



INTERIM REPORT 2015 **OF BANK ZACHODNI WBK GROUP**

2015



Bank Zachodni WBK

 Grupa Santander

FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Consolidated financial statements of Bank Zachodni WBK Group					
I Net interest income		2 082 711	1 773 020	503 788	424 330
II Net fee and commission income		961 174	893 095	232 499	213 741
III Operating profit		2 098 526	1 205 160	507 614	288 426
IV Profit before tax		2 103 888	1 205 249	508 911	288 447
V Net profit attributable to owners of BZ WBK S.A.		1 577 410	953 580	381 561	228 217
VI Total net cash flow		(3 981 487)	(3 861 641)	(963 084)	(924 191)
VII Total assets		133 050 314	107 590 333	31 720 941	25 857 467
VIII Deposits from banks		9 071 646	7 423 986	2 162 799	1 784 226
IX Deposits from customers		93 731 661	77 777 112	22 346 858	18 692 377
X Total liabilities		113 558 575	92 973 204	27 073 854	22 344 494
XI Total equity		19 491 739	14 617 129	4 647 086	3 512 973
XII Non-controlling interests in equity		1 087 956	565 566	259 383	135 924
XIII Profit of the period attributable to non-controlling interests		122 955	21 362	29 742	5 112
XIV Number of shares		99 234 534	93 545 089		
XV Net book value per share in PLN/EUR		196,42	156,26	46,83	37,55
XVI Capital ratio		14,28%	13,33%		
XVII Profit per share in PLN/EUR		15,90	10,19	3,85	2,44
XVIII Diluted earnings per share in PLN/EUR		15,88	10,18	3,84	2,44
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		1 512 402	1 689 245	365 836	404 280
II Net fee and commission income		795 985	818 719	192 541	195 941
III Operating profit		1 416 609	1 194 891	342 664	285 969
IV Profit before tax		1 416 609	1 194 891	342 664	285 969
V Profit for the period		1 170 519	979 088	283 138	234 321
VI Total net cash flow		(3 286 902)	(3 845 949)	(795 071)	(920 436)
VII Total assets		120 095 201	104 666 024	28 632 272	25 154 660
VIII Deposits from banks		6 891 998	7 125 403	1 643 143	1 712 467
IX Deposits from customers		87 004 591	78 143 925	20 743 036	18 780 534
X Total liabilities		102 205 685	90 878 295	24 367 176	21 841 019
XI Total equity		17 889 516	13 787 729	4 265 095	3 313 641
XII Number of shares		99 234 534	93 545 089		
XIII Net book value per share in PLN/EUR		180,28	147,39	42,98	35,42
XIV Capital ratio		15,28%	13,73%		
XV Profit per share in PLN/EUR		11,80	10,47	2,85	2,51
XVI Diluted earnings per share in PLN/EUR		11,79	10,45	2,85	2,50
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 – 4.1944 PLN rate to EUR as at 30.06.2015 stated by National Bank of Poland (NBP), 4.2623 PLN rate to EUR as at 31.12.2014 and 4.1609 PLN rate to EUR as at 30.06.2014
- for profit and loss items – as at 30.06.2015: 4.1341 (an average PLN mid-rate to EUR in NBP on the last day of each month in H1 2015), as at 30.06.2014: 4.1784 (an average PLN mid-rate to EUR in NBP on the last day of each month in H1 2014)

As at 30.06.2015, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 124/A/NBP/2015 dd. 30.06.2015.



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR THE 6-MONTH PERIOD
ENDED 30 JUNE 2015**

2015



Bank Zachodni WBK

 Grupa Santander

TABLE OF CONTENTS

Consolidated income statement	6
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Movements in consolidated equity	8
Consolidated statement of cash flows	9
Additional notes to consolidated financial statements	10
1. General information about issuer	10
2. Basis of preparation of interim financial statements	13
3. Segment reporting	17
4. Risk management	23
5. Capital management	29
6. Net interest income	31
7. Net fee and commission income	32
8. Net trading income and revaluation	32
9. Gains (losses) from other financial securities	33
10. Other operating income	33
11. Impairment losses on loans and advances	34
12. Employee costs	34
13. General and administrative expenses	34
14. Other operating expenses	35
15. Corporate income tax	35
16. Cash and balances with central banks	36
17. Loans and advances to banks	36
18. Financial assets and liabilities held for trading	37
19. Hedging derivatives	37
20. Loans and advances to customers	38
21. Investment securities available for sale	39
22. Investments in associates	40
23. Net deferred tax assets	41
24. Assets classified as held for sale	41
25. Other assets	41
26. Deposits from banks	42
27. Deposits from customers	42
28. Subordinated liabilities	42
29. Debt securities in issue	43
30. Other liabilities	44
31. Fair value	46
32. Contingent liabilities	49
33. Off-balance sheet liabilities relating to derivatives' nominal values	50
34. Basis of FX conversion	50
35. Shareholders with min. 5% voting power	51
36. Related party disclosures	51
37. Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK	53
38. Acquisition of controlling interest in Santander Consumer Bank S.A.	53
39. Acquisitions and disposals of investments in subsidiaries and associates	55
40. 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	57
41. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period	57
42. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments	57
43. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets	57

44. Comments concerning the seasonal or cyclical character of the interim activity	57
45. Character and amounts of items which are extraordinary due to their nature, volume or occurrence	57
46. Issues, repurchases and repayments of debt and equity securities	58
47. Dividend per share.....	58
48. Information concerning issuing loan and guarantees by an issuer or its subsidiary.....	58
49. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets.....	58
50. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets	58
51. Share based payments	58
52. Events which occurred subsequently to the end of the interim period	59

In thousands of PLN

Consolidated income statement

for reporting period:		01.04.2015 30.06.2015	01.01.2015 30.06.2015	01.04.2014 30.06.2014	01.01.2014 30.06.2014
Interest income		1 383 688	2 837 447	1 264 648	2 502 093
Interest expense		(351 190)	(754 736)	(359 379)	(729 073)
Net interest income	Note 6	1 032 498	2 082 711	905 269	1 773 020
Fee and commission income		594 171	1 151 312	524 621	1 047 058
Fee and commission expense		(92 177)	(190 138)	(73 456)	(153 963)
Net fee and commission income	Note 7	501 994	961 174	451 165	893 095
Dividend income		89 904	89 907	79 759	79 871
Net gains/(losses) on subordinated entities	Note 39	-	522 995	-	-
Net trading income and revaluation	Note 8	47 980	128 609	792	(6 048)
Gains (losses) from other financial securities	Note 9	40 671	228 232	16 184	55 233
Other operating income	Note 10	34 762	107 618	86 953	187 381
Impairment losses on loans and advances	Note 11	(162 484)	(353 186)	(173 882)	(335 889)
Operating expenses incl.:		(840 388)	(1 669 534)	(732 259)	(1 441 503)
<i>Bank's staff, operating expenses and management costs</i>	Notes 12, 13	(747 195)	(1 488 918)	(645 076)	(1 272 960)
<i>Depreciation/amortisation</i>		(62 079)	(128 761)	(70 480)	(141 135)
<i>Other operating expenses</i>	Note 14	(31 114)	(51 855)	(16 703)	(27 408)
Operating profit		744 937	2 098 526	633 981	1 205 160
Share in net profits (loss) of entities accounted for by the equity method		4 681	5 362	189	89
Profit before tax		749 618	2 103 888	634 170	1 205 249
Corporate income tax	Note 15	(139 948)	(403 523)	(119 570)	(230 307)
Consolidated profit for the period		609 670	1 700 365	514 600	974 942
of which:					
<i>attributable to owners of BZ WBK S.A.</i>		541 644	1 577 410	504 088	953 580
<i>attributable to non-controlling interests</i>		68 026	122 955	10 512	21 362
Net earnings per share (PLN/share)					
Basic earnings per share		5,46	15,90	5,39	10,19
Diluted earnings per share		5,45	15,88	5,38	10,18

Consolidated statement of comprehensive income

for reporting period:		01.04.2015 30.06.2015	01.01.2015 30.06.2015	01.04.2014 30.06.2014	01.01.2014 30.06.2014
Consolidated profit for the period		609 670	1 700 365	514 600	974 942
Other comprehensive income which can be transferred to the profit and loss account:		(260 453)	(402 282)	245 009	233 949
Available-for sale financial assets valuation		(404 920)	(454 499)	292 374	310 831
<i>including deferred tax</i>		76 935	86 355	(55 551)	(59 058)
Cash flow hedges valuation		83 373	(42 145)	10 106	(22 005)
<i>including deferred tax</i>		(15 841)	8 007	(1 920)	4 181
Other comprehensive income which can't be transferred to the profit and loss account		-	-	(7 162)	(7 162)
Provision for retirement allowances – actuarial gains/losses		-	-	(8 842)	(8 842)
<i>including deferred tax</i>		-	-	1 680	1 680
Other comprehensive income for the period, net of income tax		(260 453)	(402 282)	237 847	226 787
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		349 217	1 298 083	752 447	1 201 729
Attributable to:					
<i>owners of BZ WBK S.A.</i>		280 802	1 173 479	741 905	1 180 407
<i>non-controlling interests</i>		68 415	124 604	10 542	21 322

In thousands of PLN

Consolidated statement of financial position

	as at:	30.06.2015	31.12.2014	30.06.2014
Assets				
Cash and balances with central banks	Note 16	3 031 101	6 806 521	7 039 578
Loans and advances to banks	Note 17	3 304 549	2 523 063	2 092 155
Financial assets held for trading	Note 18	4 994 553	5 238 741	3 451 867
Hedging derivatives	Note 19	144 863	238 889	205 000
Loans and advances to customers	Note 20	90 077 975	85 820 571	71 496 622
Investment securities	Note 21	25 649 150	27 057 093	17 517 195
Investments in associates	Note 22	808 793	42 792	63 533
Intangible assets		399 915	505 385	450 784
Goodwill		1 688 516	2 542 325	2 542 325
Property, plant and equipment		751 790	756 950	591 132
Net deferred tax assets	Note 23	1 367 704	1 181 610	566 055
Assets classified as held for sale	Note 24	678	1 378	3 503
Investment property		-	-	14 102
Other assets	Note 25	830 727	1 786 556	1 556 482
Total assets		133 050 314	134 501 874	107 590 333
Liabilities				
Deposits from banks	Note 26	9 071 646	8 359 856	7 423 986
Hedging derivatives	Note 19	2 294 922	1 258 224	616 141
Financial liabilities held for trading	Note 18	2 686 609	2 781 680	1 609 054
Deposits from customers	Note 27	93 731 661	94 981 809	77 777 112
Subordinated liabilities	Note 28	519 734	1 539 967	1 397 795
Debt securities in issue	Note 29	3 225 723	3 373 374	500 543
Current income tax liabilities		290 877	624 189	177 839
Other liabilities	Note 30	1 737 403	3 531 081	3 470 734
Total liabilities		113 558 575	116 450 180	92 973 204
Equity				
Equity attributable to owners of BZ WBK S.A.		18 403 783	16 530 895	14 051 563
Share capital		992 345	992 345	935 451
Other reserve funds		14 676 835	12 309 424	10 866 660
Revaluation reserve		547 615	951 546	935 734
Retained earnings		609 578	362 869	360 138
Profit of the current period		1 577 410	1 914 711	953 580
Non-controlling interests in equity		1 087 956	1 520 799	565 566
Total equity		19 491 739	18 051 694	14 617 129
Total equity and liabilities		133 050 314	134 501 874	107 590 333

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	-	-	(403 931)	1 577 410	124 604	1 298 083
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies.	-	1 032 206	-	(342 467)	(540 854)	148 885
Transfer to other capital	-	1 329 746	-	(1 329 746)	-	-
Share scheme charge	-	9 670	-	-	-	9 670
Dividends	-	-	-	-	(16 593)	(16 593)
Other	-	(4 211)	-	4 211	-	-
As at 30.06.2015	992 345	14 676 835	547 615	2 186 988	1 087 956	19 491 739

As at the end of the period revaluation reserve in the amount of PLN 547 615 k comprises of debt securities and equity shares classified as available for sale of PLN 120 807 k and PLN 574 603 k respectively and additionally cash flow hedge activities of PLN (142 340) k and accumulated actuarial losses -provision for retirement allowances of PLN (5 455) k.

