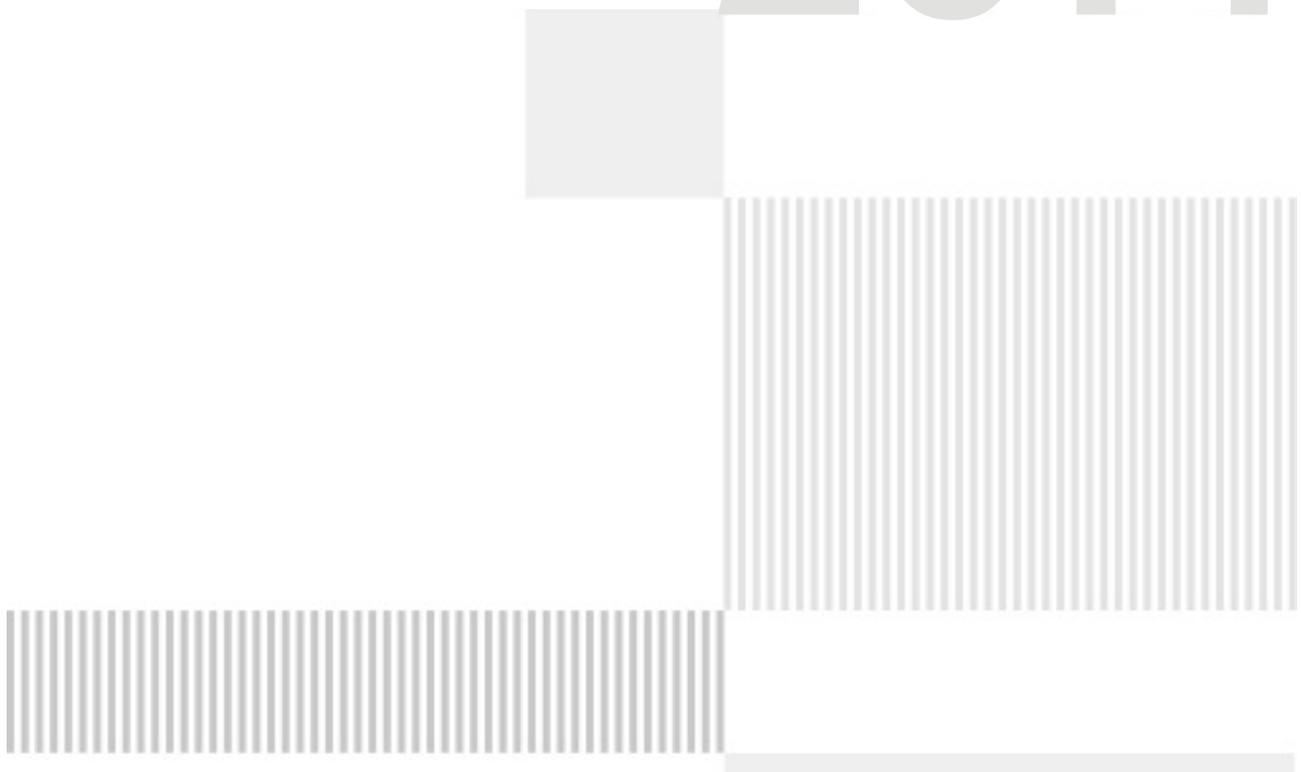


**REPORT OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 3 2014**

2014



Bank Zachodni WBK

 Grupa Santander

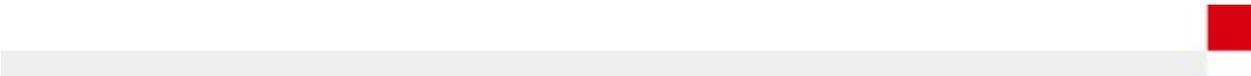
FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Consolidated financial statements of Bank Zachodni WBK Group					
I Net interest income		2 925 831	2 414 718	699 909	571 788
II Net fee and commission income		1 375 822	1 320 053	329 120	312 579
III Operating profit		1 936 735	1 668 372	463 300	395 059
IV Profit before tax		1 937 771	1 681 995	463 548	398 284
V Net profit attributable to owners of BZ WBK S.A.		1 469 481	1 330 482	351 525	315 049
VI Total net cash flow		892 867	2 502 161	213 589	592 494
VII Total assets		130 387 841	105 965 265	31 226 881	25 132 288
VIII Deposits from banks		7 787 640	11 342 679	1 865 080	2 690 197
IX Deposits from customers		93 022 956	76 188 012	22 278 279	18 069 875
X Total liabilities		112 711 196	92 218 134	26 993 461	21 871 815
XI Total equity		17 676 645	13 747 131	4 233 420	3 260 473
XII Non-controlling interests in equity		1 469 135	75 355	351 846	17 872
XIII Profit of the period attributable to non-controlling interests		81 569	22 424	19 513	5 310
XIV Number of shares		99 234 534	93 545 089		
XV Net book value per share in PLN/EUR		178,13	146,96	42,66	34,86
XVI Solvency ratio *		13,44%	14,21%		
XVII Profit per share in PLN/EUR		15,45	14,27	3,70	3,38
XVIII Diluted earnings per share in PLN/EUR		15,42	14,23	3,69	3,37
XIX Declared or paid dividend per share in PLN/EUR		10,70	7,60	2,56	1,80
Stand alone financial statements of Bank Zachodni WBK S.A.					
I Net interest income		2 536 772	2 299 002	606 840	544 387
II Net fee and commission income		1 214 425	1 157 013	290 511	273 972
III Operating profit		1 944 482	1 605 230	465 154	380 107
IV Profit before tax		1 944 482	1 605 230	465 154	380 107
V Profit for the period		1 618 298	1 307 788	387 125	309 675
VI Total net cash flow		556 469	2 502 263	133 117	592 518
VII Total assets		115 173 995	105 179 901	27 583 282	24 946 019
VIII Deposits from banks		4 999 418	11 343 314	1 197 322	2 690 348
IX Deposits from customers		86 690 160	76 364 993	20 761 624	18 111 850
X Total liabilities		98 445 793	92 131 187	23 577 007	21 851 193
XI Total equity		16 728 202	13 048 714	4 006 275	3 094 826
XII Number of shares		99 234 534	93 545 089		
XIII Net book value per share in PLN/EUR		168,57	139,49	40,37	33,08
XIV Solvency ratio *		14,43%	14,39%		
XV Profit per share in PLN/EUR		17,01	14,02	4,07	3,32
XVI Diluted earnings per share in PLN/EUR		16,98	13,99	4,06	3,31
XVII Declared or paid dividend per share in PLN/EUR		10,70	7,60	2,56	1,80
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	-	-

* In the capital adequacy area, starting from January 1st, 2014, by the decision of the European Parliament and of the EBA the new regulations of the so-called CRD IV/CRR package come into force. The CRD IV/CRR package consists of two parts, the Directive of CRD IV and the Regulation of CRR. As at September 30th, 2014 the capital ratio is calculated on the basis of own funds and total capital requirement, estimated by applying standard method for particular risks in accordance with the aforementioned recommendations.

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

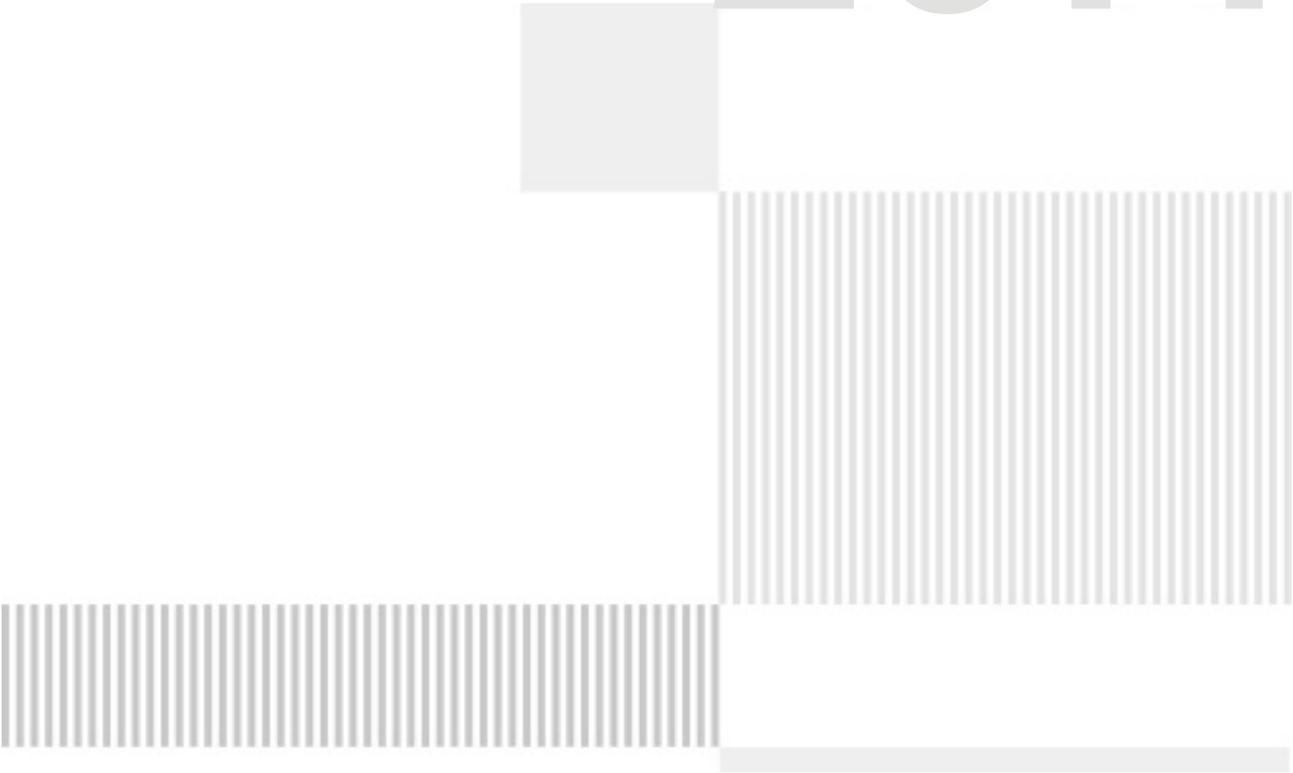
- for balance sheet items – 4.1755 PLN rate to EUR as at 30.09.2014 stated by National Bank of Poland (NBP), 4.1472 PLN rate to EUR as at 31.12.2013; 4.2163 PLN rate to EUR as at 30.09.2013
- for profit and loss items – as at 30.09.2014: 4.1803 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2014), as at 30.09.2013: 4.2231 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2013)

As at 30.09.2014, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 189/A/NBP/2014 dd. 30.09.2014.



**CONSOLIDATED FINANCIAL
STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 3 2014**

2014



Bank Zachodni WBK

 Grupa Santander

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In thousands of PLN

Consolidated income statement

for reporting period:		01.07.2014 30.09.2014	01.01.2014 30.09.2014	01.07.2013 30.09.2013	01.01.2013 30.09.2013
Interest income		1 643 323	4 145 416	1 256 948	3 974 885
Interest expense		(490 512)	(1 219 585)	(392 628)	(1 560 167)
Net interest income	Note 4	1 152 811	2 925 831	864 320	2 414 718
Fee and commission income		578 507	1 625 565	527 242	1 545 498
Fee and commission expense		(95 780)	(249 743)	(82 078)	(225 445)
Net fee and commission income	Note 5	482 727	1 375 822	445 164	1 320 053
Dividend income		353	80 224	553	58 073
Net gains/(losses) on subordinated entities		-	-	(319)	(319)
Net trading income and revaluation	Note 6	58 773	52 725	53 247	136 362
Gains (losses) from other financial securities	Note 7	11 304	66 537	107 486	288 218
Other operating income	Note 8	46 543	233 924	9 907	57 207
Impairment losses on loans and advances	Note 9	(216 044)	(551 933)	(159 150)	(552 060)
Operating expenses incl.:		(804 892)	(2 246 395)	(643 089)	(2 053 880)
<i>Bank's staff, operating expenses and management costs</i>	Notes 10, 11	(697 175)	(1 970 135)	(582 658)	(1 867 212)
<i>Depreciation/amortisation</i>		(82 449)	(223 584)	(53 563)	(167 972)
<i>Other operating expenses</i>	Note 12	(25 268)	(52 676)	(6 868)	(18 696)
Operating profit		731 575	1 936 735	678 119	1 668 372
Share in net profits (loss) of entities accounted for by the equity method		947	1 036	6 746	13 623
Profit before tax		732 522	1 937 771	684 865	1 681 995
Corporate income tax	Note 13	(156 414)	(386 721)	(139 601)	(329 089)
Consolidated profit for the period		576 108	1 551 050	545 264	1 352 906
of which:					
<i>attributable to owners of BZ WBK S.A.</i>		515 901	1 469 481	537 379	1 330 482
<i>attributable to non-controlling interests</i>		60 207	81 569	7 885	22 424
Net earnings per share (PLN/share)					
Basic earnings per share		5,42	15,45	5,76	14,27
Diluted earnings per share		5,41	15,42	5,75	14,23

