 11% and 13% YoY, respectively) and the sales activity of BZ WBK TFI and BZ WBK AM (total increase in net assets by 23% YoY).

Profit before tax of SCB Group reached PLN 145.2m and grew by 21.6% QoQ. This performance was particularly impacted by the following factors:

- growth of the gross credit portfolio and improvement of its structure (increase in the share of high-margin products) coupled with a decrease in costs of financing
- increase in net fee and commission income in Q1 2015 (+PLN 16.4m QoQ) on account of lower credit agency costs and higher share in the profit generated by the insurance company
- a decrease of PLN 25.5m in impairment losses as a consequence of *inter alia* a partial sale of written-off credit card portfolio.

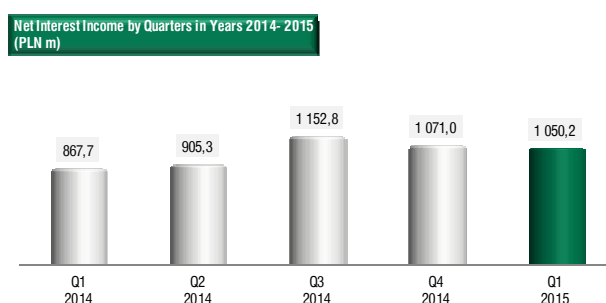
Total income

The total income achieved by Bank Zachodni WBK Group in Q1 2015 was PLN 2,373.4m and up 64.5% YoY. Adjusting for one-off gains on subordinate entities of PLN 523m, the respective income went up by 28.3% YoY.



Net interest income

In Q1 2015, net interest income amounted to PLN 1,050.2m and increased by 21% YoY.

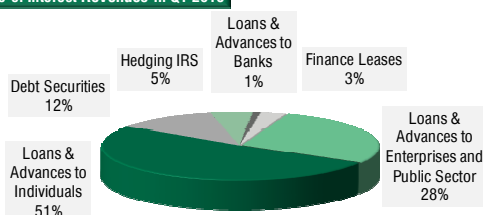


The net interest income of Bank Zachodni WBK Group includes the net interest income from CIRS transactions designated as hedging instruments under cash flow hedge accounting, totalling PLN 56.9m in Q1 2015 vs. PLN 54.9m in Q1 2014. The above income is disclosed in the line item "Interest income from IRS hedges" (Note 4 "Net interest income"), showing PLN 69.6m in Q1 2015 vs. PLN 69.2m in Q1 2014.

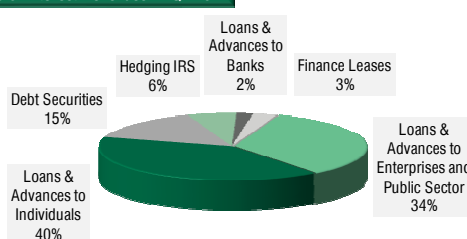
Taking into account the net income from non-hedging CIRS/IRS transactions (PLN 4.2m for Q1 2015 vs. PLN 7.3m for Q1 2014), which are used for the purpose of liquidity management and reported under "Net trading income and revaluation", the underlying net interest income increased by 20.5% YoY.

This net interest income growth is due to a larger scope of consolidation on account of the SCB Group whose contribution fuelled the growth of interest revenues (+17.5% YoY to PLN 1,453.8m) and expense (+9.2% YoY to PLN 403.5m), with the latter component twice slower.

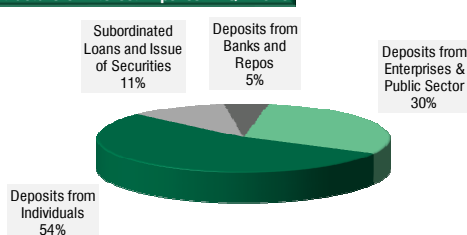
Structure of Interest Revenues in Q1 2015



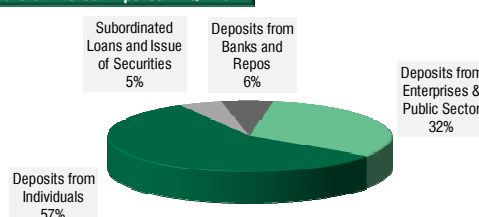
Structure of Interest Revenues in Q1 2014



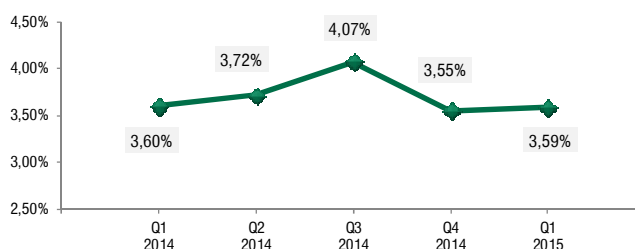
Structure of Interest Expense in Q1 2015



Structure of Interest Expense in Q1 2014



Net Interest Margin by Quarters In Years 2013-2015 (including SWAP points*)



