



**REPORT OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 1 2014**

2014



Bank Zachodni WBK

 Grupa Santander

FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Consolidated financial statements					
I Net interest income		867 751	750 391	207 130	179 786
II Net fee and commission income		441 930	431 688	105 488	103 428
III Operating profit		571 179	476 132	136 339	114 076
IV Profit before tax		571 079	476 476	136 315	114 159
V Net profit attributable to owners of BZ WBK S.A.		449 492	373 616	107 293	89 515
VI Total net cash flow		1 717 542	729 781	409 973	174 848
VII Total assets		112 084 295	103 516 594	26 870 351	24 780 149
VIII Deposits from banks		10 003 802	7 056 609	2 398 246	1 689 235
IX Deposits from customers		80 114 033	77 109 560	19 206 011	18 458 745
X Total liabilities		97 208 729	89 698 565	23 304 181	21 472 343
XI Total equity		14 875 566	13 818 029	3 566 170	3 307 806
XII Non-controlling interests in equity		564 976	100 813	135 444	24 133
XIII Profit of the period attributable to non-controlling interests		10 850	7 447	2 590	1 784
XIV Number of shares		93 545 089	93 545 089		
XV Net book value per share in PLN/EUR		159,02	147,72	38,12	35,36
XVI Solvency ratio *		13,79%	14,32%		
XVII Profit per share in PLN/EUR		4,81	4,03	1,15	0,97
XVIII Diluted earnings per share in PLN/EUR		4,80	4,03	1,15	0,97
XIX Declared or paid dividend per share in PLN/EUR		10,70	7,60	2,57	1,82
Stand alone financial statements					
I Net interest income		827 150	710 422	197 439	170 210
II Net fee and commission income		404 346	376 203	96 516	90 134
III Operating profit		573 610	421 755	136 919	101 048
IV Profit before tax		573 610	421 755	136 919	101 048
V Profit for the period		462 808	337 832	110 471	80 941
VI Total net cash flow		1 736 260	730 238	414 441	174 958
VII Total assets		109 043 791	102 543 577	26 141 441	24 547 225
VIII Deposits from banks		9 679 068	7 052 514	2 320 396	1 688 254
IX Deposits from customers		80 248 546	77 254 971	19 238 258	18 493 554
X Total liabilities		95 008 797	89 463 094	22 776 783	21 415 975
XI Total equity		14 034 994	13 080 483	3 364 657	3 131 250
XII Number of shares		93 545 089	93 545 089		
XIII Net book value per share in PLN/EUR		150,03	139,83	35,97	33,47
XIV Solvency ratio *		15,10%	14,39%		
XV Profit per share in PLN/EUR		4,95	3,64	1,18	0,87
XVI Diluted earnings per share in PLN/EUR		4,94	3,64	1,18	0,87
XVII Declared or paid dividend per share in PLN/EUR		10,70	7,60	2,57	1,82

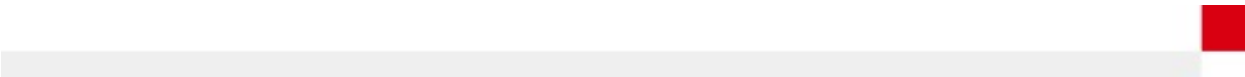
FINANCIAL HIGHLIGHTS for the period ended 31.12.2013	Consolidated statement of financial position		Statement of financial position	
	PLN k	EUR k	PLN k	EUR k
I Total assets	106 059 967	25 573 873	103 367 046	24 924 538
II Deposits from banks	6 278 797	1 513 985	6 278 784	1 513 981
III Deposits from customers	78 542 982	18 938 798	78 735 663	18 985 258
IV Total liabilities	91 577 024	22 081 651	89 782 614	21 648 971
V Total equity	14 482 943	3 492 222	13 584 432	3 275 567
VI Non-controlling interests in equity	610 855	147 293	-	-

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

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

- for balance sheet items – 4.1713 PLN rate to EUR as at 31.03.2014 stated by National Bank of Poland (NBP), 4.1472 PLN rate to EUR as at 31.12.2013; 4.1774 PLN rate to EUR as at 29.03.2013
- for profit and loss items – as at 31.03.2014: 4.1894 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2014), as at 31.03.2013: 4.1738 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2013)

As at 31.03.2014, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 062/A/NBP/2014 dd. 31.03.2014.



**CONSOLIDATED FINANCIAL
STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 1 2014**

2014



Bank Zachodni WBK

 Grupa Santander

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In thousands of PLN

Consolidated income statement

for reporting period:		01.03.2014- 31.03.2014	01.01.2013- 31.03.2013
Interest income		1 237 445	1 388 562
Interest expense		(369 694)	(638 171)
Net interest income	Note 4	867 751	750 391
Fee and commission income		520 694	499 845
Fee and commission expense		(78 764)	(68 157)
Net fee and commission income	Note 5	441 930	431 688
Dividend income		112	-
Net trading income and revaluation	Note 6	(6 840)	54 345
Gains (losses) from other financial securities	Note 7	39 049	89 736
Other operating income	Note 8	100 428	23 006
Impairment losses on loans and advances	Note 9	(162 007)	(196 038)
Operating expenses incl.:		(709 244)	(676 996)
<i>Bank's staff, operating expenses and management costs</i>	Notes 10, 11	(627 884)	(610 308)
<i>Depreciation/amortisation</i>		(70 655)	(56 989)
<i>Other operating expenses</i>		(10 705)	(9 699)
Operating profit		571 179	476 132
Share in net profits (loss) of entities accounted for by the equity method		(100)	344
Profit before tax		571 079	476 476
Corporate income tax	Note 12	(110 737)	(95 413)
Consolidated profit for the period		460 342	381 063
of which:			
<i>attributable to owners of BZ WBK S.A.</i>		449 492	373 616
<i>attributable to non-controlling interests</i>		10 850	7 447
Net earnings per share (PLN/share)			
Basic earnings per share		4.81	4.03
Diluted earnings per share		4.80	4.03

Consolidated statement of comprehensive income

for reporting period:		01.03.2014- 31.03.2014	01.01.2013- 31.03.2013
Consolidated profit for the period		460 342	381 063
Other comprehensive income which can be transferred to the profit and loss account:			
Available-for sale financial assets valuation		18 457	(81 405)
<i>including deferred tax</i>		(3 507)	15 467
Cash flow hedges valuation		(32 111)	(29 259)
<i>including deferred tax</i>		6 101	5 559
Other comprehensive income which can be transferred to the profit and loss account:		(11 060)	(89 638)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		449 282	291 425
Attributable to:			
<i>owners of BZ WBK S.A.</i>		438 502	283 959
<i>non-controlling interests</i>		10 780	7 466

In thousands of PLN

Consolidated statement of financial position

	as at:	31.03.2014	31.12.2013	31.03.2013
Assets				
Cash and balances with central banks	Note 13	5 925 534	5 149 686	5 093 574
Loans and advances to banks	Note 14	4 993 336	2 212 704	1 256 493
Financial assets held for trading	Note 15	3 513 543	2 344 901	2 918 521
Hedging derivatives		245 869	321 956	284 706
Loans and advances to customers	Note 16	70 271 352	68 132 143	67 852 228
Investment securities	Note 17	21 388 238	22 090 764	21 529 590
Investments in associates and joint ventures	Note 18	63 344	63 444	116 029
Intangible assets		469 934	506 792	366 700
Goodwill		2 542 325	2 542 325	1 688 516
Property, plant and equipment		605 828	632 642	641 804
Net deferred tax assets	Note 19	535 554	476 430	661 496
Assets classified as held for sale	Note 20	3 503	3 503	5 709
Investment property		14 134	14 166	15 891
Other assets	Note 21	1 511 801	1 568 511	1 085 337
Total assets		112 084 295	106 059 967	103 516 594
Liabilities				
Deposits from banks	Note 22	10 003 802	6 278 797	7 056 609
Hedging derivatives		502 926	367 524	496 185
Financial liabilities held for trading	Note 15	1 239 836	1 277 162	2 025 536
Deposits from customers	Note 23	80 114 033	78 542 982	77 109 560
Subordinated liabilities	Note 24	1 397 146	1 384 719	1 400 942
Debt securities in issue	Note 25	505 454	500 645	-
Current income tax liabilities		86 237	100 983	202 121
Other liabilities	Note 26	3 359 295	3 124 212	1 407 612
Total liabilities		97 208 729	91 577 024	89 698 565
Equity				
Equity attributable to owners of BZ WBK S.A.		14 310 590	13 872 088	13 717 216
Share capital		935 451	935 451	935 451
Other reserve funds		10 137 952	10 115 745	10 114 901
Revaluation reserve		697 917	708 907	782 743
Retained earnings		2 089 778	129 657	1 510 505
Profit of the current period		449 492	1 982 328	373 616
Non-controlling interests in equity		564 976	610 855	100 813
Total equity		14 875 566	14 482 943	13 818 029
Total equity and liabilities		112 084 295	106 059 967	103 516 594

In thousands of PLN

Movements in consolidated equity

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance at at 31.12.2013	935 451	10 115 745	708 907	2 111 985	610 855	14 482 943
Total comprehensive income	-	-	(10 990)	449 492	10 780	449 282
Transfer to other capital	-	22 207	-	(22 207)	-	-
Dividends	-	-	-	-	(56 659)	(56 659)
As at 31.03.2014	935 451	10 137 952	697 917	2 539 270	564 976	14 875 566

As at the end of the period revaluation reserve in the amount of PLN 697 917 k comprises of debt securities and equity shares classified as available for sale of PLN 120 318 k and PLN 565 429 k respectively and additionally cash flow hedge activities of PLN 5 955 k and actuarial gains - provision for retirement allowances of PLN 6 215 k.

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2012	746 376	5 704 680	872 400	1 560 911	93 347	8 977 714
Total comprehensive income	-	-	(163 493)	1 982 328	32 289	1 851 124
Issue of shares	189 075	4 354 766	-	-	-	4 543 841
Transfer to other capital	-	720 311	-	(720 311)	-	-
Dividend relating to 2012	-	-	-	(710 943)	(40 421)	(751 364)
Share purchase mandate adjustment	-	(684 289)	-	-	-	(684 289)
Share scheme charge	-	20 287	-	-	-	20 287
Minority interest recognized on acquisition	-	-	-	-	525 640	525 640
Other	-	(10)	-	-	-	(10)
As at 31.12.2013	935 451	10 115 745	708 907	2 111 985	610 855	14 482 943

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

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2012	746 376	5 704 680	872 400	1 560 911	93 347	8 977 714
Total comprehensive income	-	-	(89 657)	373 616	7 466	291 425
Issue of shares	189 075	4 354 766	-	-	-	4 543 841
Transfer to other capital	-	50 406	-	(50 406)	-	-
Share scheme charge	-	5 059	-	-	-	5 059
Other	-	(10)	-	-	-	(10)
As at 31.03.2013	935 451	10 114 901	782 743	1 884 121	100 813	13 818 029

As at the end of the period revaluation reserve in the amount of PLN 782 743 k comprises of debt securities and equity shares classified as available for sale of PLN 402 400 k and PLN 332 249 k respectively and additionally cash flow hedge activities of PLN 48 094 k.

In thousands of PLN

Consolidated statement of cash flows

	for the period	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Profit before tax		571 079	476 476
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		100	(344)
Depreciation/amortisation		70 655	56 989
Impairment losses		-	496
Gains (losses) on exchange differences		(345)	6 739
(Profit) loss from investing activities		(49 612)	(87 853)
		591 877	452 503
Changes:			
Provisions		(135 934)	(11 978)
Trading portfolio financial instruments		(1 194 210)	(638 222)
Loans and advances to banks		161 048	235 030
Loans and advances to customers		(2 139 209)	(409 270)
Deposits from banks		3 725 109	500 282
Deposits from customers		1 588 067	(1 056 345)
Other assets and liabilities		377 085	(508 309)
		2 381 956	(1 888 812)
Interests and similar charges		(42 699)	(52 915)
Dividend received		(112)	-
Paid income tax		(181 717)	(85 223)
Net cash flow from operating activities		2 749 305	(1 574 447)
Inflows		70 639 917	60 000 827
Sale/maturity of investment securities		70 624 900	60 000 232
Sale of intangible assets and property, plant and equipment		14 905	595
Dividend received		112	-
Outflows		(71 555 464)	(57 594 932)
Purchase of investment securities		(71 541 520)	(57 572 230)
Purchase of intangible assets and property, plant and equipment		(13 944)	(22 702)
Net cash flow from investing activities		(915 547)	2 405 895
Inflows		-	20 680
Drawing of long-term loans		-	20 680
Outflows		(116 216)	(122 347)
Repayment of long-term loans		(17 016)	(80 187)
Dividends and other payments to shareholders		(48 234)	-
Other financing outflows		(50 966)	(42 160)
Net cash flow from financing activities		(116 216)	(101 667)
Total net cash flow		1 717 542	729 781
Cash at the beginning of the accounting period		12 300 486	7 704 551
Cash acquired in a business combination		-	1 834 726
Cash at the end of the accounting period		14 018 028	10 269 058

In thousands of PLN

Income statement of Bank Zachodni WBK

	for reporting period:	
	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Interest income	1 201 716	1 353 458
Interest expenses	(374 566)	(643 036)
Net interest income	827 150	710 422
Fee and commission income	463 164	426 367
Fee and commission expenses	(58 818)	(50 164)
Net fee and commission income	404 346	376 203
Dividend income	56 659	-
Net trading income and revaluation	15 885	53 051
Gains (losses) from other financial securities	41 624	89 739
Other operating income	28 811	22 409
Impairment losses on loans and advances	(160 055)	(192 057)
Operating expenses incl.:	(640 810)	(638 012)
<i>Bank's staff, operating expenses and management costs</i>	<i>(586 239)</i>	<i>(574 994)</i>
<i>Depreciation/amortisation</i>	<i>(47 071)</i>	<i>(54 521)</i>
<i>Other operating expenses</i>	<i>(7 500)</i>	<i>(8 497)</i>
Operating profit	573 610	421 755
Profit before tax	573 610	421 755
Corporate income tax	(110 802)	(83 923)
Profit for the period	462 808	337 832
Net earnings per share (PLN/share)		
Basic earnings per share	4,95	3,64
Diluted earnings per share	4,94	3,64

Statement of comprehensive income of Bank Zachodni WBK

	for reporting period:	
	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Profit for the period	462 808	337 832
Other comprehensive income which can be transferred to the profit and loss account:		
Available-for sale financial assets valuation	16 993	(82 235)
<i>including deferred tax</i>	<i>(3 229)</i>	<i>15 625</i>
Cash flow hedges valuation	(32 111)	(29 259)
<i>including deferred tax</i>	<i>6 101</i>	<i>5 559</i>
Other comprehensive income for the period, net of income tax	(12 246)	(90 310)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	450 562	247 522

In thousands of PLN

Statement of financial position of Bank Zachodni WBK

	as at:	31.03.2014	31.12.2013	31.03.2013
ASSETS				
Cash and balances with central banks		5 925 530	5 149 682	5 093 570
Loans and advances to banks		4 964 726	2 165 376	1 253 135
Financial assets held for trading		3 449 057	2 188 672	2 886 241
Hedging derivatives		245 869	321 956	284 630
Loans and advances to customers		69 430 701	67 614 542	67 349 578
Investment securities		21 120 399	21 924 489	21 510 970
Investments in subsidiaries, associates and joint ventures		279 191	279 191	388 081
Intangible assets		327 574	342 805	342 436
Goodwill		1 688 516	1 688 516	1 688 516
Property, plant and equipment		593 829	621 228	632 535
Net deferred tax assets		508 344	469 801	550 005
Assets classified as held for sale		3 503	3 503	2 819
Investment property		14 134	14 166	14 197
Other assets		492 418	583 119	546 864
Total assets		109 043 791	103 367 046	102 543 577
LIABILITIES				
Deposits from banks		9 679 068	6 278 784	7 052 514
Hedging derivatives		502 939	367 536	496 185
Financial liabilities held for trading		1 240 104	1 277 247	2 025 539
Deposits from customers		80 248 546	78 735 663	77 254 971
Subordinated liabilities		1 397 146	1 384 719	1 400 942
Debt securities in issue		505 505	500 695	-
Current income tax liabilities		72 993	92 807	203 874
Other liabilities		1 362 496	1 145 163	1 029 069
Total liabilities		95 008 797	89 782 614	89 463 094
Equity				
Share capital		935 451	935 451	935 451
Other reserve funds		10 324 574	10 324 574	9 652 700
Revaluation reserve		700 690	712 936	786 911
Retained earnings		1 611 471	-	1 367 589
Profit of the current period		462 808	1 611 471	337 832
Total equity		14 034 994	13 584 432	13 080 483
Total equity and liabilities		109 043 791	103 367 046	102 543 577

In thousands of PLN

Movements in equity of Bank Zachodni WBK

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2013	935 451	10 324 574	712 936	1 611 471	13 584 432
Total comprehensive income	-	-	(12 246)	462 808	450 562
As at 31.03.2014	935 451	10 324 574	700 690	2 074 279	14 034 994

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

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2012	746 376	5 292 875	877 221	1 367 589	8 284 061
Total comprehensive income	-	-	(164 285)	1 611 471	1 447 186
Issue of shares	189 075	4 354 766	-	-	4 543 841
Transfer to other capital	-	656 646	-	(656 646)	-
Transfer to dividends for 2012	-	-	-	(710 943)	(710 943)
Share scheme charge	-	20 287	-	-	20 287
As at 31.12.2013	935 451	10 324 574	712 936	1 611 471	13 584 432

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

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2012	746 376	5 292 875	877 221	1 367 589	8 284 061
Total comprehensive income	-	-	(90 310)	337 832	247 522
Issue of shares	189 075	4 354 766	-	-	4 543 841
Share scheme charge	-	5 059	-	-	5 059
As at 31.03.2013	935 451	9 652 700	786 911	1 705 421	13 080 483

As at the end of the period revaluation reserve in the amount of PLN 786 911 k comprises of debt securities and equity shares classified as available for sale of PLN 332 248 k and PLN 406 569 k respectively and additionally cash flow hedge activities of PLN 48 094 k.