Consolidated statement of comprehensive income

for reporting period:		01.07.2014 30.09.2014	01.01.2014 30.09.2014	01.07.2013 30.09.2013	01.01.2013 30.09.2013
Consolidated profit for the period		576 108	1 551 050	545 264	1 352 906
Other comprehensive income which can be transferred to the profit and loss account:		140 617	374 566	(52 452)	(391 129)
Available-for sale financial assets valuation		225 896	536 727	(128 759)	(448 594)
<i>including deferred tax</i>		(42 920)	(101 978)	24 465	85 233
Cash flow hedges valuation		(52 295)	(74 300)	64 004	(34 281)
<i>including deferred tax</i>		9 936	14 117	(12 162)	6 513
Other comprehensive income which can't be transferred to the profit and loss account:		-	(7 162)	-	-
Provision for retirement allowances – actuarial gains/losses		-	(8 842)	-	-
<i>including deferred tax</i>		-	1 680	-	-
Other comprehensive income for the period, net of income tax		140 617	367 404	(52 452)	(391 129)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		716 725	1 918 454	492 812	961 777
Attributable to:					
<i>owners of BZ WBK S.A.</i>		655 223	1 835 630	484 915	939 348
<i>non-controlling interests</i>		61 502	82 824	7 897	22 429

In thousands of PLN

Consolidated statement of financial position

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

In thousands of PLN

Movements in consolidated equity

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

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

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

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

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2012	746 376	5 704 680	872 400	1 560 911	93 347	8 977 714
Other comprehensive income which can be transferred to the profit and loss account	-	-	(391 134)	1 330 482	22 429	961 777
Issue of shares	189 075	4 354 765	-	-	-	4 543 840
Transfer to other capital	-	720 311	-	(720 311)	-	-
Dividend relating to 2012	-	-	-	(710 943)	(40 421)	(751 364)
Share scheme charge	-	15 174	-	-	-	15 174
Other	-	(10)	-	-	-	(10)
As at 30.09.2013	935 451	10 794 920	481 266	1 460 139	75 355	13 747 131

As at the end of the period revaluation reserve in the amount of PLN 481 266 k comprises of debt securities and equity shares classified as available for sale of PLN 38 510 k and PLN 403 234 k respectively and additionally cash flow hedge activities of PLN 39 522 k.

In thousands of PLN

Consolidated statement of cash flows

	for the period	01.01.2014- 30.09.2014	01.01.2013- 30.09.2013
Profit before tax		1 937 771	1 681 995
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(1 036)	(13 623)
Depreciation/amortisation		223 584	167 972
Impairment losses		1 616	(377)
Gains (losses) on exchange differences		(493)	(5 097)
(Profit) loss from investing activities		(66 318)	(288 127)
		2 095 124	1 542 743
Changes:			
Provisions		(23 575)	(19 053)
Trading portfolio financial instruments		18 971	(1 001 328)
Loans and advances to banks		434 552	(232 355)
Loans and advances to customers		(4 953 114)	(1 833 843)
Deposits from banks		(862 045)	4 269 963
Deposits from customers		7 357 106	(1 900 199)
Other assets and liabilities		494 192	60 935
		2 466 087	(655 880)
Interests and similar charges		(51 518)	(111 044)
Dividend received		(72 441)	(58 073)
Paid income tax		(439 576)	(347 418)
Net cash flow from operating activities		3 997 676	370 328
Inflows		157 144 039	152 664 767
Sale/maturity of investment securities		157 054 473	152 604 590
Sale of intangible assets and property, plant and equipment		17 125	2 104
Dividend received		72 441	58 073
Outflows		(159 675 749)	(149 561 214)
Purchase of investment securities		(159 517 600)	(149 486 987)
Purchase of intangible assets and property, plant and equipment		(158 149)	(74 227)
Net cash flow from investing activities		(2 531 710)	3 103 553
Inflows		992 925	22 034
Drawing of long-term loans, debt securities in issue		989 870	22 034
Proceeds from issuing/shares		3 055	-
Outflows		(1 566 024)	(993 754)
Repayment of long-term loans		(193 011)	(132 953)
Dividends and other payments to shareholders		(1 220 535)	(751 364)
Other financing outflows		(152 478)	(109 437)
Net cash flow from financing activities		(573 099)	(971 720)
Total net cash flow		892 867	2 502 161
Cash at the beginning of the accounting period		12 300 487	7 704 551
Cash acquired in a business combination		1 169 992	1 834 727
Cash at the end of the accounting period		14 363 346	12 041 439

In thousands of PLN

Income statement of Bank Zachodni WBK

	for reporting period:			
	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Interest income	1 237 350	3 663 454	1 225 168	3 876 931
Interest expenses	(389 823)	(1 126 682)	(398 884)	(1 577 929)
Net interest income	847 527	2 536 772	826 284	2 299 002
Fee and commission income	457 777	1 393 929	454 086	1 326 316
Fee and commission expenses	(62 071)	(179 504)	(62 779)	(169 303)
Net fee and commission income	395 706	1 214 425	391 307	1 157 013
Dividend income	229 522	417 913	97	132 052
Net gains/(losses) on subordinated entities	-	-	(804)	(804)
Net trading income and revaluation	43 315	58 066	52 734	134 289
Gains (losses) from other financial securities	11 304	69 123	107 521	288 285
Other operating income	11 779	79 292	10 249	56 531
Impairment losses on loans and advances	(181 303)	(518 853)	(152 220)	(529 708)
Operating expenses incl.:	(608 259)	(1 912 256)	(604 215)	(1 931 430)
<i>Bank's staff, operating expenses and management costs</i>	(539 744)	(1 729 723)	(547 672)	(1 757 728)
<i>Depreciation/amortisation</i>	(48 222)	(142 180)	(51 180)	(160 723)
<i>Other operating expenses</i>	(20 293)	(40 353)	(5 363)	(12 979)
Operating profit	749 591	1 944 482	630 953	1 605 230
Profit before tax	749 591	1 944 482	630 953	1 605 230
Corporate income tax	(110 381)	(326 184)	(128 627)	(297 442)
Profit for the period	639 210	1 618 298	502 326	1 307 788
Net earnings per share (PLN/share)				
Basic earnings per share	6,72	17,01	5,39	14,02
Diluted earnings per share	6,71	16,98	5,37	13,99

Statement of comprehensive income of Bank Zachodni WBK

	for reporting period:			
	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Profit for the period	639 210	1 618 298	502 326	1 307 788
Other comprehensive income which can be transferred to the profit and loss account:	136 714	369 017	(51 221)	(391 207)
Available-for sale financial assets valuation	222 643	531 442	(127 238)	(448 690)
<i>including deferred tax</i>	(42 302)	(100 974)	24 175	85 251
Cash flow hedges valuation	(53 860)	(75 865)	64 004	(34 281)
<i>including deferred tax</i>	10 233	14 414	(12 162)	6 513
Other comprehensive income which can't be transferred to the profit and loss account:	-	(7 162)	-	-
Provision for retirement allowances – actuarial gains/losses	-	(8 842)	-	-
<i>including deferred tax</i>	-	1 680	-	-
Other comprehensive income for the period, net of income tax	136 714	361 855	(51 221)	(391 207)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	775 924	1 980 153	451 105	916 581

In thousands of PLN

Statement of financial position of Bank Zachodni WBK

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

In thousands of PLN

Movements in equity of Bank Zachodni WBK

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

As at the end of the period revaluation reserve in the amount of PLN 1 074 791 k comprises of debt securities and equity shares classified as available for sale of PLN 523 865 k and PLN 570 103 k respectively and additionally cash flow hedge activities of PLN (17 809) k and accumulated actuarial losses -provision for retirement allowances of PLN (1 368) k.

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

As at the end of the period revaluation reserve in the amount of PLN 712 936 k comprises of debt securities and equity shares classified as available for sale of PLN 102 435 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
Other comprehensive income which can be transferred to the profit and loss account	-	-	(391 207)	1 307 788	916 581
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	-	15 174	-	-	15 174
As at 30.09.2013	935 451	10 319 461	486 014	1 307 788	13 048 714

As at the end of the period revaluation reserve in the amount of PLN 486 014 k comprises of debt securities and equity shares classified as available for sale of PLN 38 510 k and PLN 407 982 k respectively and additionally cash flow hedge activities of PLN 39 522 k.

In thousands of PLN

Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2014- 30.09.2014	01.01.2013- 30.09.2013
Profit before tax		1 944 482	1 605 230
Total adjustments:			
Depreciation/amortisation		142 180	160 723
(Profit) loss from investing activities		(77 465)	(288 136)
Impairment losses		1 626	(369)
		2 010 823	1 477 448
Changes in:			
Trading portfolio financial instruments		(98 503)	(965 261)
Loans and advances to banks		151 819	(232 355)
Loans and advances to customers		(4 583 501)	(2 273 045)
Deposits from banks		(1 279 366)	4 787 022
Deposits from customers		7 979 103	(1 947 271)
Provisions		(44 204)	(19 645)
Other assets and liabilities		(11 428)	(119 796)
		2 113 920	(770 351)
Interests and similar charges		(60 599)	(116 171)
Dividend received		(410 130)	(91 556)
Paid income tax		(374 026)	(319 636)
Net cash flow from operating activities		3 279 988	179 734
Inflows		157 483 472	152 696 599
Sale/maturity of investment securities		157 057 042	152 603 592
Sale of intangible assets and property, plant and equipment		16 300	1 451
Dividend received		410 130	91 556
Outflows		(159 515 849)	(149 558 816)
Purchase of investment securities		(159 370 762)	(149 486 987)
Purchase of intangible assets and property, plant and equipment		(145 087)	(71 829)
Net cash flow from investing activities		(2 032 377)	3 137 783
Inflows		478 055	-
Debt securities in issue		475 000	-
Proceeds from issuing/shares		3 055	-
Outflows		(1 169 197)	(815 254)
Repayment of long-term loans		(24 606)	-
Dividends and other payments to shareholders		(1 000 932)	(710 943)
Other financing outflows		(143 659)	(104 311)
Net cash flow from financing activities		(691 142)	(815 254)
Total net cash flow		556 469	2 502 263
Cash at the beginning of the accounting period		12 253 154	7 700 732
Cash acquired in a business combination		-	1 834 727
Cash at the end of the accounting period		12 809 623	12 037 722

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 30 September 2014 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" implemented by a regulation of the European Commission.

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

Accounting policies

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

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

The accounting policies have been applied consistently by Group entities.

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

Comparability with results of previous periods

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

As a result of adoption of the amendments to IAS 19 starting from 2013, the Group changed its approach to the recognition of actuarial gains/losses arising on the revaluation of the provisions for employee benefits. In these financial statements, such changes are reflected in "Other comprehensive income".

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

Changes in judgments and estimates

Compared with the consolidated financial statements for 2013, in Q3 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.	1 January 2018	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.
Amendments to IFRS 11 Joint Arrangements	Introduction of new additional guidance on accounting for the acquisition of an interest in a joint operation. The amendments define accounting for such acquisitions.	1 January 2016	The Group has not completed its analysis of changes.
Amendments to IAS 16 and IAS 38	The amendments to IAS 16 and IAS 38 establish the principle relating to consumption of the future economic benefits of an asset in respect of depreciation and amortisation. IASB clarified that revenue-based methods are not appropriate to calculate depreciation.	1 January 2016	The Group has not completed its analysis of changes.