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

The quarterly net interest margin of Bank Zachodni WBK Group was almost flat YoY (3.59% in Q1 2015 vs. 3.60% in Q1 2014) due to the incorporation of net interest income (PLN 250.9m), gross loans and advances (PLN 12,414.5m), and other interest-bearing assets of SCB Group into the consolidated financial statements of Bank Zachodni WBK Group (after intercompany transactions and consolidation adjustments). Excluding the contribution of SCB Group, the underlying quarterly net interest margin of Bank Zachodni WBK Group declined, reflecting falling interest rates (two NBP rate cuts in October 2014 and March 2015 by 100 bps in total) and their adverse impact on interest income from retail portfolios as well as measures aiming at building a stable deposit base based on the strength of customer relationship.

The net interest margin saw a slight QoQ increase from 3.55% to 3.59% generated by a comparable group of companies as a result of flexible and effective management of interest rates and positive evolution of business volumes (decrease in term deposits and securities available for sale, increase in current account balances, cash and mortgage loans).

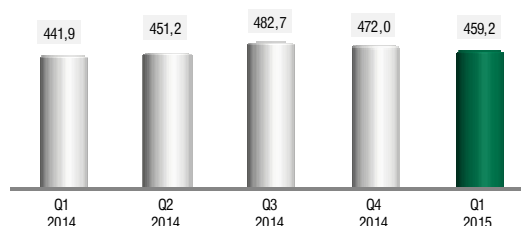
Net fee and commission income

PLN m

Net Fee and Commission Income	Q1 2015	Q1 2014	YoY Change
E-Business and payments ¹⁾	85,9	110,7	-22,4%
Account maintenance and cash transactions ²⁾	86,4	72,8	18,7%
FX fees	74,1	76,2	-2,8%
Insurance fees ³⁾	64,1	15,9	303,1%
Asset management and distribution	61,9	55,9	10,7%
Credit fees ⁴⁾	50,3	67,6	-25,6%
Credit cards	25,8	24,8	4,0%
Brokerage fees	13,5	18,6	-27,4%
Other ⁵⁾	-2,8	-0,6	366,7%
Total	459,2	441,9	3,9%

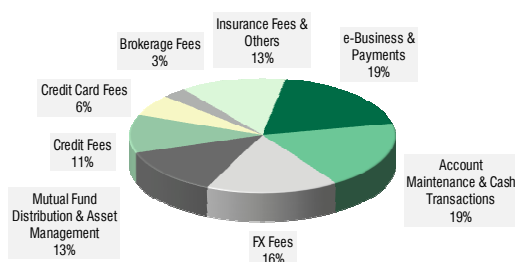
- 1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic and telecommunications services.
- 2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 "Net fee and commission income" of the consolidated financial statements are included in the line item "Other".
- 3) During the period of control over BZ WBK-Aviva companies (from 20 December 2013 to 27 February 2015), the bank disclosed the major part of income from insurance business in "Other operating income" instead of "Net fee and commission income". In Q1 2015, PLN 26.3m worth of insurance income was taken to the Group's other operating income (PLN 59.7m in Q1 2014). As a result of loss of control over the entities, the whole insurance fee income is disclosed under net fee and commission income.
- 4) Fees related to lending, factoring and leasing activities which are not amortised to interest income. This line item includes inter alia cost of credit agency.
- 5) Guarantees and sureties, issue arrangement fees and others.

Net Fee & Commission Income by Quarters in Years 2014-2015
(PLN m)

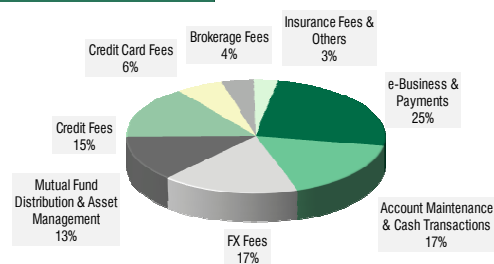


In Q1 2015, net fee and commission income was PLN 459.2m and increased by 3.9% YoY.

Net Commission Income Structure in Q1 2015



Net Commission Income Structure in Q1 2014



In Q1 2015, a significant growth was noted in insurance fee income (+303.1% YoY), which is attributable to SCB Group and its contribution of PLN 35.8m. Excluding this amount, insurance fees increased by 78% YoY on account of the growth of bancassurance business of Bank Zachodni WBK and BZ WBK-Aviva companies as well as changes in the presentation of the Group's insurance income following the loss of control over BZ WBK-Aviva companies. In the period from 1 January 2014 to 27 February 2015, the major part of such income was disclosed under other operating income (PLN 26.3m in Q1 2015 and PLN 59.7m in Q1 2014), whereas starting from March 2015, the total income is taken to insurance fees. Viewed on a stand-alone basis, the underlying insurance fee income of Bank Zachodni WBK rose by 11% YoY, driven mainly by the sale of cash loans and card insurance.