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance at 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	-	-	233 989	953 580	21 322	1 208 891
Other comprehensive income which can't be transferred to the profit and loss account	-	-	(7 162)	-	-	(7 162)
Transfer to other capital	-	750 915	-	(750 915)	-	-
Dividends	-	-	-	(1 000 932)	(66 611)	(1 067 543)
As at 30.06.2014	935 451	10 866 660	935 734	1 313 718	565 566	14 617 129

As at the end of the period revaluation reserve in the amount of PLN 935 734 k comprises of debt securities and equity shares classified as available for sale of PLN 356 584 k and PLN 565 956 k respectively and additionally cash flow hedge activities of PLN 14 141 k and accumulated actuarial losses - provision for retirement allowances of PLN (947) k.

In thousands of PLN

Consolidated statement of cash flows

	for the period	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014
Profit before tax		2 103 888	1 205 249
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(5 362)	(89)
Depreciation/amortisation		128 761	141 135
Impairment losses		1 730	1 425
(Profit) loss from investing activities		(762 598)	(61 559)
		1 466 419	1 286 161
Changes:			
Provisions		(1 147 119)	(130 153)
Trading portfolio financial instruments		1 279 841	(609 145)
Loans and advances to banks		(267 504)	168 209
Loans and advances to customers		(4 257 404)	(3 364 479)
Deposits from banks		642 064	849 222
Deposits from customers		(764 481)	(688 603)
Other assets and liabilities		1 024 505	370 366
		(3 490 098)	(3 404 583)
Interests and similar charges		79 171	(32 061)
Dividend received		(88 724)	(73 758)
Paid income tax		(827 775)	(296 100)
Net cash flow from operating activities		(2 861 007)	(2 520 341)
Inflows		71 707 679	113 072 920
Sale of subordinated entities		244 316	-
Sale/maturity of investment securities		71 329 188	112 983 935
Sale of intangible assets and property, plant and equipment		48 738	15 227
Dividend received		85 437	73 758
Outflows		(71 199 864)	(113 450 298)
Purchase of investment securities		(71 133 884)	(113 401 641)
Purchase of intangible assets and property, plant and equipment		(65 980)	(48 657)
Net cash flow from investing activities		507 815	(377 378)
Inflows		854 569	324 000
Debt securities in issue		670 000	-
Drawing of loans		184 569	324 000
Outflows		(2 482 864)	(1 287 922)
Debt securities buy out		(497 200)	-
Repayment of loans		(1 739 051)	(105 038)
Dividends and other payments to shareholders		(16 593)	(1 067 544)
Other financing outflows		(230 020)	(115 340)
Net cash flow from financing activities		(1 628 295)	(963 922)
Total net cash flow		(3 981 487)	(3 861 641)
Cash at the beginning of the accounting period		13 530 975	12 300 487
Cash at the end of the accounting period		9 549 488	8 438 846

In thousands of PLN

Additional notes to consolidated financial statements

1. General information about issuer

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

Consolidated financial statements of Bank Zachodni WBK Group includes bank's stand alone financial information as well as information from its subsidiaries (all together called Group) and share of net assets of associated entities.

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

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

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

Group of Bank Zachodni WBK consists of the following entities:

In thousands of PLN

Subsidiaries:

Subsidiaries	Registered office	% of votes on AGM 30.06.2015	% of votes on AGM 30.06.2014
1. BZ WBK Finanse Sp. z o.o.	Poznań	100	100
2. BZ WBK Faktor Sp. z o.o.	Warszawa	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.
3. BZ WBK Leasing S.A.	Poznań	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.
4. BZ WBK Lease S.A.	Warszawa	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.
5. Lizar Sp. z o.o. ¹⁾	Warszawa	100% of AGM votes are held by BZ WBK Lease S.A.	100% of AGM votes are held by BZ WBK Lease S.A.
6. BFI Serwis Sp. z o.o. in liquidation ²⁾	Warszawa	-	100
7. BZ WBK Inwestycje Sp. z o.o.	Poznań	100	100
8. Dom Maklerski BZ WBK S.A. ³⁾	Poznań	-	100
9. Gieldokracja Sp. z o.o. ³⁾	Poznań	100	-
10. BZ WBK Nieruchomości S.A.	Poznań	99.99	99.99
11. BZ WBK Asset Management S.A. ⁴⁾	Poznań	50	50
12. BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	Poznań	100% of AGM votes are held by BZ WBK Asset Management S.A.	100% of AGM votes are held by BZ WBK Asset Management S.A.
13. BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. ⁵⁾	Poznań	-	66
14. BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. ⁵⁾	Poznań	-	66
15. Santander Consumer Bank S.A. ⁶⁾	Wrocław	66.67	-
16. Santander Consumer Finanse S.A.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	-
17. Santander Consumer Multirent Sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	-
18. AKB Marketing Services Sp. z o.o.	Poznań	100% of AGM votes are held by Santander Consumer Bank S.A.	-
19. S.C. Poland Auto 2014-1 Limited ⁷⁾	Dublin	subsidiary of Santander Consumer Bank S.A.	-

¹⁾ Lizar Sp. z o.o. – subsidiary unconsolidated due to irrelevance of their business operations and financial data.

²⁾ In November 2014, BFI Serwis Sp. z o.o. (subsidiary of Bank Zachodni WBK) was removed from the National Court Register.

³⁾ Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK has been described in detail in Note 37.

⁴⁾ As at 30 June 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,

In thousands of PLN

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. („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 39.
- 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 TUiR Warta S.A. i TUŻ Warta S.A. 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

Associates:

Associates	Registered office	% of votes on AGM 30.06.2015	% of votes on AGM 30.06.2014
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50	50
2. Metrohouse S.A. ^{1) *}	Warszawa	-	21.23
3. Metrohouse Franchise S.A. ^{1) *}	Warszawa	20.13	-
4. Krynicki Recykling S.A. ²⁾	Warszawa	19.96	21.87
5. BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. ³⁾	Poznań	49	-
6. BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. ³⁾	Poznań	49	-

¹⁾ Detailed information on the registration of Metrohouse Franchise S.A. is provided in Note 39.

²⁾ 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, Krynicki Recycling S.A. was no longer an associated undertaking of BZ WBK Inwestycje.

³⁾ 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 39.

*These are the associates of BZ WBK Inwestycje Sp. z o.o. - bank's subsidiary. They are accounted for using the equity method. Purchase of shares was a part of building a portfolio of pre-IPO type own investment.

2. 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 30 June 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 is required to publish the financial results for the six months ended 30 June 2015 which is deemed to be the current interim financial 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

In thousands of PLN

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 37 for details of the incorporation.

The financial statements of Bank Zachodni WBK Group for the first quarter of 2015 was 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 39.

Changes in judgments and estimates

Compared with the consolidated financial statements for 2014, in H1 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	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

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. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited (described in Note 39) 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 medium 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 medium 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)

01.01.2015-30.06.2015	Segment Retail Banking	Segment Business and Corporate Banking	Segment Global Banking and Markets	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	954 935	260 797	69 650	289 799	507 530	2 082 711
incl. internal transactions	(40 075)	(16 712)	71	57 926	(1 210)	-
Other income	700 032	156 391	139 575	842 005	110 625	1 948 628
incl. internal transactions	28 592	37 779	(65 307)	70 406	(71 470)	-
Dividend income	-	-	1 183	88 718	6	89 907
Operating costs	(960 230)	(152 662)	(111 669)	(72 203)	(244 009)	(1 540 773)
incl. internal transactions	(5 824)	(585)	(3)	7 148	(736)	-
Depreciation/amortisation	(54 902)	(7 322)	(9 208)	(37 652)	(19 677)	(128 761)
Impairment losses on loans and advances	(292 653)	(56 526)	6 153	3 294	(13 454)	(353 186)
Share in net profits (loss) of entities accounted for by the equity method	5 451	-	-	(89)	-	5 362
Profit before tax	352 633	200 678	95 684	1 113 872	341 021	2 103 888
Corporate income tax						(403 523)
Non-controlling interests						(122 955)
Profit for the period						1 577 410

In thousands of PLN

01.04.2015-30.06.2015	Segment Retail Banking	Segment Business and Corporate Banking	Segment Global Banking and Markets	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	473 775	125 006	35 216	144 018	254 483	1 032 498
incl. internal transactions	(19 663)	(8 165)	25	26 263	1 540	-
Other income	345 419	75 456	72 765	72 590	59 177	625 407
incl. internal transactions	11 186	19 292	(40 323)	31 282	(21 437)	-
Dividend income	-	-	1 183	88 718	3	89 904
Operating costs	(479 989)	(76 431)	(55 111)	(46 978)	(119 800)	(778 309)
incl. internal transactions	(3 374)	(326)	(2)	4 150	(448)	-
Depreciation/amortisation	(27 445)	(3 654)	(4 640)	(16 699)	(9 641)	(62 079)
Impairment losses on loans and advances	(165 789)	(18 925)	5 711	4 985	11 534	(162 484)
Share in net profits (loss) of entities accounted for by the equity method	4 300	-	-	381	-	4 681
Profit before tax	150 271	101 452	55 124	247 015	195 756	749 618
Corporate income tax						(139 948)
Non-controlling interests						(68 026)
Profit for the period						541 644

Consolidated statement of financial position (by business segment)

30.06.2015	Segment Retail Banking	Segment Business and Corporate Banking	Segment Global Banking and Markets	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	47 840 905	22 534 890	7 111 373	66 099	12 524 708	90 077 975
Investments in associates	14 129	-	-	794 664	-	808 793
Other assets	4 116 863	890 615	6 236 105	27 856 617	3 063 346	42 163 546
Total assets	51 971 897	23 425 505	13 347 478	28 717 380	15 588 054	133 050 314
Deposits from customers	61 162 974	16 171 608	7 267 171	1 406 848	7 723 060	93 731 661
Other liabilities and equity	3 218 413	2 317 712	5 260 706	18 624 082	9 897 740	39 318 653
Total equity and liabilities	64 381 387	18 489 320	12 527 877	20 030 930	17 620 800	133 050 314

In thousands of PLN

Consolidated income statement (by business segments)