In thousands of PLN

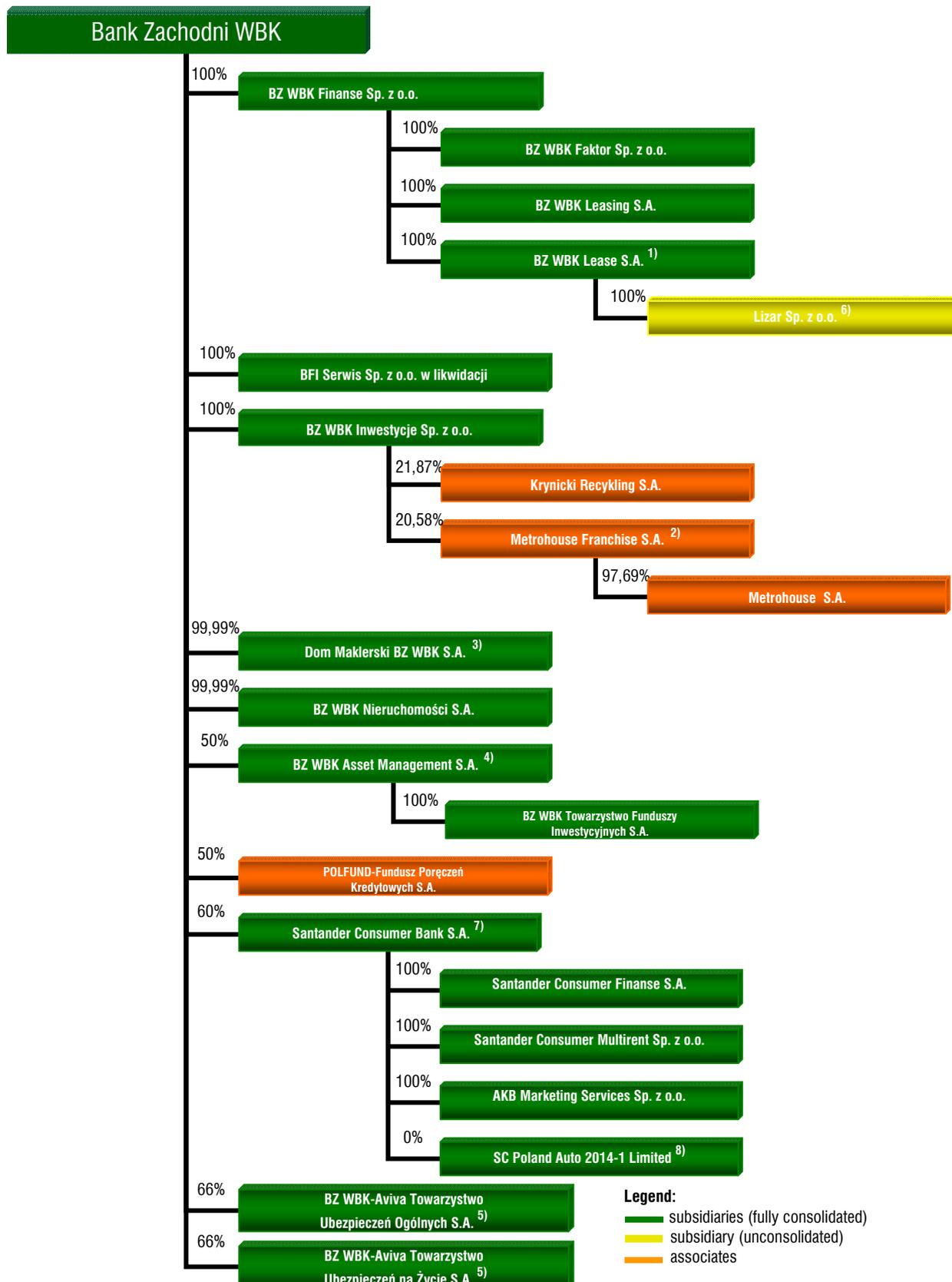
Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2014

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	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	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 30.09.2014:



In thousands of PLN

- 1) As at 31 January 2014, Kredyt Lease S.A., a subsidiary of Bank Zachodni WBK, was renamed as BZ WBK Lease S.A.. All the other identification details of the company, including its registered office address, NIP, REGON and KRS numbers remained unchanged.
- 2) In September 2014, the shares of Metrohouse S.A. were contributed to Metrohouse Franchise S.A. in exchange for the newly issued shares of MHF. As a result, on 30 September 2014, BZ WBK Inwestycje Sp. z o.o. held 20.58% stake in Metrohouse Franchise S.A.
- 3) On 12 June 2014, an agreement was signed, whereby BZ WBK purchased one share of Dom Maklerski BZ WBK S.A. from BZ WBK Finanse. As a result of the transaction, the Bank holds 100% of the Brokerage House's share capital and 100% voting rights in the Brokerage House. The share purchase price is equal to the par value of the share, i.e. PLN 100.
- 4) As at 30 September 2014, Bank Zachodni WBK was a co-owner of BZ WBK Asset Management S.A., together with Banco Santander S.A. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK exercises control over the company and its subsidiary, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Consequently, the company is treated as a subsidiary.
- 5) Detailed information on the controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. (General Insurance Company) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. (Life Insurance Company) are described in Note 36.
- 6) Lizar Sp. z o.o. – subsidiary unconsolidated due to irrelevance of their business operations and financial data .
- 7) On 1 July 2014, Bank Zachodni WBK completed the acquisition of the controlling stake in Santander Consumer Bank S.A. ("Group SCB").
- 8) S.C. Poland Auto 2014-1 Limited set up for the purpose of securitisation of a part of the loan portfolio; its shareholders are foreign individuals who have no ties with the Group; the company is controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7.

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

The scope of activities Santander Consumer Bank includes amongst other:

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

Additional SCB subsidiaries activities are:

AKB Marketing Services Sp. z o.o. - operations ancillary to banking activities,

Santander Consumer Multirent Sp. z o.o. - Leasing activities (finance & operating)

Santander Consumer Finanse S.A. - the Company's core business is investing cash surpluses and co-operation with Bank Zachodni WBK and Warta as a financial agent.

SC Poland Auto 2014-1 Limited - Special purpose vehicle set up for the purpose of issuing asset backed securities

3. Segment reporting

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

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

In thousands of PLN

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.

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

Santander Consumer

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

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

In thousands of PLN

Consolidated statement of financial position (by business segment)

30.09.2014	Segment ALM i					Total
	Retail Banking	Business & Corporate Banking	Global Banking & Markets	Operacji Centralnych	Santander Consumer	
Loans and advances to customers	43 958 225	22 197 796	6 791 987	42 972	11 973 671	84 964 651
Investments in associates and joint ventures	14 129	-	21 764	28 587	-	64 480
Other assets	5 682 872	720 170	6 205 228	29 462 114	3 288 326	45 358 710
Total assets	49 655 226	22 917 966	13 018 979	29 533 673	15 261 997	130 387 841
Deposits from customers	61 754 110	13 995 572	8 259 149	2 498 001	6 516 124	93 022 956
Other liabilities and equity	3 902 471	1 825 574	3 382 282	19 508 685	8 745 873	37 364 885
Total equity and liabilities	65 656 581	15 821 146	11 641 431	22 006 686	15 261 997	130 387 841

Consolidated income statement (by business segments)

01.01.2013-30.09.2013	Business & Global Banking &				ALM and Centre	Total
	Retail Banking	Corporate Banking	Markets			
Net interest income	1 460 272	479 531	87 687	387 228	2 414 718	
incl. internal transactions	6 494	(97 780)	18 795	72 491	-	
Other income	1 026 428	173 179	254 690	347 224	1 801 521	
incl. internal transactions	38 783	34 364	(73 970)	823	-	
Dividend income	-	-	1 493	56 580	58 073	
Operating costs	(1 393 151)	(211 346)	(142 078)	(139 333)	(1 885 908)	
incl. internal transactions	(1 659)	(3 884)	(3 268)	8 811	-	
Depreciation/amortisation	(108 895)	(17 395)	(8 964)	(32 718)	(167 972)	
Impairment losses on loans and advances	(355 655)	(196 301)	(10 334)	10 230	(552 060)	
Share in net profits (loss) of entities accounted for by the equity method	12 289	-	689	645	13 623	
Profit before tax	641 288	227 668	183 183	629 856	1 681 995	
Corporate income tax					(329 089)	
Non-controlling interests					(22 424)	
Profit for the period					1 330 482	

In thousands of PLN

01.07.2013-30.09.2013	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Net interest income	519 392	166 756	31 704	146 468	864 320
incl. internal transactions	2 095	(34 463)	5 513	26 855	-
Other income	350 131	45 100	91 909	128 345	615 485
incl. internal transactions	12 485	9 811	(26 643)	4 347	-
Dividend income	-	-	456	97	553
Operating costs	(458 808)	(61 165)	(47 255)	(22 298)	(589 526)
incl. internal transactions	(768)	(1 716)	(1 238)	3 722	-
Depreciation/amortisation	(34 173)	(5 639)	(2 869)	(10 882)	(53 563)
Impairment losses on loans and advances	(110 579)	(41 252)	(11 466)	4 147	(159 150)
Share in net profits (loss) of entities accounted for by the equity method	5 773	-	543	430	6 746
Profit before tax	271 736	103 800	63 022	246 307	684 865
Corporate income tax					(139 601)
Non-controlling interests					(7 885)
Profit for the period					537 379

Consolidated statement of financial position (by business segment)

30.09.2013	Retail Banking	Business & Corporate Banking	Global Banking & Markets	ALM and Centre	Total
Loans and advances to customers	42 186 104	22 178 521	5 283 889	39 124	69 687 638
Investments in associates and joint ventures	75 406	-	20 602	28 250	124 258
Other assets	3 512 440	712 232	4 083 758	27 844 939	36 153 369
Total assets	45 773 950	22 890 753	9 388 249	27 912 313	105 965 265
Deposits from customers	54 988 395	13 386 374	5 431 236	2 382 007	76 188 012
Other liabilities and equity	2 694 073	2 067 547	2 841 899	22 173 734	29 777 253
Total equity and liabilities	57 682 468	15 453 921	8 273 135	24 555 741	105 965 265

In thousands of PLN

4. Net interest income

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Interest income				
Loans and advances to enterprises	453 607	1 292 201	426 316	1 308 759
Loans and advances to individuals, of which:	829 257	1 831 841	509 254	1 573 579
<i>Home mortgage loans</i>	243 675	644 334	200 869	642 245
Debt securities incl.:	190 630	563 027	179 724	611 170
<i>Investment portfolio available for sale</i>	184 783	531 391	164 864	574 084
<i>Trading portfolio</i>	5 847	31 636	14 860	37 086
Leasing agreements	45 492	121 587	38 614	126 087
Loans and advances to banks	27 926	78 957	23 381	82 412
Public sector	3 590	11 530	4 553	16 886
Reverse repo transactions	9 498	20 809	1 501	12 291
Interest recorded on hedging IRS	83 323	225 464	73 605	243 701
Total	1 643 323	4 145 416	1 256 948	3 974 885
Interest expenses				
Deposits from individuals	(254 165)	(662 515)	(220 028)	(927 754)
Deposits from enterprises	(119 029)	(316 075)	(100 368)	(403 067)
Repo transactions	(22 289)	(57 089)	(31 361)	(85 023)
Deposits from public sector	(26 010)	(67 828)	(21 919)	(83 561)
Deposits from banks	(15 472)	(24 723)	(4 928)	(20 767)
Subordinated liabilities and issue of securities	(53 547)	(91 355)	(14 024)	(39 995)
Total	(490 512)	(1 219 585)	(392 628)	(1 560 167)
Net interest income	1 152 811	2 925 831	864 320	2 414 718

In thousands of PLN

5. Net fee and commission income

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Fee and commission income				
eBusiness & payments	147 764	454 769	160 020	454 938
Current accounts and money transfer	77 674	230 180	76 694	229 901
Asset management fees	66 935	194 839	65 716	194 426
Foreign exchange commissions	85 263	242 781	78 762	216 763
Credit commissions	83 477	215 584	54 239	170 452
Insurance commissions	50 357	82 037	25 067	77 390
Brokerage commissions	21 438	63 321	24 285	79 720
Credit cards	26 678	87 766	22 736	64 974
Off-balance sheet guarantee commissions	10 152	31 428	9 396	26 044
Finance lease commissions	1 787	5 150	1 240	4 228
Issue arrangement fees	898	1 999	2 512	6 216
Distribution fees	2 510	8 226	3 084	12 446
Other commissions	3 574	7 485	3 491	8 000
Total	578 507	1 625 565	527 242	1 545 498
Fee and commission expenses				
eBusiness & payments	(42 255)	(113 664)	(42 745)	(116 749)
Distribution fees	(7 287)	(22 331)	(8 746)	(25 033)
Brokerage commissions	(2 854)	(10 584)	(4 012)	(12 247)
Credit cards	(302)	(13 602)	(3 599)	(10 502)
Asset management fees and other costs	(1 809)	(6 300)	(1 634)	(5 660)
Finance lease commissions	(4 542)	(11 692)	(3 279)	(8 642)
Credit commissions paid	(20 524)	(23 935)	(1 983)	(6 811)
Other	(16 207)	(47 635)	(16 080)	(39 801)
Total	(95 780)	(249 743)	(82 078)	(225 445)
Net fee and commission income	482 727	1 375 822	445 164	1 320 053

6. Net trading income and revaluation

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Net trading income and revaluation				
Derivative instruments and interbank fx transactions	39 327	(18 309)	45 286	117 836
Other FX related income	7 745	56 816	6 677	10 286
Profit on market maker activity	186	1 250	736	2 144
Profit on equity instruments	-	-	-	6 128
Profit on debt instruments	11 515	12 968	548	(32)
Total	58 773	52 725	53 247	136 362

Net trading income and revaluation includes the value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (4 993) k for 1-3Q 2014, the write-back of adjustments PLN 5 577 k for 3Q 2014 and the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 1 667 k for 1-3Q 2013, value of adjustments of derivatives in the amount of PLN (621) k for 3Q 2013.

Net trading income and revaluation includes depreciation of adjustment to the valuation of day 1 profit or loss for start forward CIRS transactions in the amount of PLN (653) k disclosed in statement of financial position in line of Hedging derivatives and depreciation of adjustment to the valuation of day 1 profit or loss for capital option related to subsidiary entities in the amount of PLN (22 992) k disclosed in statement of financial position in line of Financial assets and liabilities held for trading.