Net fee income from account maintenance and cash transactions increased by 18.7% YoY on the back of updated schedule of fees and charges.

Net fee income from fund distribution and asset management increased by 10.7% YoY as a result of higher average value of assets managed by BZ WBK TFI and BZ WBK AM driven by the growing sale of sub-funds and private portfolios, supported by trends in the bank deposit market, improvement in stock market sentiments and continued demand for corporate bonds.

In Q1 2015, net credit card fee income grew by 4.0% YoY, mainly due to the contribution of Santander Consumer Bank. Excluding the impact of SCB Group, the underlying net credit card fee income decreased as a consequence of statutory reduction of an interchange fee rate (from 1 July 2014 till 29 January 2015) and revision of the selected bank's fees and charges related to credit cards. The above result was achieved amid a steady business growth, including the number of valid credit cards of Bank Zachodni WBK and card transactions.

Despite an increase in the number of debit cards and the associated transaction volumes, the net fee and commission income aggregated under the "eBusiness and payments" line item declined markedly (-22.4% YoY) following the reduction of an interchange fee rate.

Lower net credit fee income (-25.6% YoY) is attributed to larger credit agency cost related to the distribution model of Santander Consumer Bank, increased commission cost driven by growing sales of leases, changes in the selected fees and charges, drop in the net fee and commission income from the commercial property sector as well as lower number of large corporate finance deals concluded until the end of March this year.

The decline in the net brokerage fees (-27.4% YoY) was due to lower income earned by BZ WBK Brokerage Office in the secondary market as a result of a YoY decrease in equity market trading in line with the trends prevailing on the main WSE floor.

Gains on interest in subordinate entities

In Q1 2015, Bank Zachodni WBK Group sold a part of its stake in BZ WBK-Aviva TUO and BZ WBK-Aviva TUn² (17% interest in each). Accordingly, the Group lost control over the entities in favour of Aviva Ltd. and reclassified them from subsidiaries to associates. The transaction generated a profit of PLN 523m reported under gains on interest in subordinate entities. The profit was earned from gains on the disposal of the stakes in both insurance companies (PLN 234.4m) and the impact of adjustments arising from the loss of control (PLN 288.6m).

Gains on financial instruments

Gains on other financial instruments

In Q1 2015, the gains on other financial instruments increased YoY by PLN 148.5m to PLN 187.6m. Gains on the sale of treasury bonds were PLN 188.0m, up PLN 161.9m YoY. The measures taken as part of duration management on the available-for-sale debt securities portfolio were kept in line with the market conditions and took into account the Group's objectives with regard to risk and liquidity management.

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

After Q1 2015, net trading income and revaluation reported by Bank Zachodni WBK Group was PLN 80.6m versus a loss of PLN 6.8m recorded in the corresponding period of the previous year. The net trading income largely reflects the conditions prevailing on the interest rate and FX market. In Q1 2015, the domestic interest rate market grew stronger while the situation in the FX market was highly volatile, affected by geopolitical risk and remaining under pressure from the activities of central banks.

The performance under this line was aided by the reversal of the first-day valuation adjustment of call options (PLN 23.4m) and of the negative valuation of the Group's liability from the put option (PLN 14.8m), both arising on the settlement of the disposal of a stake in BZ WBK-Aviva entities.

The Group's activity in the market of financial derivatives and interbank currency transactions generated a profit of PLN 74.6m versus a loss of PLN 48.2m reported in the previous year.

This component of net trading includes the net interest-related income of PLN 4.2m on non-hedging CIRS/IRS transactions vs. PLN 7.3m for Q1 2014. It excludes, however, the net interest income from the CIRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 56.9m for Q1 2015 vs. PLN 54.9m for Q1 2014), which is disclosed in Note 4 "Net interest income" under "Interest income from IRS hedges".

Other FX related income was PLN 1.3m and lower by PLN 43.4m on a YoY basis.

In Q1 2015, debt and equity securities trading brought in a total profit of PLN 4.7m compared with a loss of PLN 3.9m in the corresponding period of 2014.

Other Income

Other operating income

During the first three months of 2015, other operating income was PLN 72.9m, down 27.5%. This item includes the net income of PLN 26.3m from the insurance business (for the first two months of 2015 preceding the loss of control) vs. PLN 59.7m reported in the corresponding period. These amounts are composed of the gross premiums written, reinsurers' share of premium written, net claims and benefits, and other net insurance income. In Q1 2015, the second largest item of other operating income was the returned Banking Guarantee Fund fees, amounting to PLN 22.5m, up PLN 13m YoY.

Impairment charges

	PLN m		
Impairment Losses on Loans and Advances	Q1 2015	Q1 2014	YoY Change
Collective and individual impairment charge	(208,5)	(166,1)	25,5%
Impaired but not reported losses charge	3,4	(17,7)	-
Recoveries of loans previously written off	17,4	0,4	-
Off-balance sheet credit related facilities	(3,0)	21,4	-
Total	(190,7)	(162,0)	17,7%

In Q1 2015, loan impairment charges to the income statement of Bank Zachodni WBK Group were PLN 190.7m, up 17.7% YoY. The contribution of SCB Group to that figure was PLN 24.9m.