In thousands of PLN

Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Profit before tax		573 610	421 755
Total adjustments:			
Depreciation/amortisation		47 071	54 521
(Profit) loss from investing activities		(49 559)	(90 379)
Impairment losses		-	496
		571 122	386 393
Changes:			
Provisions		(93 200)	(7 322)
Trading portfolio financial instruments		(1 286 010)	(632 393)
Loans and advances to banks		161 048	235 030
Loans and advances to customers		(1 816 159)	(331 200)
Deposits from banks		3 400 284	495 232
Deposits from customers		1 520 901	(1 049 482)
Other assets and liabilities		359 957	(595 300)
		2 246 821	(1 885 435)
Interests and similar charges		(43 066)	(58 580)
Dividend received		(48 233)	-
Paid income tax		(166 286)	(72 424)
Net cash flow from operating activities		2 560 358	(1 630 046)
Inflows		70 687 720	59 999 547
Sale/maturity of investment securities		70 624 900	59 999 234
Sale of intangible assets and property, plant and equipment		14 587	313
Dividend received		48 233	-
Outflows		(71 454 188)	(57 594 188)
Purchase of investment securities		(71 442 009)	(57 572 230)
Purchase of intangible assets and property, plant and equipment		(12 179)	(21 958)
Net cash flow from investing activities		(766 468)	2 405 359
Inflows		-	-
Drawing of long-term loans		-	-
Outflows		(57 630)	(45 075)
Repayment of long-term loans		(8 018)	(8 018)
Other financing outflows		(49 612)	(37 057)
Net cash flow from financing activities		(57 630)	(45 075)
Total net cash flow		1 736 260	730 238
Cash at the beginning of the accounting period		12 253 154	7 700 732
Cash acquired in a business combination		-	1 834 726
Cash at the end of the accounting period		13 989 414	10 265 696

In thousands of PLN

Additional notes to consolidated financial statements

1. Basis of preparation of interim financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK Group for the year 2013.

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

Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2014 to 31 March 2014 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 as amended), the Bank has an obligation to publish its results for Q1 2014, which is deemed to be the current interim reporting period.

Accounting policies

The condensed interim consolidated financial statements are presented in PLN, rounded to the nearest thousand.

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

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

Comparability with results of previous periods

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

Changes in judgments and estimates

Compared with the consolidated financial statements for 2013, in Q1 2014 there were no material changes in Bank Zachodni WBK Group's accounting estimates or judgments.

In thousands of PLN

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

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
IFRS 9 Financial Instruments, Amendments to IFRS 9	Changes in classification and measurement - the existing categories of financial instruments to be replaced by two measurement categories, i.e. amortised cost and fair value. Changes in hedge accounting.	Date of entry postponed indefinitely	The Group has not completed its analysis of changes.
IAS 19 Employee Benefits - amendments	The amendments apply contributions from employees or third parties to defined benefit plans. The objective of amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.	1 January 2015	The Group has not completed its analysis of changes.
Annual Improvements to IFRSs cycle 2010-2012	The issues included: <ul style="list-style-type: none"> - IFRS 2 Definition of 'vesting condition'; - IFRS 3 Accounting for contingent consideration in a business combination; - IFRS 8 Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets; - IFRS 13 Short-term receivables and payables; - IAS 7 Interest paid that is capitalised; - IAS 16 / IAS 38 Revaluation method - proportionate; - IAS 24 Key management personnel. 	1 January 2015	The Group has not completed its analysis of changes.
Annual Improvements to IFRSs cycle 2011-2013	The issues included: <ul style="list-style-type: none"> - IFRS 3: scope exceptions for joint ventures; - MSSF 13: scope of paragraph 52 (portfolio exception); - IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property. 	1 January 2015	The Group has not completed its analysis of changes.

In thousands of PLN

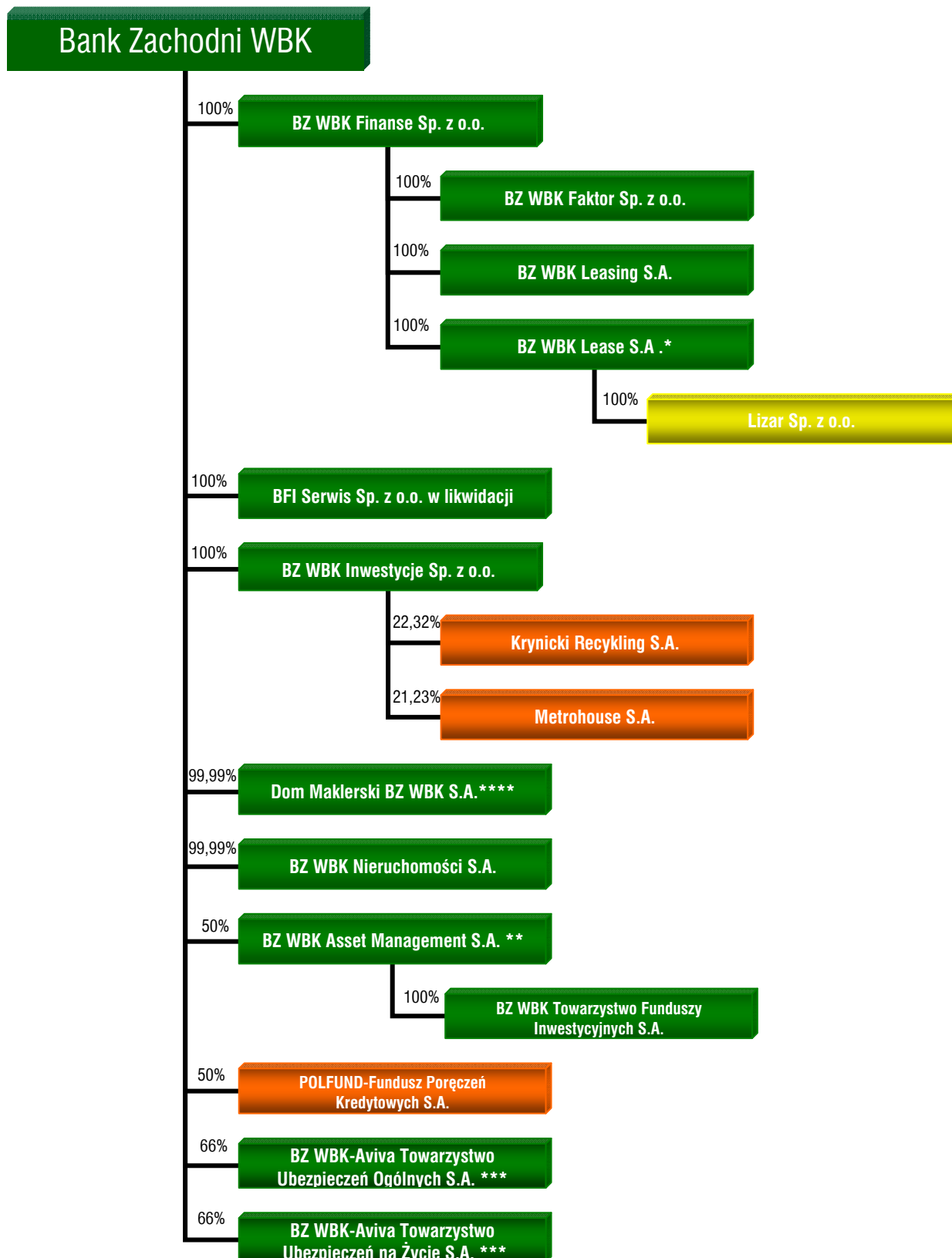
Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2014

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
IAS 32 Financial Instruments: Presentation	IAS clarifies its requirements for offsetting financial instruments.	1 January 2014	The Group analysed the amendments to IAS 32. Amendments did not have material impact on the financial statements.
Transition Guidance (Amendments to IFRS 10)	The amendments clarify transition guidance in IFRS 10 and also provide additional transition relief in IFRS 10, IFRS11, IFRS12.	1 January 2014	Amendments did not have material impact on the financial statements
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendment exempts from consolidation "investment entities" such as mutual funds.	1 January 2014	Amendments did not have material impact on the financial statements
Amendments to IAS 36 „Impairment of assets”	Amendments IAS 36 modified the disclosure requirement regarding measurement of the recoverable amount of impaired non-financial assets as a consequential amendment to IFRS 13.	1 January 2014	Amendments did not have material impact on the financial statements
IFRIC interpretation 21 Levies (issued on 20 May 2013)	The interpretation clarifies how an entity should account for liabilities to pay levies imposed by governments, other than income taxes.	1 January 2014	Amendments did not have material impact on the financial statements.
IAS 39 "Financial Instruments: Recognition and Measurement" - amendments	The amendments allow hedge accounting to continue in a situation if a hedging derivative was novated.	1 January 2014	Amendments did not have material impact on the financial statements.

In thousands of PLN

2. Description of organization of Bank Zachodni WBK Group




Graphical representation of the Group's organization structure and information about types of connection within the Group as at 31.03.2014:



In thousands of PLN

- * As at 31 January 2014, Kredyt Lease S.A., a subsidiary of Bank Zachodni WBK, was renamed as BZ WBK Lease S.A. All the other identification details of the company, including its registered office address, NIP, REGON and KRS numbers remained unchanged.
- ** As at 31 December 2013, Bank Zachodni WBK was a co-owner of BZ WBK Asset Management S.A., together with Banco Santander S.A. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK exercises control over the company and its subsidiary, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Consequently, the company is treated as a subsidiary.
- *** Detailed information on the controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. (General Insurance Company) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. (Life Insurance Company) are described in Note 35.
- **** As at 31.03.2014, Bank Zachodni WBK S.A. held 99,99% in the share capital of Dom Maklerski BZ WBK S.A.. One share of DM BZ WBK S.A. was held by BZ WBK Finanse Sp. z o.o.

Legend:

%	Voting power
	Subsidiaries (fully consolidated with BZ WBK)
	Subsidiary (unconsolidated due to irrelevance of their business operations and financial data)
	Associates

3. Segment reporting

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

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

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

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

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

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

There was a change in the methodology of capital and income from capital allocation between business segments in 2014. Comparable data are adjusted accordingly.

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

Retail Banking

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

In thousands of PLN

Business & Corporate Banking

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

Global Banking & Markets

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

- transactional banking with such products as cash management, deposits, leasing, factoring, letters of credit, guarantees, bilateral lending and trade finance;
- lending, including project finance, syndicated facilities and bond issues;
- FX and interest rate risk management products;
- underwriting and financing of securities issues, financial advice and brokerage services related to the activities of the Brokerage House.

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

ALM and Centre

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

In thousands of PLN

Consolidated income statement (by business segments)

01.01.2014-31.03.2014	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Net interest income	538 562	146 648	35 786	146 755	867 751
incl. internal transactions	927	(29 760)	6 385	22 448	-
Other income	378 264	78 660	89 779	27 864	574 567
incl. internal transactions	16 209	16 006	(34 520)	2 305	-
Dividend income	-	-	112	-	112
Operating costs	(460 618)	(66 754)	(52 923)	(58 294)	(638 589)
incl. internal transactions	(362)	(1 121)	(945)	2 428	-
Depreciation/amortisation	(28 921)	(3 884)	(2 739)	(35 111)	(70 655)
Impairment losses on loans and advances	(92 033)	(74 215)	(617)	4 858	(162 007)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	(100)	(100)
Profit before tax	335 254	80 455	69 398	85 972	571 079
Corporate income tax					(110 737)
Non-controlling interests					(10 850)
Profit for the period					449 492

Consolidated statement of financial position (by business segment)

31.03.2014	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Loans and advances to customers	42 549 969	21 579 666	6 130 161	11 556	70 271 352
Investments in associates and joint ventures	14 128	-	21 117	28 099	63 344
Other assets	4 967 200	916 351	5 563 747	30 302 301	41 749 599
Total assets	47 531 297	22 496 017	11 715 025	30 341 956	112 084 295
Deposits from customers	57 541 896	14 862 823	5 573 259	2 136 055	80 114 033
Other liabilities and equity	3 771 022	1 891 052	6 746 363	19 561 825	31 970 262
Total equity and liabilities	61 312 918	16 753 875	12 319 622	21 697 880	112 084 295

In thousands of PLN

Consolidated income statement (by business segments)

01.01.2013-31.03.2013	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
Net interest income	473 786	151 674	25 882	99 049	750 391
incl. internal transactions	2 217	(32 906)	7 631	23 058	-
Other income	335 959	69 062	77 143	116 611	598 775
incl. internal transactions	13 538	9 262	(21 423)	(1 377)	-
Operating costs	(462 408)	(78 928)	(46 032)	(32 639)	(620 007)
incl. internal transactions	(486)	(1 032)	(961)	2 479	-
Depreciation/amortisation	(39 311)	(5 994)	(3 138)	(8 546)	(56 989)
Impairment losses on loans and advances	(137 276)	(60 579)	(458)	2 275	(196 038)
Share in net profits (loss) of entities accounted for by the equity method	456	-	(134)	22	344
Profit before tax	171 206	75 235	53 263	176 772	476 476
Corporate income tax					(95 413)
Non-controlling interests					(7 447)
Profit for the period					373 616

Consolidated statement of financial position (by business segment)

31.03.2013	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
Loans and advances to customers	41 819 050	22 872 545	3 152 217	8 416	67 852 228
Investments in associates and joint ventures	68 623	-	19 780	27 626	116 029
Other assets	2 511 641	848 450	4 391 857	27 796 389	35 548 337
Total assets	44 399 314	23 720 995	7 563 854	27 832 431	103 516 594
Deposits from customers	56 879 332	13 229 937	4 556 229	2 444 062	77 109 560
Other liabilities and equity	2 628 178	2 166 740	3 358 359	18 253 757	26 407 034
Total equity and liabilities	59 507 510	15 396 677	7 914 588	20 697 819	103 516 594

In thousands of PLN

4. Net interest income

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Interest income		
Loans and advances to enterprises	406 655	456 680
Loans and advances to individuals, of which:	496 569	530 505
<i>Home mortgage loans</i>	198 361	210 244
Debt securities incl.:	192 681	224 584
<i>Investment portfolio available for sale</i>	174 238	213 046
<i>Trading portfolio</i>	18 443	11 538
Leasing agreements	37 623	46 459
Loans and advances to banks	25 906	32 607
Public sector	4 270	6 518
Reverse repo transactions	4 562	5 049
Interest recorded on hedging IRS	69 179	86 160
Total	1 237 445	1 388 562
Interest expenses		
Deposits from individuals	(208 909)	(386 004)
Deposits from enterprises	(99 046)	(172 543)
Repo transactions	(19 486)	(23 246)
Deposits from public sector	(19 825)	(33 617)
Deposits from banks	(3 663)	(10 430)
Subordinated liabilities and issue of securities	(18 765)	(12 331)
Total	(369 694)	(638 171)
Net interest income	867 751	750 391

In thousands of PLN

5. Net fee and commission income

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Fee and commission income		
eBusiness & payments	151 352	146 020
Current accounts and money transfer	76 386	76 921
Asset management fees	59 517	63 121
Foreign exchange commissions	76 231	63 052
Credit commissions	69 831	55 880
Insurance commissions	17 636	26 364
Brokerage commissions	22 979	29 339
Credit cards	30 793	20 791
Off-balance sheet guarantee commissions	9 879	8 044
Finance lease commissions	1 523	1 510
Issue arrangement fees	580	722
Distribution fees	2 902	5 482
Other commissions	1 085	2 599
Total	520 694	499 845
Fee and commission expenses		
eBusiness & payments	(40 618)	(37 394)
Distribution fees	(7 752)	(7 961)
Brokerage commissions	(4 365)	(4 194)
Credit cards	(5 971)	(3 325)
Asset management fees and other costs	(1 964)	(1 975)
Finance lease commissions	(3 343)	(2 591)
Credit commissions paid	(418)	(832)
Other	(14 333)	(9 885)
Total	(78 764)	(68 157)
Net fee and commission income	441 930	431 688

6. Net trading income and revaluation

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Net trading income and revaluation		
Derivative instruments and interbank fx transactions	(48 227)	53 655
Other FX related income	44 760	(6 746)
Profit on market maker activity	498	1 325
Profit on equity instruments	-	3 598
Profit on debt instruments	(3 871)	2 513
Total	(6 840)	54 345

Net trading income and revaluation includes value adjustments of derivatives resulting from counterparty risk in the amount of PLN (260) k for 1Q 2014 and the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 2 418 k for 1Q 2013.

Net trading income and revaluation includes depreciation of adjustment to the valuation of day 1 profit or lost for start forward CIRS transactions in the amount of PLN 7 864 k, disclosed in consolidated statement of financial position in line of Hedging derivatives. The initial valuation will be subject to linear depreciation for maturity of CIRS.

In thousands of PLN

7. Gains (losses) from other financial securities

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Gains (losses) from other financial securities		
Profit on sale of equity shares	14 093	(497)
Profit on sale of debt securities	26 074	89 384
Total profit (losses) on financial instruments	40 167	88 887
Change in fair value of hedging instruments	(24 155)	1 802
Change in fair value of underlying hedged positions	23 037	(953)
Total profit (losses) on hedging and hedged instruments	(1 118)	849
Total	39 049	89 736

8. Other operating income

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Other operating income		
Income on sale of services	5 265	1 920
Insurance indemnity received	103	1 703
Reimbursements of BGF charges	9 578	10 082
Release of provision for legal cases and other assets	1 612	2 882
Settlements of leasing agreements	194	875
Recovery of other receivables	206	429
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	6 830	-
Income from net insurance activities	59 736	-
Received compensations, penalties and fines	994	609
Other	15 910	4 506
Total	100 428	23 006

	01.01.2014- 31.03.2014
Income from net insurance activities	
Written premiums	152 224
Reinsurers' share in written premium	(686)
Total premiums written and reinsurers' share in written premium	151 538
Indemnity payments and insurance benefits paid	(119 689)
Reinsurers' share in indemnity payments and insurance benefits paid	233
Change in the balance of premium provisions and unexpired risks provisions	11 782
Change in the balance of provisions for life insurance in respect of deductible	129 580
Change in the balance of provisions for life insurance in respect of deductible – reinsurers' share	1 878
Change in the balance of provisions for life insurance in respect of policyholder's risk	(117 855)
Net insurance benefits and indemnity payments	(94 071)
Other net insurance income	2 269
Net income from insurance operations	59 736

In thousands of PLN

9. Impairment losses on loans and advances

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Impairment losses on loans and advances		
Collective and individual impairment charge	(166 115)	(226 679)
Incurred but not reported losses charge	(17 668)	49 152
Recoveries of loans previously written off	407	1 338
Off-balance sheet credit related facilities	21 369	(19 849)
Total	(162 007)	(196 038)

10. Employee costs

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Employee costs		
Salaries and bonuses	(273 051)	(279 336)
Salary related costs	(51 672)	(55 242)
Staff benefits costs	(7 328)	(7 343)
Professional trainings	(2 587)	(2 017)
Retirement fund, holiday provisions and other employee costs	(825)	(1 239)
Total	(335 463)	(345 177)

11. General and administrative expenses

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
General and administrative expenses		
Maintenance and rentals of premises	(90 110)	(90 153)
Marketing and representation	(24 248)	(20 913)
IT systems costs	(42 527)	(34 672)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(31 952)	(24 505)
Postal and telecommunication costs	(13 103)	(12 285)
Consulting fees	(16 323)	(12 813)
Cars, transport expenses, carriage of cash	(18 538)	(16 461)
Other external services	(19 393)	(17 570)
Stationery, cards, cheques etc.	(7 144)	(6 067)
Sundry taxes	(7 210)	(6 511)
Data transmission	(5 272)	(6 274)
KIR, SWIFT settlements	(5 493)	(5 517)
Security costs	(4 696)	(4 525)
Costs of repairs	(1 292)	(1 310)
Other	(5 120)	(5 555)
Total	(292 421)	(265 131)

In thousands of PLN

12. Corporate income tax

Corporate income tax	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Current tax charge	(167 091)	(125 670)
Deferred tax	56 354	30 257
Total	(110 737)	(95 413)

Corporate total tax charge information	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Profit before tax	571 079	476 476
Tax rate	19%	19%
Tax calculated at the tax rate	(108 505)	(90 530)
Non-deductible expenses	3 180	(3 326)
Sale of receivables	(4 169)	(1 316)
Non-tax deductible bad debt provisions	(1 394)	335
Adjustment of prior year tax	(7 168)	-
Consolidation adjustments	8 230	(512)
Other	(911)	(64)
Total income tax expense	(110 737)	(95 413)

Deferred tax recognised directly in equity	31.03.2014	31.03.2013
Relating to equity securities available-for-sale	(132 557)	(94 373)
Relating to debt securities available-for-sale	(28 065)	(77 935)
Relating to cash flow hedging activity	(1 397)	(11 281)
Relating to valuation of defined benefit plans	(1 458)	-
Total	(163 477)	(183 589)

13. Cash and balances with central banks

Cash and balances with central banks	31.03.2014	31.12.2013	31.03.2013
Cash	1 338 614	1 766 257	1 579 201
Current accounts in central banks	4 586 920	3 383 429	3 509 372
Term deposits	-	-	5 001
Total	5 925 534	5 149 686	5 093 574

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.