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

In thousands of PLN

7. Gains (losses) from other financial securities

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Gains (losses) from other financial securities				
Profit on sale of equity shares	613	14 706	-	874
Profit on sale of debt securities	12 645	53 731	110 102	286 852
Charge due to impairment losses	(201)	(1 626)	-	-
Total profit (losses) on financial instruments	13 057	66 811	110 102	287 726
Change in fair value of hedging instruments	(72 036)	(174 904)	7 225	74 162
Change in fair value of underlying hedged positions	70 283	174 630	(9 841)	(73 670)
Total profit (losses) on hedging and hedged instruments	(1 753)	(274)	(2 616)	492
Total	11 304	66 537	107 486	288 218

8. Other operating income

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Other operating income				
Income on sale of services	3 814	13 343	3 287	9 960
Insurance indemnity received	165	409	(1 091)	684
Reimbursements of BGF charges	327	14 682	1 192	14 638
Release of provision for legal cases and other assets	3 121	22 130	1 490	6 090
Settlements of leasing agreements	544	1 068	728	2 594
Recovery of other receivables	1 405	8 100	(774)	480
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	(568)	5 750	(15)	8 170
Income from net insurance activities	31 821	140 285	-	-
Received compensations, penalties and fines	121	1 324	233	596
Other	5 793	26 833	4 857	13 995
Total	46 543	233 924	9 907	57 207

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

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Income from net insurance activities		
Written premiums	86 682	333 636
Reinsurers' share in written premium	(775)	(2 312)
Total premiums written and reinsurers' share in written premium	85 907	331 324
Indemnity payments and insurance benefits paid	(51 898)	(215 287)
Reinsurers' share in indemnity payments and insurance benefits paid	988	1 326
Change in the balance of premium provisions and unexpired risks provisions	7 588	26 959
Change in the balance of provisions for life insurance in respect of deductible	(9 051)	117 412
Change in the balance of provisions for life insurance in respect of deductible – reinsurers' share	(18)	1 409
Change in the balance of provisions for life insurance in respect of policyholder's risk	(1 546)	(125 003)
Net insurance benefits and indemnity payments	(53 937)	(193 184)
Other net insurance income	(149)	2 145
Net income from insurance operations	31 821	140 285

In thousands of PLN

9. Impairment losses on loans and advances

Impairment losses on loans and advances	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Collective and individual impairment charge	(231 268)	(624 369)	(159 191)	(670 283)
Incurred but not reported losses charge	9 239	39 467	226	120 058
Recoveries of loans previously written off	1 476	6 476	8 990	11 781
Off-balance sheet credit related facilities	4 509	26 493	(9 175)	(13 616)
Total	(216 044)	(551 933)	(159 150)	(552 060)

10. Employee costs

Employee costs	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Salaries and bonuses	(305 216)	(815 299)	(262 659)	(808 810)
Salary related costs	(49 466)	(143 913)	(41 689)	(140 828)
Staff benefits costs	(9 453)	(24 397)	(7 216)	(22 316)
Professional trainings	(3 671)	(9 825)	(1 943)	(5 729)
Retirement fund, holiday provisions and other employee costs	(202)	(1 548)	(845)	(2 494)
Integration costs*	(12 386)	(54 010)	(15 991)	(43 228)
Total	(380 394)	(1 048 992)	(330 343)	(1 023 405)

11. General and administrative expenses

General and administrative expenses	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Maintenance and rentals of premises	(97 017)	(267 094)	(88 203)	(271 191)
Marketing and representation	(36 692)	(96 029)	(15 201)	(52 311)
IT systems costs	(43 361)	(115 662)	(32 829)	(97 347)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(32 545)	(96 768)	(10 787)	(60 202)
Postal and telecommunication costs	(13 239)	(36 103)	(12 603)	(38 396)
Consulting fees	(9 296)	(22 333)	(6 928)	(18 356)
Cars, transport expenses, carriage of cash	(19 838)	(56 526)	(17 388)	(51 485)
Other external services	(19 569)	(54 909)	(13 830)	(44 088)
Stationery, cards, cheques etc.	(8 043)	(20 575)	(7 136)	(18 716)
Sundry taxes	(7 230)	(19 976)	(6 320)	(19 323)
Data transmission	(5 214)	(14 982)	(5 619)	(16 899)
KIR, SWIFT settlements	(4 879)	(15 488)	(5 245)	(16 090)
Security costs	(5 347)	(15 025)	(4 459)	(14 114)
Costs of repairs	(1 735)	(4 249)	(1 636)	(4 355)
Integration costs*	(7 511)	(70 053)	(20 873)	(108 155)
Other	(5 265)	(15 371)	(3 258)	(12 779)
Total	(316 781)	(921 143)	(252 315)	(843 807)

*In addition to the integration costs included in Notes 10 and 11, the amortisation/depreciation related to the cost of integration for Q1-Q3 2014 was PLN 10,390 k and PLN 1,121 k for Q1-Q3 2013.

In thousands of PLN

12. Other operating expenses

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Other operating expenses				
Charge of provisions for legal cases and other assets	(16 842)	(28 273)	(1 745)	(5 419)
Costs of purchased services	(681)	(2 272)	(438)	(976)
Other membership fees	(237)	(838)	(255)	(742)
Paid compensations, penalties and fines	(1 052)	(4 392)	(244)	(1 091)
Donation paid	(3 279)	(3 869)	(953)	(960)
Other	(3 177)	(13 032)	(3 233)	(9 508)
Total	(25 268)	(52 676)	(6 868)	(18 696)

13. Corporate income tax

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Corporate income tax				
Current tax charge	(317 053)	(690 008)	(50 738)	(326 249)
Deferred tax	160 639	303 287	(88 863)	(2 840)
Total	(156 414)	(386 721)	(139 601)	(329 089)

	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014	01.07.2013- 30.09.2013	01.01.2013- 30.09.2013
Corporate total tax charge information				
Profit before tax	732 522	1 937 771	684 865	1 681 995
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(139 179)	(368 176)	(130 124)	(319 579)
Non-deductible expenses	(8 310)	(7 457)	(4 548)	(8 443)
Sale of receivables	(5 555)	(14 097)	(844)	(16 534)
Non-tax income	7	15 051	19	10 569
Non-tax deductible bad debt provisions	1 513	(4 293)	(6 335)	(5 350)
Adjustment of prior year tax	(4 767)	(14 983)	-	4 242
Consolidation adjustments	(1 683)	5 472	1 099	1 739
Other	1 560	1 762	1 132	4 267
Total income tax expense	(156 414)	(386 721)	(139 601)	(329 089)

	30.09.2014	31.12.2013	30.09.2013
Deferred tax recognised directly in equity			
Relating to equity securities available-for-sale	(131 895)	(133 282)	(94 565)
Relating to debt securities available-for-sale	(124 461)	(24 114)	(9 033)
Relating to cash flow hedging activity	4 245	(8 956)	(9 271)
Relating to valuation of defined benefit plans	222	-	-
Total	(251 889)	(166 352)	(112 869)

14. Cash and balances with central banks

	30.09.2014	31.12.2013	30.09.2013
Cash and balances with central banks			
Cash	1 872 030	1 766 257	1 480 169
Current accounts in central banks	3 534 179	3 383 429	4 287 761
Total	5 406 209	5 149 686	5 767 930

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

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

In thousands of PLN

15. Loans and advances to banks

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

16. Financial assets and liabilities held for trading

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

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

In thousands of PLN

17. Loans and advances to customers

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

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

18. Investment securities available for sale

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

In thousands of PLN

19. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	30.09.2014	31.12.2013	30.09.2013
Balance as at 1 January	63 444	115 685	115 685
Share of profits/(losses)	1 036	16 297	13 623
Dividends	-	(5 050)	(5 050)
Reclassification*	-	(63 488)	-
Balance at the end of the period	64 480	63 444	124 258

Balance sheet value of associates and joint ventures	30.09.2014	31.12.2013	30.09.2013
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 715	42 602	42 378
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. *	-	-	34 272
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	-	-	27 006
Krynicki Recykling S.A.	17 706	16 675	16 464
Metrohouse S.A.	4 059	4 167	4 138
Total	64 480	63 444	124 258

* As at 30.09.2014 and 31.12.2013 BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. were subsidiaries of Bank Zachodni WBK, as at 30.09.2013 were joint ventures.

20. Net deferred tax assets

Deferred tax assets	30.09.2014	31.12.2013	30.09.2013
Provisions for loans	699 232	492 703	511 410
Unrealized liabilities due to derivatives	432 280	271 334	298 592
Other provisions which are not taxable costs	90 414	101 921	82 367
Deferred income	276 867	154 024	104 546
Difference between balance sheet and taxable value of leasing portfolio	143 823	90 818	94 647
Unrealised interest expense on loans, deposits and securities	169 468	46 043	130 548
Other	14 379	9 506	7 905
Total	1 826 463	1 166 349	1 230 015

Deferred tax liabilities	30.09.2014	31.12.2013	30.09.2013
Revaluation of financial instruments available for sale*	(251 341)	(166 318)	(112 870)
Unrealised receivables on derivatives	(304 279)	(242 969)	(219 432)
Unrealised interest income on loans, securities and interbank deposits	(191 949)	(148 992)	(185 313)
Provision due to application of investment relief	(3 287)	(3 402)	(3 440)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(5 337)	(3 163)	(2 769)
Difference between balance sheet and taxable value of unfinancial value assets	(2 319)	(4 742)	(5 708)
Valuation of shares/interests in subsidiaries	(86 792)	(106 961)	-
Other	(16 275)	(13 372)	(16 010)
Total	(861 579)	(689 919)	(545 542)

Net deferred tax assets	30.09.2014	31.12.2013	30.09.2013
	964 884	476 430	684 473

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

As at 30 September 2014 the calculation of deferred tax assets did not include purchased receivables of PLN 26 103 k and loans that will not be realised of PLN 95 181 k.

As at 30 September 2013 the calculation of deferred tax assets did not include purchased receivables of PLN 14 345 k and loans that will not be realised of PLN 60 933 k.

In thousands of PLN

21. Assets classified as held for sale

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

22. Other assets

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

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

23. Deposits from banks

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

24. Deposits from customers

Deposits from customers	30.09.2014	31.12.2013	30.09.2013
Deposits from individuals	57 398 747	47 999 116	45 135 723
Term deposits	31 705 249	22 345 562	19 608 561
Current accounts	25 583 057	25 590 954	25 464 622
Other	110 441	62 600	62 540
Deposits from enterprises	31 778 859	27 045 417	26 769 562
Term deposits	16 588 088	13 344 322	13 770 612
Current accounts	11 653 271	10 813 018	9 896 637
Sell-buy-back transactions	328 548	166 973	134 725
Loans	2 632 670	2 256 907	2 367 384
Other	576 282	464 197	600 204
Deposits from public sector	3 845 350	3 498 449	4 282 727
Term deposits	1 704 791	1 152 427	2 133 814
Current accounts	2 131 628	2 333 530	2 144 357
Other	8 931	12 492	4 556
Total	93 022 956	78 542 982	76 188 012

In thousands of PLN

25. Subordinated liabilities

Subordinated liabilities	Redemption date	Currency	Nominal value
Tranche 1	05.08.2020	EUR	100 000
Tranche 2	16.06.2018	CHF	100 000
Tranche 3	29.06.2019	CHF	165 000
Tranche 4	31.01.2019	PLN	75 000
Tranche 5 *	14.12.2016	PLN	100 000

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

* concerns Santander Consumer Bank

In thousands of PLN

26. Debt securities in issue

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	30.09.2014
Series A	PLBZ00000150	500 000	PLN	19.12.2016	
Series B	PLBZ00000168	475 000	PLN	17.07.2017	
SCBX00013000	not quoted	130 000	PLN	04.11.2014	
SCBX00021500	not quoted	150 000	PLN	13.04.2015	
SCB00018	not quoted	170 000	PLN	12.08.2019	
SCBP00330500	not quoted	50 000	PLN	29.01.2016	
SCBB00110150	not quoted	15 000	PLN	04.02.2015	
SCBP00350592	not quoted	59 200	PLN	12.02.2015	
SCBP00360217	not quoted	21 700	PLN	12.02.2016	
SCBB00120050	not quoted	5 000	PLN	04.02.2015	
SCBP00271466	not quoted	146 600	PLN	14.11.2014	
SCBB00090140	not quoted	14 000	PLN	19.12.2014	
SCBB00100050	not quoted	5 000	PLN	19.12.2014	
SCBP00280400	not quoted	40 000	PLN	19.12.2014	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
SCB00006	PLSNTND00034	100 000	PLN	07.08.2017	
SCBP00320280	not quoted	28 000	PLN	29.01.2015	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00010	not quoted	20 000	PLN	30.08.2017	
SCB00012	PLSNTND00042	204 000	PLN	04.10.2017	
SCB00012	PLSNTND00042	11 000	PLN	04.10.2017	
SCB00013	not quoted	25 000	PLN	27.01.2016	
SCB00014	not quoted	10 000	PLN	03.02.2016	
SCB00016	not quoted	50 000	PLN	24.02.2016	
SCB00017	PLSNTND00059	50 000	PLN	18.06.2018	
SCBP00340050	not quoted	50 000	PLN	12.02.2016	
SCBP00300111	not quoted	106 000	PLN	15.12.2015	
SCBP00260170	not quoted	144 000	PLN	20.10.2014	
SCBP00310038	not quoted	38 000	PLN	29.01.2016	
Securitization Bonds Float - Class A	XS1070423931	914 140	PLN	20.06.2025	
Securitization Bonds Float - Class B	XS1079309651	209 000	PLN	20.06.2025	
Debt securities in issue - as at the end of the period					3 570 081