In Q1 2015, the negative balance of provisions for incurred and reported losses (on individual and collective exposures) was PLN 208.5m and up 25.5% YoY as a result of increased impairment charges on collectively assessed personal customers with concurrent decrease in impairment charges on business exposures evaluated on an individual basis.

Over the first three months of 2015, Bank Zachodni WBK Group sold the nonperforming personal and business receivables in the principal amount of PLN 41.8m vs. PLN 59.9m in the corresponding period. The net result on this transaction was PLN 4m.

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

As at 31 March 2015, the Bank Zachodni WBK Group's NPL ratio was 8.3% compared with 7.5% as at 31 March 2014. The cost of credit was 0.9% vs. 1% on 31 March 2014.

Total costs

	PLN m		
Total costs	Q1 2015	Q1 2014	YoY Change
Staff, general and administrative expenses, of which:	(741,7)	(627,9)	18,1%
- Staff expenses	(388,7)	(335,5)	15,9%
- General and administrative expenses	(353,0)	(292,4)	20,7%
Depreciation/amortisation	(66,7)	(70,6)	-5,5%
Other operating expenses	(20,7)	(10,7)	93,5%
Total costs	(829,1)	(709,2)	16,9%
Integration costs ¹⁾	(12,1)	(48,4)	-75,0%
Total costs of SCB Group and BZ WBK-Aviva companies ²⁾	(146,0)	(25,3)	-
Underlying total costs	(671,0)	(635,5)	5,6%

1) Integration costs are composed of staff, general & administrative expenses (PLN 6.5m in Q1 2015 and PLN 45.7m in Q1 2014) and amortisation (PLN 5.6m in Q1 2015 and PLN 2.7m in Q1 2014).

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

In Q1 2015, the total expenses of the Group amounted to PLN 829.1m, and were 16.9% higher YoY. Excluding the integration costs (PLN 12.1m in Q1 2015 and PLN 48.4m in the corresponding period), the operating costs of SCB Group, BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ, amortisation arising from allocation of the purchase price of the two insurance companies (PLN 21.1m in Q1 2014) and the relevant adjustment after control loss (PLN 6.2m in Q1 2015), the total underlying costs increased by 5.6% YoY.

As the growth rate of the Group's recurring income (excluding gains of PLN 523m on the sale and deconsolidation BZ WBK-Aviva companies) was higher than that of costs (28.3% YoY and 16.9% YoY, respectively), the Group's cost-to-income ratio improved from 49.2% in Q1 2014 to 44.8% in Q1 2015. Adjusted further for integration costs, the ratio was 44.2% vs. 45.8% in the corresponding period.

Staff expenses

In Q1 2015, the Group's staff expenses increased by 15.9% YoY to PLN 388.7m. The significant growth under "salaries and bonuses", "statutory deductions from salaries" and "training costs" (24.7% YoY, 18.0% YoY and 18.5% YoY) results from consolidation of SCB Group, whose employment at the end of March 2015 was 2,721 FTEs and whose staff expenses were PLN 56.2m.

Excluding the contribution of SCB Group and BZ WBK-Aviva companies, and the integration costs, the underlying staff expenses increased by 5.7% YoY.

General and administrative expenses

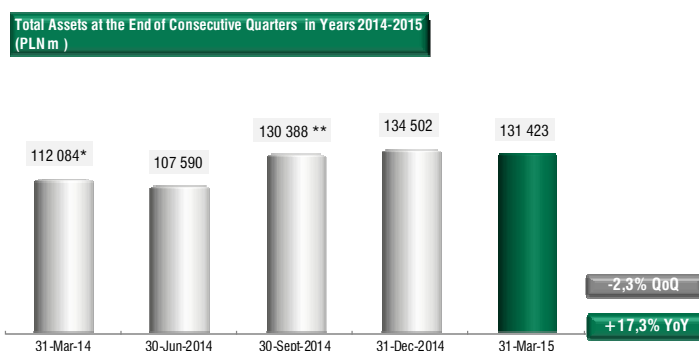
In Q1 2015, general and administrative expenses of the enlarged Bank Zachodni WBK Group increased by 20.7% YoY to PLN 353m. The contribution of the new members of the Group (PLN 57.3m in total) particularly influenced the scope and sometimes also direction of the change in the following consolidated cost lines: cost of maintenance and rental of premises (+5.8% YoY), cost of marketing and entertainment (+39.9% YoY), IT usage (+26.7% YoY), postal fees and telecommunication fees (+25.5% YoY) and consumables, prints, cards and cheques (+18.3% YoY). Growth was also strongly driven by the charges imposed by market regulators (+104.4% YoY) as a consequence of an increase in their calculation base, an effect of business growth and an increase in the annual and prudential fee payable in 2015 to the Banking Guarantee Fund (BFG) as part of the Polish deposit guarantee scheme. In Q1 2015, the respective charge to the income statement was PLN 57.7m as compared to PLN 26.1m posted in 2014, representing a portion of annual payments settled over time in accordance with the opinion of the Finance Ministry and the Polish Financial Supervision Authority. The full year amount due to BFG in 2015 is PLN 230.9m vs. PLN 121.0m incurred in 2014.