01.01.2014-30.06.2014	Segment Retail Banking	Segment Business and Corporate Banking	Segment Global Banking and Markets	Segment ALM and Centre	Total
Net interest income	1 114 639	297 328	68 954	292 099	1 773 020
incl. internal transactions	(43 785)	(20 287)	13 365	50 707	-
Other income	770 299	137 554	156 098	65 710	1 129 661
incl. internal transactions	21 373	28 844	(51 764)	1 547	-
Dividend income	-	-	689	79 182	79 871
Operating costs	(928 207)	(132 806)	(99 788)	(139 567)	(1 300 368)
incl. internal transactions	(5 510)	(230)	(2 049)	7 789	-
Depreciation/amortisation	(56 497)	(7 789)	(5 875)	(70 974)	(141 135)
Impairment losses on loans and advances	(197 425)	(127 553)	(20 399)	9 488	(335 889)
Share in net profits (loss) of entities accounted for by the equity method	-	-	479	(390)	89
Profit before tax	702 809	166 734	100 158	235 548	1 205 249
Corporate income tax					(230 307)
Non-controlling interests					(21 362)
Profit for the period					953 580

In thousands of PLN

01.04.2014 - 30.06.2014	Segment Retail Banking	Segment Business and Corporate Banking	Segment Global Banking and Markets	Segment ALM and Centre	Total
Net interest income	570 652	150 479	36 620	147 518	905 269
incl. internal transactions	(22 126)	(10 232)	6 980	25 378	-
Other income	386 745	58 854	72 413	37 082	555 094
incl. internal transactions	12 468	12 656	(24 806)	(318)	-
Dividend income	-	-	577	79 182	79 759
Operating costs	(464 851)	(66 052)	(49 603)	(81 273)	(661 779)
incl. internal transactions	(3 182)	(188)	(1 104)	4 474	-
Depreciation/amortisation	(27 520)	(3 906)	(3 192)	(35 862)	(70 480)
Impairment losses on loans and advances	(105 395)	(53 299)	(19 818)	4 630	(173 882)
Share in net profits (loss) of entities accounted for by the equity method	-	-	204	(15)	189
Profit before tax	359 631	86 076	37 201	151 262	634 170
Corporate income tax					(119 570)
Non-controlling interests					(10 512)
Profit for the period					504 088

Consolidated statement of financial position (by business segment)

30.06.2014	Segment Retail Banking	Segment Business and Corporate Banking	Segment Global Banking and Markets	Segment ALM and Centre	Total
Loans and advances to customers	43 226 707	21 765 385	6 491 073	13 457	71 496 622
Investments in associates	14 129	-	21 321	28 083	63 533
Other assets	9 442 575	1 613 038	5 615 922	19 358 643	36 030 178
Total assets	52 683 411	23 378 423	12 128 316	19 400 183	107 590 333
Deposits from customers	57 768 654	12 954 491	5 566 952	1 487 015	77 777 112
Other liabilities and equity	4 155 774	2 142 615	3 515 274	19 999 558	29 813 221
Total equity and liabilities	61 924 428	15 097 106	9 082 226	21 486 573	107 590 333

In thousands of PLN

4. Risk management

In the first half of 2015, BZ WBK Group managed its risks in accordance with the principles laid down in the consolidated financial statements for 2014. Except as indicated below, no other material changes took place in the risk management process of BZ WBK Group.

Credit risk

In the reporting period, the credit risk management of BZ WBK Group did not undergo any material changes.

Forbearance Policy

In 2014, the Bank established a Restructuring Committee to further improve the quality of the loan portfolio through the early implementation of debt restructuring actions and arrangements to streamline the debt service for corporate borrowers. The Committee takes decisions concerning:

- the relationship management strategy for corporate borrowers in distress whose exposure does not exceed PLN 25m, or
- debt cancellation,
- sale of receivables.

Decisions concerning the exposures of corporate clients in excess of 25m PLN with financial difficulties are taken by the Credit Committee.

Debt restructuring solutions for corporate borrowers are provided only after an analysis of the borrower's financial standing, identification of the underlying causes for problems with debt service, assessment of repayment capacity under the new conditions and assessment of the collateral in place. The restructuring arrangements depend on the result of the assessment and may include in particular: a grace period, change of the repayment schedule (reduction of loan instalments), capitalisation of interest, extension of the maturity date etc. This applies both to retail and business customers.

From 2014 onwards, each debt restructuring arrangement is accompanied by respective entries to the Bank's IT systems, so that the restructured debt portfolio can be identified. The receivables/customer is treated as a restructured borrower throughout the restructuring period, ie. until it is recognized that the customer's situation has stabilized and the conditions of the restructuring were completed and the customer is creditworthy. The portfolio of restructured debt is monitored on a regular basis. The restructuring process is often a long-term one, therefore the bank assumes that the applied solutions will increase the restructured portfolio in consecutive periods. Classification of customers to the restructuring category is independent from the classification of the performing/non-performing portfolio.

The Bank measures loans and receivables at amortised cost using an effective interest rate. If the terms of loans, receivables or investments held until maturity are renegotiated or modified in any way because of financial difficulties of the borrower or investor, then the value of such exposure is determined using the original effective interest rate set before modification of terms (in line with IAS 39, paragraph AG84).

Under the adjustment process to new reporting requirements, solutions were developed to ensure the identification of debt restructuring cases including the project of changes in the ITS standard proposed by EBA. The identification is based on debt restructuring made both in the performing portfolio and the non-performing one, in line with the definition provided in Recommendation R. The basic information considered during the identification of forbearance cases includes: the borrower's current financial standing, observed and expected repayment capacity, willingness to make repayments as well as the nature and frequency of amendments to loan repayment terms for facilities held by a given borrower. Those rules apply both to retail and non-retail.

Forbearance		Gross amount	Allowance for impairment	Net amount
Individuals exposures				
	performing	551 592	(26 945)	524 647
	non-performing	135 830	(59 188)	76 642
		687 422	(86 133)	601 289
Corporate exposures				
	performing	735 220	(28 329)	706 891
	non-performing	2 738 035	(1 099 295)	1 638 740
		3 473 255	(1 127 624)	2 345 631
TOTAL		4 160 677	(1 213 757)	2 946 920

In thousands of PLN

Calculation of Impairment

The Group's credit risk management depends among others on internal ratings that, for presentational purposes, are grouped in provision cover differentiated classes.

The table below presents a breakdown of BZ WBK Group's financial instruments into classes which correspond to different levels of impairment. There are separate percentage levels for unimpaired portfolio (both for the past-due and non-past due) and for impaired portfolio (identical for individually and collectively impaired).

30.06.2015	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Impaired portfolio					
Individually impaired					
	up to 50%	2 329 465	-	-	-
	50% - 70%	349 458	-	-	-
	70% - 85%	369 458	-	-	-
	over 85%	837 473	-	-	-
Gross amount		3 885 854	-	-	-
Charge due to impairment losses		(1 747 526)	-	-	-
Net amount		2 138 328	-	-	-
Collectively impaired					
	up to 50%	813 927	-	-	-
	50% - 70%	590 334	-	-	-
	70% - 85%	849 887	-	-	-
	over 85%	1 558 822	-	-	-
Gross amount		3 812 970	-	-	-
Charge due to impairment losses		(2 834 116)	-	-	-
Net amount		978 854	-	-	-
IBNR portfolio					
	up to 0,10%	34 755 274	3 304 549	25 649 150	4 994 553
	0,10% - 0,30%	25 176 772	-	-	-
	0,30% - 0,65%	8 808 747	-	-	-
	over 0,65%	18 851 825	-	-	-
Gross amount		87 592 618	3 304 549	25 649 150	4 994 553
IBNR		(737 760)	-	-	-
Net amount		86 854 858	3 304 549	25 649 150	4 994 553
Other receivables					
		105 935	-	-	-
Off-balance sheet exposures					
Financing granted		20 695 042	-	-	-
Guarantees		4 458 598	-	-	-
Nominal value of derivatives - purchased		-	-	-	172 609 993
Allowance for impairment		(78 980)	-	-	-
Off-balance sheet exposures - total		25 074 660	-	-	172 609 993

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 18

In thousands of PLN

31.12.2014	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Impaired portfolio					
Individually impaired					
	up to 50%	2 341 427	-	-	-
	50% - 70%	521 469	-	-	-
	70% - 85%	281 069	-	-	-
	over 85%	817 380	-	-	-
Gross amount		3 961 345	-	-	-
Charge due to impairment losses		(1 771 267)	-	-	-
Net amount		2 190 078	-	-	-
Collectively impaired					
	up to 50%	780 779	-	-	-
	50% - 70%	576 815	-	-	-
	70% - 85%	844 420	-	-	-
	over 85%	1 446 642	-	-	-
Gross amount		3 648 656	-	-	-
Charge due to impairment losses		(2 675 336)	-	-	-
Net amount		973 320	-	-	-
IBNR portfolio					
	up to 0,10%	34 253 201	2 523 063	27 057 093	5 238 741
	0,10% - 0,30%	21 091 178	-	-	-
	0,30% - 0,65%	9 950 391	-	-	-
	over 0,65%	17 939 218	-	-	-
Gross amount		83 233 988	2 523 063	27 057 093	5 238 741
IBNR		(679 906)	-	-	-
Net amount		82 554 082	2 523 063	27 057 093	5 238 741
Other receivables		103 091	-	-	-
Off-balance sheet exposures					
Financing granted		20 009 637	-	-	-
Guarantees		4 420 907	-	-	-
Nominal value of derivatives - purchased		-	-	-	106 021 969
Allowance for impairment		(87 517)	-	-	-
Off-balance sheet exposures - total		24 343 027	-	-	106 021 969

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 18

In thousands of PLN

30.06.2014	Provision cover	Loans and advances to customers	Loans and advances to banks	Investment securities	Financial assets held for trading*
Impaired portfolio					
Individually impaired					
	up to 50%	1 616 310	-	-	-
	50% - 70%	443 530	-	-	-
	70% - 85%	339 078	-	-	-
	over 85%	791 894	-	-	-
Gross amount		3 190 812	-	-	-
Charge due to impairment losses		(1 583 513)	-	-	-
Net amount		1 607 299	-	-	-
Collectively impaired					
	up to 50%	469 041	-	-	-
	50% - 70%	831 659	-	-	-
	70% - 85%	665 418	-	-	-
	over 85%	485 541	-	-	-
Gross amount		2 451 659	-	-	-
Charge due to impairment losses		(1 672 214)	-	-	-
Net amount		779 445	-	-	-
IBNR portfolio					
	up to 0,10%	42 343 222	2 092 155	17 517 195	3 451 867
	0,10% - 0,30%	10 810 913	-	-	-
	0,30% - 0,65%	7 857 010	-	-	-
	over 0,65%	8 333 650	-	-	-
Gross amount		69 344 795	2 092 155	17 517 195	3 451 867
IBNR		(440 160)	-	-	-
Net amount		68 904 635	2 092 155	17 517 195	3 451 867
Other receivables		205 243	-	-	-
Off-balance sheet exposures					
Financing granted		17 398 296	-	-	-
Guarantees		4 105 910	-	-	-
Nominal value of derivatives - purchased		-	-	-	109 130 413
Allowance for impairment		(74 141)	-	-	-
Off-balance sheet exposures - total		21 430 065	-	-	109 130 413