In thousands of PLN

14. Loans and advances to banks

Loans and advances to banks	31.03.2014	31.12.2013	31.03.2013
Loans and advances	2 203 715	1 237 751	156 092
Current accounts	962 190	798 153	648 830
Buy-sell-back transactions	1 827 587	176 987	451 571
Gross receivables	4 993 492	2 212 891	1 256 493
Impairment write down	(156)	(187)	-
Total	4 993 336	2 212 704	1 256 493

In thousands of PLN

15. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2014		31.12.2013		31.03.2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	907 908	976 801	1 021 659	1 022 029	1 257 231	1 536 303
Interest rate operations	612 461	623 161	632 187	632 007	1 033 665	1 271 621
Forward	38	-	-	-	-	-
Options	3 210	3 210	4 323	4 328	1 832	1 832
IRS	599 802	613 123	614 204	617 986	1 001 375	1 233 872
FRA	9 411	6 828	13 660	9 693	30 458	35 917
Transactions on equity instruments	3 231	9 187	2 819	717	-	-
Options	3 231	9 187	2 819	717	-	-
FX operations	292 205	344 447	386 653	389 305	222 314	263 782
CIRS	79 990	150 658	95 304	147 521	64 154	145 306
Forward	15 953	37 160	28 994	49 144	18 512	26 022
FX Swap	117 828	76 392	202 087	130 025	105 511	56 165
Spot	1 048	822	792	1 037	1 072	831
Options	77 386	79 415	59 476	61 578	33 065	35 458
Transactions concerning precious metals and commodities	11	6	-	-	1 252	900
Debt and equity securities	2 605 635	-	1 323 242	-	1 661 290	-
Debt securities	2 592 681	-	1 290 130	-	1 614 994	-
Government securities:	2 560 296	-	1 060 063	-	1 613 988	-
- bills	-	-	-	-	917 893	-
- bonds	2 560 296	-	1 060 063	-	696 095	-
Central Bank securities:	-	-	199 972	-	-	-
- bills	-	-	199 972	-	-	-
Other securities:	32 385	-	30 095	-	1 006	-
- bonds	32 385	-	30 095	-	1 006	-
Equity securities:	12 954	-	33 112	-	46 296	-
- listed	12 954	-	33 112	-	24 088	-
- unlisted	-	-	-	-	22 208	-
Short sale	-	263 035	-	255 133	-	489 233
Total financial assets/liabilities	3 513 543	1 239 836	2 344 901	1 277 162	2 918 521	2 025 536

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (2 663) k as at 31.03.2014, PLN (1 668) k as at 31.12.2013 and PLN 0 as at 31.03.2013.

In thousands of PLN

16. Loans and advances to customers

Loans and advances to customers	31.03.2014	31.12.2013	31.03.2013
Loans and advances to enterprises	35 556 777	34 252 562	33 722 358
Loans and advances to individuals, of which:	34 199 687	34 041 366	34 448 079
<i>Home mortgage loans</i>	25 474 084	25 294 769	25 423 101
Finance lease receivables	3 133 003	3 052 093	2 944 949
Loans and advances to public sector	219 961	225 766	319 382
Buy-sell-back transactions	763 839	40 718	53 556
Other	7 730	9 363	8 901
Gross receivables	73 880 997	71 621 868	71 497 225
Impairment write down	(3 609 645)	(3 489 725)	(3 644 997)
Total	70 271 352	68 132 143	67 852 228
Movements on impairment losses on loans and advances to customers	31.03.2014	31.12.2013	31.03.2013
Individual and collective impairment			
As at the beginning of the period	(3 036 549)	(1 207 321)	(1 207 321)
Individual and collective impairment acquired in a business combination	-	(1 667 026)	(1 667 026)
Charge/write back of current period	(166 115)	(890 806)	(226 679)
Write off/Sale of receivables	54 570	708 113	33 949
Transfer	30 409	14 194	(69 607)
F/X differences	(1 997)	6 297	(682)
Balance at the end of the period	(3 119 682)	(3 036 549)	(3 137 366)
IBNR			
As at the beginning of the period	(453 176)	(336 886)	(336 886)
IBNR acquired in a business combination	-	(198 306)	(198 306)
Charge/write back of current period	(17 700)	174 754	49 152
Transfer	(18 144)	(89 862)	(18 755)
F/X differences	(943)	(2 876)	(2 836)
Balance at the end of the period	(489 963)	(453 176)	(507 631)
Allowance for impairment	(3 609 645)	(3 489 725)	(3 644 997)

In thousands of PLN

17. Investment securities available for sale

Investment securities available for sale	31.03.2014	31.12.2013	31.03.2013
Available for sale investments - measured at fair value			
Debt securities	20 518 830	21 217 376	20 872 609
Government securities:	14 068 718	13 245 914	14 655 161
- bonds	14 068 718	13 245 914	14 655 161
Central Bank securities:	3 799 208	5 599 222	3 968 829
- bills	3 799 208	5 599 222	3 968 829
Commercial securities:	2 650 904	2 372 240	2 248 619
-bonds	2 650 904	2 372 240	2 248 619
Equity securities	848 754	851 603	628 708
- listed	33 140	35 980	14 099
- unlisted	815 614	815 623	614 609
Investment certificates	20 654	21 785	28 273
Total	21 388 238	22 090 764	21 529 590

18. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	31.03.2014	31.12.2013	31.03.2013
Balance as at 1 January	63 444	115 685	115 685
Share of profits/(losses)	(100)	16 297	344
Dividends	-	(5 050)	-
Reclassification*	-	(63 488)	-
Balance at the end of the period	63 344	63 444	116 029

Balance sheet value of associates and joint ventures	31.03.2014	31.12.2013	31.03.2013
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 227	42 602	41 755
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. *	-	-	25 991
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	-	-	28 504
Krynicki Recykling S.A.	16 950	16 675	15 447
Metrohouse S.A.	4 167	4 167	4 332
Total	63 344	63 444	116 029

* As at 31.12.2013 BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. were subsidiaries.

In thousands of PLN

19. Net deferred tax assets

Deferred tax assets	31.03.2014	31.12.2013	31.03.2013
Provisions for loans	503 752	492 703	492 533
Unrealized liabilities due to derivatives	284 043	271 334	401 032
Other provisions which are not taxable costs	88 883	101 921	83 785
Deferred income	159 107	154 024	101 721
Difference between balance sheet and taxable value of leasing portfolio	95 018	90 818	93 972
Unrealised interest expense on loans, deposits and securities	42 903	46 043	131 077
Revaluation of financial instruments available for sale-cash flow hedges	95	152	-
Other	8 605	6 240	25 447
Total	1 182 406	1 163 235	1 329 567
Deferred tax liabilities	31.03.2014	31.12.2013	31.03.2013
Revaluation of financial instruments available for sale*	(162 181)	(158 831)	(190 053)
Unrealised receivables on derivatives	(213 496)	(242 969)	(285 249)
Unrealised interest income on loans, securities and interbank deposits	(148 019)	(148 992)	(142 002)
Provision due to application of investment relief	(3 363)	(3 402)	(3 054)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(3 354)	(3 163)	(2 816)
Difference between balance sheet and taxable value of unfinancial value assets	29	(1 627)	(6 873)
Cash flow hedges valuation*	(1 349)	(7 498)	(11 281)
Valuation of investments in subsidiaries	(92 214)	(106 961)	-
Other	(22 905)	(13 362)	(26 743)
Total	(646 852)	(686 805)	(668 071)
Net deferred tax assets	535 554	476 430	661 496

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

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

As at 31 March 2013 the calculation of deferred tax assets did not include purchased receivables of PLN 14 321 k and loans that will not be realised of PLN 51 181 k.

20. Assets classified as held for sale

Assets classified as held for sale	31.03.2014	31.12.2013	31.03.2013
Land and buildings	3 503	3 503	5 707
Equipment	-	-	2
Total	3 503	3 503	5 709

In thousands of PLN

21. Other assets

Other assets	31.03.2014	31.12.2013	31.03.2013
Receivables arising from insurance contracts*	747 056	770 048	-
Interbank and interbranch settlements	102 877	260 445	119 409
Sundry debtors	412 352	372 226	472 660
Prepayments	153 762	71 446	132 818
Repossessed assets	46 923	60 965	74 764
Settlements of stock exchange transactions	38 795	30 989	285 240
Other	10 036	2 392	446
Total	1 511 801	1 568 511	1 085 337

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

22. Deposits from banks

Deposits from banks	31.03.2014	31.12.2013	31.03.2013
Repo/sell-buy-back transactions	6 738 618	4 438 563	6 326 971
Term deposits, other	217 915	1 379 631	454 185
Loans from other banks	324 179	-	4 087
Current accounts *	2 723 090	460 603	271 366
Total	10 003 802	6 278 797	7 056 609

*As at 31.03.2014 line "Current accounts" includes 2 320 000 PLN k of large ticket short-term interbank placements.

23. Deposits from customers

Deposits from customers	31.03.2014	31.12.2013	31.03.2013
Deposits from individuals	48 146 216	47 999 116	46 942 385
Term deposits	21 739 703	22 345 562	22 529 496
Current accounts	26 350 134	25 590 954	24 354 199
Other	56 379	62 600	58 690
Deposits from enterprises	27 787 057	27 045 417	26 648 575
Term deposits	13 809 640	13 344 322	13 815 035
Current accounts	10 661 098	10 813 018	9 962 391
Sell-buy-back transactions	232 691	166 973	-
Loans	2 257 874	2 256 907	2 427 036
Other	825 754	464 197	444 113
Deposits from public sector	4 180 760	3 498 449	3 518 600
Term deposits	2 213 944	1 152 427	1 680 785
Current accounts	1 957 001	2 333 530	1 836 043
Other	9 815	12 492	1 772
Total	80 114 033	78 542 982	77 109 560

In thousands of PLN

24. Subordinated liabilities

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

Movements in subordinated liabilities	31.03.2014	31.12.2013	31.03.2013
As at the beginning of the period	1 384 719	409 110	409 110
Subordinated liabilities acquired in a business combination	-	978 237	978 237
Increase (due to):	26 239	54 896	27 020
- interest on subordinated loan	13 884	54 896	12 331
- FX differences	12 355	-	14 689
Decrease (due to):	(13 812)	(57 524)	(13 425)
- interest repayment	(13 812)	(54 481)	(13 425)
- FX differences	-	(3 043)	-
Subordinated liabilities - as at the end of the period	1 397 146	1 384 719	1 400 942
Short-term	4 392	4 352	3 741
Long-term (over 1 year)	1 392 754	1 380 367	1 397 201

25. Debt securities in issue

Debt securities in issue	Nominal value	Currency	Redemption date	31.03.2014
Tranche 1	500 000	PLN	19.12.2016	
Debt securities in issue - as at the end of the period				505 454

26. Other liabilities

Other liabilities	31.03.2014	31.12.2013	31.03.2013
Settlements of stock exchange transactions	86 051	32 381	47 805
Interbank and interbranch settlements	379 674	250 941	237 416
Provisions:	1 419 437	1 555 371	387 862
Employee provisions	214 286	293 962	239 614
Provisions for legal claims	45 654	45 104	44 893
Provisions for off-balance sheet credit facilities	74 785	95 934	100 055
Technical insurance provisions *	1 081 412	1 117 071	-
Other	3 300	3 300	3 300
Sundry creditors	352 490	248 564	362 834
Other deferred and suspended income	108 782	109 395	118 032
Public and law settlements	104 278	43 081	104 449
Accrued liabilities	175 038	161 646	117 333
Finance lease related settlements	33 302	37 158	31 460
Liabilities from insurance contracts and other*	1 171	1 387	421
Share purchase mandate adjustment *	699 072	684 288	-
Total	3 359 295	3 124 212	1 407 612

* 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.

In thousands of PLN

Change in provisions	31.03.2014	31.12.2013	31.03.2013
As at the beginning of the period	1 555 371	226 696	226 696
Employee provisions	293 962	190 865	190 865
Provisions for legal claims	45 104	15 912	15 912
Provisions for off-balance sheet credit facilities	95 934	16 619	16 619
Technical insurance provisions	1 117 071	-	-
Other	3 300	3 300	3 300
Provision acquired in a business combination	-	1 304 489	186 902
Employee provisions	-	95 282	94 766
Provisions for legal claims	-	28 961	28 961
Provisions for off-balance sheet credit facilities	-	63 175	63 175
Technical insurance provisions	-	1 117 071	-
Other	-	-	-
Provision charge	98 741	545 803	140 927
Employee provisions	65 549	280 953	60 897
Provisions for legal claims	695	2 449	893
Provisions for off-balance sheet credit facilities	32 497	262 401	79 137
Technical insurance provisions	-	-	-
Other	-	-	-
Utilization	(144 093)	(255 718)	(106 753)
Employee provisions	(144 305)	(255 042)	(106 734)
Provisions for legal claims	(7)	(460)	(25)
Provisions for off-balance sheet credit facilities	219	(216)	6
Technical insurance provisions	-	-	-
Other	-	-	-
Write back	(90 582)	(258 745)	(60 315)
Employee provisions	(920)	(10 942)	(180)
Provisions for legal claims	(138)	(1 758)	(848)
Provisions for off-balance sheet credit facilities	(53 865)	(246 045)	(59 287)
Technical insurance provisions	(35 659)	-	-
Other	-	-	-
Other changes	-	(7 154)	405
Employee provisions	-	(7 154)	-
Provisions for legal claims	-	-	-
Provisions for off-balance sheet credit facilities	-	-	405
Other	-	-	-
Balance at the end of the period	1 419 437	1 555 371	387 862
Employee provisions	214 286	293 962	239 614
Provisions for legal claims	45 654	45 104	44 893
Provisions for off-balance sheet credit facilities	74 785	95 934	100 055
Technical insurance provisions	1 081 412	1 117 071	-
Other	3 300	3 300	3 300

In thousands of PLN

27. Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction other than in a forced or liquidation sale, and is best reflected by the market price, if available. Below is a summary of the book values and fair values of the individual groups of assets and liabilities.

Assets	31.03.2014		31.12.2013		31.03.2013	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	5 925 534	5 925 534	5 149 686	5 149 686	5 093 574	5 093 574
Loans and advances to banks	4 993 336	4 993 336	2 212 704	2 212 704	1 256 493	1 256 493
Financial assets held for trading	3 513 543	3 513 543	2 344 901	2 344 901	2 918 521	2 918 521
Hedging derivatives	245 869	245 869	321 956	321 956	284 706	284 706
Loans and advances to customers	70 271 352	70 823 605	68 132 143	68 703 474	67 852 228	67 817 025
Investment securities	21 388 238	21 388 238	22 090 764	22 090 764	21 529 590	21 529 590
Investments in associates and joint ventures	63 344	63 344	63 444	63 444	116 029	116 029
Liabilities						
Deposits from banks	10 003 802	10 003 802	6 278 797	6 278 797	7 056 609	7 056 609
Hedging derivatives	502 926	502 926	367 524	367 524	496 185	496 185
Financial liabilities held for trading	1 239 836	1 239 836	1 277 162	1 277 162	2 025 536	2 025 536
Subordinated liabilities	1 397 146	1 397 146	1 384 719	1 623 024	1 400 942	1 400 942
Deposits from customers	80 114 033	80 119 319	78 542 982	78 518 847	77 109 560	77 126 919

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

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

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

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

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

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

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

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

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

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

In thousands of PLN

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

As at 31.03.2014 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

As at 31.03.2014 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

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

31.12.2013	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	900 016	1 444 885	-	2 344 901
Hedging derivatives	-	321 956	-	321 956
Financial investment assets - debt securities	10 995 044	10 222 332	-	21 217 376
Financial investment assets - equity securities	35 980	-	837 408	873 388
Total	11 931 040	11 989 173	837 408	24 757 621
Financial liabilities				
Financial liabilities held for trading	255 133	1 022 029	-	1 277 162
Hedging derivatives	-	367 524	-	367 524
Total	255 133	1 389 553	-	1 644 686

31.03.2013	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 613 373	1 145 214	159 934	2 918 521
Hedging derivatives	-	284 706	-	284 706
Financial investment assets - debt securities	13 061 211	7 811 398	-	20 872 609
Financial investment assets - equity securities	14 099	858	642 024	656 981
Total	14 688 683	9 242 176	801 958	24 732 817
Financial liabilities				
Financial liabilities held for trading	489 233	1 462 026	74 277	2 025 536
Hedging derivatives	-	496 185	-	496 185
Total	489 233	1 958 211	74 277	2 521 721

In thousands of PLN

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

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

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
31.12.2013				
Beginning of the period	178 107	1 237 344	654 395	(74 182)
Profits or losses	-	-	197 235	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	197 235	-
Purchase	-	-	1 000	-
Sale	-	-	(14 302)	-
Matured	-	-	-	-
Impairment	-	-	(2 081)	-
Transfer	(178 107)	(1 237 344)	1 161	74 182
At the period end	-	-	837 408	-

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
31.03.2013				
Beginning of the period	178 107	1 237 344	654 395	(74 182)
Profits or losses	5 574	71 303	(279)	2 274
<i>recognised in income statement</i>	5 574	34 233	-	2 274
<i>recognised in equity</i>	-	37 070	(279)	-
Purchase	-	760 822	-	-
Sale	-	(14 005)	(12 092)	-
Matured	(23 747)	-	-	(2 369)
Impairment	-	-	-	-
Transfer	-	193 154	-	-
At the period end	159 934	2 248 618	642 024	(74 277)

In thousands of PLN

28. Contingent liabilities

Significant court proceedings

As at 31.03.2014 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

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

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

As at 31.03.2013 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 317 581 k, which is ca 2.30% of the Group's equity. This amount includes PLN 115 929 k claimed by the Group, PLN 167 423 k in claims against the Group and PLN 34 229 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2013 the amount of significant court proceedings which had been completed amounted to PLN 24 204 k.