Excluding the contribution of SCB Group, BZ WBK-Aviva companies and integration costs, underlying general and administrative expenses increased by 7.5% YoY driven by higher fees payable to market regulators, which outweighed cost reductions achieved under a number of cost lines by kind.

Financial Position

Assets

As at 31 March 2015, total assets of Bank Zachodni WBK Group were PLN 131,422.6m, a decrease of 2.3% QoQ and an increase of 17.3% YoY. The value and structure of the Group's statement of financial position is mainly affected by the parent company, which accounts for 89.9% of the consolidated total assets vs. 90.4% as at the end of December 2014 and 97.3% as at 31 March 2014. The major increase in assets and the decrease in the share of Bank Zachodni WBK in the total assets of the Group vs. March 2014 mainly 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 since 1 July 2014.

Tabulated below are the major developments in the key categories of the consolidated assets of Bank Zachodni WBK Group as at 31 March 2015 vs. 31 March 2014 and 31 December 2014.

Assets (condensed presentation for analytical purposes)	PLN m							
	31.03.2015	Structure 31.03.2015	31.12.2014	Structure 31.12.2014	31.03.2014	Structure 31.03.2014	Change	Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers *	88 022,4	66,9%	85 820,6	63,8%	70 271,4	62,7%	2,6%	25,3%
Investment securities	24 064,4	18,3%	27 057,1	20,1%	21 388,2	19,1%	-11,1%	12,5%
Financial assets held for trading and hedging derivatives	5 734,9	4,4%	5 477,6	4,1%	3 759,4	3,3%	4,7%	52,5%
Cash and operations with Central Banks	4 675,8	3,6%	6 806,5	5,1%	5 925,5	5,3%	-31,3%	-21,1%
Fixed assets, intangibles and goodwill	2 848,1	2,2%	3 804,7	2,8%	3 618,1	3,2%	-25,1%	-21,3%
Loans and advances to banks	3 209,3	2,4%	2 523,1	1,9%	4 993,3	4,5%	27,2%	-35,7%
Other assets	2 867,7	2,2%	3 012,3	2,2%	2 128,4	1,9%	-4,8%	34,7%
Total	131 422,6	100,0%	134 501,9	100,0%	112 084,3	100,0%	-2,3%	17,3%

* 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, the Group's management of its balance sheet structure and current liquidity, and divestments (sale of 17% stake in BZ WBK-Aviva companies). On a year-on-year basis, the changes also arise from acquisition of 60% stake in Santander Consumer Bank and consolidation of the entity (with its subsidiaries) starting from 1 July 2014.

Compared with the end of December 2014, the fastest growth was observed in loans and advances to banks (+27.2% QoQ). A moderate growth under the aggregate line "financial assets held for trading and hedging derivatives" (+4.7% QoQ) was a result of currency deals (FX swaps) and interest rate deals (IRS), with a concurrent reduction in the portfolio of treasury bonds and equity securities.

Net loans and advances to customers were PLN 88,022.4m, increasing by 2.6% QoQ. SCB Group contributed PLN 12,414.5m to this line (after intercompany and consolidation adjustments), similarly as in December 2014.

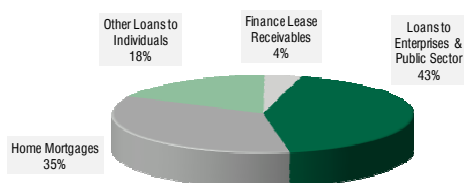
As part of ongoing liquidity management, the balance of "cash and operations with Central Banks" fell by 31.3% QoQ. A decrease was also observed in "investment securities" (-11.1% QoQ) as a result of higher sales and redemptions of treasury bonds and NBP bills compared with the purchases of these securities. The contribution of SCB in the consolidated investment portfolio was stable QoQ, amounting to PLN 2,188.5m at the end of March 2015.

Due to the partial disposal and deconsolidation of BZ WBK-Aviva companies, the goodwill arising on acquisition of these companies (PLN 853.8m) was derecognised, reducing the line aggregating fixed assets, intangibles and goodwill by 25.1%.