In thousands of PLN

27. Other liabilities

Other liabilities	30.09.2014	31.12.2013	30.09.2013
Settlements of stock exchange transactions	49 496	32 381	107 748
Interbank and interbranch settlements	371 539	250 941	324 006
Provisions:	1 531 796	1 555 371	394 547
<i>Employee provisions</i>	309 933	293 962	252 285
<i>Provisions for legal claims</i>	49 318	45 104	45 165
<i>Provisions for off-balance sheet credit facilities</i>	88 253	95 934	93 797
<i>Technical insurance provisions *</i>	1 080 992	1 117 071	-
<i>Other</i>	3 300	3 300	3 300
Sundry creditors	266 126	248 564	324 391
Other deferred and suspended income	151 527	109 395	116 915
Public and law settlements	54 081	43 081	55 663
Accrued liabilities	406 535	161 646	117 347
Finance lease related settlements	29 739	37 158	25 318
Liabilities from insurance contracts and other*	4 215	1 387	984
Share purchase mandate adjustment *	699 072	684 288	-
Total	3 564 126	3 124 212	1 466 919

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

In thousands of PLN

Change in provisions	30.09.2014	31.12.2013	30.09.2013
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	66 507	1 304 489	186 902
Employee provisions	39 567	95 282	94 766
Provisions for legal claims	8 809	28 961	28 961
Provisions for off-balance sheet credit facilities	18 131	63 175	63 175
Technical insurance provisions	-	1 117 071	-
Other	-	-	-
Provision charge	350 496	545 803	389 767
Employee provisions	208 817	280 953	193 376
Provisions for legal claims	11 912	2 449	2 155
Provisions for off-balance sheet credit facilities	129 767	262 401	194 236
Technical insurance provisions	-	-	-
Other	-	-	-
Utilization	(222 163)	(255 718)	(224 986)
Employee provisions	(223 003)	(255 042)	(224 528)
Provisions for legal claims	(228)	(460)	(452)
Provisions for off-balance sheet credit facilities	1 068	(216)	(6)
Technical insurance provisions	-	-	-
Other	-	-	-
Write back	(218 415)	(258 745)	(184 224)
Employee provisions	(9 410)	(10 942)	(2 194)
Provisions for legal claims	(16 279)	(1 758)	(1 411)
Provisions for off-balance sheet credit facilities	(156 647)	(246 045)	(180 619)
Technical insurance provisions	(36 079)	-	-
Other	-	-	-
Other changes	-	(7 154)	392
Employee provisions	-	(7 154)	-
Provisions for legal claims	-	-	-
Provisions for off-balance sheet credit facilities	-	-	392
Other	-	-	-
Balance at the end of the period	1 531 796	1 555 371	394 547
Employee provisions	309 933	293 962	252 285
Provisions for legal claims	49 318	45 104	45 165
Provisions for off-balance sheet credit facilities	88 253	95 934	93 797
Technical insurance provisions	1 080 992	1 117 071	-
Other	3 300	3 300	3 300

In thousands of PLN

28. Fair value

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

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

Assets	30.09.2014		31.12.2013		30.09.2013	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	5 406 209	5 406 209	5 149 686	5 149 686	5 767 930	5 767 930
Loans and advances to banks	3 478 761	3 478 761	2 212 704	2 212 704	2 991 521	2 991 521
Financial assets held for trading	3 466 586	3 466 586	2 344 901	2 344 901	2 489 967	2 489 967
Hedging derivatives	230 872	230 872	321 956	321 956	270 342	270 342
Loans and advances to customers	84 964 651	85 284 663	68 132 143	68 703 474	69 687 638	-
Investment securities	26 535 786	26 535 786	22 090 764	22 090 764	20 554 714	20 554 714
Investments in associates and joint ventures	64 480	64 480	63 444	63 444	124 258	124 258
Liabilities						
Deposits from banks	7 787 640	7 789 243	6 278 797	6 278 797	11 342 679	11 342 679
Hedging derivatives	807 877	807 877	367 524	367 524	557 758	557 758
Financial liabilities held for trading	2 085 957	2 085 957	1 277 162	1 277 162	1 112 599	1 112 599
Subordinated liabilities	1 509 717	1 671 983	1 384 719	1 623 024	1 409 577	1 713 602
Deposits from customers	93 022 956	93 010 755	78 542 982	78 518 847	76 188 012	-

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 30.09.2014 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 30.09.2014 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.09.2014	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 621 231	1 845 355	-	3 466 586
Hedging derivatives	-	230 872	-	230 872
Financial investment assets - debt securities	12 771 709	12 898 313	-	25 670 022
Financial investment assets - equity securities	28 804	-	836 960	865 764
Total	14 421 744	14 974 540	836 960	30 233 244
Financial liabilities				
Financial liabilities held for trading	646 036	1 439 921	-	2 085 957
Hedging derivatives	-	807 877	-	807 877
Total	646 036	2 247 798	-	2 893 834

31.12.2013	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	900 016	1 444 885	-	2 344 901
Hedging derivatives	-	321 956	-	321 956
Financial investment assets - debt securities	10 995 044	10 222 332	-	21 217 376
Financial investment assets - equity securities	36 852	-	836 536	873 388
Total	11 931 912	11 989 173	836 536	24 757 621
Financial liabilities				
Financial liabilities held for trading	255 133	1 022 029	-	1 277 162
Hedging derivatives	-	367 524	-	367 524
Total	255 133	1 389 553	-	1 644 686

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

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
30.09.2014				
Beginning of the period	-	-	836 536	-
Profits or losses	-	-	(122)	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	(122)	-
Purchase	-	-	2 272	-
Sale	-	-	(100)	-
Matured	-	-	-	-
Impairment	-	-	(1 626)	-
Transfer	-	-	-	-
At the period end	-	-	836 960	-

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	653 579	(74 182)
Profits or losses	-	-	197 029	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	197 029	-
Purchase	-	-	1 000	-
Sale	-	-	(14 302)	-
Matured	-	-	-	-
Impairment	-	-	(2 081)	-
Transfer	(178 107)	(1 237 344)	1 311	74 182
At the period end	-	-	836 536	-

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

In thousands of PLN

29. Contingent liabilities

Significant court proceedings

As at 30.09.2014 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 370 199 k, which is ca 2.09% of the Group's equity. This amount includes PLN 177 217 k claimed by the Group, PLN 175 519 k in claims against the Group and PLN 17 463 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.09.2014 the amount of significant court proceedings which had been completed amounted to PLN 141 497 k.

As at 30.09.2013 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 357 456 k, which is ca 2.60% of the Group's equity. This amount includes PLN 108 955 k claimed by the Group, PLN 187 373 k in claims against the Group and PLN 61 128 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.09.2013 the amount of significant court proceedings which had been completed amounted to PLN 57 715 k.

Off-balance sheet liabilities

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

Contingent liabilities - sanctioned	30.09.2014	31.12.2013	30.09.2013
Liabilities sanctioned			
- financial	17 969 762	17 592 801	16 461 563
- credit lines	15 350 206	15 229 838	14 245 494
- credit cards debits	2 234 245	1 875 032	1 842 089
- import letters of credit	385 311	441 505	295 090
- term deposits with future commencement term	-	46 426	78 890
- guarantees	4 292 555	3 822 213	3 858 884
Total	22 262 317	21 415 014	20 320 447

In thousands of PLN

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

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

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

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

31. Basis of FX conversion

As at 30.09.2014, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 189/A/NBP/2014 dd. 30.09.2014.

In thousands of PLN

32. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Bank Zachodni WBK General Meeting as at the publication date of the condensed interim consolidated report for Q3 2014 /4.11.2014/ are Banco Santander S.A. and ING Otworthy Fundusz Emerytalny.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	4.11.2014	31.07.2014	4.11.2014	31.07.2014	4.11.2014	31.07.2014	4.11.2014	31.07.2014
Banco Santander S.A.	68 880 774	65 481 563	69,41%	65,99%	68 880 774	65 481 563	69,41%	65,99%
ING Otworthy Fundusz Emerytalny	5 110 586	-	5,15%	-	5 110 586	-	5,15%	-
SCF S.A.	-	5 383 902	-	5,42%	-	5 383 902	-	5,42%
Other	25 243 174	28 369 069	25,44%	28,59%	25 243 174	28 369 069	25,44%	28,59%
Total	99 234 534	99 234 534	100,00%	100,00%	99 234 534	99 234 534	100,00%	100,00%

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

No. of Bank Zachodni WBK shares held and rights to them	As at 04.11.2014	As at 31.07.2014	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	58 166	45 297	12 869

Management Board members	04.11.2014		31.07.2014	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki	13 711	3 857	13 711	-
Andrzej Burliga	4 888	2 204	4 888	-
Eamonn Crowley	1 003	2 094	4 003	-
Michael McCarthy	1 075	2 424	4 875	-
Juan de Porras Aguirre	-	2 217	-	-
Piotr Partyga	2 855	2 094	2 855	-
Marcin Prell	-	1 983	4 404	-
Marco Antonio Silva Rojas	-	2 704	-	-
Mirosław Skiba	5 857	2 248	5 857	-
Feliks Szyszkowski	4 704	2 248	4 704	-
Total	34 093	24 073	45 297	-

In thousands of PLN

34. Related party disclosures

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

In thousands of PLN

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

In thousands of PLN

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

Transaction details

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

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

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

In addition, pursuant to the Purchase Agreement, following the completion of the transaction, the parties shall use their best endeavours to waive the current privileges with respect to the shares in SCB to cause that the bank will hold 60% of the share capital of SCB and 60% of the votes at its General Meeting.

Assets and liabilities as at the acquisition date

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

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

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

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

Non-controlling interest

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

In thousands of PLN

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

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

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

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

Transaction description

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

Assets and liabilities recognised at the acquisition date

On 31 December 2013 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. 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

In thousands of PLN

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.

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.

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

The completion of the Bank transfer is conditional upon: AVIVA and the Bank obtaining consent from the European Commission for the completion of the Bank Transfer; and AVIVA and Aviva plc obtaining the expressed or implied declaration of the fact that the Polish Financial Supervision Authority does not oppose the Bank transfer.

In thousands of PLN

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

Acquisitions and disposals of investments in subsidiaries, associates and joint ventures in Q3 2014 and in Q3 2013.

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

Acquisition of controlling interest in Santander Consumer Bank S.A. has been described in detail in Note 35.

Registration of Metrohouse Franchise S.A.

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

In September 2014, the shares of Metrohouse SA were contributed to Metrohouse Franchise SA in exchange for the newly issued shares of MHF. As a result, on 30 September 2014, BZ WBK Inwestycje Sp. z o.o. held 20.58% stake in Metrohouse Franchise SA.

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

On 4 January 2013 (date of merger) the Bank registered the business combination of Bank Zachodni WBK and Kredyt Bank.

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

As at the date of publication of the consolidated report of Bank Zachodni WBK Group for Q3 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.

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 36.

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.

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

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

In thousands of PLN

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

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

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

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

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

In the reporting period no such changes were made.

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

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

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

Detailed information on:

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

are presented in Notes 35,36 and 37.

In thousands of PLN

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

30.09.2014

Issue of own bonds of Bank Zachodni WBK

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

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

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

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

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

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

30.09.2013

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

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

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

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

Information on the merger of Bank Zachodni WBK and Kredyt Bank is presented in Note 37.

45. Dividend per share

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

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

In thousands of PLN

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

As at 30.09.2014 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totaling a minimum of 10% of the issuer's equity.

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

As at 30.09.2014 and as at 30.09.2013, 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.

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

From 1 January 2014 to 30 September 2014, Bank Zachodni WBK sold properties located in Wrocław, Nowa Ruda, Poznań, Krosno Odrzańskie, Warszawa, Głogów, Elk and Konin.

The sales proceeds amounted to PLN 9 107 k. No significant fixed assets were sold or bought by the subsidiaries. There were no significant liabilities arising from purchase of fixed assets either.

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

Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK

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

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

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

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

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

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

In thousands of PLN

Notification from Banco Santander S.A.

Bank Zachodni WBK S.A. disclosed as public information the notification received from Banco Santander S.A. on 7 October 2014 regarding the decrease of Banco Santander's share in the total number of votes at the general meeting of the shareholders of the Bank from 71.41% to 69.41% in relation to the settlement of the accelerated book building regarding the shares in Bank Zachodni WBK S.A. on 6 October 2014.

The transaction was effected as a result of Banco Santander's undertaking toward the Polish Financial Supervisory Authority made in connection with obtaining the PFSA's approval for the merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A. to keep the free float of the Bank's shares at a level not lower than 30%.

Notification from ING Otwarty Fundusz Emerytalny

Bank Zachodni WBK S.A. informed that on 9 October 2014 it received from ING Otwarty Fundusz Emerytalny the notification on Bank's shares acquisition and on the percentage share in the total number of votes gained because of this acquisition, i.e. notification on exceeding 5% of the total number of votes at the Bank's General Meeting of Shareholders.