Off-balance sheet liabilities

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

Contingent liabilities - sanctioned	31.03.2014	31.12.2013	31.03.2013
Liabilities sanctioned			
- financial	16 643 021	17 592 801	15 891 583
- credit lines	14 125 442	15 229 084	13 784 571
- credit cards debits	1 878 807	1 875 786	1 766 369
- import letters of credit	429 907	441 505	251 510
- term deposits with future commencement term	208 865	46 426	89 133
- guarantees	4 944 213	3 822 213	4 498 137
Total	21 587 234	21 415 014	20 389 720

In thousands of PLN

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

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

Derivatives' nominal values	31.03.2014	31.12.2013	31.03.2013
1. Term derivatives (hedging)	30 807 577	29 898 928	22 818 574
a) Single-currency interest rate swap	2 665 000	1 515 000	1 210 000
b) Macro cash flow hedge -purchased (IRS)	2 958 943	3 244 472	3 285 770
c) Macro cash flow hedge -purchased (CIRS)	12 439 053	12 355 350	9 005 578
d) Macro cash flow hedge -sold (CIRS)	12 744 581	12 784 106	9 317 226
2. Term derivatives (trading)	139 422 966	141 673 676	150 836 119
a) Interest rate operations	86 633 362	88 260 670	105 544 562
Single-currency interest rate swap	63 741 002	59 104 934	74 872 728
FRA - purchased amounts	21 600 000	28 200 000	30 125 000
Options	1 127 360	775 736	546 834
Forward- sold amounts	165 000	180 000	-
b) FX operations	52 786 887	53 407 452	45 267 675
FX swap – purchased amounts	10 668 449	15 338 292	11 513 850
FX swap – sold amounts	10 608 620	15 246 093	11 456 271
Forward- purchased amounts	2 902 886	2 989 334	2 419 263
Forward- sold amounts	2 945 047	3 017 610	2 442 806
Cross-currency interest rate swap – purchased amounts	6 821 992	4 686 151	5 302 195
Cross-currency interest rate swap – sold amounts	6 903 879	4 767 542	5 391 066
FX options -purchased CALL	2 956 362	1 815 788	1 638 596
FX options -purchased PUT	3 011 645	1 865 427	1 732 516
FX options -sold CALL	2 956 362	1 815 788	1 631 604
FX options -sold PUT	3 011 645	1 865 427	1 739 508
c) Transactions concerning precious metals and commodities	2 717	5 554	23 882
Commodity swap - purchased amounts	1 361	2 792	12 117
Commodity swap - sold amounts	1 356	2 762	11 765
3. Currency transactions- spot	2 572 518	4 154 465	2 242 600
Spot-purchased	1 286 373	2 077 535	1 121 463
Spot-sold	1 286 145	2 076 930	1 121 137
4. Transactions on equity financial instruments	283 469	70 793	6 797
Futures - purchased	11 983	217	-
Futures - sold	271 486	70 576	6 797
Total	173 086 530	175 797 862	175 904 090

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

30. Basis of FX conversion

As at 31.03.2014, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 062/A/NBP/2014 dd. 31.03.2014.

In thousands of PLN

31. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the Bank Zachodni WBK General Meeting as at the publication date of the condensed interim consolidated report for Q1 2014 /29.04.2014/ is Banco Santander S.A.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	29.04.2014	30.01.2014	29.04.2014	30.01.2014	29.04.2014	30.01.2014	29.04.2014	30.01.2014
Banco Santander S.A.	65 481 563	65 481 563	70,00%	70,00%	65 481 563	65 481 563	70,00%	70,00%
Other	28 063 526	28 063 526	30,00%	30,00%	28 063 526	28 063 526	30,00%	30,00%
Total	93 545 089	93 545 089	100%	100%	93 545 089	93 545 089	100,00%	100%

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

No. of Bank Zachodni WBK shares held and rights to them	As at 29.04.2014	As at 30.01.2014	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	44 627	48 627	(4 000)

Management Board members	29.04.2014		30.01.2014	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki	3 591	10 120	3 591	10 120
Andrzej Burliga	606	4 282	606	4 282
Eamonn Crowley	-	4 003	-	4 003
Michael McCarthy	-	4 875	-	4 875
Juan de Porras Aguirre	-	-	-	-
Piotr Partyga	-	2 855	-	2 855
Marcin Prell	30	3 704	2 530	3 704
Marco Antonio Silva Rojas	-	-	-	-
Mirosław Skiba	1 575	4 282	1 575	4 282
Feliks Szyszkowiak	255	4 449	1 755	4 449
Total	6 057	38 570	10 057	38 570

In thousands of PLN

33. Related party disclosures

Transactions with associates and joint ventures	31.03.2014	31.12.2013	31.03.2013
Assets	-	-	824
Other assets	-	-	824
Liabilities	6 981	7 168	215 500
Deposits from customers	6 981	7 168	215 258
Other liabilities	-	-	242
Income	1	130 894	30 256
Interest income	-	42 033	8 995
Fee and commission income	1	88 703	21 248
Other operating income	-	158	13
Expenses	45	11 645	3 278
Interest expense	45	6 033	2 099
Fee and commission expense	-	3 641	696
Operating expenses incl.:	-	1 971	483
<i>General and administrative expenses</i>	-	<i>1 971</i>	<i>483</i>

In thousands of PLN

Transactions with Santander Group			
	31.03.2014	31.12.2013	31.03.2013
Assets	1 060 762	802 305	94 214
Loans and advances to banks, incl:	974 736	706 166	15 714
<i>loans and advances</i>	927 310	674 579	815
<i>current accounts</i>	47 426	31 587	14 899
Financial assets held for trading	84 580	93 723	75 029
Hedging derivatives	1 148	1 081	1 457
Loans and advances to customers	-	4	-
Other assets	298	1 331	2 014
Liabilities	294 642	216 668	123 245
Deposits from banks incl.:	111 858	71 485	43 212
<i>current accounts</i>	111 858	71 485	43 212
Hedging derivatives	8 814	6 235	10 149
Financial liabilities held for trading	107 909	85 784	54 081
Deposits from customers	55 390	48 970	14 257
Other liabilities	10 671	4 194	1 546
Income	(32 145)	(46 459)	(31 088)
Interest income	4 681	13 528	3 800
Fee and commission income	293	5 345	2 201
Other operating income	155	814	165
Net trading income and revaluation	(37 274)	(66 146)	(37 254)
Expenses	2 990	23 137	10 736
Interest expense	295	404	121
Fee and commission expense	832	14 927	-
Operating expenses incl.:	1 863	7 806	10 615
<i>Bank's staff, operating expenses and management costs</i>	1 863	7 806	10 615
Contingent liabilities	73	117	238 636
Sanctioned:	-	-	137 083
- <i>guarantees</i>	-	-	137 083
Received:	73	117	101 553
- <i>guarantees</i>	73	117	101 553
Derivatives' nominal values	21 788 580	17 687 584	15 526 961
Cross-currency interest rate swap – purchased amounts	3 264 102	2 733 296	2 495 753
Cross-currency interest rate swap – sold amounts	3 304 451	2 764 571	2 522 240
Single-currency interest rate swap	4 777 104	4 360 662	2 780 527
Options	1 018 821	822 678	475 583
FX swap – purchased amounts	1 866 873	1 592 208	2 410 698
FX swap – sold amounts	1 867 959	1 599 563	2 396 491
FX options -purchased CALL	1 442 940	1 044 075	720 785
FX options -purchased PUT	1 460 273	1 076 295	726 956
FX options -sold CALL	1 169 601	682 163	450 066
FX options -sold PUT	1 210 574	717 682	539 902
Spot-purchased	98 683	44 475	3 983
Spot-sold	98 653	44 563	3 977
Forward- purchased amounts	100 936	100 936	-
Forward- sold amounts	94 271	93 727	-
Commodity swap - sold amounts	1 356	-	-
Futures - purchased	11 983	10 690	-

In thousands of PLN

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

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

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

Merger of Bank Zachodni WBK and Kredyt Bank

On 4 January 2013 (date of merger) the Bank registered the business combination of Bank Zachodni WBK and Kredyt Bank. The transaction was settled through the issue of merger shares. As a result, eligible shareholders of Kredyt Bank S.A. were entitled to acquire shares in accordance with the agreed exchange ratio of 6.96 Merger Shares for every 100 shares of the Kredyt Bank. This represents a total of 18 907 458 ordinary shares with a nominal value of PLN 10 each, with a total nominal value of PLN 189 074 580. For the purposes of the settlement, the price of the new shares was determined in the amount of PLN 240.32. This price was calculated on the basis of the average Bank Zachodni WBK share price over the thirty trading days between 21 November 2012 and 8 January 2013, excluding trading days without required turnover.

As at the date of publication of the consolidated report of Bank Zachodni WBK Group for quarter 1 2014, the acquisition of Kredyt Bank was accounted for.

Merger of Bank Zachodni WBK and Kredyt Bank has been described in detail in Report of Bank Zachodni WBK Group for 2013 in Note 55.

Merger of BZ WBK leasing companies

On 29 March 2013, the BZ WBK leasing companies merged in accordance with Article 492 (1) (1) of the Code of Companies and Partnerships. The merger was effected by acquisition of BZ WBK Finanse & Leasing S.A. by BZ WBK Leasing S.A., being the acquiring entity, and by transfer of the whole of the assets of BZ WBK Finanse & Leasing S.A. to BZ WBK Leasing S.A. in exchange for shares to be issued by BZ WBK Leasing S.A. to the existing partner in BZ WBK Finanse & Leasing S.A.

The merger did not have any impact on the structure of the consolidated balance sheet or the financial results, as presented in this report.

Controlling stake at the companies BZ WBK AVIVA

Controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. has been described in detail in Note 35.

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

Transaction description

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

Assets and liabilities recognised at the acquisition date

At the date of publication of the Report of Bank Zachodni WBK Group for quarter 1 2014, the bank made a preliminary, provisional settlement of the acquisition of control over BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.

In thousands of PLN

Furthermore, the bank has not yet completed the process of estimation of the fair value of the selected assets and liabilities of the insurance companies, as at the acquisition date, in particular the receivables and liabilities under insurance agreements. The estimation of the fair value of the intangible assets recognised in relation to the acquisition has not been completed either. Consequently, the value of deferred tax assets and liabilities was also calculated using the best estimates of the Management Board.

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

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

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

includes additional assets that meet the criteria of being recognised as intangible fixed assets. The assets originate from revaluation of the insurance agreements existing in the two companies. At the date of preparation of these financial statements, the bank has not yet completed the process of identification of other potentially acquired intangible fixed assets that might need to be carried in accordance with IFRS 3.

Non-controlling interests

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

Preliminary goodwill calculation

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

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

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

Contingent liabilities

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

In thousands of PLN

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

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

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

36. 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.

37. 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.

38. 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.

39. 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.

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

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

In thousands of PLN

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

Detailed information on the merger of Bank Zachodni WBK and Kredyt Bank and merger of BZ WBK leasing companies is presented in Note 34, while controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. are presented in Note 35.

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

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

- Acquisition of the bonds issued by Bank Zachodni WBK S.A. under the Programme of Own Debt Securities Issue up to PLN 500 000 k. The book-building for the bonds communicated in the report was finalised and all the bonds issued by the Bank for the total amount of PLN 500,000,000 (five hundred million PLN) were acquired by bondholders. The bonds were issued in a non-public offer, in one series, as unsecured bearer bonds denominated in PLN, with a 3-year maturity following their issuance (19 December 2016), with a variable interest rate (based on 6M WIBOR plus 1.2% margin p.a.) and a half-year interest period. The first interest payment will take place on the 20 June 2014. The bonds issued have a Fitch rating of A+ (pol).
On 28 January 2014, the bearer bonds with a nominal value of PLN 1,000 (one thousand PLN) each, issued by Bank Zachodni WBK, started to be traded in the Catalyst system.

Registration and admission of new shares to trading on the stock exchange in 1Q 2013

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

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

- On 24 January 2013 the Management Board of Bank Zachodni WBK announced that it had received a message from the Operations Department of the National Depository for Securities (Dział Operacyjny Krajowego Depozytu Papierów Wartościowych S.A.) ("KDPW") stating that on 25 January 2013 the KDPW would register 18,907,458 series J shares in the Bank with a nominal value of PLN 10 each, i.e. the merger shares in the Bank issued in connection with its merger with Kredyt Bank which were assigned the code: PLBZ00000044 in compliance with resolution No. 24/13 of the Management Board of the KDPW dated 8 January 2013.

Detailed information on the merger of Bank Zachodni WBK and Kredyt Bank is presented in Note 34.

43. Dividend per share

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

On 17 April 2013, The Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 710 943 k to dividend for shareholders, from the net profit for 2012, which meant that the dividend is PLN 7.6 per share.

In thousands of PLN

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

As at 31.03.2014 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

As at 31.03.2014 and as at 31.03.2013, either Bank Zachodni WBK or its subsidiaries did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets other than those disclosed in Note 26.

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

From 1 January 2014 to 31 March 2014, Bank Zachodni WBK sold properties located in Wrocław, Nowej Rudzie, Poznaniu, Krośnie Odrzańskim, Warszawie i Głogowie. The sales proceeds amounted to PLN 8 237 k. No significant fixed assets were sold or bought by the subsidiaries. There were no significant liabilities arising from purchase of fixed assets either.

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

General Meeting of Bank's Shareholders

On 16 April 2014, the Annual General Meeting of Bank Zachodni WBK Shareholders was convened which:

1. Accepted the financial accounts and consolidated financial accounts of the Bank Zachodni WBK S.A. Group for the period between 1 January 2013 to 31 December 2013.
 2. Accepted the Management Board's report on the Bank's Zachodni WBK S.A. and Management Board's report on the BZ WBK Group activities for 2013.
 3. Divided the net profit generated by the Bank in the year between 1 January 2013 to 31 December 2013 in the following way:
 - the amount allocated to shareholders dividend totaled PLN 1 000 932 453,30
 - the amount allocated to the reserve capital totaled PLN 610 538 047,99
- The dividend per one share amounted to PLN 10,70 and will be paid on 16 May 2014 to the shareholders who owned shares of Bank Zachodni WBK S.A. on the day the right for a dividend was set, i.e. 2 May 2014.
4. Granted the word of approval to the Members of the Bank Zachodni WBK S.A. and Kredyt Bank S.A. Management Board and the Supervisory Board.
 5. Resolved to amend the Bank's Statutes and to adopt the uniform text of the Bank's Statutes.
 6. Approved the BZ WBK Supervisory Board's report on its activities in 2013, the BZ WBK Supervisory Board's report on the examination of: BZ WBK financial statements for 2013, consolidated financial statements of the BZ WBK Group for 2013; report on BZ WBK and BZ WBK Group operations.
 7. Adopted the resolution regarding the increase of the Bank's share capital through the issuance of series K ordinary bearer shares, the waiver of the existing shareholders' pre-emptive rights with respect to the series K shares in their entirety, the amendment of the Articles of Association (Statut) of the Bank, the application for the admission and introduction of the

In thousands of PLN

series K shares to trading on the regulated market operated by the Warsaw Stock Exchange and the dematerialisation of the series K shares, as well as authorisations for the Supervisory Board.

8. Appointed the Chairman of the Supervisory Board and Supervisory Board Members for a new term of office.
9. Determined the remuneration of the Supervisory Board Members.

The intended amendment of the statute of Bank Zachodni WBK S.A. concerning share capital

- Since the conditions pertaining to the award defined in Resolution no. 36 of the Bank's Annual General Meeting dated 20 April 2011 re. introduction of a three-year Incentive Scheme IV have been met, the Bank's share capital shall be increased by PLN 3,055,430 to the amount of PLN 938,506,320 by means of the issue of 305,543 series K ordinary bearer shares with the nominal value of PLN 10.00 each.

On 16 April 2014, the Annual General Meeting of Bank Zachodni WBK S.A. adopted a resolution re. increasing the Bank's share capital, amending the Articles of Association (Statutes) of the Bank, fully waiving the existing shareholders' pre-emption right in respect of the series K shares, applying for the admission and introduction of the series K shares to trading on the regulated market operated by the Warsaw Stock Exchange and dematerialising these shares. The amendment to the Statutes is subject to approval by the Financial Supervision Authority.

- On 27 November 2013, Bank Zachodni WBK S.A. entered into an investment agreement with Santander Consumer Finance S.A. (SCF) and Banco Santander S.A., whereby it undertook to buy 3,120,000 ordinary and preference shares of Santander Consumer Bank S.A. (SCB) with its registered office in Wrocław, with a nominal value of PLN 100 each, representing 60% of the share capital of SCB and approximately 67% of the voting rights exercised at the General Meeting of SCB shareholders.

In accordance with the terms and conditions and subject to compliance with the conditions precedent defined in the agreement, the Bank undertook to issue new shares that will be offered to and taken up by SCF only in exchange for a non-cash contribution in the form of SCB shares. The number of new shares was determined after the Financial Supervision Authority had raised no objection, in accordance with the formula defined in the agreement. The number of the new shares is 5,383,902.

Since the Financial Supervision Authority raised no objection to the Bank acquiring the SCB shares representing more than 50% of the share capital and more than 50% of the total voting rights exercised at AGM of SCB, taking into account the fairness opinion given by Citigroup Global Markets Limited for the purpose of the Bank's report on non-cash contributions made to cover the increased capital, and in view of the next steps aimed at meeting the subsequent conditions precedent and finalising the transaction, a resolution re. increasing the share capital (by 5,383,902 series L ordinary bearer shares) and amending the Bank's Articles of Association (Statutes) will be voted on at a general meeting. The amendment to the Statutes is subject to approval by the Financial Supervision Authority.