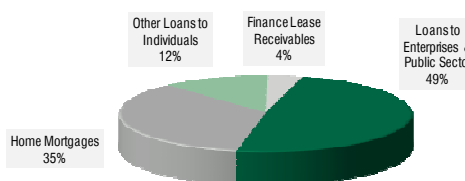
Credit portfolio

Gross Loans and Advances to Customers	PLN m				
	31.03.2015	31.12.2014	31.03.2014	Change	Change
	1	2	3	1/2	1/3
Loans and advances to individuals	49 223,6	47 784,1	34 199,7	3,0%	43,9%
Loans and advances to enterprises and public sector customers	39 877,6	39 340,7	35 776,7	1,4%	11,5%
Finance lease receivables	3 856,6	3 815,8	3 133,0	1,1%	23,1%
Other	288,9	6,5	771,6	4344,6%	-62,6%
Total	93 246,7	90 947,1	73 881,0	2,5%	26,2%

Structure of Loans & Advances to Customers as at 31.03.2015

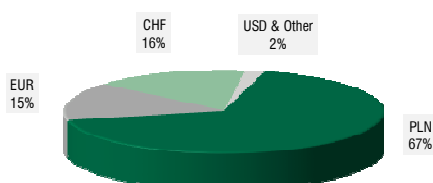


Structure of Loans & Advances to Customers as at 31.03.2014

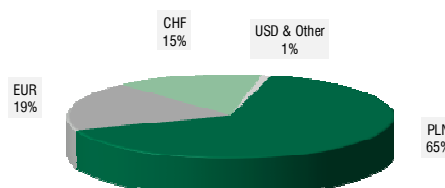


As at 31 March 2015, gross loans and advances to customers were PLN 93,246.7m, increasing by 2.5% on the end of December 2014 and by 26.2% on the end of March 2014. On a constant currency basis, the respective increases were 1,6% QoQ and 23,7% YoY.

FX Structure of Loans & Advances to Customers as at 31.03.2015



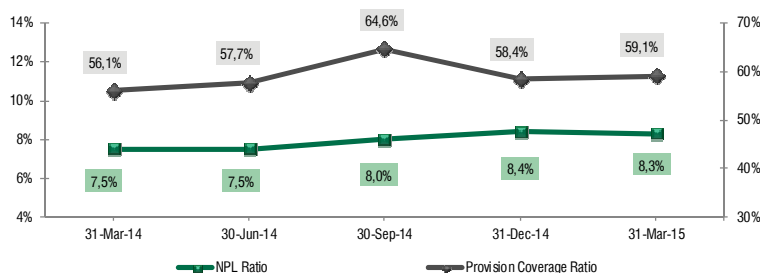
FX Structure of Loans & Advances to Customers as at 31.03.2014



Compared with the end of 2014, loans and advances to individuals increased by 3.0% to PLN 49,223.6m. Housing loans, which represent the major portion of loans and advances to individuals, increased by 4.6% QoQ to PLN 32,282.1m. The second significant constituent item, i.e. cash loans, grew by 2% to PLN 9,934.9m.

Loans and advances to enterprises and public sector companies amounted to PLN 39,877.6m, up 1.4% QoQ, while finance leases, which include *inter alia* the portfolio of BZ WBK Leasing S.A. and BZ WBK Lease S.A. were PLN 3,856.6m, increasing by 1.1% QoQ driven by sales of vehicles and machinery and equipment. Loans granted by the leasing companies to finance machines and vehicles for business customers, which totalled c. PLN 1.2bn at as 31 March 2015 and 31 December 2014, are disclosed outside the leasing portfolio, primarily as loans and advances to enterprises.

Credit Quality Ratios by Quarters in 2014 and 2015



As at 31 March 2015, non-performing (impaired) loans to customers accounted for 8.3% of the gross portfolio vs. 8.4% and 7.5% three and twelve months before, respectively. The provision coverage for NPLs was 59.1% vs. 58.4% as at 31 December 2014 and 56.1% as at 31 March 2014.

Excluding the impact of SCB Group, non-performing loans to customers represented 8.0% of the gross portfolio, while the provision coverage for NPLs was 52.5%.

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 March 2015 vs. 31 March 2014 and 31 December 2014.

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	31.03.2015	Structure 31.03.2015	31.12.2014	Structure 31.12.2014	31.03.2014	Structure 31.03.2014	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	92 476,8	70,3%	94 981,8	70,6%	80 114,0	71,5%	-2,6%	15,4%
Deposits from banks	7 719,2	5,9%	8 359,9	6,2%	10 003,8	8,9%	-7,7%	-22,8%
Financial liabilities held for trading and hedging derivatives	5 260,2	4,0%	4 039,9	3,0%	1 742,8	1,6%	30,2%	201,8%
Subordinated liabilities and debt securities in issue	4 809,6	3,7%	4 913,3	3,7%	1 902,6	1,6%	-2,1%	152,8%
Other liabilities	2 019,2	1,5%	4 155,3	3,1%	3 445,5	3,1%	-51,4%	-41,4%
Total equity	19 137,6	14,6%	18 051,7	13,4%	14 875,6	13,3%	6,0%	28,7%
Total	131 422,6	100,0%	134 501,9	100,0%	112 084,3	100,0%	-2,3%	17,3%