*the value of financial assets held for trading includes adjustment of the fair value as described in Note 18

IBNR portfolio

	Loans and advances to customers		
	30.06.2015	31.12.2014	30.06.2014
Non-past due	83 274 534	78 385 407	65 276 249
Past-due	4 318 084	4 848 581	4 068 546
1-30 days	3 415 824	3 829 735	3 219 630
31-60 days	601 125	647 857	545 950
61-90 days	288 454	359 232	288 987
> 90 days	12 681	11 757	13 979
Gross amount	87 592 618	83 233 988	69 344 795

In thousands of PLN

Allowances for impairment by classes

Provision cover	Loans and advances to customers			Loans and advances to banks		
	30.06.2015	31.12.2014	30.06.2014	30.06.2015	31.12.2014	30.06.2014
Individual allowance for impairment						
up to 50%	(480 175)	(477 016)	(330 649)	-	-	-
50% - 70%	(206 253)	(309 882)	(261 321)	-	-	-
70% - 85%	(271 839)	(212 985)	(258 629)	-	-	-
over 85%	(789 259)	(771 384)	(732 914)	-	-	-
Total individual allowance for impairment	(1 747 526)	(1 771 267)	(1 583 513)	-	-	-
Collective allowance for impairment						
up to 50%	(289 391)	(249 820)	(158 128)	-	-	-
50% - 70%	(366 341)	(352 230)	(523 147)	-	-	-
70% - 85%	(657 149)	(653 518)	(511 702)	-	-	-
over 85%	(1 521 235)	(1 419 768)	(479 237)	-	-	-
Total collective allowances for impairment	(2 834 116)	(2 675 336)	(1 672 214)	-	-	-
IBNR						
up to 0,10%	(12 597)	(11 249)	(17 502)	-	-	-
0,10%-0,30%	(52 940)	(33 686)	(19 512)	-	-	-
0,30%-0,65%	(42 134)	(46 791)	(37 850)	-	-	-
over 0,65%	(630 089)	(588 180)	(365 296)	-	-	-
Total IBNR	(737 760)	(679 906)	(440 160)	-	-	-
Total allowance for impairment	(5 319 402)	(5 126 509)	(3 695 887)	-	-	-

Market risk

In the reporting period, the market risk management of BZ WBK Group did not undergo any material changes.

To manage banking book risk BZ WBK implemented following maximum limits in 2015 for:

- sensitivity of Net Interest Income (NII – sensitivity to 100 b.p. parallel movement in the interest rate curve) at PLN 170 m,
- sensitivity of Market Value of Equity (MVE - sensitivity to 100 b.p. parallel movement in the interest rate curve) at PLN 220 m.

The Trading Book management has been conducted under the following limits since the beginning of 2015:

- daily Value at Risk (VAR) calculated for IR, FX and equity exposures,
- limit for positions sensitivity to change of market rates by 1 basis point (PV01), is set for each currency and dates of transaction repricing time buckets,
- limit of total Fx position as well as individual currencies open position limit,
- stop loss mechanism.

Annual process of determining the banking book and trading book limits as well as market risk appetite update is co-ordinated by the Financial Risk Department and approved by the internal committees of the bank.

The responsibility for independent monitoring, exposure measurement and market risk control rests with Risk Management Division (supervised by Chief Risk Officer) which incorporates Financial Risk Department.

In thousands of PLN

The table below summarizes the utilization of sensitivity limits for the banking book as at the end of June 2015 and in the comparative periods.

1 day holding period	Net Interest Income Sensitivity (NII)			Market Value of Equity Sensitivity (MVE)		
	30.06.2015	31.12.2014	30.06.2014	30.06.2015	31.12.2014	30.06.2014
Maximum	101	109	109	188	154	93
Average	95	100	101	177	99	55
Value as at end of the period	101	90	99	172	154	93
Limit value	170	130	150	220	200	240

Between January and June 2015, the sensitivity limits applicable to the ALM were not exceeded.

The tables below present Group's key currency positions as at 30 June 2015 and in the comparative periods.

30.06.2015	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 565 593	296 697	18 156	150 655	3 031 101
Loans and advances to banks	570 646	2 613 887	6 985	113 031	3 304 549
Loans and advances to customers	59 001 005	14 728 278	14 809 192	1 539 500	90 077 975
Investment securities	24 857 774	444 386	-	346 990	25 649 150
Selected assets	86 995 018	18 083 248	14 834 333	2 150 176	122 062 775
LIABILITIES					
Deposits from banks	6 053 463	158 611	2 599 217	260 355	9 071 646
Deposits from customers	80 833 898	9 400 344	691 608	2 805 811	93 731 661
Subordinated liabilities	100 113	419 621	-	-	519 734
Selected liabilities	86 987 474	9 978 576	3 290 825	3 066 166	103 323 041

31.12.2014	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	6 232 514	380 981	26 100	166 926	6 806 521
Loans and advances to banks	758 875	1 505 728	9 073	249 387	2 523 063
Loans and advances to customers	56 049 687	14 712 436	13 507 740	1 550 708	85 820 571
Investment securities	25 960 811	679 013	-	417 269	27 057 093
Selected assets	89 001 887	17 278 158	13 542 913	2 384 290	122 207 248
LIABILITIES					
Deposits from banks	4 565 405	154 067	3 533 839	106 545	8 359 856
Deposits from customers	83 414 931	8 207 140	1 023 564	2 336 174	94 981 809
Subordinated liabilities	175 059	426 290	938 618	-	1 539 967
Selected liabilities	88 155 395	8 787 497	5 496 021	2 442 719	104 881 632

30.06.2014	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	6 637 723	270 905	14 744	116 206	7 039 578
Loans and advances to banks	665 626	583 897	722 454	120 178	2 092 155
Loans and advances to customers	45 770 537	13 776 704	10 506 582	1 442 799	71 496 622
Investment securities	16 015 995	1 147 954	-	353 246	17 517 195
Selected assets	69 089 881	15 779 460	11 243 780	2 032 429	98 145 550
LIABILITIES					
Deposits from banks	4 500 733	495 136	2 400 503	27 614	7 423 986
Deposits from customers	66 829 335	7 631 652	979 244	2 336 881	77 777 112
Subordinated liabilities	74 924	416 125	906 746	-	1 397 795
Selected liabilities	71 404 992	8 542 913	4 286 493	2 364 495	86 598 893

In thousands of PLN

The tables below show key risk measures applicable to the trading book as at 30.06.2015 and in the comparative periods.

Interest rate risk 1 day holding period	VAR		
	30.06.2015	31.12.2014	30.06.2014
Average	1 514	1 402	1 559
Maximum	5 340	4 656	4 045
Minimum	362	285	248
as at the end of the period	1 238	921	860
Limit	5 647	5 261	4 571

FX risk 1 day holding period	VAR			VAR Brokerage House		
	30.06.2015	31.12.2014	30.06.2014	30.06.2015	31.12.2014	30.06.2014
Average	627	646	637	-	10	9
Maximum	3 292	2 676	2 325	-	83	72
Minimum	78	88	203	-	1	1
as at the end of the period	931	369	614	-	4	10
Limit	1 882	1 754	1 524	-	104	40

Equity risk 1 day holding period	VAR Brokerage House		
	30.06.2015	31.12.2014	30.06.2014
Average	552	281	200
Maximum	1 020	1 294	585
Minimum	249	81	79
as at end of the period	249	810	174
Limit	3 915	3 647	3 169

In 2015, the VAR limit has been exceeded three times in the Bank. The limit breaches of the Bank was incidental and occurred due to an increase in EUR and USD currency position. Excess resulted from increased volatility in the market which eventually impacted risk measurement methodology of the Bank sensitive on significant currency movements. Next day open position has been reduced and VAR exposure was within the prescribed limit.

All cases of exceeding the VaR limit have been reported to the appropriate committees appointed by the Management Board and the Supervisory Board.

Liquidity risk

In the reporting period, the liquidity risk management of BZ WBK Group did not undergo any material changes. In terms of monitoring and reporting of risk, successfully implemented the requirements set out in the Regulation of the European Parliament and of the Council of the European Union on prudential requirements for credit institutions and investment firms for the measurement and reporting of new liquidity measures.

Operating Risk

In the reporting period, the operational risk management of BZ WBK Group did not undergo any material changes.

Legal & compliance risk

In the reporting period, the legal and compliance risk management of BZ WBK Group did not undergo any material changes.

5. Capital management

In the first half of 2015, BZ WBK Group managed its risks in accordance with the principles laid down in the consolidated financial statements for 2014. No other material changes took place in the capital management process of BZ WBK Group.

As regards capital adequacy, on 1 January 2014 the European Parliament and the European Banking Authority passed the CRD IV/CRR legislative package comprising the Capital Requirements Directive (CRD) IV and Capital Requirements Regulation (CRR) no. 575/2013. As at 30 June 2015, the capital ratio was calculated on the basis of own funds and the total capital requirement determined for individual risks using the standard method, in accordance with the above legislation.

In thousands of PLN

On 23 April 2015, the BZ WBK Extraordinary Annual Meeting of Shareholders divided the net profit of PLN 1 994 631 702.59 for the year from 1 January 2014 to 31 December 2014 as follows:

- PLN 1 041 980 176.19 was allocated to the reserve capital,
- PLN 952 651 526.40 remained undistributed.

The difference between the capital ratio reported at the end of June 2015 vs. 31 December 2014 is due to:

- an increase in the reserve capital resulting from distribution of profit,
- recognition of verified and approved profit for 2014 as retained profit in Tier I capital,
- recognition of a part of unrealised gains on valuation of debt and equity instruments in the calculation of own funds.

The Bank's capital ratio calculated in line with CRR is much above the minimum regulatory requirements.