As a result, the Bank's share capital will amount to PLN 992,345,340 and will be divided into 99,234,534 bearer shares with a nominal value of PLN 10.00 each.

48. Macroeconomic situation in Q1 2014 r.

Economic growth

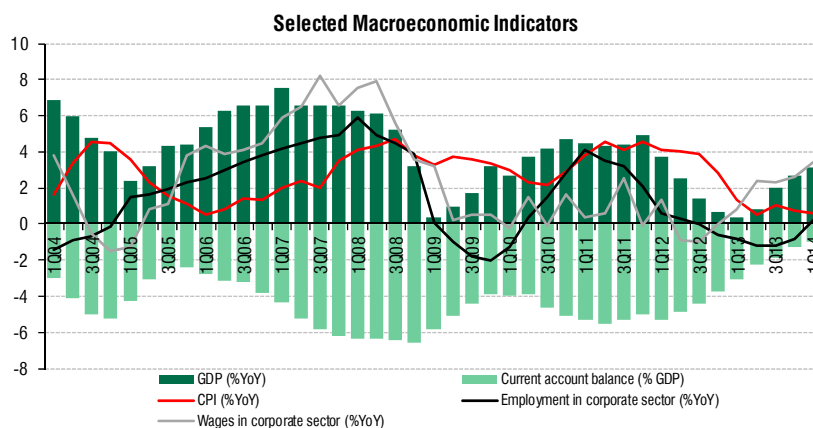
The available macroeconomic data suggest that in Q1 2014 the Polish economy was continuing a recovery that started in 2013. GDP growth probably accelerated once again, to ca. 3.0% YoY (after growing by 2.7% YoY in Q4). Similarly as at the end of 2013, domestic demand proved the main driver, especially of consumption, which was supported by improving labour market conditions and better consumer confidence. Also investment accelerated, but its growth remains relatively low, mainly due to low public investment outlays. Exports remain an important factor supporting the economy, as they are underpinned by improving situation at Poland's main trading partners (especially Germany), high price competitiveness of Polish products and attitude of Polish entrepreneurs, who were actively searching for new selling opportunities abroad. However, some slowdown in trade with eastern partners, especially Ukraine and Russia, was recorded. Healthy growth of exports, accompanied by weaker imports triggered an improvement of trade balance, so at the end of the quarter current account deficit went down to ca. 1.0% of GDP (the lowest value since 1995). Improvement of domestic and foreign demand was a support for the Polish industry, which advanced by ca. 5% YoY, and for construction and assembly output, expanding by nearly 10% YoY, after a couple of quarters of downturn.

Labour market

The situation on the labour market improved considerably in Q1 2014. Average employment in corporate sector was rising gradually, while higher demand for employees was generated mostly by industrial manufacturing, retail sales and administrative/support services. Tendencies in other sectors remain weak, but an improvement is expected. Registered unemployment rate is moving in a downward trend, reaching ca. 13.6% at the end of the quarter, i.e. ca. 0.7 p.p. less than a year before. Similar conclusions can be drawn based on the Labour Force Survey (LFS) data. Wages in the corporate sector rose by 4% YoY on average, which considerably supported the purchasing power of households.

Inflation

Inflationary pressure was really low throughout 1Q 2014: CPI reached 0.6% YoY on average, core inflation excluding food and energy prices was at 0.8% YoY and PPI inflation at -1.1% YoY. Low upward pressure on prices was primarily due to still low growth of consumer demand and deflationary tendencies outside Poland (including low global energy and food prices).



Monetary policy

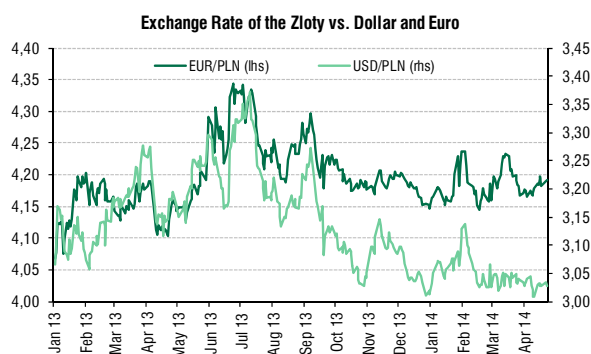
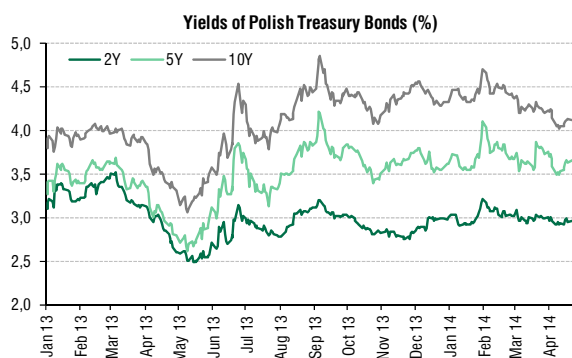
The Monetary Policy Council kept the main interest rates stable in Q1 2014, with reference rate at the record-low level of 2.5%. The Council expects that the next quarters may bring further continuation of business climate improvement, however inflationary pressure will remain subdued. Therefore, the MPC declared in March that the main interest rates should remain unchanged at least until the end of Q3 2014.

Credit and deposit markets

In Q1 2014, we saw a further gradual recovery on the credit market, but it is still visible only in some segments of the market. Growth of consumer loans for households accelerated to ca. 5.5% YoY and investment loans for companies to ca. 8.5% YoY. Improvement was recorded also in working capital loans for companies, but their growth rate remains negative (-1.0% YoY versus ca. -4.0% at the end of 2013). In general however, the pace of growth of total loans in the banking sector remained relatively low, running at ca. 4.5% YoY. Low interest rates were undermining the deposit market and caused that savings were shifted to assets yielding higher profits. Thus, the growth rate of total deposits fell to 5% YoY.

Financial market

The situation on the financial market was quite volatile in Q1 2014. The Fed's decision to limit its quantitative easing programme QE3 triggered concerns about emerging markets, which are dependent on external financing. This caused a sell-off of assets from these markets, including Polish assets. Both Polish currency and Polish bonds were hit by these events. Later in the quarter the market was worried about a possible conflict between Ukraine and Russia and this also undermined Polish assets. However, the debt and money markets were supported by the dovish rhetoric of the MPC and by low inflation. Market sentiment was also supported by good data from the economy. The domestic debt market was also worried that transfer of OFE portfolios to ZUS will lower the liquidity of Polish papers and this will weigh on their prices. However, this did not materialize. At the end of the quarter, the zloty was slightly weaker than at the end of 2013 (EUR/PLN at 4.17 versus 4.15 at the end of December), while yield curve shifted down by 20-50 basis points (with the strongest move in 10Y sector).



49. Activities of Bank Zachodni WBK Group in Q1 2014

Retail Banking

Development of product proposition for personal customers

Personal loans

Cash loans

From 3 February to 30 April 2014, Bank Zachodni WBK offered a DUET loan, a seasonal cash loan bearing an interest rate of 6% p.a. (if taken out by two co-borrowers) or 12% p.a. (if raised by one person). The product was rolled out in February and March as part of a multi-media campaign and attracted a lot of interest from customers, which was reflected in the increase in Q1 2014 cash loan sales by 9% YoY and 6% QoQ.

The cash loan offered by Bank Zachodni WBK was ranked 2nd in the "Best Cash Loan" category in the 5th edition of the Golden Banker 2013 Awards organised by Bankier.pl, a web portal, and PayU, an online payment operator.

Mortgage loans

On 24 March 2014, the bank's mortgage lending proposition was extended to include a home loan subsidised by the National Fund for Environmental Protection and Water Management (NFOŚiGW). The product was launched to promote and support energy-saving developments.

The revision of the bank's lending policy, which aimed to make it compliant with the amended KNF (Polish Financial Supervision Authority) Recommendation S re. best practice in management of mortgage-secured credit exposures (effective as of 1 January 2014), was completed.

In Q1 2014, mortgage sales grew by 11% YoY and 6% QoQ due to the bank's attractive lending proposition and favourable macroeconomic environment (low interest rates, relatively low home prices).

Savings and investment products

Deposits

In Q1 2014, Bank Zachodni WBK focused on stabilisation of deposit balances and optimisation of interest rates. Measures were taken to enhance the deposit base from loyal customers (including current account balances). To that end, the bank modified the negotiated term deposit model to take account of the strength of relationship with customers. The bank also continued its efforts to extend the average tenors of term deposits by way of effective management of interest rates and implementation of long-term deposit products.

The deposit offer of Bank Zachodni WBK was expanded to include the following products:

- On 24 February 2014, BZWBK24 mobile deposit was launched to promote mobile banking among personal customers. This non-renewable deposit, which is available via BZWBK24 mobile application only, may be opened for 12 months, with interest compounded at the end of the declared tenor at 4% p.a. and deposit amounts ranging from PLN 1k to PLN 10k.
- On 24 March 2014, the bank introduced a rentier deposit for affluent customers who wish to earn a regular interest income from the committed capital. Each quarter, interest is paid to a designated customer account or compounded. Customers may deposit min. PLN 100,000 for 18 or 30 months.

Structured deposits

In Q1 2014, the bank continued to sell short- and long-term structured deposits based on various underlying instruments, such as exchange rates (EUR/PLN, USD/PLN), equity market indices (FTSE 100, Euro Stoxx 50) or interest rates (WIBOR 6M).

Over the first three months of 2014, the bank made 16 subscription offerings for 28 structured deposits including:

- 10 subscriptions (20 products) dedicated to regular personal customers;
- 4 subscriptions (6 products) targeted at VIP customers;
- 2 subscriptions (2 products) addressed to Wealth Management customers.

In total, PLN 745.6m worth of funds were acquired in those offerings.

At the 11th Annual European Structured Products Conference held in February 2014, Bank Zachodni WBK received the Best in Sales award as the largest distributor of structured products in Poland in 2013 with a 20% market share.

Investment funds

In Q1 2014, the customers of BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI) were particularly interested in the units of corporate bond sub-funds and money sub-funds. Consequently, the strongest net sales were posted by the following sub-funds: Arka Prestiż Obligacji Korporacyjnych (corporate bonds sub-fund), Arka BZ WBK Obligacji Korporacyjnych (corporate bonds sub-fund) and Arka Prestiż Gotówkowy (cash sub-fund).

As at 31 March 2014, the total net assets managed by BZ WBK TFI were PLN 11.3bn and increased by 10.5% YoY and 0.8% QoQ.

The manager of Arka Prestiż Obligacji Korporacyjnych (corporate bonds sub-fund) received the Alfa 2013 award for the best corporate bonds fund. Nomination was also given to Arka BZ WBK Akcji Środkowej i Wschodniej Europy (Central and Eastern Europe equity sub-fund) representing the New Europe equity category. Also, the company BZ WBK TFI was nominated for the best mutual funds corporation award. The Alfa awards were granted by Analizy Online web portal for the first time in 2014 to honour the achievements reported in the mutual funds market in 2013.

Payment cards

In Q1 2014, Bank Zachodni WBK incentivised customers to make credit and debit cards payments by a wide range of promotional activities.

The bank won the tender announced by the City Transport Office of Poznań in relation to the next stage of the electronic urban card project (PEKA). As the winning bidder, the bank will issue and handle 40k contactless pre-paid cards.

Services to financial institutions

In Q1 2014, Bank Zachodni WBK started the co-operation with new financial institutions and expanded the scope of relationship with the existing ones. As at the end of March 2014, it managed a network of 731 third-party ATMs and handled 3m Visa/MasterCard cards on behalf of other financial institutions. The bank continued to extend the network of POS terminals in co-operation with its partner merchant (Elavon) to foster the growth of the Polish card payment market.

Development of offering for small firms

In early 2014, small companies were provided with access to iBiznes24 - a high-tech electronic banking platform.

Since 20 January 2014, business customers may apply for the Business Package with Terminal, which includes a PLN account and merchant services agreement with Elavon, indicating Bank Zachodni WBK as a settlement bank for card payments. The package also offers bundled products and services such as payment cards and electronic banking services.

At the beginning of March 2014, the bank launched a 6-week TV campaign to promote credit facilities for SMEs under the banner "We'll advise you on the best ways to finance your company".

Next Generation Bank Programme

In Q1 2014, as part of the Next Generation Bank Programme, the Retail Banking Division delivered a number of initiatives which helped improve the quality of customer service:

- implementation of a new customer segmentation model based on the modified criteria; enhancement of the customer service model (set-up of Affluent Clients Service Centre; specialist branch services for individual segments); product proposition tailored to customers' needs;
- increased effectiveness of service quality improvement techniques tools, e.g. more diversified forms of service quality assessment; implementation of new service quality standards and training tools (e.g. on customer needs analysis);
- introduction of changes in the branch incentive scheme and work schedule to focus on development of long-term customer relationship, customer excellence and multi-channelling, and to increase the accountability of advisors for co-operation with customers (customer portfolio building in line with the Advisor-Entrepreneur model);
- implementation of changes recommended by branch employees during focus meetings, including centralisation of selected branch processes, optimisation of credit delivery for business customers, new support tools for advisors (e.g. profitability calculators, management of concessions).

Business and Corporate Banking

Development of business model and banking offer

In Q1 2014, Business and Corporate Banking Division continued to focus on its key objective to gain a distinctive advantage in the market in terms of customer service and relationship quality. The following measures were taken:

- Following a review of the operating model of Business and Corporate Banking Division, which was undertaken to align it more to the current needs of customers and the organisation, the Products and Sales Strategy Area was set up in January 2014 with responsibility for development of sales and product strategy for corporate customers.
- As part of efforts to develop the product proposition and enhance the system functionality, the following changes and improvements were introduced by the Product Development and Operational Support Department:
 - ✓ Implementation of a credit line with a capped pricing (the functionality of “loan pricing not higher than”) - an innovative solution that mitigates the risk of higher interest rates for customers by way of incorporating a relevant clause in the credit agreement.
 - ✓ Increase in the BGK (Bank Gospodarstwa Krajowego) limit for de minimis guarantees (from PLN 1.2bn to PLN 2.2bn) that can be utilised by the Bank in the corporate and SME segments. De minimis guarantees provide a security cover for working capital and investment loans under the BGK Portfolio Guarantee Line.
 - ✓ Simplified credit delivery process for the existing customers applying for up to PLN 3m, which resulted in the reduction of the decision time to one day.
 - ✓ Extension of the trade finance offer - in liaison with Banco Santander - to include access to the newly launched specialist portal - SantanderTrade.com - which is designed to facilitate growth and trading expansion of customers. In addition, importers and exporters can get expert advice from the Bank's Trade Finance Team, apply for multi-purpose and multi-currency credit lines or make operations related to cash collections, letters of credit or guarantees in a fully automated mode via iBiznes24. The enhanced offer, which also covers Treasury and International Desk services, ensures comprehensive support for companies involved in international trade.
- New development initiatives were implemented as part of the Next Generation Bank Programme, in particular the key performance indicators were redefined, the measurement and reporting process was streamlined, the sales quality was improved, staff skills and competence as well as cross-selling tools and processes were enhanced.
- As part of International Desk activities aimed to help companies operating on or expanding into the Spanish market (or other Santander Group markets), a meeting was organised between the representatives of Polish corporate entities and the Undersecretary of State in the Spanish Ministry of Foreign Affairs. The purpose of the meeting was to discuss the current situation and the macroeconomic outlook for companies investing in Spain and to offer guidance to entities entering the Spanish market.

In Q1 2014, Business and Corporate Banking Division closed a number of deals, including the merger of one of its large corporate customers with another international corporate, share buyback by one of its corporate customers and co-arranger for euro bond issuance programme for a large corporate customer.

Factoring business

In Q1 2014, the turnover of BZ WBK Faktor came in at PLN 3,196.6m and increased 59% YoY, exceeding the market growth rate of 16.3% YoY. This gave the company a market share of 13% and the 3rd position in the ranking of the Polish Association of Factoring Companies. The bulk of the factoring turnover was generated by Bank Zachodni WBK customers. At the end of March 2014, the company's exposure was PLN 1,905m and higher by 101% YoY.

Leasing business

In Q1 2014, BZ WBK Leasing and BZ WBK Lease financed PLN 651,6m worth of net assets, which is 56,4% higher YoY and exceeds the market growth rate of 45%. The most pronounced sales growth (+88.2% YoY) was reported by the vehicles segment, which increased to PLN 341.6m, while the sales of machinery & equipment grew by 33.4% YoY to PLN 303m. BZ WBK leasing companies maintained their high ranking position in the machinery & equipment segment and advanced to become the leader in the agricultural machinery sector.

Global Banking & Markets

Global Banking & Markets Division (GBM) provides an end-to-end support to the largest businesses allocated to that segment based on the turnover. It also renders services to corporate customers handled under the global framework of GBM. As at the end of March 2014, the active GBM customer base included nearly 150 groups of companies from energy, financial, FMCG, pharmaceutical, retail, mining, chemical and household appliance sectors.

In January 2014, changes were introduced to the organisational structure of GBM and the key business lines. The profile and performance of the respective lines are presented below:

Global Transactional Banking

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

In Q1 2014, Transactional Banking closed a number of financing, guarantee and trade finance business deals with companies from the mining, fuel, energy, construction and financial sectors.

As at 31 March 2014, the loan-book, defined as a sum of open credit lines, totalled PLN 3bn (up by over 100% YoY). Furthermore, a clear YoY increase was noted in the factoring business volumes.

The value of balances in customer deposits and current accounts went up year-on-year, reaching PLN 6.6bn at the end of March 2014.

Financing Solutions & Advisory Area

The Financing Solutions & Advisory Area comprises Investment Banking and GBM Credit Markets Department.

Investment Banking

The investment banking activity is pursued by the Corporate Finance Area, including Capital Markets Area and BZ WBK Inwestycje Sp. z o.o.

Capital Markets Area

In Q1 2014, the Capital Markets Area successfully sold the total stake in Kuźnia Polska from Bank Zachodni WBK equity investment. It also provided analytical and advisory services to customers and was engaged as a financial/transactional advisor.

Under the agreement entered into with the European Investment Bank, the bank managed the Urban Regeneration Fund for Greater Szczecin (JESSICA Programme).

GBM Credit Markets Department

The Department provides funding towards medium- and long-term investments delivered by GBM customers in the form of loans or debt issue.

In Q1 2014, the Department worked closely with the Business and Corporate Banking Division as regards financing for business customers (from telecom sector among others). As at 31 March 2014, the value of the loan-book, defined as a sum of open credit lines, increased to nearly PLN 6bn.

Financial Markets Area

The Financial Markets Area comprises the Rates Area, the Structured Products Bureau and Dom Maklerski BZ WBK.

In Q1 2014, the performance of the Financial Markets Area was largely impacted by changes in the open-ended pension fund scheme as well as political tensions in Ukraine.