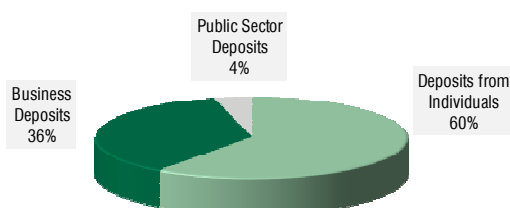
In the consolidated liabilities and equity as at 31 March 2015, the highest QoQ growth was observed in financial liabilities held for trading and hedging derivatives (+30.2% QoQ), mainly as a result of new cash flow hedging relationships established and FX derivative trading (FX swap, forward, and CIRS).

Deposits from banks decreased by 7.7% QoQ, reflecting reduction in the value of the Group's repo securities sold. Subordinated liabilities and debt securities in issue fell by 2.1% QoQ as a combined result of the redemption by Santander Consumer Bank of four series of bonds at maturity in Q1 2015 and the issue of another series of 3-year bonds with a nominal value of PLN 100m (as part of an issue programme). A negative change in other liabilities (-51.4% QoQ) was reported as a result of disposal of 17% stake in the two BZ WBK-Aviva companies, which led to derecognition of substantial technical insurance provisions and PLN 699.1m representing an expired obligation of the bank to repurchase other shares held by Aviva Ltd. in accordance with contractual arrangements.

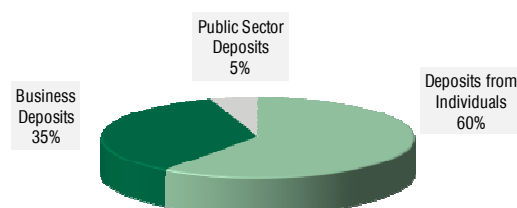
Deposit base

Deposits from Customers	PLNm				
	31.03.2015	31.12.2014	31.03.2014	Change	Change
	1	2	3	1/2	1/3
Deposits from individuals	55 719,8	58 257,0	48 146,2	-4,4%	15,7%
Deposits from enterprises and public sector customers	36 757,0	36 724,8	31 967,8	0,1%	15,0%
Total	92 476,8	94 981,8	80 114,0	-2,6%	15,4%

Structure of Customer Deposits as at 31.03.2015

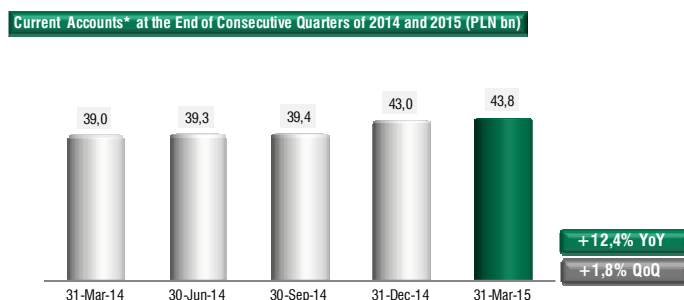
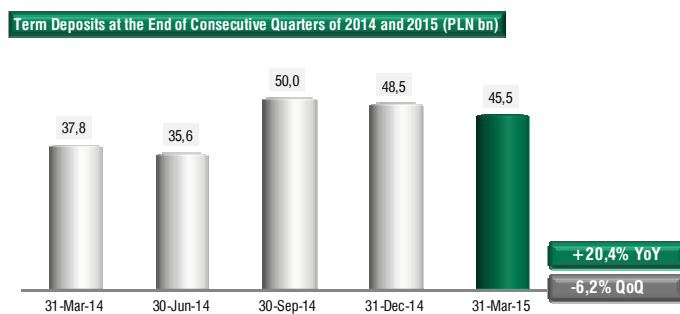


Structure of Customer Deposits as at 31.03.2014



Deposits from customers, which represent 70.4% of the Group's equity and liabilities, are the primary source of funding its lending business. These deposits decreased by 2.6% QoQ and increased by 15.4% YoY to PLN 92,476.8m at the end of March 2015, including a contribution of PLN 6,465.6m by SCB Group.

Term deposits from Group customers were PLN 45,456.6m, decreasing by 6.2% QoQ; current account balances increased by 1.8% QoQ to PLN 43,807.5m, and the Group's other liabilities were PLN 3,212.7m, down 7.1% QoQ. The latter item includes loans from the European Investment Bank (EUR 350m, CHF 138.6m and PLN 196.7m) to finance the bank's lending activity and disclosed as loans and advances under deposits from enterprises. The reported decrease results from the repayment of three tranches of CHF loans totalling CHF 117.2m.