On 9 October 2014, on securities account of ING Otwarty Fundusz Emerytalny 5,110,586 Bank's shares were stored, which represents 5,15 % of the Bank's share capital. These shares entitle to 5,110,586 votes at the Bank's General Meeting of Shareholders, which represents 5,15 % of the total number of votes.

Last stage of integration of Bank Zachodni WBK with former Kredyt Bank

On 25-26 October 2014, Bank Zachodni WBK completed the last stage of integration with former Kredyt Bank. Customer data, product and services were migrated on the BZ WBK platform. KB24 and KNet users were provided access to BZWKB24/Moja Firma Plus/Mini Firma electronic banking platforms.

Since 27 October 2014, all customers of former Kredyt Bank have been handled using a single IT system of Bank Zachodni WBK. Following the migration of data, products and services onto the BZ WBK platform, all products and regulations have been standardised. The account numbers or terms of use of payment cards and ATMs have not changed. All BZ WBK customers may now avail of a comprehensive and uniform offer without the need for any further changes.

The Bank took every effort to ensure that the change has the least possible impact on customer experience and that the process is automated. The transfer of data of former Kredyt Bank customers to the BZ WBK IT systems was a success. It was the last stage of the integration process.

The results of AQR and stress test of Bank Zachodni WBK S.A.

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

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

At the end of 2013 BZ WBK's Core Tier 1 ratio was 12.55%, well above the requirements of the Financial Supervision Commission which sets the minimum Core Tier 1 level at 9%.

The post AQR adjustment to Capital is not material and equates to an impact of 0.53% to the BZ WBK Group's Core Tier 1 capital ratio. Combining the AQR and stress test results (under severe adverse conditions) together, the BZ WBK Group's Core Tier 1 ratio increases by 1.19%.

50. Macroeconomic situation in Q3 2014 r.

Economic growth

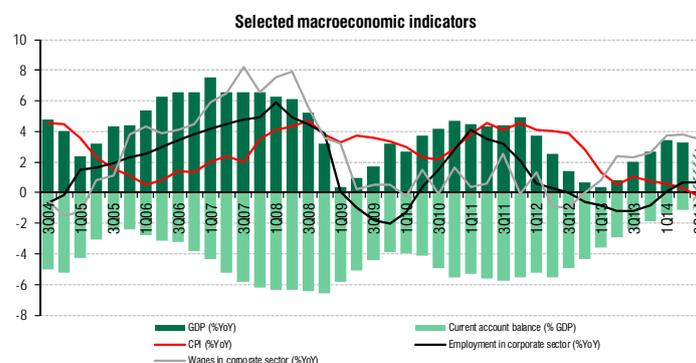
In H1 2014, the Polish economy grew by more than 3% YoY (3.4% YoY in Q1 and 3.3% YoY in Q2), fuelled mostly by domestic demand, including high growth of investment (10.7% YoY and 8.4% YoY in Q1 and Q2, respectively). However, in early Q3 2014 the economic environment changed – the euro zone went into stagnation and Russia introduced counter-sanctions against the European Union. This undermined the external demand for Polish products and weighed on the country's economic prospects. The available data for Q3 show that these factors have affected the Polish economy, causing a slowdown in the economic activity. In August, industrial output and exports showed negative growth on a year-on-year basis. On the other hand, good numbers from the labour market support forecasts of private consumption, while money supply data suggest high demand of companies for investment loans. This is suggesting that the growth in Q3 was mostly supported by domestic demand, while the contribution of net exports was most likely negative. Thus, the slowdown in GDP growth was not considerable and declined only slightly below 3% YoY. However, further deterioration of global economic prospects may negatively affect domestic demand, especially private investment.

Labour market

In Q3, the labour market continued the improvement started in mid-2013. The average employment in the corporate sector was increasing gradually, and higher demand for employees was generated mostly by industrial manufacturing and retail sales. Tendencies in other sectors remained weak. The registered unemployment rate reached ca. 11.5% at the end of the quarter, i.e. 1.5 p.p. less than a year earlier. So far, the pace of improvement in the labour market continues to strengthen, but deterioration of prospects for exports and industrial manufacturing may weigh on the demand for labour. Wages in the corporate sector increased on average by 3.5% YoY in Q3, which significantly supported households' purchasing power.

Inflation

Inflationary pressure was very low throughout Q3 2014, under the impact of still relatively weak economic growth and deflationary tendencies outside Poland. The Russian embargo on food from the European Union was another factor supporting the decline in prices, as it caused an oversupply of food products in the Polish and EU market. In July, CPI inflation fell below zero, for the first time since the economic transformation, and amounted to -0.3% YoY on average in Q3. The core inflation, excluding food and energy prices, was at 0.5% YoY and PPI inflation at -1.7% YoY in Q3.



Monetary policy

Interest rates were stable in Q3 2014, but monetary policy prospects changed significantly. Change in the external economic environment encouraged the Monetary Policy Council to withdraw its declaration made in July to keep rates flat until the end of Q3 2014 (forward guidance). In September, the MPC stated that higher uncertainty about the economic activity in Poland and the lower pace of the inflation's return to the target are an argument for an interest rate cut.

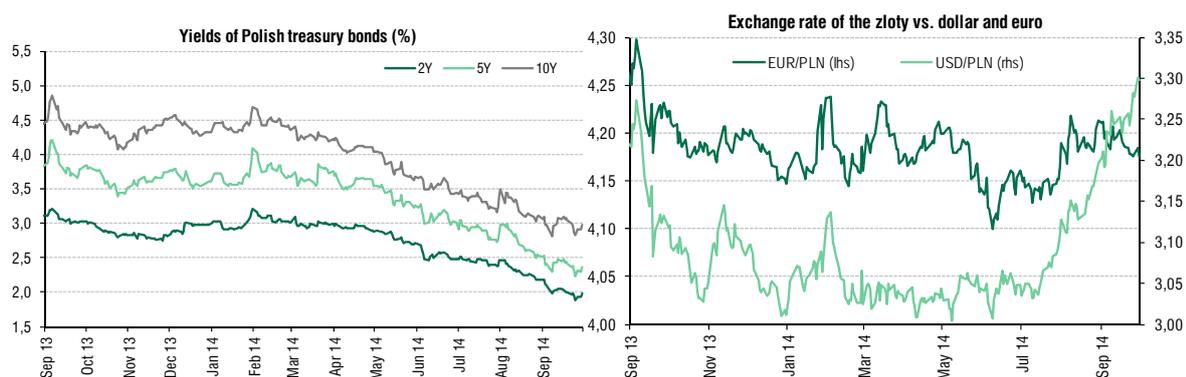
Credit and deposit markets

In Q3 2014, positive tendencies in the loan market continued. Companies' investment loans grew by ca. 10% YoY and working capital loans by ca. 4% YoY. Property loans were underperforming, still showing a negative growth rate. Loans in the household sector advanced by ca. 5% YoY, with home loans adding 4% YoY and consumer loans 7% YoY. The growth rate of the total deposit market increased to 6-7% YoY.

Financial market

In Q3 2014, the global financial markets were mostly driven by expectations about the prospects of the main central banks' monetary policy (less dovish Fed rhetoric and suggestion that rates in the US may be hiked earlier than expected, further easing by the ECB and start of asset purchases) as well as by worries about the escalation of the conflict in Ukraine, tension in the Middle East and results of the independence referendum in Scotland.

The Polish interest rate and debt market was strengthening and yields were setting new all-time lows. Polish assets were supported by the expectations of the NBP rate cuts under the impact of weaker economic data, interest rate cut by the ECB and weaker global economic outlook, which also supported the core debt markets. Domestic bond yields slid by 50-60bp in the course of Q3. At the start of July, EUR/PLN was oscillating close to 4.15 but in early August the domestic currency depreciated to 4.19 amid worries about the conflict in the East and weak data from the domestic economy. Later, EUR/PLN was stable and ran close to 4.19 until the end of September. Changes versus the dollar were more significant given a strong decline of EUR/USD. USD/PLN climbed from ca. 3.04 at the start of July to ca. 3.29 at the end of September.



51. Activities of Bank Zachodni WBK Group in Q3 2014

In 3Q 2014, the main business segments of Bank Zachodni WBK Group kept a strong focus on new customer acquisition and business volume growth, while continuing endeavours to build a customer-centric organisation and win an increasing recognition as a first-choice bank for customers.

Retail Banking

Offer for standard personal customers

Personal loans

Cash loans

In Q3 2014, cash loan sales were fairly steady on the previous quarter while on a year-on-year basis increased by 8%. The sales activities were accompanied by the "Affordable Cash Loan" multi-media campaign run in the period from 22 August to 25 September 2014. The campaign promoted the Duet Cash Loan bearing a special interest rate of 12% p.a. or 6% p.a. depending on whether it is taken out by one borrower or two co-borrowers. The loan attracted a lot of interest from customers and contributed significantly to the bank's sales.

Mortgage loans

On 28 July 2014, the bank's mortgage loan proposition was expanded to include the Home for the Young loan with a subsidised down-payment as set out in the Act of 27 September 2013 on the state subsidy for first time home buyers.

As part of a special offer, customers with CHF or CHF-indexed mortgage loans may now prepay or convert the loan to PLN at mean NBP rate.

In Q3 2014, mortgage sales (calculated as the value of positive credit decisions) reached PLN 981.2m, which was close to the all-time high levels recorded in Q2 2014 and up 23% YoY.

Personal accounts and bundled products

Personal current accounts

In Q3 2014, Bank Zachodni WBK acquired new customers by means of the existing personal account offering, including Account Worth Recommending (Konto Godne Polecenia), Account 1|2|3 and VIP Account. In the period under review, the total of 100.5k personal accounts were sold.

Debit cards

In Q3 2014, debit cards of former Kredyt Bank customers were replaced with cards handled by the target systems of Bank Zachodni WBK.

Bank Zachodni WBK debit card holders were offered an opportunity to manage the limits for their cash, non-cash and online transactions within the maximum limits set by the bank for individual types of cards.

In July 2014, the bank's proposition was expanded to include MasterCard Smartcard, i.e. an ID card with payment functionality (debit card) for students, PhD students or academics which is issued at the universities as part of the Santander Universidades Programme. The Santander Universidades Package prepared for the Smartcard users includes the Account Worth Recommending (that can be accessed with the Smartcard), and optionally BZWBK24 Internet electronic banking services and MasterCard Omni card. MasterCard Smartcard may also be used as a public transport ticket, a library card or a parking card. In addition, it offers access to various bonus programmes.

Pre-paid cards

In order to increase the brand awareness and maintain the leadership position in the pre-paid card market in terms of innovative solutions, in Q3 2014, the bank issued two new pre-paid cards (My First Card for the youth and Holiday Card), engaged in a number of media events (including as a co-organiser of the Open'er Festival in Gdynia) and launched new special offers involving pre-paid cards. The bank also continued to streamline the pre-paid card sales processes.

As at 30 September 2014, the portfolio of Bank Zachodni WBK comprised 815.7k pre-paid cards. The growth in the number of cards (+37% YoY) was coupled with an increase in the activity of pre-paid card users.

Savings and investment products

Deposits

In Q3 2014, Bank Zachodni WBK took measures to enhance the acquisition of new customers and deposits, and strengthen the relationships with customers. On 18 August 2014, the bank launched New Easy Earning Deposit (Nowa Lokata Swobodnie Zarabiająca) with a tenor of four months and interest rate of 4% p.a., which was earmarked for new deposit customers. In order to build the relationship with respective customers, the New Easy Earning Deposit was made available on a special offer called "4% Guaranteed Interest" which enabled active personal account and credit card users to renew their deposits on the existing terms. In addition, the bank increased the maximum interest rates for new funds on the negotiated deposits and extended the tenor of the high-paying Mobile Deposit (Lokata Mobilna) to four months. The improved deposit offer was underpinned by a marketing campaign delivered by the bank using bank branches, mesh banners and ATM screens.

Structured deposits

In Q3 2014, the bank continued to sell structured deposits with a wide variety of tenors and underlying instruments to suit the customers' needs.

Standard personal customers were offered 6-, 12- and 24-month deposits with yields linked to exchange rates (EUR/PLN or USD/PLN) or stock indices (FTSE100, S&P500 and SX5E). All deposits provided 100% capital protection at maturity. In the reporting period, the bank offered 27 products in the total of 15 subscriptions. In all, PLN 235.4m worth of funds were deposited.

Investment funds

In Q3 2014, customers of BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI) were particularly interested in Treasury bond and corporate bond sub-funds. Consequently, the strongest net sales were posted by the following sub-funds: Arka BZ WBK Obligacji Korporacyjnych (corporate bond sub-fund), Arka BZ WBK Obligacji Skarbowych (treasury bond sub-fund), Arka Prestiż Obligacji Korporacyjnych (corporate bond sub-fund), Arka Prestiż Obligacji Skarbowych (treasury bond sub-fund) and Arka BZ WBK Obligacji Plus (bond sub-fund).