In thousands of PLN

6. Net interest income

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Interest income				
Loans and advances to enterprises	385 354	793 072	431 939	838 594
Loans and advances to individuals, of which:	709 777	1 452 822	506 015	1 002 584
<i>Home mortgage loans</i>	199 050	424 275	202 298	400 659
Debt securities incl.:	159 412	326 959	179 716	372 397
<i>Investment portfolio available for sale</i>	148 622	307 910	167 765	346 608
<i>Trading portfolio</i>	10 790	19 049	11 951	25 789
Leasing agreements	40 219	82 031	38 472	76 095
Loans and advances to banks	14 593	32 700	25 125	51 031
Public sector	1 806	4 081	3 670	7 940
Reverse repo transactions	2 245	5 876	6 749	11 311
Interest recorded on hedging IRS	70 282	139 906	72 962	142 141
Total	1 383 688	2 837 447	1 264 648	2 502 093
	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Interest expenses				
Deposits from individuals	(184 583)	(401 853)	(199 441)	(408 350)
Deposits from enterprises	(87 523)	(191 078)	(97 985)	(197 031)
Repo transactions	(17 058)	(31 347)	(15 314)	(34 800)
Deposits from public sector	(13 623)	(29 690)	(21 993)	(41 818)
Deposits from banks	(7 519)	(15 314)	(5 588)	(9 251)
Subordinated liabilities and issue of securities	(40 884)	(85 454)	(19 043)	(37 808)
Interest recorded on hedging IRS	-	-	(15)	(15)
Total	(351 190)	(754 736)	(359 379)	(729 073)
Net interest income	1 032 498	2 082 711	905 269	1 773 020

In thousands of PLN

7. Net fee and commission income

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Fee and commission income				
eBusiness & payments	129 602	259 645	155 653	307 005
Current accounts and money transfer	86 308	173 780	76 120	152 506
Asset management fees	72 736	141 495	65 051	127 904
Foreign exchange commissions	76 091	150 174	81 287	157 518
Credit commissions	75 065	138 024	62 276	132 107
Insurance commissions	75 711	139 790	15 747	31 680
Brokerage commissions	16 693	33 681	18 904	41 883
Credit cards	36 072	70 521	30 295	61 088
Off-balance sheet guarantee commissions	11 185	21 137	11 397	21 276
Finance lease commissions	3 178	6 274	1 898	3 477
Issue arrangement fees	7 495	9 463	521	1 101
Distribution fees	1 782	4 029	2 704	5 716
Other commissions	2 253	3 299	2 768	3 797
Total	594 171	1 151 312	524 621	1 047 058
Fee and commission expenses				
eBusiness & payments	(35 664)	(79 791)	(32 665)	(71 409)
Distribution fees	(7 538)	(14 633)	(7 292)	(15 044)
Brokerage commissions	(2 635)	(6 094)	(3 365)	(7 730)
Credit cards	(10 699)	(19 320)	(5 455)	(13 300)
Asset management fees and other costs	(1 865)	(3 900)	(2 239)	(4 491)
Finance lease commissions	(6 526)	(12 779)	(3 807)	(7 150)
Credit commissions paid	(10 516)	(20 008)	(2 993)	(3 411)
Other	(16 734)	(33 613)	(15 640)	(31 428)
Total	(92 177)	(190 138)	(73 456)	(153 963)
Net fee and commission income	501 994	961 174	451 165	893 095

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

8. Net trading income and revaluation

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Net trading income and revaluation				
Derivative instruments and interbank fx transactions	67 897	142 514	(9 205)	(57 343)
Other FX related income	3 467	4 780	4 311	49 071
Profit on equity instruments	(5 006)	(3 122)	934	1 337
Profit on debt instruments	(18 378)	(15 563)	4 752	887
Total	47 980	128 609	792	(6 048)

Net trading income and revaluation includes value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (11 175) k for H1 2015, PLN (7 202) k for 2Q 2015 and value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (10 570) k for H1 2014, PLN (10 310) k for 2Q 2014.

In thousands of PLN

9. Gains (losses) from other financial securities

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Gains (losses) from other financial securities				
Profit on sale of equity shares	1 597	1 614	-	14 093
Profit on sale of debt securities	40 679	228 653	15 012	41 086
Charge due to impairment losses	(1 497)	(1 731)	(1 425)	(1 425)
Total profit (losses) on financial instruments	40 779	228 536	13 587	53 754
Change in fair value of hedging instruments	117 096	109 847	(78 713)	(102 868)
Change in fair value of underlying hedged positions	(117 204)	(110 151)	81 310	104 347
Total profit (losses) on hedging and hedged instruments	(108)	(304)	2 597	1 479
Total	40 671	228 232	16 184	55 233

10. Other operating income

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Other operating income				
Income on sale of services	3 055	5 570	4 264	9 529
Insurance indemnity received	218	654	141	244
Reimbursements of BGF charges	14 880	37 427	4 777	14 355
Release of provision for legal cases and other assets	4 310	9 139	17 397	19 009
Settlements of leasing agreements	847	1 239	330	524
Recovery of other receivables	1 283	2 425	6 489	6 695
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	1 845	9 337	(512)	6 318
Income from net insurance activities	-	26 296	48 728	108 464
Received compensations, penalties and fines	431	596	209	1 203
Other	7 893	14 935	5 130	21 040
Total	34 762	107 618	86 953	187 381

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*	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Income from net insurance activities			
Written premiums	46 050	94 730	246 954
Reinsurers' share in written premium	(16 842)	(851)	(1 537)
Total premiums written and reinsurers' share in written premium	29 208	93 879	245 417
Indemnity payments and insurance benefits paid	(37 036)	(43 700)	(163 389)
Reinsurers' share in indemnity payments and insurance benefits paid	182	105	338
Change in the balance of premium provisions and unexpired risks provisions	6 161	7 589	19 371
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)	(3 117)	(638)
Change in the balance of provisions for life insurance in respect of deductible - reinsurers' share	857	(451)	(12 319)
Change in the balance of provisions for life insurance in respect of policyholder's risk	15 859	(5 602)	17 390
Net insurance benefits and indemnity payments	(3 804)	(45 176)	(139 247)
Other net insurance income	892	25	2 294
Net income from insurance operations	26 296	48 728	108 464

* 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 39.

In thousands of PLN

11. Impairment losses on loans and advances

Impairment losses on loans and advances	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Collective and individual impairment charge	(171 588)	(380 124)	(226 986)	(393 101)
Incurred but not reported losses charge	(55 823)	(52 398)	47 896	30 228
Recoveries of loans previously written off	53 588	70 950	4 593	5 000
Off-balance sheet credit related facilities	11 339	8 386	615	21 984
Total	(162 484)	(353 186)	(173 882)	(335 889)

12. Employee costs

Employee costs	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Salaries and bonuses	(313 521)	(631 637)	(255 199)	(510 083)
Salary related costs	(53 780)	(112 237)	(44 898)	(94 447)
Staff benefits costs	(8 333)	(16 581)	(7 628)	(14 944)
Professional trainings	(4 786)	(7 838)	(3 579)	(6 154)
Retirement fund, holiday provisions and other employee costs	(595)	(1 172)	(521)	(1 346)
Integration costs *	(65)	(360)	(21 311)	(41 625)
Total	(381 080)	(769 825)	(333 136)	(668 599)

*In addition to the integration costs included in Notes 12 and 13, the amortisation/depreciation related to the cost of integration for 1H 2015 was PLN 14 078 k and PLN 6 346 k for 1H 2014.

13. General and administrative expenses

General and administrative expenses	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Maintenance and rentals of premises	(88 168)	(179 574)	(83 669)	(170 077)
Marketing and representation	(49 518)	(80 987)	(36 840)	(59 337)
IT systems costs	(46 100)	(92 162)	(35 946)	(72 301)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(65 316)	(130 622)	(32 271)	(64 223)
Postal and telecommunication costs	(15 223)	(31 606)	(9 812)	(22 864)
Consulting fees	(11 139)	(23 304)	(7 312)	(13 037)
Cars, transport expenses, carriage of cash	(18 370)	(37 737)	(18 329)	(36 687)
Other external services	(24 164)	(50 132)	(17 420)	(35 340)
Stationery, cards, cheques etc.	(7 734)	(15 841)	(5 679)	(12 532)
Sundry taxes	(8 178)	(15 794)	(5 742)	(12 746)
Data transmission	(5 340)	(10 651)	(4 812)	(9 768)
KIR, SWIFT settlements	(6 515)	(12 238)	(5 116)	(10 609)
Security costs	(4 596)	(9 601)	(5 057)	(9 678)
Costs of repairs	(2 218)	(3 565)	(1 461)	(2 514)
Integration costs *	(6 914)	(12 959)	(37 189)	(62 542)
Other	(6 622)	(12 320)	(5 285)	(10 106)
Total	(366 115)	(719 093)	(311 940)	(604 361)

*In addition to the integration costs included in Notes 12 and 13, the amortisation/depreciation related to the cost of integration for 1H 2015 was PLN 14 078 k and PLN 6 346 k for 1H 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 30 070 k.

In thousands of PLN

14. Other operating expenses

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Other operating expenses				
Charge of provisions for legal cases and other assets	(23 026)	(34 657)	(8 406)	(11 431)
Costs of purchased services	(448)	(815)	(657)	(1 591)
Other membership fees	(330)	(590)	(327)	(601)
Paid compensations, penalties and fines	(746)	(2 834)	(3 014)	(3 340)
Donation paid	(2 021)	(3 341)	-	(590)
Other	(4 543)	(9 618)	(4 299)	(9 855)
Total	(31 114)	(51 855)	(16 703)	(27 408)

15. Corporate income tax

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Corporate income tax				
Current tax charge	(196 927)	(494 462)	(205 864)	(372 955)
Deferred tax	56 979	90 939	86 294	142 648
Total	(139 948)	(403 523)	(119 570)	(230 307)

	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014
Corporate total tax charge information				
Profit before tax	749 618	2 103 888	634 170	1 205 249
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(142 428)	(399 739)	(120 492)	(228 997)
Permanent differences	(5 717)	(13 924)	(2 327)	853
Sale of receivables	(4 125)	(7 625)	(4 373)	(8 542)
Non-tax income	17 937	17 937	15 044	15 044
Non-tax deductible bad debt provisions	229	(914)	(4 412)	(5 806)
Adjustment of prior year tax incl. technological relief	-	10 431	(3 048)	(10 216)
Consolidation adjustments	(5 891)	(10 068)	(1 075)	7 155
Other	47	379	1 113	202
Total income tax expense	(139 948)	(403 523)	(119 570)	(230 307)

	30.06.2015	31.12.2014	30.06.2014
Deferred tax recognised directly in equity			
Relating to equity securities available-for-sale	(134 735)	(133 969)	(132 709)
Relating to debt securities available-for-sale	(28 337)	(116 251)	(83 573)
Relating to cash flow hedging activity	33 388	25 381	(3 317)
Relating to valuation of defined benefit plans	1 279	1 279	222
Total	(128 405)	(223 560)	(219 377)

In thousands of PLN

16. Cash and balances with central banks

Cash and balances with central banks	30.06.2015	31.12.2014	30.06.2014
Cash	1 648 748	2 455 976	1 626 775
Current accounts in central banks	1 382 353	4 350 545	5 412 803
Total	3 031 101	6 806 521	7 039 578

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

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

17. Loans and advances to banks

Loans and advances to banks	30.06.2015	31.12.2014	30.06.2014
Loans and advances	201 731	317 986	802 049
Current accounts	2 964 565	1 808 114	728 355
Buy-sell-back transactions	138 290	397 017	562 046
Gross receivables	3 304 586	2 523 117	2 092 450
Impairment write down	(37)	(54)	(295)
Total	3 304 549	2 523 063	2 092 155

In thousands of PLN

18. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2015		31.12.2014		30.06.2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	2 037 582	2 380 628	1 919 323	2 304 675	1 108 710	1 118 354
Interest rate operations	1 319 794	1 516 096	1 280 091	1 635 916	828 302	873 067
Forward	-	-	-	139	-	-
Options	11 094	11 094	1 798	1 798	1 527	1 527
IRS	1 303 726	1 497 979	1 270 908	1 626 173	815 149	861 692
FRA	4 974	7 023	7 385	7 806	11 626	9 848
Transactions on equity instruments	8 220	8 220	9 956	33 400	9 847	25 104
Options	8 220	8 220	9 956	33 400	9 847	25 104
FX operations	709 568	856 312	629 276	635 359	270 485	220 111
CIRS	99 276	271 974	129 987	169 956	84 088	83 107
Forward	58 765	59 037	38 428	34 840	11 198	30 894
FX Swap	396 818	378 340	310 711	287 270	112 859	47 618
Spot	3 026	2 274	4 731	2 419	536	649
Options	144 694	144 687	140 796	140 798	57 753	57 724
Other	6 989	-	4 623	76	4 051	119
Transactions concerning precious metals and commodities	-	-	-	-	76	72
Debt and equity securities	2 956 971	-	3 319 418	-	2 343 157	-
Debt securities	2 926 980	-	3 235 504	-	2 311 899	-
Government securities:	2 926 492	-	3 230 890	-	2 307 140	-
- bonds	2 926 492	-	3 230 890	-	2 307 140	-
Commercial securities:	488	-	4 614	-	4 759	-
- bonds	488	-	4 614	-	4 759	-
Equity securities:	29 991	-	83 914	-	31 258	-
- listed	29 991	-	83 914	-	31 258	-
Short sale	-	305 981	-	477 005	-	490 700
Total financial assets/liabilities	4 994 553	2 686 609	5 238 741	2 781 680	3 451 867	1 609 054

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (5 191) k as at 30.06.2015, PLN 6 116 k as at 31.12.2014, PLN (12 893) k as at 30.06.2014.