* including savings accounts

The retail deposit base totalled PLN 55,719.8m and decreased by 4.4% over the first three months of 2015 due to lower balances of term deposits (-13.9% QoQ) arising from reduced appeal of bank deposits amid expectations of an interest rate cut (which took place in March 2015). Funds were partially transferred from term deposits to current accounts which increased by 6.5% QoQ supported by a modified offer of savings account featuring à la Deposit Account (Konto Oszczędnościowe a la Lokata) which reported PLN 3.2bn worth of funds at the end of March 2015.

The reverse trends prevailed in deposits from enterprises and the public sector, i.e. an increase in the balances of term deposits (+7.4% QoQ) was coupled with a drop in current account balances (-6.4% QoQ). As a consequence, the deposit base from the two sectors was stable QoQ and amounted to PLN 36,757m.

Selected Ratios

Selected Financial Ratios	Q1 2015 ¹⁾	Q1 2014
Total costs/Total income ²⁾	44,8%	49,2%
Net interest income/Total income	56,8%	60,2%
Net interest margin ³⁾	3,6%	3,6%
Net commission income/Total income	24,8%	30,6%
Customer net loans/Customer deposits	95,2%	87,7%
NPL ratio	8,3%	7,5%
NPL coverage ratio	59,1%	56,1%
Credit risk ratio ⁴⁾	0,9%	1,0%
ROE ⁵⁾	16,3%	16,6%
ROTE ⁶⁾	17,8%	16,9%
ROA ⁷⁾	1,9%	1,9%
Capital ratio ⁸⁾	12,8%	13,8%
Tier I ratio ⁹⁾	12,4%	11,5%
Book value per share (in PLN)	192,9	159,0
Earnings per share (in PLN) ¹⁰⁾	6,2	4,8

- 1) The Groups' total income and profit have been adjusted for the one-off gains on interest in BZ WBK-Aviva companies in the calculations of the following ratios for Q1 2015: cost/income, net interest income/total income, net commission income/total income and earnings per share.
- 2) Excluding both one-off gains and integration costs, the adjusted cost-to-income ratio was 44.2% for Q1 2015 vs. 45.8% for Q1 2014.
- 3) Annualized net interest income (excluding interest income from the portfolio of trading securities) to average interest-bearing assets (excluding the trading portfolio).
- 4) Impairment losses for four consecutive quarters to average gross loans and advances to customers (as at the beginning and end of the reporting period).
- 5) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the beginning and end of the reporting period), net of non-controlling interests and current period profit. Adjusting for the impact of BZ WBK-Aviva related transaction, ROE as at 31 March 2015 was 14.1%.
- 6) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the beginning and end of the reporting period) defined as common equity attributable to the parent's shareholders less revaluation reserve, current period profit, intangible assets and goodwill. The ROTE ratio is included in the table above for the first time and excludes the impact of the disposal and control loss of BZ WBK-Aviva companies in both periods under review.
- 7) Net profit attributable to the BZ WBK shareholders (for four consecutive quarters) to average total assets (as at the beginning and end of the reporting period).
- 8) The calculation of capital ratio as at 31 March 2015 takes account of the equity and total capital requirements for relevant risks using a 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.
- 9) Tier I ratio is Tier I capital expressed as a percentage of risk weighted assets for credit, market and operational risk.
- 10) Net profit for the period attributable to shareholders of BZ WBK divided by the number of ordinary shares.

Capital Ratio

The table below presents the capital ratio of Bank Zachodni WBK Group as at 31 March 2015, 31 December 2014 and 31 March 2014.

		PLN m		
		31.03.2015	31.12.2014	31.03.2014
I	Total capital requirement	8 400,0	8 082,4	6 824,7
II	Own funds after reductions	13 446,8	13 044,9	11 767,4
CAD [II/(I*12.5)]		12,81%	12,91%	13,79%

The capital adequacy ratio is calculated based on own funds and total capital requirements established for individual risk types using a standardised approach, in line with the CRD IV/CRR package (the Capital Requirements Directive IV and Capital Requirements Regulation), which became effective on 1 January 2014 by virtue of the decision of the European Parliament and the European Banking Authority.

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

- Revival of the global economic growth, especially in the euro zone, meaning an improved outlook for Polish exports.
- Acceleration of Polish economic growth.
- Favourable growth rate of real households income due to low inflation, employment growth and wage growth.
- Low financing costs for households and businesses, which should be supportive of a gradual increase 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 and Fed monetary policy.
- Changes in asset financing costs depending on the pace and scale of changes in the main interest rates, changes in the zloty exchange rate, development of liquidity situation of the banking sector and intensity of price competition between banks to attract deposits.
- Possible increase in volatility of the financial market in the case of disappointment about the pace of global economic revival, concerns about too fast pace of monetary policy tightening by the Fed or a lack of agreement between Greece and international creditors about additional financial aid.
- Further development on the global stock market and its impact on demand for investment funds units or keeping savings on safe bank deposits as an alternative.



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

Date	Name	Function	Signature
24.04.2015	Eamonn Crowley	Member of the Management Board	
24.04.2015	Wojciech Skalski	Financial Accounting Area Director	