As at 30 September 2014, the total net assets managed by BZ WBK TFI were PLN 12.2bn and increased by 10.5% YoY and 3.6% QoQ.

BZ WBK TFI decided to withdraw from the special investment programme Arka Optima, which offered mechanisms to mitigate the risk of equity fund investments. The product was available until 10 October 2014.

Offer for VIP customers

Deposit and investment products

In Q3 2014, Bank Zachodni WBK focused on strengthening the relationship with VIP customers, in particular the existing and prospective depositors. VIP customers were offered deposits linked with other products, including Deposit with Card (Lokata z Kartą), Deposit for Investor (Lokata dla Inwestora) and negotiated deposits with yields depending on the scope of relationship with the bank.

VIP customers could also avail of the newly-launched 4-month New Easy Earning Deposit open to all personal customers with new funds available.

In addition, the bank launched 12-month structured deposits with yields linked to USD/PLN rate. In Q3 2014, the bank offered 14 structured deposits in the total of 7 subscriptions for VIP personal customers.

Priority Pass Programme

On 15 September 2014, Bank Zachodni WBK launched Priority Pass Programme for VIP segment under which platinum credit card holders (Visa Platinum and Visa Platinum Porsche) are offered Priority Pass and may use VIP airport lounges worldwide.

Offer for Private Banking customers

As at the end of September 2014, the investments made by customers handled by the Wealth Management Department totalled PLN 8.3bn, an increase of PLN 0.6bn QoQ. The largest share in the structure of assets managed on behalf of Private Banking customers was held by shares, term deposits and investment funds.

Due to attractive interests, term deposits were the most popular products in Q3 2014 and made a significant contribution to the Group's total deposit base. Despite the adverse external factors, the domestic equity market went up, attracting more investments on the stock exchange. The bank also offered corporate bonds, reducing the customer investment risk by selecting securities that meet specific criteria.

Offer for small companies

In September 2014, Bank Zachodni WBK was granted EUR 100m worth of credit line by the European Investment Bank (EIB) to finance credit delivery in the SME sector (for more information see "Diversification of funding sources for the bank's core business"). EIB-funded loans attract a lot of interest from customers due to the relatively low interest rate.

At the conference held by Bank Gospodarstwa Krajowego on 15 September 2014 to sum up the first 18 months of the state-subsidised de minimis programme, Bank Zachodni WBK was named the second best bank in terms of sales of de minimis guarantees, boasting a 20% share in terms of number and a 15% share in terms of value of the guarantees granted.

In July 2014, debit cards for business customers offered by former Kredyt Bank were replaced with MasterCard Business Debit PayPass.

Leasing offer

During the first three quarters of 2014, BZ WBK Leasing and BZ WBK Lease financed PLN 2,089.1m worth of net assets, which is 35.8% higher YoY and exceeds the market growth rate. A particularly pronounced growth was recorded in the vehicles segment, where the sales of cars, trucks and large vehicles reached PLN 965.7m (+43% YoY). Sales of machines and equipment went up by 31.7% YoY to PLN 1,096m (on the back of, inter alia, performance in the agriculture sector), which strengthened the company's leadership position in the machines and equipment financing market.

During the 16th Agro Show held in September 2014, BZ WBK Leasing presented subsidised finance schemes launched in cooperation with Kubota, a Japanese tractor and heavy equipment manufacturer. The Kubota Finance scheme ensures flexible and optimum financing, taking into account the characteristics of Kubota products as well as customers' needs.

Business & Corporate Banking

Delivery of customer-centric strategy

In Q3 2014, the Business & Corporate Banking Division continued to grow its business and improve the quality of service in pursuit of the customer-centric strategy adopted by the bank. A number of solutions were devised and implemented to enhance the experience of corporate customers and streamline credit delivery, operational support and quality & information management processes. The following initiatives are particularly noteworthy:

- Improved efficiency of customer acquisition and modification of the customer onboarding process;
- New monitoring process in the credit support system;
- Introduction of a new marketing and sales strategy with respect to the sealed envelope deposit offer for business and corporate customers;
- Enhanced operational support for trade finance products (in particular transactions secured with a cash deposit) and introduction of a solution to make prepayments under import letters of credit;
- Modification of lending rules for large corporate customers, financial institutions and public sector;
- Further streamlining of the credit delivery process and rating models;
- Implementation of a new sales model for term deposits offered to customers without a current account with the bank.

With a view to facilitating transaction execution and communication with customers, the Business & Corporate Banking Division offered new services in dedicated distribution channels:

- e-mail – option to place instructions via e-mail;
- IVR – access to the bank's products and services over the phone;
- e-applications in iBiznes24 – option to submit instructions via iBiznes24 e-banking platform;
- execution of documents without the presence of the bank's employee – signing and dispatch of documents from remote locations;
- new functionality of iBiznes24 platform – set-up of account groups and transaction filtering.

Access to EIB credit line for corporate customers

On 30 September 2014, corporate customers were offered access to EUR 100m worth of credit line granted by the European Investment Bank (EIB) to Bank Zachodni WBK this year.

Business growth of Business & Corporate Banking

The Business & Corporate Banking Division has closed the 3Q 2014 with good momentum in all its business segments. The Division continues to build its strategy on enhanced service quality delivered to customers, improved banking proposition and business growth. Further development of loan volumes has resulted in 10% Ytd growth, which is higher than the market. The increase of 12% in the total assets of the Corporate Banking Centres is a combination of loan, leasing and factoring growth. With good dynamics in key fees, cross-sell triggers an increase in non-credit fees (+12% YoY), trade revenues (+25% Y/Y) and interest revenues (+31% YoY). The Division has also outperformed the market significantly with 10% Ytd growth in deposits, Q3 proving to be the strongest quarter. Continued focus on new deals and new customers is reflected in the dynamics of new agreements signed, but also in new customer acquisition - revenues from new customers has grown by 113% YoY. Dynamic growth was also noted in new leasing transactions (+55% YoY after nine months) and new factoring agreement signed (+42% YoY after nine months).

Factoring Business

In Q3 2014, the turnover of BZ WBK Faktor came in at PLN 3,638.9m, up by 13% YoY. On a year-to-date basis, it amounted to PLN 10,399.5m and increased by 31% YoY, much exceeding the market growth rate (16.3% YoY). The vast majority of the factoring volume was generated by BZ WBK customers. The above performance gave the company a market share of 13% and enabled it to keep the third position in the ranking of the members of the Polish Association of Factoring Companies. At the end of September 2014, the company's credit exposure was PLN 2,038.6m and higher by 29% YoY.

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 September 2014, the active GBM customer base included nearly 150 companies and groups from energy, financial, FMCG, pharmaceutical, retail, mining, chemical and household appliance sectors.

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

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 cash management in current accounts and deposits, and financing of working capital needs. The offer also includes trade finance, guarantees, factoring, leasing and custodian services.

In Q3 2014, the bank provided financing to companies from the energy, pharmaceutical, shipbuilding and financial sectors. It also actively cooperated with companies from the fuel, retail, food, mining and construction sectors as regards other products and services. The bank closed a number of deals, mainly in relation to financing, guarantees and trade finance.

As at 30 September 2014, the loan-book of the Global Transactional Banking, defined as a sum of open credit lines, totalled almost PLN 3bn, up by 5.9% YoY and 3.4% Ytd. Furthermore, an increase was noted in the factoring business volumes from GBM customers, in particular companies operating in the retail sector.

The value of balances in customer deposits and current accounts reached PLN 7.1bn at the end of September 2014, i.e. up by 52.8% YoY and 57.1% Ytd.

Financial Solutions and Advisory

Corporate Finance

In Q3 2014, the Corporate Finance Department provided analytical and advisory services to customers and was engaged as a financial/transactional advisor for companies from the financial and construction sectors.

Under the agreement with the European Investment Bank, the Department managed the Urban Regeneration Fund for Greater Szczecin (JESSICA Programme). Ca. 50% of the credit line was drawn at the end of Q3 2014.

Credit Markets

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

In Q3 2014, the GBM Credit Markets Department closed big financing deals with companies from the mining and gas sector. The first transaction was concluded at the global level in collaboration with Santander US. In addition, the GBM Credit Markets Department provided funding towards customers from the telecom, mining, power, fuel and financial sectors.

As at 30 September 2014, the value of the loan-book under the above-mentioned business line totalled PLN 4.3bn, an increase of 39% YoY and 43.9% Ytd. The value of the loan-book, defined as a sum of open credit lines, climbed to nearly PLN 6.6bn.

In Q3 2014, the Department worked closely with the Business & Corporate Banking Division as regards financing for business customers (including the public sector).

Financial Markets

Treasury

In Q3 2014, the Treasury 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 Treasury closed a number of interest rate and currency hedge deals in relation to mid- and long-term financing agreements concluded by GBM customers. Its performance was also largely affected by income from currency transactions with corporate customers.

Dom Maklerski BZ WBK

The performance of Dom Maklerski BZ WBK (DM BZ WBK; Brokerage House) after three quarters 2014, as measured by the stock trading volumes in the main WSE markets, was as follows:

- DM BZ WBK share in the equity market totalled 6.9% and declined by 0.6 p.p. YoY. Higher share in trading in 2013 was attributed to the brokerage services related to the sale of the stake in Bank Zachodni WBK held by Banco Santander and KBC NV. With this performance, the Brokerage House climbed one notch to the 4th position on the equity market.
- The share in the futures market amounted to 8.8%, i.e. down 2.6 p.p. YoY. The derivative market is increasingly driven by institutional investors who are not strongly represented in the customer portfolio of the Brokerage House. In addition, the trading volumes of personal customers are curtailed by the new contracts with a PLN 20 multiplier. At the end of September 2014, the Brokerage House was ranked 4th on the futures market (vs. 3rd position after Q3 2013).
- The share in the options markets went up by 6.4 p.p. YoY to 18.6% in the wake of an increased activity of retail customers of the Brokerage House. The company secured the 3rd position on the options market (compared with the 4th place at the end of September 2013).

Pursuant to KNF consent of 10 June 2014 for Bank Zachodni WBK to conduct a brokerage activity, the bank worked intensively towards division of the Brokerage House and incorporation of its organised part into the bank's structures (for details refer to "Completed and pending changes in the structure of Bank Zachodni WBK Group"). In relation to the planned integration of the stockbroking business, a project was launched to create a competitive brokerage offer for retail, corporate and business customers. The establishment of a brokerage product line within Bank Zachodni WBK structures will strengthen the bank's position in the Polish financial services market and increase its role as a local service centre for Santander Group customers.

Santander Consumer Bank Group

Loans

As at 30 September 2014, gross loans and advances of Santander Consumer Bank Group were PLN 13,541.6m and up 5% YoY and 1% QoQ. The growth was driven by increasing sales of cash loans and credit cards. Consumer loans came in at PLN 7,128.0m in total, an increase of 19.2% YoY and 3.6% QoQ.

Strong performance in the car leasing segment in Q3 2014 secured the Group the 9th place in the ranking of companies offering the lease of vehicles up to 3.5t.

Deposits

The deposit base of Santander Consumer Bank Group of PLN 6,516.1m as at the end of September 2014 was dominated by retail deposits which grew by 3.5% YoY to PLN 5,350m. In Q3 2014, the balance of deposits was stable, with the largest share of term deposits maturing in excess of 1 year. The value of retail customer deposits went up, whereas the value of corporate customer deposits decreased on the back of securitisation which replaced this source of funding.

Other

In Q3 2014, the car loans offer of Santander Consumer Bank was awarded the Good Brand title, based on the votes of customers of financial institutions. The ranking was published by Biznes Trendy of Rzeczpospolita daily in cooperation with Forum Biznesu of Dziennik Gazeta Prawna daily. The Good Brand awards were held under the patronage of the Polish Academy of Sciences.

Selected Distribution Channels

Branch Network and Complementary Channels

As at 30 September 2014, Bank Zachodni WBK had a network of 803 branches (physical locations). The number of outlets reduced by 27 on 31 December 2013 and by 33 on 30 September 2013. The lower number of branches is the outcome of optimisation processes, involving restructure or liquidation of outlets (with or without their de-registration from the National Court Register).

The bank's branch network was complemented with 116 Partner outlets (113 outlets as at the end of December 2013 and 110 outlets as at the end of September 2013).

ATMs/Cash-Deposit Machines

At the end of September 2014, the ATM network of Bank Zachodni WBK comprised 1,374 machines (1,385 as at the end of December 2013; 1,406 as at the end of September 2013). In Q3 2014, the bank continued the process of rationalisation of ATMs taken over from former Kredyt Bank, mainly through their relocation to more frequented places.

In Q3 2014, the network of cash deposit machines of Bank Zachodni WBK increased by 48 to 151 machines as at 30 September 2014.

Mobile Banking

On 1 September 2014, Bank Zachodni WBK launched a new version of the BZWBK24 mobile application, whose extended functionality allows customers to:

- buy public transport tickets in further cities in Poland (altogether, the service is available in 119 cities)
- book accommodation, using the "Mobile Purchasing" feature, via one of the leading booking services - hotele.pl.