Rates

In Q1 2014, the Rates Area continued the income diversification strategy based on development of interest rate hedges, and actively traded on the currency market amid substantial volatility of exchange rates. The range of interest rate hedging instruments offered by the bank was extended to include new solutions for corporate customers.

Dom Maklerski BZ WBK

The performance of Dom Maklerski BZ WBK (DM BZ WBK) in Q1 2014, as measured by the stock trading volumes in the main WSE markets, was as follows:

- Equity market: the 5th position with the share in the stock trading at 6.4% (down by 2.1 p.p. YoY).
- Futures market: the 3rd position with the market share at 9.6% (down by 4,1 p.p. YoY).

In Q1 2014, DM BZ WBK won the following accolades:

- DM BZ WBK analyst team topped the ranking of *Parkiet* daily in the “Corporate Access” category. Individual accolades were also given to three analysts specialising in, respectively, chemical sector (1st position; 2nd in the overall ranking), financial sector (1st position) and technical analysis (2nd position).
- DM BZ WBK took the 2nd place in the ranking of brokerage accounts for active personal investors published by *Puls Biznesu*. As in the previous year, the company was recognised for the mobile application, long business hours of the call centre and availability of customer service points, all of which enhanced customer experience.
- The company came 3rd in the ranking of financial performance of brokerage houses in 2013 published on 3 April 2014 by *Parkiet* daily.

Other Information

Selected distribution channels

Branch network and complementary channels

As at 31 March 2014, Bank Zachodni WBK had a network of 830 branches (physical locations). The number of outlets was unchanged QoQ but declined by 47 YoY. The YoY decrease is a result of the continued rationalisation process.

The bank's branch network was supported by 113 Partner outlets (113 outlets as at the end of December 2013 and 107 outlets as at the end of March 2013).

ATMs/cash deposit machines

At the end of March 2014, the ATM network of Bank Zachodni WBK comprised 1,387 machines (1 385 as at the end of December 2013 and 1 440 as at the end of March 2013). In Q1 2014, the list of currencies supported by the Dynamic Currency Conversion solution was extended to include AUD, CAD and CZK.

In Q1 2014, the cash deposit machines of Bank Zachodni WBK and former Kredyt Bank were fully integrated. Furthermore, new machines were installed, as a result of which the total network reached 79 cash deposit machines.

Mobile and internet banking

Since 2 January 2014, the users of BZWBK24 mobile application may take out a travel insurance (“Ubezpieczenie na Podróż”) for trips abroad which provides medical coverage and protects against the risk of lost luggage or sport equipment.

On 23 February 2014, new solutions were launched for personal customers using BZWBK24 mobile:

- new functionalities which allow to change the account/deposit name, search the account history by amount and copy third party transfers.
- new services offered as part of Mobile Purchase (Zakupy Mobilne) service: Sky Cash (purchase of public transport tickets in 26 Polish cities), My Safety (free-of-charge protection for mobile devices and other commercial protection packages), fast-track procedure for purchases up to PLN 50 (no need to enter NIK or PIN for transfers via Przelew24 up to PLN 50).

In Q1 2014, BZWBK24 mobile application won a number of prestigious accolades:

- It was announced the best mobile application of 2013 in the Mobile Trends Awards competition and took the 1st position in the mobile banking category;
- Mobile Purchase service – available via BZWBK24 mobile - won the Innovation 2013 award conferred by the representatives of the Business Forum and the Technological Science Faculty of the Polish Academy of Sciences.

Furthermore, the bank granted access to BZWBK24 mobile application to users of BZWBK24 Mini Firma. Previously, the users of BZWBK24 Mini Firma could avail of the browser-based version of BZWBK24 mobile (phone with a mobile browser). Since 23 February 2014, they may also download and use BZWBK24 mobile application integrated with iOS, Android and Windows Phone.

Employment

As at 31 March 2014, the number of FTEs in Bank Zachodni WBK Group was 12,346 vs. 12,612 as at 31 December 2013 (active and frozen FTEs). The above decline results from the continued streamlining of functions in the Business Support Centre and Branch Banking, taking account of current business needs and market environment.

Capital adequacy

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

		PLN m	
		31.03.2014	31.12.2013
I	Total capital requirement	6 824,7	6 693,7
II	Own funds after reductions	11 767,4	11 647,0
CAD [II/(I*12.5)]		13,79%	13,92%

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

Selected items on the agenda of the Annual General Meeting of 16 April 2014

Resolution on the capital increase

Pursuant to Resolution no. 40 of the AGM of 16 April 2014, confirming achievement of the stated vesting targets under the three-year IV Incentive Scheme approved by AGM of 20 April 2011, the bank's share capital will be increased by PLN 3,055,430 to PLN 938,506,320 through the issue of 305,543 series K ordinary bearer shares with a nominal value of PLN 10 each. The K series shares will be issued in a private subscription and offered to the eligible participants of the IV Incentive Scheme indicated in the Supervisory Board resolution. The subscription for the K series shares will take place between 18 April 2014 and 19 May 2014.

Appointment of the Supervisory Board

The composition of the Supervisory Board of Bank Zachodni WBK S.A. appointed by the AGM of 16 April 2014 for the next term of office:

- Gerry Byrne – Chairman
- Jose Antonio Alvarez – Member
- Danuta Dąbrowska – Member
- David R. Hexter – Member
- Witold Jurcewicz – Member
- Jose Luis de Mora – Member
- John Power – Member
- Jerzy Surma – Member
- Jose Manuel Varela – Member
- Marynika Woroszyńska-Sapieha – Member

Fulfilment of certain conditions precedent arising from the investment agreement between Bank Zachodni WBK, Santander Consumer Finance S.A. and Banco Santander S.A. regarding the acquisition by Bank Zachodni WBK of shares in Santander Consumer Bank S.A.

On 27 November 2013, Bank Zachodni WBK signed an investment agreement with Santander Consumer Finance S.A. (SCF) and Banco Santander S.A. under which the bank agreed to acquire 3,120,000 ordinary and privileged shares in Santander Consumer Bank S.A., with its registered office in Wrocław, with a nominal value of PLN 100 each, representing 60% of the share capital of SCB and approximately 67% of the votes at the general meeting of SCB shareholders.

On 8 April 2014, KNF issued a decision confirming that it has no objections to the acquisition by the bank of SCB shares representing more than 50% of the share capital and the votes at the general meeting of SCB shareholders (the "KNF Clearance"). Obtaining the KNF Clearance fulfils one of the conditions precedent to the transaction stipulated in the agreement.

On the terms and subject to the satisfaction of the conditions precedent set out in the agreement, the bank agreed to issue new shares which will be offered to and taken up solely by SCF as a consideration for an in-kind contribution in the form of the SCB shares. The number of new shares has been established based on a formula set out in the agreement following the issuance of the clearance decision by KNF and totalled 5,383,902 shares.

The bank publicly announced a report of the Management Board of the bank concerning the in-kind contributions made to cover the increased share capital of the bank, prepared in connection with the execution of the transaction pursuant to the Commercial Companies Code dated 15 September 2000.

For the purposes of preparing the Report, on 9 April 2014 Citigroup Global Markets Limited issued a fairness opinion to the Management Board of the bank, which fulfils another condition precedent to the transaction stipulated in the agreement.

Furthermore, in connection with the efforts aimed at the fulfilment of further conditions precedent to enable the transaction to close, the general meeting of the bank will vote on a resolution on the increase in the bank's share capital (by 5,383,902 ordinary series L bearer shares) and an amendment of the bank's Statutes.

The resulting share capital will amount to PLN 992,345,340 and will be divided into 99,234,534 bearer shares having the nominal value of PLN 10 each.

2013 achievement awards

- Bank Zachodni WBK was honoured by the stock market daily *Parkiet* as the Company of the Year from the WIG 20 Index (19 March 2014). The award was given in recognition of the 63% return on the bank's shares. Furthermore, the bank was recognised for its smooth merger that positioned it among the top three banks in Poland with a substantially increased balance sheet total.
- At the Grand Gala of Banking and Insurance Leaders, accompanying the 7th edition of the annual Banking and Insurance Forum (2-3 April 2014), Bank Zachodni WBK received banking world leader awards in the following categories:
 - ✓ The Best Large Bank;
 - ✓ The Fastest Growing Bank (for the 3rd position among the banks in Poland, consistent winning of the hearts and wallets of customers and skilful development of the bank's strong position in the Polish market);
 - ✓ Manager of the Year 2013 – title bestowed on the Management Board President of Bank Zachodni WBK - Mateusz Morawiecki (for being a true leader, for ambition, determination and skill that helped him successfully complete the merger of Bank Zachodni WBK and Kredyt Bank).
- In the "Golden Banker" competition (March 2014) organised by Bankier.pl, the web portal, and PayU, internet payment operator, Mateusz Morawiecki was hailed as the Personality of the Year 2013 for his instrumental role in the successful merger of Bank Zachodni WBK and Kredyt Bank, creating the 3rd largest bank in Poland and reporting the record-high profits and the impressive increase in the bank's share price in 2013.

50. Overview of Bank Zachodni WBK Group performance after Q1 2014

Financial and business highlights

- Total income of Bank Zachodni WBK Group increased by 6.9% YoY to PLN 1,442.4m.
- Total costs increased by 4.8% YoY to PLN 709.2m.
- Profit-before-tax was PLN 571.1m, up 19.9% YoY.
- Profit-after-tax attributable to the shareholders of Bank Zachodni WBK was PLN 449.5m and higher by 20.3% YoY.
- Capital Adequacy Ratio stood at 13.8% (13.9% as at 31 December 2013).
- Return on Equity was 16.6% (16.6% as at 31 December 2013) and 18.9%, excluding the cost of integration with Kredyt Bank.
- Cost to income ratio was 49.2% (vs. 50.2% in Q1 2013) and 45.8%, excluding the cost of integration with Kredyt Bank (48.2% in Q1 2013).
- Net impairment losses on loans and advances amounted to PLN 162m compared with PLN 196.0m in Q1 2013.
- NPL ratio was 7.5% (7.9% as at 31 December 2013), while the ratio of impairment losses to the average gross credit volumes was 1.0% (stable level compared to 31 December 2013).
- Loans to deposits ratio was 87.7% as at 31 March 2014 compared with 86.7% as at 31 December 2013.
- Gross loans to customers increased by 3.2% QoQ to PLN 73,881.0m due to the increase in loans to enterprises and the public sector (by 3.8% QoQ to PLN 35,776.7m) and to individuals (by 0.5% QoQ to PLN 34,199.7m).
- Deposits from customers increased by 2% QoQ to PLN 80,114.0m as a result of the expansion of deposits from enterprises and the public sector (by 4.7% QoQ to PLN 31,967.8m) and deposits from individuals (by 0.3% QoQ to PLN 48,146.2m).
- Net value of assets held by mutual funds and private portfolios totalled PLN 11.7bn, an increase of 0.6% QoQ and 9% YoY.
- The number of customers using the BZWBK24 and KB24 electronic banking services exceeded 2.9m (+4.4% YoY), the number of mobile service users was 0.3m (+85% YoY), while the payment card base included 3.8m debit cards (+18.4% YoY).

External factors affecting financial performance

- Acceleration of economic growth (to ca 3.0% at the start of the year) and gradual change of its structure – dominating role of domestic demand with still positive contribution of net exports.
- Further improvement of the growth rate of industrial and construction output.
- More dynamic retail sales growth implying a recovery of private consumption.
- Revival in the labour market – gradual increase in employment in the enterprise sector, declining unemployment and accelerating wage growth.
- Low inflationary pressure, CPI inflation rate well below the NBP's official target (2.5%).
- Stabilization of the main interest rates and the Monetary Policy Council's announcement of keeping the rates unchanged at least until the end of 3Q 2014.
- Volatile sentiments in international financial markets under influence of expectations for future policy of the US central bank (Fed), incoming macroeconomic data and worries about the conflict in Ukraine.
- Weakening of the zloty exchange rate against the main currencies. Drop of yields of Polish bonds in the course of the quarter.
- Still weak loan growth in the banking sector, although some recovery visible in the case of consumer loans and investment loans for enterprises. Relatively slow growth rate of deposits amid low interest rates.
- Slight upward trend in house prices in major cities, increase of home sales in the secondary market.

Income statement of Bank Zachodni WBK Group

Profit earned by Bank Zachodni WBK Group in Q1 2014

PLN m

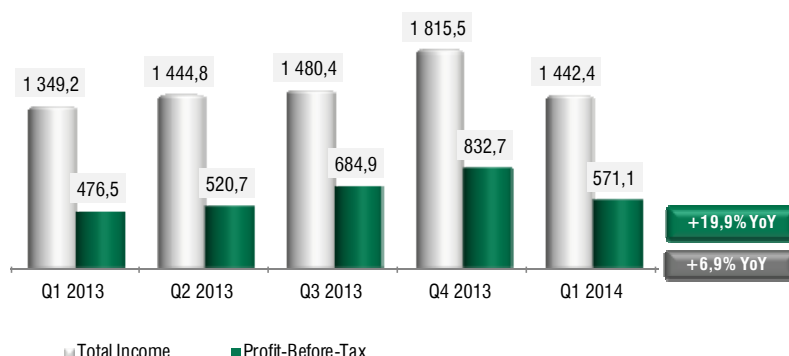
Condensed Income Statement (for analytical purposes)	Q1 2014	Q1 2013	YoY Change
Total income	1 442,4	1 349,2	6,9%
- Net interest income	867,8	750,4	15,6%
- Net fee & commission income	441,9	431,7	2,4%
- Other income	132,7	167,1	-20,6%
Total costs	(709,2)	(677,0)	4,8%
- Staff, general and administrative expenses	(627,9)	(610,3)	2,9%
- Depreciation/amortisation	(70,6)	(57,0)	23,9%
- Other operating expenses	(10,7)	(9,7)	10,3%
Impairment losses on loans and advances	(162,0)	(196,0)	-17,3%
Profit/loss attributable to the entities accounted for using the equity method	(0,1)	0,3	-
Profit-before-tax	571,1	476,5	19,9%
Tax charges	(110,8)	(95,4)	16,1%
Net profit for the period	460,3	381,1	20,8%
- Net profit attributable to BZ WBK shareholders	449,5	373,6	20,3%
- Net profit attributable to non-controlling shareholders	10,8	7,5	44,0%

In Q1 2014, Bank Zachodni WBK Group posted a profit-before-tax of PLN 571.1m, up 19.9% YoY. The net profit attributable to Bank Zachodni WBK shareholders was PLN 449.5m and higher by 20.3% YoY.

Key factors affecting the profit of Bank Zachodni WBK Group (Q1 2014 vs. Q1 2013)

- ✓ Increase in the net interest margin by 0.34 p.p. YoY to 3.60% in the lower interest rate environment due to the harmonisation of the deposit offer after the merger, continued optimisation of the interest rates schedule and favourable directions of business development (e.g. growth in current account balances). As a result, the net interest income was higher by PLN 117.4m YoY.
- ✓ Post-merger unification of credit procedures and processes, and improving economic standing of business and personal customers amid gradual economic revival contributed to the reduction of the impairment losses by PLN 34m YoY.
- ✓ Continued integration and development process resulted in a charge to the income statement for Q1 2014 of PLN 48.4m (vs. PLN 26.5m in Q1 2013).
- ✓ Effective cost management by Bank Zachodni WBK Group amid the continued integration works and delivery of diverse development projects. Excluding the operating expenses of Aviva-BZ WBK subsidiaries and integration costs, the underlying cost base of Bank Zachodni WBK Group was stable.
- ✓ Pursuit of the Group's goals in the management of financial assets portfolios under the conditions prevailing in Q1 2014 on the bond, IRS and FX markets caused the net trading income & revaluation as well as gains on other financial instruments to decline by PLN 61.1m and PLN 50.7m, respectively.

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



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

The table below shows the profit contribution of respective members of Bank Zachodni WBK Group to the consolidated income statement for Q1 2014 and Q1 2013.

Stand-Alone Profit-Before-Tax of Bank Zachodni WBK and Subsidiaries	Q1 2014	Q1 2013	YoY Change
Bank Zachodni WBK S.A.	573,6	421,8	36,0%
Existing subsidiary undertakings:	101,8	54,3	87,5%
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	47,5	18,3	159,6%
BZ WBK Leasing S.A., BZ WBK Lease S.A. and Finanse Sp. z o.o. ¹⁾	26,7	14,7	81,6%
BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. ²⁾	13,0	-	-
Dom Maklerski BZ WBK S.A.	7,7	17,1	-55,0%
Faktor Sp. z o.o.	6,5	3,5	85,7%
Other subsidiary undertakings ³⁾	0,4	0,7	-42,9%
Equity method valuation	(0,1)	0,3	-
Intercompany and consolidation adjustments	(104,2)	0,1	-
Profit-after-tax	571,1	476,5	19,9%

1) BZ WBK Leasing S.A. acquired BZ WBK Finanse & Leasing S.A. on 29 March 2013 r. Effective from 31 January 2014, Kredyt Lease S.A. changed the company name to BZ WBK Lease S.A.

2) BZ WBK-Aviva TUO S.A. and BZ WBK-Aviva Tunż S.A. changed their status from joint ventures to subsidiary undertakings at the end of 2013. Throughout 2013, both entities were accounted for using the equity method. As at 31 December 2013 only their statements of financial position were consolidated with Bank Zachodni WBK.

3) BZ WBK Inwestycje Sp. z o.o., BZ WBK Nieruchomości S.A. and BFI Serwis Sp. z o.o. The line also includes after-audit profit adjustments.

The unconsolidated profit-before-tax of Bank Zachodni WBK for Q1 2014 increased by 36.0% YoY on account of higher net interest income (+PLN 116.7m) and net fee & commission income (+PLN 28.1m), and reduced net impairment losses (-PLN 32m). The dividend income of PLN 56.7m from BZ WBK Asset Management S.A. was taken to the bank's income statement for Q1 2014, i.e. a quarter earlier than a year ago, and partly offset the lower income on financial assets portfolios, including gains on other financial instruments (-PLN 48.1m) and net trading income & revaluation (-PLN 37.2m). It is also noteworthy that in the analysed period the integration costs increased by PLN 21.5m YoY.

The profit-before-tax reported by the bank's consolidated subsidiaries was higher by 87.5% YoY, driven mostly by strong performance of leasing and factoring companies and earlier recognition of the dividend paid by BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. to BZ WBK Asset Management S.A. (PLN 30.3m).

The above-mentioned dividends were excluded from the consolidated financial statements of Bank Zachodni WBK Group for Q1 2014, which is shown in the line item "Intercompany, consolidation and other adjustments".