19. Hedging derivatives

Hedging derivatives	30.06.2015		31.12.2014		30.06.2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives hedging fair value	1 725	184 532	-	251 397	224	141 508
Derivatives hedging cash flow	143 138	2 110 390	238 889	1 006 827	204 776	474 633
Total hedging derivatives	144 863	2 294 922	238 889	1 258 224	205 000	616 141

As at 30.06.2015 Hedging derivatives - derivatives hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (12 249) k., PLN (12 770) k as at 31.12.2014, PLN (12 095) k as at 30.06.2014.

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

In thousands of PLN

20. Loans and advances to customers

Loans and advances to customers	30.06.2015	31.12.2014	30.06.2014
Loans and advances to enterprises	40 720 975	39 149 855	37 095 344
Loans and advances to individuals, of which:	50 398 613	47 784 052	34 548 807
<i>Home mortgage loans</i>	33 159 654	30 860 840	25 661 962
Finance lease receivables	4 080 612	3 815 843	3 214 673
Loans and advances to public sector	184 045	190 811	218 750
Buy-sell-back transactions	100	100	102 937
Other	13 032	6 420	11 998
Gross receivables	95 397 377	90 947 081	75 192 509
Impairment write down	(5 319 402)	(5 126 510)	(3 695 887)
Total	90 077 975	85 820 571	71 496 622

Movements on impairment losses on loans and advances to customers	30.06.2015	31.12.2014	30.06.2014
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	(380 124)	(975 342)	(393 101)
Write off/Sale of receivables	224 734	815 289	148 298
Transfer	24 654	50 920	27 158
F/X differences	(4 303)	(13 490)	(1 535)
Balance at the end of the period	(4 581 646)	(4 446 607)	(3 255 729)
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	(52 413)	98 636	30 335
Transfer	(480)	(19 104)	(16 360)
F/X differences	(4 960)	(3 709)	(957)
Balance at the end of the period	(737 756)	(679 903)	(440 158)
Allowance for impairment	(5 319 402)	(5 126 510)	(3 695 887)

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 30.06.2015 was PLN 258,939,748.

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 30.06.2015, SCB recognised the securitised assets of PLN 693,178 k net under Loans and advances to customers, and liability of PLN 777,238 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, in January 2015, there occurred a material depreciation of the zloty against the Swiss franc. As at 31 December 2014, the average NBP PLN/CHF exchange rate was 3.5447 vs. 4.0412 as at 30 June 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 30 June 2015.

In thousands of PLN

Gross mortgage loans by currency		30.06.2015	31.12.2014
CHF denominated mortgage loans		14 739 377	13 405 583
	Bank Zachodni WBK S.A.	11 495 961	10 444 894
	Santander Consumer Bank	3 243 416	2 960 689
Mortgage loans denominated in other currencies		18 420 277	17 455 257
Total		33 159 654	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 June 2015, the volume of the above instruments added up to CHF 2.8 bn and CHF 0.9 bn, respectively.

Risk profile of CHF-indexed/denominated loans

CHF gross mortgage loans as at 30.06.2015	Gross amount	Impairment losses	Coverage ratio
Performing loans	14 559 656	119 574	0,82%
Non-performing loans	179 721	73 475	40,88%
Total	14 739 377	193 049	

Average LTV ratio and NPL ratio amounted to 125% and 1.2%, respectively. As at the end of H1 2015, the loans indexed to CHF rate represented 87% of the total portfolio. As at 30 June 2015, 99% of CHF loans were sanctioned before 2009.

21. Investment securities available for sale

Investment securities available for sale	30.06.2015	31.12.2014	30.06.2014
Available for sale investments - measured at fair value			
Debt securities	24 736 537	26 152 181	16 648 415
Government securities:	19 270 377	19 971 450	13 765 716
- bonds	19 270 377	19 971 450	13 765 716
Central Bank securities:	3 239 730	3 959 781	-
- bills	3 239 730	3 959 781	-
Commercial securities:	2 226 430	2 220 950	2 882 699
-bonds	2 226 430	2 220 950	2 882 699
Equity securities	894 834	886 937	848 520
- listed	68 205	66 406	33 732
- unlisted	826 629	820 531	814 788
Investment certificates	17 779	17 975	20 260
Total	25 649 150	27 057 093	17 517 195

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2015	26 152 181	904 912	27 057 093
Additions	71 127 779	6 105	71 133 884
Disposals (sale and maturity)	(71 817 370)	(1 600)	(71 818 970)
Fair value adjustment	(558 181)	4 926	(553 255)
Movements on interest accrued	149 565	-	149 565
Allowances for impairment	-	(1 730)	(1 730)
F/X differences	18 078	-	18 078
Investment securities adjustment due to loss of control over BZ WBK-Aviva insurance companies.	(335 515)	-	(335 515)
As at 30 June 2015	24 736 537	912 613	25 649 150

In thousands of PLN

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2014	21 217 376	873 388	22 090 764
Investment securities available for sale acquired in a business combination	1 793 202	1 111	1 794 313
Additions	256 677 919	44 474	256 722 393
Disposals (sale and maturity)	(254 259 306)	(10 962)	(254 270 268)
Fair value adjustment	710 815	3 752	714 567
Movements on interest accrued	(58 524)	-	(58 524)
Allowances for impairment	-	(6 851)	(6 851)
F/X differences	70 699	-	70 699
As at 31 December 2014	26 152 181	904 912	27 057 093

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2014	21 217 376	873 388	22 090 764
Additions	113 401 607	35	113 401 642
Disposals (sale and maturity)	(118 527 778)	(14 293)	(118 542 071)
Fair value adjustment	407 202	11 073	418 275
Movements on interest accrued	147 401	-	147 401
Allowances for impairment	-	(1 425)	(1 425)
F/X differences	2 607	2	2 609
As at 30 June 2014	16 648 415	868 780	17 517 195

22. Investments in associates

Movements on investments in associates	30.06.2015	31.12.2014	30.06.2014
Balance as at 1 January	42 792	63 444	63 444
Share of profits/(losses)	5 362	1 385	89
Impairment	-	(4 095)	-
Dividends	(5 721)	-	-
Reclassification *	766 360	(17 942)	-
Balance at the end of the period	808 793	42 792	63 533

Balance sheet value of associates	30.06.2015	31.12.2014	30.06.2014
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 703	42 792	42 212
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	766 090	-	-
Krynicki Recykling S.A. *	-	-	17 190
Metrohouse Franchise S.A./Metrohouse S.A. *	-	-	4 131
Total	808 793	42 792	63 533

* 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 39.

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 39.

In thousands of PLN

23. Net deferred tax assets

Deferred tax assets	30.06.2015	31.12.2014	30.06.2014
Provisions for loans	647 240	632 421	519 519
Unrealised liabilities due to derivatives	872 166	681 206	334 980
Other provisions which are not taxable costs	113 145	104 450	91 397
Deferred income	385 159	357 322	164 802
Difference between balance sheet and taxable value of leasing portfolio	167 849	148 660	98 084
Unrealised interest expense on loans, deposits and securities	85 302	187 002	74 397
Other	17 248	18 131	13 222
Total	2 288 109	2 129 192	1 296 401
Deferred tax liabilities	30.06.2015	31.12.2014	30.06.2014
Revaluation of financial instruments available for sale*	(128 140)	(223 373)	(219 411)
Unrealised receivables on derivatives	(429 580)	(411 875)	(247 533)
Unrealised interest income on loans, securities and interbank deposits	(173 407)	(201 987)	(143 662)
Provision due to application of investment relief	(2 269)	(3 227)	(3 325)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(7 663)	(6 228)	(4 085)
Difference between balance sheet and taxable value of unfinancial value assets	692	(358)	(3 383)
Valuation of investments in subsidiaries	(149 718)	(84 680)	(89 279)
Other	(30 320)	(15 854)	(19 668)
Total	(920 405)	(947 582)	(730 346)
Net deferred tax assets	1 367 704	1 181 610	566 055

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

As at 30 June 2015 the calculation of deferred tax assets did not include purchased receivables of PLN 11 893 k and loans that will not be realised of PLN 91 615 k.

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

24. Assets classified as held for sale

Assets classified as held for sale	30.06.2015	31.12.2014	30.06.2014
Land and buildings	638	638	3 503
Other fixed assets	40	740	-
Total	678	1 378	3 503

25. Other assets

Other assets	30.06.2015	31.12.2014	30.06.2014
Receivables arising from insurance contracts *	-	749 309	752 658
Interbank and interbranch settlements	160 296	456 910	207 625
Sundry debtors	335 869	382 925	374 319
Prepayments **	250 289	125 754	126 635
Repossessed assets	37 364	41 425	46 923
Settlements of stock exchange transactions	41 328	22 615	44 856
Other	5 581	7 618	3 466
Total	830 727	1 786 556	1 556 482

In thousands of PLN

* 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 39.

In the period of 31.12.2014 and 30.06.2014 were recognized receivables arising from insurance contracts.

** Prepayments” include Banking Guarantee Fund fees paid by Bank Zachodni WBK, which as at 30.06.2015 were PLN 100,428 k and PLN 52,126 k as at 30.06.2014.

As at 30.06.2015, the Banking Guarantee Fund fees paid by Santander Consumer Bank were PLN 15,035 k.

26. Deposits from banks

Deposits from banks	30.06.2015	31.12.2014	30.06.2014
Repo/sell-buy-back transactions	7 423 613	7 045 487	6 480 133
Term deposits, other	708 578	399 402	214 529
Loans from other banks	622 778	548 545	295 827
Current accounts	316 677	366 422	433 497
Total	9 071 646	8 359 856	7 423 986

27. Deposits from customers

Deposits from customers	30.06.2015	31.12.2014	30.06.2014
Deposits from individuals	55 977 101	58 257 053	47 523 975
Term deposits	26 424 384	30 938 819	21 193 171
Current accounts	29 433 797	27 204 883	26 277 800
Other	118 920	113 351	53 004
Deposits from enterprises	34 102 714	33 150 169	26 198 872
Term deposits	17 593 375	16 164 448	12 840 732
Current accounts	13 161 069	13 640 292	10 550 928
Sell-buy-back transactions	120 004	157 134	91 868
Loans	2 276 813	2 668 541	2 196 674
Other	951 453	519 754	518 670
Deposits from public sector	3 651 846	3 574 587	4 054 265
Term deposits	1 768 170	1 371 671	1 580 404
Current accounts	1 883 442	2 202 706	2 464 090
Other	234	210	9 771
Total	93 731 661	94 981 809	77 777 112

28. Subordinated liabilities

Subordinated liabilities	Redemption date	Currency	Nominal value
Tranche 1	05.08.2020	EUR	100 000
Tranche 2 *	14.12.2016	PLN	100 000

* Concerns Santander Consumer Bank

In thousands of PLN

Movements in subordinated liabilities	30.06.2015	31.12.2014	30.06.2014
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):	152 592	118 364	40 823
- interest on subordinated loan	34 209	63 659	28 059
- FX differences	118 383	54 705	12 764
Decrease (due to):	(1 172 825)	(63 260)	(27 747)
- subordinated loans repayment	(1 138 338)	-	-
- interest repayment	(34 487)	(63 260)	(27 747)
Subordinated liabilities - as at the end of the period	519 734	1 539 967	1 397 795
Short-term	2 277	4 903	4 611
Long-term (over 1 year)	517 457	1 535 064	1 393 184

Subordinated loans in the amount of PLN 1 138 338 k were repaid to KBC in June 2015 as they no longer qualified to be treated as Tier II capital under CRD IV/CRR rules.

29. Debt securities in issue

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	30.06.2015
SCB00026	not quoted	25 000	PLN	30.09.2015	
SCB00025	not quoted	20 000	PLN	30.10.2015	
SCB00024	not quoted	40 000	PLN	30.10.2015	
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	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
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	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00010	not quoted	20 000	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	
Seria C	PLBZ00000176	485 000	PLN	25.06.2018	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
Securitization Bonds Float A	XS1070423931	116 143	PLN	20.06.2025	
Debt securities in issue - as at the end of the period					3 225 723

In thousands of PLN

30. Other liabilities

Other liabilities	30.06.2015	31.12.2014	30.06.2014
Settlements of stock exchange transactions	34 846	48 377	32 210
Interbank and interbranch settlements	311 159	239 148	427 082
Provisions:	444 451	1 591 570	1 421 918
<i>Employee provisions</i>	304 998	365 083	239 849
<i>Provisions for legal claims</i>	47 839	49 504	29 669
<i>Provisions for off-balance sheet credit facilities</i>	78 980	87 517	74 141
<i>Technical insurance provisions *</i>	-	1 074 445	1 078 259
<i>Provisions for restructuring **</i>	9 334	11 721	-
<i>Other</i>	3 300	3 300	3 300
Sundry creditors	277 538	332 202	504 379
Other deferred and suspended income	201 222	165 124	114 096
Public and law settlements	58 732	58 952	51 609
Accrued liabilities	370 398	366 187	173 244
Finance lease related settlements	38 411	29 595	33 048
Liabilities from insurance contracts and other*	646	854	10 776
Share purchase mandate adjustment *	-	699 072	699 072
Total	1 737 403	3 531 081	3 470 734

* 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 39.

** Provision acquired as a result of the acquisition of control on July 1, 2014 in the amount of PLN 15 547 k (as at 30.06.2015 in the amount of PLN 9 334 k) referred to:

- restructuring of employment in the bank PLN 3 323 k (as at 30.06.2015 in the amount of PLN 2 047 k)
- liquidation of branches PLN 12 224 k. (as at 30.06.2015 in the amount of PLN 7 287 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	30.06.2015	31.12.2014	30.06.2014
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	213 938	494 159	225 138
Employee provisions	144 499	312 857	137 978
Provisions for legal claims	3 024	12 403	769
Provisions for off-balance sheet credit facilities	66 158	167 454	86 391
Technical insurance provisions	-	-	-
Provisions for restructuring	257	1 445	-
Other	-	-	-
Utilization	(178 470)	(256 263)	(191 352)
Employee provisions	(175 341)	(257 891)	(190 818)
Provisions for legal claims	(2 977)	(254)	(726)
Provisions for off-balance sheet credit facilities	(152)	1 882	192
Technical insurance provisions	-	-	-
Provisions for restructuring	-	-	-
Other	-	-	-
Write back	(1 182 904)	(280 427)	(163 939)
Employee provisions	(29 560)	(20 088)	(1 273)
Provisions for legal claims	(1 712)	(16 558)	(15 478)
Provisions for off-balance sheet credit facilities	(74 543)	(195 884)	(108 376)
Technical insurance provisions	(1 074 445)	(42 626)	(38 812)
Provisions for restructuring	(2 644)	(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	444 451	1 591 570	1 425 218
Employee provisions	304 998	365 083	239 849
Provisions for legal claims	47 839	49 504	29 669
Provisions for off-balance sheet credit facilities	78 980	87 517	74 141
Technical insurance provisions	-	1 074 445	1 078 259
Provisions for restructuring	9 334	11 721	-
Other	3 300	3 300	3 300

In thousands of PLN

31. Fair value

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

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

Assets	30.06.2015		31.12.2014		30.06.2014	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	3 031 101	3 031 101	6 806 521	6 806 521	7 039 578	7 039 578
Loans and advances to banks	3 304 549	3 304 549	2 523 063	2 523 063	2 092 155	2 092 155
Financial assets held for trading	4 994 553	4 994 553	5 238 741	5 238 741	3 451 867	3 451 867
Hedging derivatives	144 863	144 863	238 889	238 889	205 000	205 000
Loans and advances to customers	90 077 975	90 328 323	85 820 571	85 835 391	71 496 622	72 134 583
Investment securities	25 649 150	25 649 150	27 057 093	27 057 093	17 517 195	17 517 195
Investments in associates	808 793	808 793	42 792	42 792	63 533	63 533
Liabilities						
Deposits from banks	9 071 646	9 071 646	8 359 856	8 359 856	7 423 986	7 423 986
Hedging derivatives	2 294 922	2 294 922	1 258 224	1 258 224	616 141	616 141
Financial liabilities held for trading	2 686 609	2 686 609	2 781 680	2 781 680	1 609 054	1 609 054
Subordinated liabilities	519 734	594 462	1 539 967	1 789 755	1 397 795	1 397 795
Deposits from customers	93 731 661	93 747 624	94 981 809	94 975 685	77 777 112	77 773 037

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 is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency.

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

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

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

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

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

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

In thousands of PLN

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

As at 30.06.2015 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:

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. Derivative instruments are measured using discounted cash flow models based on the discount curve derived from the inter-bank market.

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

As at 30.06.2015 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.06.2015	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 647 553	3 345 640	1 360	4 994 553
Hedging derivatives	-	144 863	-	144 863
Financial investment assets - debt securities	15 526 814	9 209 723	-	24 736 537
Financial investment assets - equity securities	50 570	-	862 043	912 613
Total	17 224 937	12 700 226	863 403	30 788 566
Financial liabilities				
Financial liabilities held for trading	305 981	2 380 628	-	2 686 609
Hedging derivatives	-	2 294 922	-	2 294 922
Total	305 981	4 675 550	-	4 981 531
31.12.2014				
	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 878 034	3 359 317	1 390	5 238 741
Hedging derivatives	-	238 889	-	238 889
Financial investment assets - debt securities	16 581 263	9 570 918	-	26 152 181
Financial investment assets - equity securities	54 155	-	850 757	904 912
Total	18 513 452	13 169 124	852 147	32 534 723
Financial liabilities				
Financial liabilities held for trading	477 005	2 304 675	-	2 781 680
Hedging derivatives	-	1 258 224	-	1 258 224
Total	477 005	3 562 899	-	4 039 904
30.06.2014				
	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	2 048 735	1 403 132	-	3 451 867
Hedging derivatives	-	205 000	-	205 000
Financial investment assets - debt securities	13 934 814	2 713 602	-	16 648 416
Financial investment assets - equity securities	33 732	-	835 047	868 779
Total	16 017 281	4 321 734	835 047	21 174 062
Financial liabilities				
Financial liabilities held for trading	490 700	1 118 354	-	1 609 054
Hedging derivatives	-	616 141	-	616 141
Total	490 700	1 734 495	-	2 225 195

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
30.06.2015	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	1 390	-	850 757	-
Profits or losses	(55)	-	2 355	-
<i>recognised in income statement</i>	(55)	-	-	-
<i>recognised in equity</i>	-	-	2 355	-
Purchase	72	-	(305)	-
Sale	(47)	-	6 084	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	3 152	-
At the period end	1 360	-	862 043	-

Level III	Financial assets			Financial liabilities
31.12.2014	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	-	-	836 536	-
Profits or losses	-	-	-	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	-	-
Purchase	-	-	5 868	-
Sale	-	-	(100)	-
Matured	-	-	-	-
Impairment	-	-	(3 799)	-
Transfer	1 390	-	12 252	-
At the period end	1 390	-	850 757	-

Level III	Financial assets			Financial liabilities
30.06.2014	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	-	-	837 408	-
Profits or losses	-	-	(2 361)	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	(2 361)	-
Purchase	-	-	-	-
Sale	-	-	-	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	-	-
At the period end	-	-	835 047	-

In thousands of PLN

32. Contingent liabilities

Significant court proceedings

As at 30.06.2015 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 330 026 k, which is ca 1.69% of the Group's equity. This amount includes PLN 135 369 k claimed by the Group, PLN 192 618 k in claims against the Group and PLN 2 039 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.06.2015 the amount of significant court proceedings which had been completed amounted to PLN 59 771 k.

As at 30.06.2014 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 amounted to PLN 283 692 k, which is ca 1.94% of the Group's equity. This amount includes PLN 100 233 k claimed by the Group, PLN 167 053 k in claims against the Group and PLN 16 406 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.06.2014 the amount of significant court proceedings which had been completed amounted to PLN 134 004 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	30.06.2015	31.12.2014	30.06.2014
Liabilities sanctioned			
- financial	20 647 885	19 959 943	17 360 739
- credit lines	17 591 140	17 047 109	15 119 322
- credit cards debits	2 681 349	2 367 098	1 928 519
- import letters of credit	358 457	413 654	312 898
- term deposits with future commencement term	16 939	132 082	-
- guarantees	4 426 775	4 383 084	4 069 326
Total	25 074 660	24 343 027	21 430 065

In thousands of PLN

33. 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	30.06.2015	31.12.2014	30.06.2014
1. Term derivatives (hedging)	39 269 582	35 207 413	31 370 973
a) Single-currency interest rate swap	3 273 000	2 988 000	2 665 000
b) Macro cash flow hedge -purchased (IRS)	2 218 087	2 740 423	2 781 153
c) Macro cash flow hedge -purchased (CIRS)	15 968 787	14 369 815	12 798 315
d) Macro cash flow hedge -sold (CIRS)	17 809 708	15 109 175	13 126 505
2. Term derivatives (trading)	213 799 284	178 576 882	133 988 652
a) Interest rate operations	126 841 726	94 948 232	82 102 529
Single-currency interest rate swap	113 340 939	86 269 606	67 087 678
FRA - purchased amounts	10 720 000	6 450 000	13 600 000
Options	2 780 787	1 792 126	1 274 651
Forward- sold amounts	-	436 500	140 200
b) FX operations	86 957 558	83 628 650	51 881 225
FX swap – purchased amounts	19 207 223	20 757 332	11 219 690
FX swap – sold amounts	19 187 039	20 728 416	11 137 163
Forward- purchased amounts	3 914 800	3 372 360	2 523 220
Forward- sold amounts	3 935 593	3 394 071	2 561 089
Cross-currency interest rate swap – purchased amounts	7 741 567	6 331 120	6 274 711
Cross-currency interest rate swap – sold amounts	7 932 596	6 372 837	6 284 386
FX options -purchased CALL	6 125 607	5 519 076	2 938 978
FX options -purchased PUT	6 393 763	5 817 181	3 001 505
FX options -sold CALL	6 125 607	5 519 076	2 938 978
FX options -sold PUT	6 393 763	5 817 181	3 001 505
c) Transactions concerning precious metals and commodities	-	-	4 898
Commodity swap - purchased amounts	-	-	2 449
Commodity swap - sold amounts	-	-	2 449
3. Currency transactions- spot	3 932 780	4 653 161	1 977 769
Spot-purchased	1 966 764	2 327 749	988 834
Spot-sold	1 966 016	2 325 412	988 935
4. Transactions on equity financial instruments	863 783	751 380	457 418
Derivatives contract - purchased	418 543	341 307	221 146
Derivatives contract - sold	445 240	410 073	236 272
5 Capital options related to subsidiary entities	-	255 738	249 654
Total	257 865 429	219 444 574	168 044 466

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

34. Basis of FX conversion

As at 30.06.2015, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 124/A/NBP/2015 dd. 30.06.2015.