Adjusted for the dividend income, the total profit-before-tax of BZ WBK Asset Management and BZ WBK Towarzystwo Funduszy Inwestycyjnych declined by 6% YoY due to, inter alia, lower interest income and management fee from private portfolios. Q1 2014 also saw a decrease in the sales of sub-funds collecting the distribution fee. Net assets under management increased, yet their structure changed towards a larger contribution of lower-margin products.

The factoring company's profit increased by 85.7% YoY due to the dynamic business growth, efficient risk monitoring and cost management.

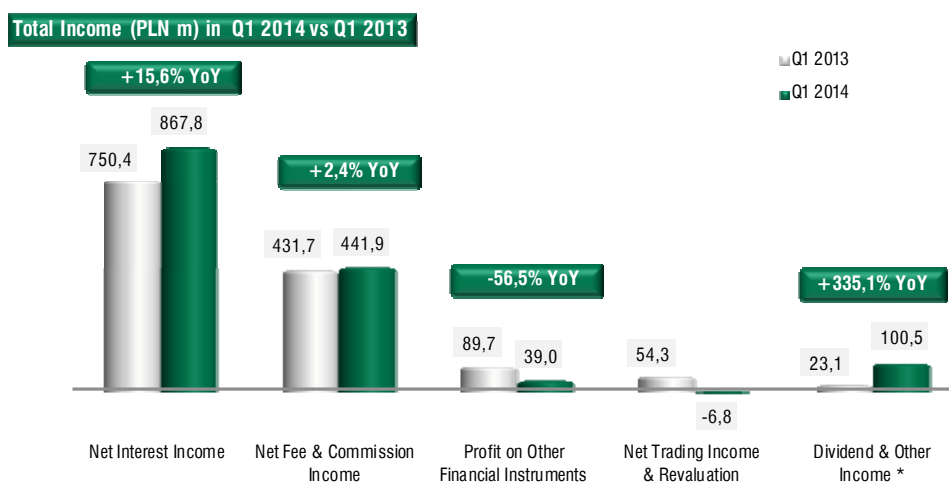
Leasing companies, with their controlling entity BZ WBK Finanse, generated a 81.6% higher pre-tax-profit on a YoY basis on account of robust sales growth rate and recognition of PLN 12.4m of VAT refund related to the insurance business.

The profit-before-tax of Dom Maklerski BZ WBK (DM BZ WBK) for Q1 2013 incorporates the non-recurring income from brokerage services related to the sale of the stake in Bank Zachodni WBK held by Banco Santander and KBC NV in the total amount of PLN 4.9bn. Adjusting for the above-mentioned one-off item, the profit posted by DM BZ WBK was down by 24.5% YoY as a result of lower trading gains on the market making activity, reduced margins on proprietary and customer funds placements and higher labour costs accruals.

BZ WBK-Aviva companies, which had been controlled by the Bank since late 2013, were consolidated for the first time in the bank's income statement for Q1 2014. Throughout 2013, these subsidiaries were accounted for in the consolidated income statement using the equity method. However, in the statement of financial position they were consolidated as at 31 December 2013.

Total income

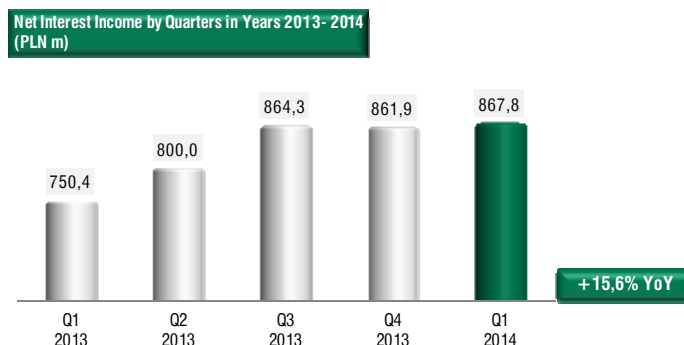
The total income achieved by Bank Zachodni WBK Group in Q1 2014 was PLN 1,442.4m and up 6.9% YoY.



* "Dividends and other income" include the dividend income and other operating income.

Net interest income

In Q1 2014, the net interest income reached PLN 867.8m and was higher by 15.6% YoY.

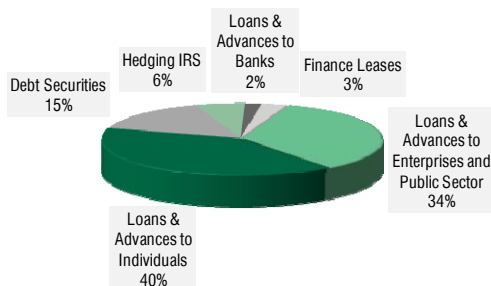


The net interest income includes interest income of PLN 54.9m in Q1 2014 (PLN 73.2m in the corresponding period) from CIRS transactions designated as hedging instruments under cash flow hedge accounting which is disclosed in Note 4 "Net interest income" in the line item "Interest income from IRS hedges" showing PLN 69.2m in Q1 2014 vs. PLN 86.2m in Q1 2013.

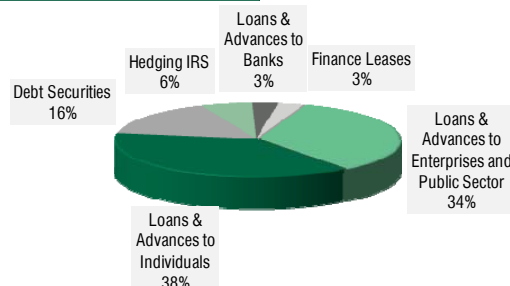
Taking into account the income from non-hedging CIRS transactions (PLN 7.3m in Q1 2014 vs. PLN 6.7m in Q1 2013), which are used for the purpose of liquidity management and reported under "Net trading income and revaluation", the underlying net interest income increased by 15.6% YoY.

In Q1 2014, interest revenues came in at PLN 1,237.4m and was down 10.9% YoY, while interest expense fell at a higher rate of 42.1% YoY to PLN 369.7m.

Structure of Interest Revenues in Q1 2014

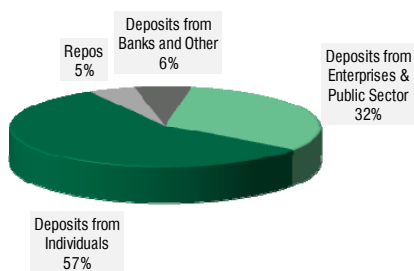


Structure of Interest Revenues in Q1 2013

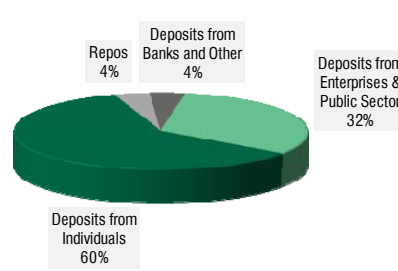


The most pronounced decreases in interest income (in percentage terms) were observed in loans & advances to banks (-20.6% YoY), IRS hedges (-19.7% YoY), lease receivables (-19.0% YoY), debt securities available for sale (-18.2% YoY), loans & advances to enterprises & public sector (-11.3% YoY), and loans & advances to individuals (-6.4% YoY).

Structure of Interest Expense in Q1 2014



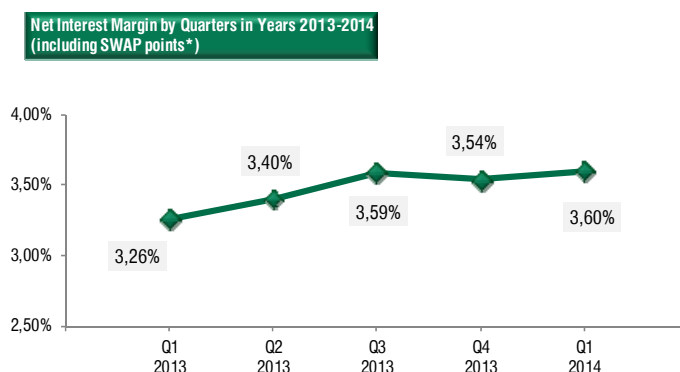
Structure of Interest Expense in Q1 2013



The strongest YoY decreases in interest expense were reported under deposits from banks (-64.9% YoY), deposits from individuals (-45.9% YoY), deposits from enterprises & public sector (-42.3% YoY) and repo transactions (-16.2% YoY).

From January to March 2014, the net interest margin of Bank Zachodni WBK Group was 3.60% and similar to Q4 2013 (+0.06 p.p.), reflecting stabilisation of NBP interest rates since July 2013, which should continue at least until the end of Q3 2014, as indicated in the forward guidance issued by the Monetary Policy Council.

Compared to the corresponding period of the previous year, the net interest margin increased by 0.34 p.p. despite a lower interest rate environment (NBP reference rate cut by 1.5 p.p. to 2.5% from January 2013 to March 2014) as a combined effect of: harmonisation of the bank's offer following the merger, effective management of the schedule of interest rates (taking account of the prevailing market conditions, customer expectations, regulatory requirements and Group's objectives) and also favourable developments in business volumes, including the growth of the deposit base on the back of current account balances of business and personal customers.



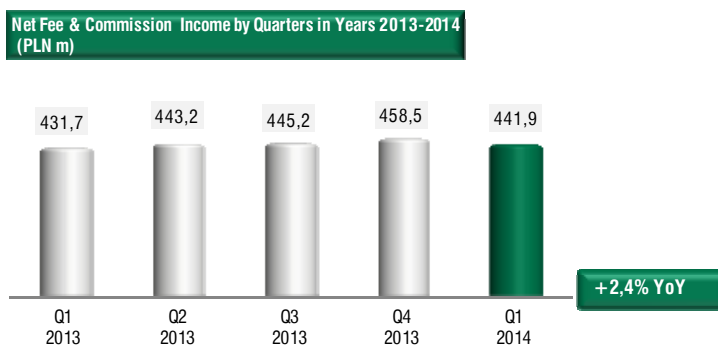
* The calculation of adjusted net interest margin takes account of swap points allocation from derivative instruments used for the purpose of liquidity management. It excludes however (from Q1 2014) interest income from the debt trading portfolio.

Net fee and commission income

	PLN m		
Net Fee and Commission Income	Q1 2014	Q1 2013	YoY Change
E-Business and payments ¹⁾	110,7	108,6	1,9%
Account maintenance and cash transactions ²⁾	72,8	76,8	-5,2%
FX fees	76,2	63,1	20,8%
Credit fees ³⁾	67,6	54,0	25,2%
Asset management and distribution	52,7	58,7	-10,2%
Credit cards	24,8	17,5	41,7%
Brokerage fees	18,6	25,1	-25,9%
Insurance fees	17,6	26,4	-33,3%
Other ⁴⁾	0,9	1,5	-40,0%
Total	441,9	431,7	2,4%

Includes:

- 1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic & telecommunications services.
- 2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 "Net Fee and Commission Income" are included in the line item "Other".
- 3) Fees related to lending, leasing and factoring activities which are not amortised to interest income.
- 4) Guarantees & sureties, issue arrangement fees and others.

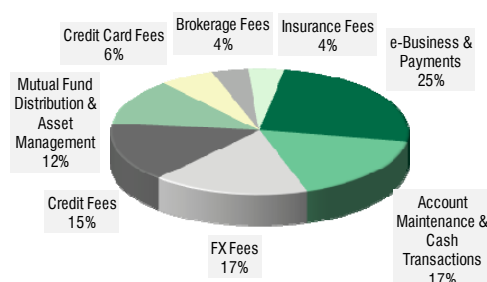


In Q1 2014, the net fee and commission income was PLN 441.9m and 2.4% higher YoY.

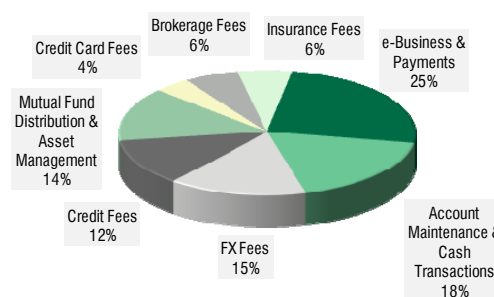
A significant YoY growth was noted in the net credit card fee income (+41.7% YoY), which was primarily attributed to the development of the credit card base, increase in credit card transaction volumes and revision of selected BZ WBK credit card fees and charges. The net credit fee income grew at a robust rate as well (+25.2% YoY), mainly on account of large financing schemes run by the Group. A substantial rise in FX fees (+20.8% YoY) stems from increased FX customer trading volumes and volatility of the currency market. The net fee and commission income disclosed under “eBusiness and payments” line item went up by 1.9% YoY on the back of an expanded debit card portfolio (+18.4% YoY) and the volume of resultant non-cash transactions, higher income on withdrawals from BZ WBK ATMs using third party cards and update of selected rules of Moneyback scheme.

Q1 2014 saw a decline in the net brokerage fees (-25.9% YoY) due to lower income earned by Dom Maklerski BZ WBK in the secondary market, mainly on account of remuneration recognised in the previous year for the sale of Bank Zachodni WBK shares held by Banco Santander S.A. and KBC Bank NV. Despite a YoY increase in the average value of net assets under management, the net fee income from fund distribution and asset management was on a decline (-10.2% YoY), reflecting a lower management fee income from private portfolios, slower sales of sub-funds generating distribution fee and larger contribution of low-margin products in the net assets structure. The net fee and commission income from account maintenance and cash transactions declined by 5.2% YoY due to growing sales of free-of-charge personal accounts (Account Worth Recommending, Account 1/2/3) and costs of their promotion (e.g. by means of the Moneyback mechanism). The decrease in net insurance fee income (-33.3% YoY) results from the negative impact of intercompany transactions with BZ WBK-Aviva companies recognised in Q1 2014. Excluding the consolidation effect, the underlying insurance fee income increased by 24.6% YoY, driven mainly by sales of cash loan and payment card insurance.

Net Commission Income Structure in Q1 2014



Net Commission Income Structure in Q1 2013



Gains on other financial instruments

The gains on other financial instruments decreased by 56.5% YoY to PLN 39.0m as a result of a lower profit earned on the sale of treasury bonds (-PLN 62m) as part of duration management on the available-for-sale debt securities portfolio, a process which depends on the market conditions and the Group’s risk and liquidity management objectives. The gains on other financial instruments also include a realised gain on the sale of the bank’s stake in Kuźnia Polska S.A., totalling PLN 14.1m.

Net trading income and revaluation (“Net trading income”)

In Q1 2014, the net trading income was represented by a loss of PLN 6.8m vs. a gain of PLN 54.3m in the corresponding period last year.

The largest element of this item (in absolute terms), i.e. net income on interbank FX and derivative trading, was a loss of PLN 48.2m vs. a gain of PLN 53.7m in the comparable period. The YoY movement in this line arises mainly from lower income on FX transactions earned on the interbank market.

The second largest contributor, i.e. net income on other FX transactions increased from a loss of PLN 6.7m in Q1 2013 to a gain of PLN 44.8m in Q1 2014.

This performance reflects, among others, developments on the currency and interest rate markets, which in Q1 2014 witnessed the depreciation of the zloty against the main currencies, a decrease in IRS yield and narrowing spreads for instruments expanding 2-10-year horizon.

The result on interbank FX and derivative trading includes an interest-related income of PLN 7.3m on the non-hedging CIRS transactions (PLN 6.7m in Q1 2013). It excludes, however, the interest income from the CIRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 54.9m in Q1 2014 vs. PLN 73.2m in Q1 2013), which is disclosed in Note 4 “Net interest income” under “Interest income from IRS hedges”.

Other income items

The aggregate line “Dividend and other income” increased by 335.1% YoY to PLN 100.5m driven by other operating income. As Bank Zachodni WBK gained control over BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ at the end of 2013 and consolidated them for the first time in the income statement for Q1 2014, the other operating income includes a net income of PLN 59.7m from the insurance activities of these entities. The figure includes the gross premiums written, reinsurers’ share of premium written, net claims and benefits and other net insurance income. The other operating income also includes PLN 6.8m of gains on the sale of Bank Zachodni WBK properties and PLN 12.4m of VAT refund to BZ WBK Lease.

Impairment charges

	PLN m		
Impairment Losses on Loans and Advances	Q1 2014	Q1 2013	YoY Change
Collective and individual impairment charge	(166,1)	(226,7)	-26,7%
Impaired but not reported losses charge	(17,7)	49,2	-
Recoveries of loans previously written off	0,4	1,3	-69,2%
Off-balance sheet credit related facilities	21,4	(19,8)	-
Total	(162,0)	(196,0)	-17,3%

In Q1 2014, the loan impairment charge to the profit and loss account was PLN 162.0m, down 17.3% YoY.

The negative balance of provisions for identified losses (individual and collective) was PLN 166.1m and 26.7% lower YoY. This decrease was driven by the impairment charges on the individually significant and collective exposures to business customers as well as the impairment charges on personal exposures subject to collective impairment assessment. The change coincides with an improvement in the financial position of the enterprise sector as the economy steadily recovers with a positive effect on the labour market.

In Q1 2014, Bank Zachodni WBK Group sold overdue personal and business receivables in the principal amount of PLN 59.9m vs. PLN 37.2m in the corresponding period of the previous year.

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

As at 31 March 2014, Bank Zachodni WBK Group’s NPL ratio was 7.5% compared with 7.6% in Q1 2013. The annualised cost of risk was 1.0% vs. 1.1% in Q1 2013.

Total costs

PLN m			
Total costs	Q1 2014	Q1 2013	YoY Change
Staff, general and administrative expenses, of which:	(627,9)	(610,3)	2,9%
- Staff expenses	(335,5)	(345,2)	-2,8%
- General and administrative expenses	(292,4)	(265,1)	10,3%
Depreciation/amortisation	(70,6)	(57,0)	23,9%
Other operating expenses	(10,7)	(9,7)	10,3%
Total costs	(709,2)	(677,0)	4,8%
Integration costs	(48,4)	(26,5)	82,6%
Underlying total costs	(660,8)	(650,5)	1,6%

In Q1 2014, the total costs of Bank Zachodni WBK Group amounted to PLN 709.2m and were 4.8% higher YoY. Excluding the integration costs of PLN 48.4m recognised in Q1 2014 and PLN 26.5m in Q1 2013, the total costs of the Group increased by 1.6% YoY. Adjusting further for the operating expenses of the consolidated for the first time BZ WBK-Aviva subsidiaries, the total underlying cost base of the Group was similar to the previous year. The stabilisation of the underlying costs was achieved at the time of intensive development activities designed to improve customer service.

In the period under review, the integration costs included consultation services (e.g. in relation to the mass data migration), IT licence support fees, maintenance of the Murex system of the former Kredyt Bank, the outsourced call centre services and the harmonisation of payroll and HR services. The integration projects had the strongest impact on the following cost lines of the Group: marketing and entertainment, IT usage, consultancy and advisory services as well as salaries as part of staff expenses.