In thousands of PLN

35. 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 H1 2015 /30.07.2015/ are Banco Santander S.A. and ING Otworthy Fundusz Emerytalny.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	30.07.2015	28.04.2015	30.07.2015	28.04.2015	30.07.2015	28.04.2015	30.07.2015	28.04.2015
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 Otworthy 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%

36. Related party disclosures

Transactions with associates	30.06.2015	31.12.2014	30.06.2014
Assets	66	-	-
Other assets	66	-	-
Liabilities	101 687	2 931	2 479
Deposits from customers	101 351	2 931	2 479
Other liabilities	336	-	-
Income	14 697	3	2
Fee and commission income	14 697	3	2
Expenses	2 268	201	91
Interest expense	599	201	91
Fee and commission expense	1 070	-	-
Operating expenses incl.:	599	-	-
<i>General and administrative expenses</i>	<i>599</i>	-	-

On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŹ 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 39.

Transactions with BZ WBK-AVIVA TUŹ 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 30 June 2015.

In thousands of PLN

Transactions with Santander Group	30.06.2015	31.12.2014	30.06.2014
Assets	416 790	259 377	835 212
Loans and advances to banks, incl:	164 623	697	723 240
<i>loans and advances</i>	-	-	718 169
<i>current accounts</i>	164 623	697	5 071
Financial assets held for trading	248 226	256 908	110 418
Hedging derivatives	3 374	869	1 222
Other assets	567	903	332
Liabilities	462 452	410 462	232 108
Deposits from banks incl.:	57 026	155 537	64 071
<i>current accounts</i>	57 026	155 537	64 071
Hedging derivatives	10 862	21 505	8 359
Financial liabilities held for trading	293 779	158 907	92 281
Deposits from customers	96 428	74 459	63 191
Other liabilities	4 357	54	4 206
Income	111 225	219 596	(36 675)
Interest income	6 521	7 585	9 454
Fee and commission income	1 052	4 911	690
Other operating income	614	-	313
Net trading income and revaluation	103 038	207 100	(47 132)
Expenses	7 252	8 309	6 320
Interest expense	552	1 309	646
Fee and commission expense	471	204	1 102
Operating expenses incl.:	6 229	6 796	4 572
<i>Bank's staff, operating expenses and management costs</i>	6 197	6 796	4 572
<i>Other operating expenses</i>	32	-	-
Contingent liabilities	560	725	73
Sanctioned:	560	725	-
- financing-related	300	-	-
- <i>guarantees</i>	260	725	-
Received:	-	-	73
- <i>guarantees</i>	-	-	73
Derivatives' nominal values	41 568 128	32 826 135	23 352 176
Cross-currency interest rate swap – purchased amounts	3 650 637	3 052 808	2 927 833
Cross-currency interest rate swap – sold amounts	3 636 817	2 970 459	2 936 828
Single-currency interest rate swap	10 286 563	7 265 993	5 150 786
Options	2 704 277	1 669 031	1 193 320
FX swap – purchased amounts	3 624 362	2 920 096	2 493 575
FX swap – sold amounts	3 573 527	2 896 754	2 480 977
FX options -purchased CALL	3 064 602	3 002 819	1 524 942
FX options -purchased PUT	3 194 972	3 116 998	1 540 246
FX options -sold CALL	3 061 005	2 516 257	1 306 778
FX options -sold PUT	3 198 791	2 700 183	1 353 752
Spot-purchased	465 851	90 068	12 236
Spot-sold	465 394	90 297	12 141
Forward- purchased amounts	108 347	96 328	94 036
Forward- sold amounts	114 440	100 936	101 136
Commodity swap - sold amounts	-	-	1 222
Commodity swap - purchased amounts	-	-	1 222
Capital derivatives contract - purchased	418 543	337 108	221 146

In thousands of PLN

37. 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.

38. 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. 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.

In thousands of PLN

Transactions with Members of the Management and Supervisory Boards

Remuneration, Loans and advances of Bank Zachodni WBK Management and Supervisory Board Members

As at 30.06.2015 and 30.06.2014 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

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

30.06.2015

In H1 2015 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK totalled PLN 7 940 k, whereas additional benefits totalled PLN 425 k. In 2015, a total bonus of PLN 5 261 k was paid for 2014, including a deferred part for 2013 and 2012.

In H1 2015, the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 1 680 k.

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives totalled PLN 12 312 k.

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

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

30.06.2014

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

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

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

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

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

39. Acquisitions and disposals of investments in subsidiaries and associates

Acquisitions and disposals of investments in subsidiaries and associates in 1H 2015 and in 1H 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. („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.”). 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. 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.

In thousands of PLN

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 TUŽ 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

Total profit before tax on the transaction	as at 27.02.2015
Fair value of consideration received	244 317
Revaluation of retained non-controlling interest	766 360
Non-controlling interests derecognised	540 854
Less: book value of identifiable net assets	(172 105)
Less: derecognition of goodwill	(853 809)
Other consolidation adjustments	(2 622)
Gain on sale of subordinated entities	522 995
Other adjustments related to loss of control	38 226
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, 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 37.

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 38.

Registration of Metrohouse Franchise S.A.

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

In September 2014, the shares of Metrohouse S.A. were contributed to Metrohouse Franchise S.A. 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 S.A.

In thousands of PLN

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.

40. 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.

41. 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.

42. 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.

43. 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.

44. 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.

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

Detailed information on:

- incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK
- acquisition of controlling interest in Santander Consumer Bank S.A.
- 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

are presented in Notes 37,38 and 39.

In thousands of PLN

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

Detailed information on the issue of bonds are presented in Note 29.

47. 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 was PLN 10.70 per share.

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

As at 30.06.2015 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

As at 30.06.2015 and as at 30.06.2014, 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.

50. 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 30.06.2015 or Bank Zachodni WBK 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.

51. Share based payments

The fourth edition of the BZWBK incentive scheme closed as at 31/12/2013. It vested at the maximum level and its realization through issuance of new shares and their allocation to entitled individuals was processed in first half of 2014.

On the 30th of June 2014, Annual General Meeting of the Shareholders of Bank Zachodni WBK S.A. implemented three-year Incentive Scheme no. V which participants are key employees of the Bank Zachodni WBK Group (including Members of the Management Board), however not more than 500 individuals.

Vesting condition will be considered from two perspectives, separately for every year of operation of the scheme and on a cumulative basis after 3 years.

In every single year annual award not exceeding one third on total award will be considered. Shares will vest on a linear pattern between 25% and 100% contingent on profit after tax (PAT) growth. The range of the scale requires PAT growth between 7% and 11% in first year and between 17% and 26% in second and third year of duration of scheme.

In thousands of PLN

Additionally, after 3 years cumulative award will be considered. Shares will vest on a linear pattern between 25% and 100% contingent on PAT compound annual growth rate in 3 years' time between 13.6% and 20.8%. If number of shares resulting from cumulative assessment will be higher than sum of annual awards vested to date, additional shares will be allocated to individuals up to the amount resulting from cumulative assessment.

Persons who are covered by the EU's regulations on variable remuneration components and have a significant impact on the risk profile of the Group are additionally required to achieve a stated RoRWA ratio in the respective years of the programme.

The Black Scholes model has been used to value awards granted at the grant date. The expected volatility is based on an analysis of historical volatility based on 160 sessions preceding the grant date. The following table details the assumptions used, and the resulting fair value.

Share based payments granted in 2014:

	2014
Number of share based payments	177 336
Share price (PLN)	363,30
Exercise price (PLN)	10
Vesting period	2,8 years
Expected volatility	26,40%
Award life	3 years
Risk free rate	2,29%
Fair value per award	PLN 322,39
Dividend yield	2,75%

The following table summarizes the share based payments activity:

	6 months of 2015 Number of share based payments	6 months of 2014 Number of share based payments
Outstanding at 1 January	177 336	311 989
Granted	-	-
Exercised	-	(305 543)
Forfeited	(2 104)	(6 446)
Expired	-	-
Outstanding at 30 June	175 232	-
Exercisable at 30 June	-	-

Exercise price for all share based payments amounts to 10 PLN.

For the share based payments outstanding as at 30 June 2015 and as at 30 June 2014 the average remaining contractual life is approximately 2 years and 0 year respectively.

The total expense is recognized in profit and loss account in correspondence with other reserve capital and settlements with subsidiaries. For 6 months of 2015, 2014 increase of equity amounted to PLN 9 670 k, PLN 0 k respectively.

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

Introduction to the Catalyst alternative trading system of C series bearer bonds of Bank Zachodni WBK S.A.

On 16 July 2015, the Management Board of Bank Zachodni WBK S.A. informed that it was advised about adoption of Resolution of the Management Board of the Warsaw Stock Exchange of 16 July 2015 regarding introduction to the Catalyst alternative trading system of 485 000 bearer bonds with a nominal value of PLN 1 000 each, issued by Bank Zachodni WBK S.A.



Signatures of Members of the Management Board			
Date	Name	Function	Signature
28.07.2015	Mateusz Morawiecki	President	
28.07.2015	Andrzej Burliga	Member	
28.07.2015	Eamonn Crowley	Member	
28.07.2015	Beata Daszyńska-Muzyczka	Member	
28.07.2015	Michael McCarthy	Member	
28.07.2015	Carlos Polaino Izquierdo	Member	
28.07.2015	Juan de Porras Aguirre	Member	
28.07.2015	Marcin Prell	Member	
28.07.2015	Miroslaw Skiba	Member	
28.07.2015	Feliks Szyszkowiak	Member	
28.07.2015	Paweł Wieczorek	Member	

Signature of a person who is responsible for maintaining the book of account			
Date	Name	Function	Signature
28.07.2015	Wojciech Skalski	Financial Accounting Area Director	