With total costs (+4.8% YoY) increasing at a lower rate than the total income (+6.9% YoY), the Group's cost-to-income ratio improved during the year from 50.2% in Q1 2013 to 49.2% in Q1 2014. Excluding the integration costs, the cost-to-income ratio declined from 48.2% to 45.8%.

Staff expenses

The Group's staff expenses decreased by 2.8% YoY to PLN 335.5m. The fastest growth was noted in the cost of training, while the "salaries and bonuses" and "statutory deductions from salaries" line items declined as a result of the employment optimisation process.

The staff expenses of BZ WBK-Aviva TUO and BZ WBK Aviva TUnŻ contributed 0.9% to the respective expenses of the Group.

General and administrative expenses

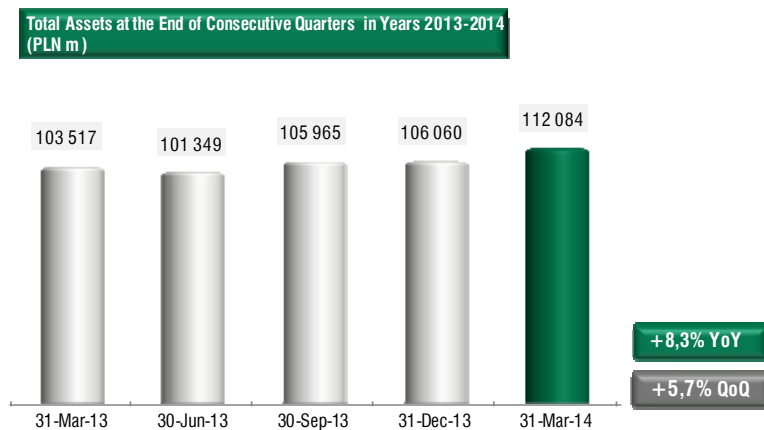
The Group's general and administrative expenses increased by 10.3% YoY to PLN 292.4m. The share of the insurance subsidiaries in the consolidated general and administrative expenses was 1.5%.

Q1 2014 saw a major increase in the cost paid to the market regulators (+30.4% YoY to PLN 32m) after implementation of the revised Banking Guarantee Fund Act in October 2013, which set up a stabilisation fund created from the prudential fees paid by the banks participating in the guarantee system. In addition, a high increase (+22.7% YoY to PLN 42.5m) was observed in the cost of IT usage on account of the greater volume of contracted programming and testing work (e.g. as part of the Mass Data Migration project) and the higher licence support fees, including the e-HR portal of the former employees of Kredyt Bank. The cost of marketing and entertainment increased (+15.9% YoY to PLN 24.2m) driven by advertising campaigns. Cars and transport services, and cash-in-transit services generated higher costs (+12.6% YoY to PLN 18.5m) as a result of more frequent trips made by employees as part of business activities conducted within the reorganised structures of the Group.

Financial position

Assets

As at 31 March 2014, total assets of Bank Zachodni WBK Group amounted to PLN 112,084.3m, and increased by 5.7% QoQ and 8.3% YoY. The value and structure of the Group's statement of financial position is mainly affected by the parent company, which accounts for 97.3% of the consolidated total assets.



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

Assets (condensed presentation for analytical purposes)	PLN m							
	31.03.2014	Structure 31.03.2014	31.12.2013	Structure 31.12.2013	31.03.2013	Structure 31.03.2013	Change QoQ	Change YoY
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers *	70 271,4	62,7%	68 132,1	64,2%	67 852,2	65,5%	3,1%	3,6%
Investment securities	21 388,2	19,1%	22 090,8	20,8%	21 529,6	20,8%	-3,2%	-0,7%
Cash and operations with Central Banks	5 925,5	5,3%	5 149,7	4,9%	5 093,6	4,9%	15,1%	16,3%
Loans and advances to banks	4 993,3	4,5%	2 212,7	2,1%	1 256,5	1,2%	125,7%	297,4%
Financial assets held for trading and hedging derivatives	3 759,4	3,3%	2 666,9	2,5%	3 203,2	3,1%	41,0%	17,4%
Fixed assets, intangibles and goodwill	3 618,1	3,2%	3 681,8	3,5%	2 697,0	2,6%	-1,7%	34,2%
Other assets	2 128,4	1,9%	2 126,0	2,0%	1 884,5	1,9%	0,1%	12,9%
Total	112 084,3	100,0%	106 060,0	100,0%	103 516,6	100,0%	5,7%	8,3%

* Includes impairment write-down.

On the consolidated assets side, in Q1 2014 the highest increases were observed as part of the ongoing management of the Group's liquidity. Loans and advances to banks (+125.7% QoQ) reflect the higher volume of business committed by the Group to the interbank money and repo market. Financial assets held for trading (a component of the aggregate line "financial assets held for trading and hedging derivatives") increased by 49.8% QoQ, reflecting a significant growth of the treasury bonds portfolio. The increase in cash and operations with central banks (+15.1% QoQ) is a result of the greater balance of funds held in the current account with NBP (+35.6% QoQ) as part of liquidity and obligatory reserve management.

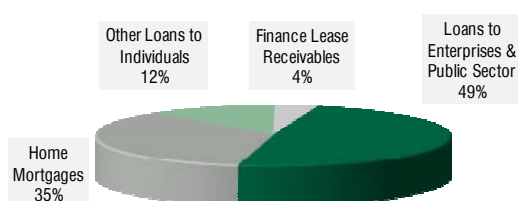
Net loans and advances to customers increased by 3.1% QoQ to reach PLN 70,271.4m at the end of March 2014, accounting for 87.7% of the deposits from non-financial entities funding them, as compared with 86.7% at the end of December 2013.

At the same time, investment securities (-3.2% QoQ) declined due to the lower value of NBP bills in the available-for-sale portfolio of debt securities. A decrease of 1.7% QoQ was also noted under "fixed assets, intangible fixed assets and goodwill", mainly as a result of the disposal of properties and the full depreciation/amortisation of certain tangible and intangible assets.

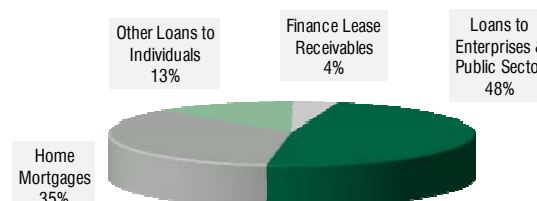
Credit portfolio

Gross Loans and Advances to Customers	31.03.2014	31.12.2013	31.03.2013	QoQ Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to enterprises and public sector customers	35 776,7	34 478,3	34 041,7	3,8%	5,1%
Loans and advances to individuals	34 199,7	34 041,4	34 448,1	0,5%	-0,7%
Finance lease receivables	3 133,0	3 052,1	2 944,9	2,7%	6,4%
Other	771,6	50,1	62,5	1440,1%	1134,6%
Total	73 881,0	71 621,9	71 497,2	3,2%	3,3%

Structure of Loans & Advances to Customers as at 31.03.2014



Structure of Loans & Advances to Customers as at 31.03.2013

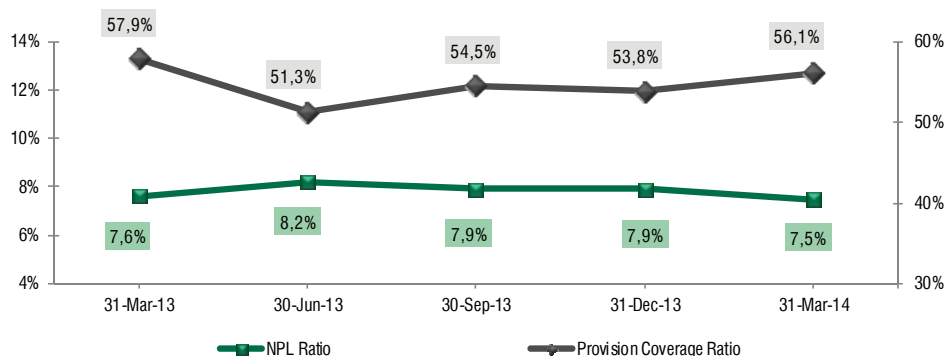


As at 31 March 2014, gross loans and advances to customers amounted to PLN 73,881.0m and were higher by 3.2% QoQ. Excluding the impact of currency rate movements, the credit portfolio increased by 2.9% QoQ.

Loans and advances to enterprises and public sector companies amounted to PLN 35,776.7m, up 3.8% QoQ due to the Group's strong lending activity, particularly in the segment of the largest enterprises. At the same time, loans and advances to individuals increased slightly to PLN 34,199.7m at the end of March 2014. Home loans, which represent the major portion of the personal portfolio, increased over Q1 2014 by 0.7% to PLN 25,474.1m with a steady growth on a month-to-month basis. The second constituent item, i.e. cash loans increased by 1.9% QoQ to PLN 5,755.3m.

As at 31 March 2014, the finance lease receivables, including the portfolio of BZ WBK Leasing and BZ WBK Lease, totalled PLN 3,133.0m, increasing by 2.7% QoQ amid the strong sales of vehicles and machines and equipment.

Credit Quality Ratios in 2013 and 2014



As at 31 March 2014, non-performing (impaired) loans to customers accounted for 7.5% of the gross portfolio vs. 7.9% three months before. The provision coverage for the NPLs was 56.1% vs. 53.8% as at 31 December 2013.

Equity and liabilities

The table below presents major developments in key categories of the consolidated equity and liabilities of Bank Zachodni WBK Group at the end of March 2014 versus 31 December 2013 and 31 March 2013.

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	31.03.2014	Structure 31.03.2014	31.12.2013	Structure 31.12.2013	31.03.2013	Structure 31.03.2013	Change QoQ	Change YoY
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	80 114,0	71,5%	78 543,0	74,1%	77 109,6	74,5%	2,0%	3,9%
Deposits from banks	10 003,8	8,9%	6 278,8	5,9%	7 056,6	6,9%	59,3%	41,8%
Financial liabilities held for trading and hedging derivatives	1 742,8	1,6%	1 644,7	1,5%	2 521,7	2,4%	6,0%	-30,9%
Subordinated liabilities	1 397,1	1,2%	1 384,7	1,3%	1 400,9	1,3%	0,9%	-0,3%
Debt securities in issue	505,5	0,4%	500,7	0,5%	-	-	1,0%	-
Other liabilities	3 445,5	3,1%	3 225,2	3,0%	1 609,7	1,6%	6,8%	114,0%
Total equity	14 875,6	13,3%	14 482,9	13,7%	13 818,1	13,3%	2,7%	7,7%
Total	112 084,3	100,0%	106 060,0	100,0%	103 516,6	100,0%	5,7%	8,3%

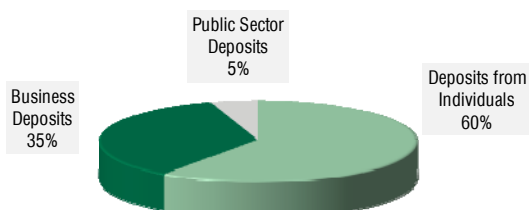
In the consolidated liabilities and equity as at 31 March 2014, the highest QoQ growth was observed in the deposits from banks (+59.3% QoQ), reflecting the Group's activity in the repo and money markets (including a short-term interbank placement for PLN 2.3bn). There was also a considerable growth (in terms of value) in the deposits from customers (+2% QoQ) under the impact of larger balances in term deposits of the business and public sector entities.

Financial liabilities held for trading and hedging derivatives increased by 6.0% QoQ as a result of new hedging relationships established. The other liabilities increased by 6.8% QoQ due to the higher interbank and branch settlements and the claims of miscellaneous creditors.

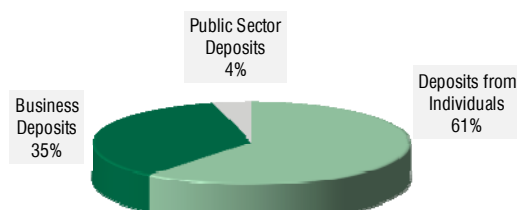
Deposit base

Deposits from Customers	PLN m				
	31.03.2014	31.12.2013	31.03.2014	Change QoQ	Change YoY
	1	2	3	1/2	1/3
Deposits from individuals	48 146,2	47 999,1	46 942,4	0,3%	2,6%
Deposits from enterprises and public sector customers	31 967,8	30 543,9	30 167,2	4,7%	6,0%
Total	80 114,0	78 543,0	77 109,6	2,0%	3,9%

Structure of Customer Deposits as at 31.03.2014



Structure of Customer Deposits as at 31.03.2013



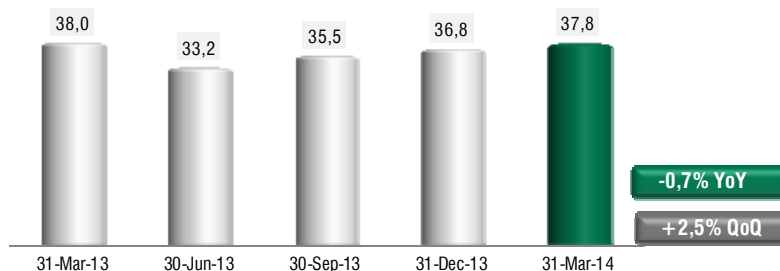
Deposits from customers, which represent 71.5% of the Group's liabilities and equity, are the primary source of funding its lending business. Compared with the end of the previous year, customer deposits increased by 2.0% QoQ to PLN 80,114.0m.

Deposits from individuals amounted to PLN 48,146.2m, staying close to the level registered at the end of 2013. The decline in term deposits (-2.7% QoQ) was amply counterbalanced by the increase in the current account balances of individual customers (+3% QoQ). In Q1 2014, a key focus was placed on building a portfolio of stable deposit base of current and term funds from customers with strong relations with the bank. At the same time, the bank continued to extend the average duration of term deposits, with an appropriate management of the interest rate schedules and implementation of new long-term products.

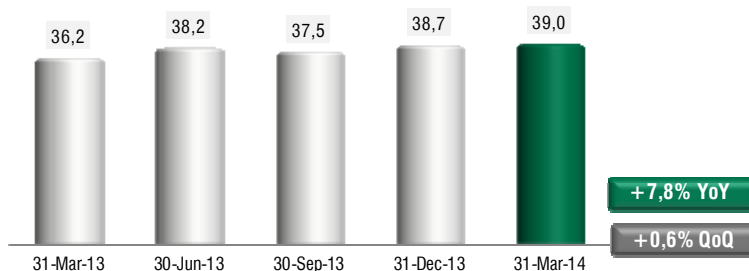
Deposits from enterprises & public sector customers increased by 4.7% QoQ to PLN 31,967.8m under the impact of term deposits (+PLN 10.5% YoY) with current account balances slightly lower (-4.0% QoQ) for both sectors.

In the total amount of deposits from customers, term deposits amounted to PLN 37,763.3m, up 2.5% QoQ, current accounts were worth PLN 38,968.2m, up 0.6% QoQ, and other liabilities increased by 14.2% QoQ to PLN 3,382.5m on account of cash collaterals and Swift payments. Other liabilities also include the loans from the European Investment Bank to finance the bank's lending activity (reported under "Loans"). Their value was relatively stable at PLN 2,257.9m as at the end of March 2014.

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



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



* including savings accounts

Selected financial ratios

Selected Financial Ratios	Q1 2014	Q4 2013	Q1 2013
Total costs/Total income ¹⁾	49,2%	44,5%	50,2%
Net interest income/Total income	60,2%	47,5%	55,6%
Net interest margin ²⁾	3,6%	3,5%	3,3%
Net commission income/Total income	30,6%	25,3%	32,0%
Customer loans/Customer deposits	87,7%	86,7%	88,0%
NPL ratio	7,5%	7,9%	7,6%
NPL coverage ratio	56,1%	53,8%	57,9%
Credit risk ratio ³⁾	1,0%	1,0%	1,1%
ROE ⁴⁾	16,6%	16,6%	12,1%
ROA ⁵⁾	1,9%	1,9%	1,5%
Capital adequacy ratio ⁶⁾	13,8%	13,9%	14,3%
Book value per share (in PLN)	159,0	154,8	147,7
Earnings per share (in PLN) ⁷⁾	4,8	7,0	4,0

1) Excluding integration costs, the adjusted cost-to-income ratio was 45.8% for Q1 2014, 38.4% for Q4 2013 and 48.2% for Q1 2013.

2) Annualised net interest income (excluding interest income from the debt trading portfolio) to average interest-bearing assets (excluding debt trading portfolio assets), net of impairment write-down.

3) Annualised impairment losses on loans and advances to average gross loans and advances to customers.

4) Annualised net profit attributable to the shareholders of BZ WBK to average equity calculated based on total equity (as at the beginning and end of the reporting period), net of the current period profit, non-controlling interests and dividend due to BZ WBK shareholders. Excluding the impact of integration costs, adjusted ROE was 18.9% as at 31.03.2014, 18.8% as at 31.12.2013 and 12.6% as at 31.03.2013.

5) Annualised net profit attributable to the shareholders of BZ WBK to average total assets.

6) The calculation of a capital adequacy ratio takes account of the equity and total capital requirements for credit, market and operational risks, using a standardised approach in line with KNF (Polish Financial Supervision Authority) Resolution no. 76/2010 of 10 March 2010 (as amended).

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

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

The most important factors that may affect the financial performance of Bank Zachodni WBK Group in the nearest future are as follows:

- Predicted further gradual improvement of economic growth in the world economy, in particular in the euro zone, which implies improving prospects for Polish exports.
- Further acceleration of the Polish economic growth with continued recovery in domestic demand, especially of investment and declining positive role of net exports.
- Favourable growth rate of real households' income due to low inflation, employment growth and gradual acceleration of wage growth.
- Stabilization of NBP's interest rates at all-time lows. Low financing costs for households and companies, which should be supportive for a gradual rise in demand for bank loans. At the same time, low interest on deposits should encourage banks' clients to look for alternative forms of saving / investing.
- Changes in the cost of asset financing depending on the pace and scale of changes in the main interest rates, changes of the zloty exchange rate, development of liquidity situation of the banking sector and intensity of price competition between the banks regarding collecting deposits.
- Possible increase in volatility of financial market in case of disappointment about the pace of global economic revival or worries about too fast pace of monetary policy tightening by the Fed.

- Risk of deteriorating economic outlook in Europe under the impact of escalation of the conflict between Russia and countries of the Western Europe due to the situation in Ukraine.
- Further developments on the global stock market and their impact on the willingness to purchase investment funds units or keeping savings in safe bank deposits as an alternative.

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

Date	Name	Function	Signature
25.04.2014	Marco Antonio Silva Rojas	Member of the Management Board	
25.04.2014	Wojciech Skalski	Financial Accounting Area Director	