In Q3 2014, a number of campaigns took place to promote BZWBK24 mobile, including "Free Public Transport Days", "Free Parking Days" (involving reimbursement, in whole or in part, of the payments made using BZWBK24 mobile in the promotional period). Customers could also buy tablets with a free access to BZWBK24 mobile for 24 months.

Internet Banking

On 20 September, the bank introduced a new version of BZWBK24 Internet. Its key new features include:

- new layout – improved legibility of the site and easier navigation;
- improved functionality of populating fund transfers with details from the list of defined beneficiaries;
- an additional tab in "Settings", which allows users to quickly check or change their cards limits (for both credit and debit cards);
- possibility to unlock PIN by contacting the Call Centre over the phone, without having to visit a branch.

Telephone Banking Centre

In Q3 2014, the Telephone Banking Centre (CBT) carried out the following initiatives:

- expanded helpline services available on 1 9999 with deposit and credit products (including mortgages);
- set up an On-Line Advisor Team with a responsibility for customer service in the Virtual Branch, and centralised all contact channels between customers and the bank;
- introduced customer service in sign language via the video-chat channel;
- ensured 24/7 availability of the bank's products by leveraging the potential of the Service Teams, whose members work at night and at weekends and bank holidays;
- continued the ECHO quality survey to evaluate customer satisfaction with their co-operation with the bank and with the helpline services as a method of constant improvement of service quality.

Employment

As at 30 September 2014, the number of FTEs in Bank Zachodni WBK Group was 12,044 vs. 12,240 as at 30 June 2014 and 12,612 as at 31 December 2013 (including inactive FTEs). The 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.

The headcount at Santander Consumer Bank was 2 686 FTEs (including inactive FTEs) as at 30 September 2014.

Completed and pending changes in the structure of Bank Zachodni WBK Group

Acquisition of 60% stake in Santander Consumer Bank

Under the investment agreement of 27 November 2013 between Bank Zachodni WBK, Santander Consumer Finance (SCF) and Banco Santander, and the agreement of 1 July 2014 between Bank Zachodni WBK and SCF on the acquisition of shares of Santander Consumer Bank (SCB) through a private placement and in-kind contribution, on 1 July 2014, Bank Zachodni WBK S.A. acquired 3,120,000 ordinary and preference shares of Santander Consumer Bank S.A. (SCB) of Wrocław, with a nominal value of PLN 100 each, representing 60% of the share capital of SCB and approximately 67% of votes at the General Meeting of SCB shareholders.

In exchange for a non-cash contribution of the shares of SCB, the bank issued 5,383,902 L series shares with a nominal value of PLN 10 each for a total issue price of PLN 2,156,414,268. The issue price of a single share was set at PLN 400.53.

The parties to the transaction agreed to use all endeavours to ensure that they would eliminate the preference feature of the SCB shares, whereby the bank would have 60% share in the registered capital and in the number of votes at the General Meeting of SCB.

The transaction was finalised after fulfilment of a number of conditions precedent laid down in the investment agreement, presented in the bank's current reports and in the "Management Board's Report on the Activities of Bank Zachodni WBK in the First Half of 2014".

The transaction was concluded in furtherance of the obligation that Banco Santander S.A. undertook towards the Polish Financial Supervision Authority (KNF), namely to use its best endeavours to make SCB a direct subsidiary of Bank Zachodni WBK.

The acquisition of the SCB shares is a long-term investment for Bank Zachodni WBK that is intended to strengthen the bank's position as the third strongest banking institution in Poland and as a supplier of high-quality solutions for different segments of the banking services sector in Poland.

Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK

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

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

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

On 31 October 2014, the Brokerage House was removed from the National Court Register without a liquidation procedure and a new company, Gieldokracja Sp. z o.o., was registered.

The Brokerage House is now a stand-alone unit of the bank, providing stockbroking services and acting formally as a brokerage office.

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

Exercise of the call option for a 17% stake in BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.

In accordance with the agreements of 1 August 2013 between Bank Zachodni WBK S.A., Aviva International Insurance Ltd (Aviva), BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. (BZ WBK-Aviva TUnż S.A.) and BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. (BZ WBK-Aviva TUO S.A.), Aviva was granted an option to purchase from the Bank 17% stake in either insurance company.

As agreed, on 18 September 2014, Bank Zachodni WBK S.A. was advised by Aviva about the exercise of the call option for 17% stake in BZ WBK-Aviva TUnż S.A. and BZ WBK-Aviva TUO S.A. Closing of the share transfer transaction is conditional on:

- the European Commission's consent given to Aviva and the bank for the conclusion of the transaction;
- confirmation given to Aviva and Aviva plc, directly or indirectly, that the Polish Financial Supervision Authority does not object to the contemplated share transfer transaction.

Changes in the share capital of Bank Zachodni WBK in Q3 2014 and after the end of the reporting period

Share capital increase through the issue of series K and L shares

As part of the IV Incentive Scheme for the years 2011-2013, the bank allocated to the Group employees, in a private placement, 305,543 series K ordinary bearer shares with a nominal value of PLN 10.00 each. With the corresponding record entered to the National Court Register on 11 July 2014, the bank's share capital was increased by PLN 3,055,430 to PLN 938,506,320.

In accordance with the investment agreement of 27 November 2013 and the agreement of 1 July 2014 providing for the acquisition of SCB shares by Bank Zachodni WBK through a private placement and an in-kind contribution (for details, see the section "Acquisition of 60% stake in SCB"), Bank Zachodni WBK issued 5,383,902 series L ordinary shares with an issue price of PLN 2,156,414,268. The shares were offered to and taken up by SCF in exchange for an in-kind contribution of 3,120,000 ordinary and preference shares of SCB with a nominal value of PLN 100 each, constituting 60% of the share capital of SCB and approx. 67% of votes at the SCB's General Meeting. On registration of the series L shares in the National Court Register, on 18 July 2014, the bank's share capital was increased by PLN 53,839,020 to PLN 992,345,340.

As a result of the issue of series K and L shares, Banco Santander S.A. became a direct owner of the shares representing 65.99% of the share capital and votes at the General Meeting of Bank Zachodni WBK, and indirectly – through its subsidiary SCF – held 5.42% in the entity. The share capital increase resulting from the two issues was fully paid up.

On 6 August 2014, the Management Board of the Warsaw Stock Exchange (WSE) adopted Resolution no. 893/2014 admitting to the WSE Main Market series K and L ordinary bearer shares. The shares were admitted to trading on 8 August 2014, i.e. after their registration by the National Depository of Securities under number PLBZ00000044.

Sale of series L shares by SCF to Banco Santander

On 13 August 2014, Banco Santander acquired from SCF a block of shares of Bank Zachodni WBK representing 5.42% of the share capital and the total number of votes at the latter's General Meeting, thus increasing its direct stake in the bank from 65.99% to 71.41%.

Sale of Bank Zachodni WBK shares through an accelerated book-building

On 30 September 2014, Banco Santander commenced the sale of 1,984,691 of Bank Zachodni WBK shares (representing 2.0% of the bank's share capital and total number of votes at the General Meeting) through an accelerated book-building.

Deutsche Bank AG, London Branch, Dom Maklerski BZ WBK S.A. and UBS Ltd. acted as global co-ordinators and joint book-builders for the transaction, and Deutsche Bank AG, London Branch and UBS Ltd. acted as underwriters.

The shares were offered solely to eligible institutional investors from the EEA member states.

On 6 October 2014, as a result of settlement of the transaction, the share of Banco Santander in the total number of votes at the bank's General Meeting reduced from 71.41% to 69.41%.

The transaction fulfilled the commitment made by Banco Santander towards KNF in the process of applying for the regulator's consent for the merger between Bank Zachodni WBK and Kredyt Bank, whereby the parent bank promised to maintain at least 30% of shares of Bank Zachodni WBK in free-float.

Excess of a 5% stake in the bank's share capital by ING Open-Ended Pension Fund

On 9 October 2014, ING Open-Ended Pension Fund (ING OFE) advised that it had acquired shares in Bank Zachodni WBK that resulted in exceeding 5% share in the total number of votes at the bank's General Meeting. There were a total of 5,110,586 shares of the bank registered on the Fund's securities account, representing 5.15% of the bank's share capital and a total number of votes at its General Meeting.

Diversification of funding sources for the bank's core business

Issue of own bonds

On 17 July 2014, Bank Zachodni WBK issued 475,000 bearer bonds with a nominal value of PLN 1,000 each. The bonds were issued in a private placement with a variable interest rate (WIBOR + 1.0% p.a.) and a 3-year maturity. All the bonds with a total value of PLN 475m were taken up by the bondholders.

On 29 July 2014, the Management Board of the Warsaw Stock Exchange adopted Resolution no. 862/2014 on introducing the bonds to the Catalyst alternative trading system.

Agreement with the European Investment Bank

On 8 September 2014, a drawing was made under the agreement of 17 June 2014 between Bank Zachodni WBK and European Investment Bank (EIB). The agreement provided for a EUR 100m worth of credit line to be used for financing credit delivery to SME and corporate clients. The facility is to be repaid in bullet within seven years.

This is the eighth agreement of Bank Zachodni WBK S.A. with EIB. The total amount of original credit liabilities indicated in the agreements signed so far is PLN 650m.

Progress in delivery of strategic programmes

Finalisation of the Migration Programme

By mid-September 2014, the bank completed the migration of accounts and products of the corporate and GBM clients from the systems of the former Kredyt Bank to the target systems of the merged organisation. Within 12 months, nearly 3 thousand accounts were transferred from the two segments.

In Q3 2014, intensive preparations were underway for the migration weekend (planned for 25-26 October). As part of the process, all the products of personal and SME customers were migrated from the systems of the former Kredyt Bank to the integrated systems of Bank Zachodni WBK. It was the last phase of the merger of the two banks, which ensured the same processes and procedures in servicing all the bank's customers.

The migration covered the data of more than 1 million personal customers and 65 thousand SMEs, the former customers of Kredyt Bank. The customers were advised well in advance of the forthcoming changes and its benefits such as increased security standards and access to the Bank Zachodni WBK S.A. electronic and mobile banking solutions: BZWBK24, BZWBK Mini Firma, BZ WBK Moja Firma+ and iBiznes24.

The Next Generation Bank Programme

In Q3 2014, as part of the Next Generation Bank Programme, the bank started the "Multi-Channel CRM" project, whose objective is to work out a business approach and tools supporting the bank's customer-centric strategy. The concepts adopted for implementation include campaign models that take into account the sales channels preferred by customers, automatic selection of customers to be covered by the campaign and a launch of event and multi-step campaigns. Talks are being held with IT vendors as the solutions proposed require deep technological changes. Concurrently, proposals were being developed with respect to customer activation and onboarding, which do not require such changes.

The existing project streams continued the efforts commenced in the previous quarters. The Retail Banking adjusted its linkage metrics (introduced in Q1 2014) to the model used by Santander Group and continued ongoing simplification of processes and procedures. The Corporate Banking introduced new solutions to improve customer service quality, and the GBM together with the Business & Corporate Banking Division elaborated new customer propositions. In the HR stream work was continued to enhance leadership styles, redefine managerial roles and implement a new approach to employee development.

52. Overview of Bank Zachodni WBK Group performance after three quarters of 2014

Financial and business highlights

Significant movements in the individual line items of the consolidated financial statements of Bank Zachodni WBK Group for Q3 2014 are largely attributable to the incorporation of financial data of the new subsidiaries controlled by the bank, i.e. BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ (consolidated for the first time in the statement of financial position as at 31 December 2013 and in the income statement since 1 January 2014), and Santander Consumer Bank with its subsidiaries (subject to consolidation since 1 July 2014).

- Total income of Bank Zachodni WBK Group increased by 10.8% YoY to PLN 4,735.1m.
- Total costs grew by 9.4% YoY to PLN 2,246.4m.
- Profit-before-tax was PLN 1,937.8m and up 15.2% YoY.
- Profit attributable to the shareholders of Bank Zachodni WBK was PLN 1,469.5m and 10.4% higher YoY.
- Capital Adequacy Ratio stood at 13.44% based on a new calculation methodology compliant with CRD IV/CRR approach (14.21% as at 30 September 2013 in line with the Polish Financial Authority Resolution of 10 March 2010).
- Return on Equity at 15.9% (14.3% as at 30 September 2013), and 17.4% excluding the cost of integration with Kredyt Bank. In Q3 2014, the Group's capital base was increased with issues of two series of Bank Zachodni WBK shares.
- Cost to income ratio was 47.4% (48.1% for three quarters of 2013), and 44.6% after exclusion of the cost of integration with former Kredyt Bank (44.5% for three quarters of 2013).
- Net impairment losses on loans and advances amounted to PLN 551.9m compared with PLN 552.1m for three quarters of 2013.
- NPL ratio was 8.0% (7.9% as at 30 September 2013), while the ratio of impairment losses to the average gross credit volumes was 0.9% (1.0% as at 30 September 2013).
- Net loans to deposits ratio was 91.3% as at 30 September 2014 compared with 86.7% as at 31 December 2013 and 91.5% as at 30 September 2013.
- Gross loans to customers went up 26.1% Ytd to PLN 90,340.6m due to an increase in personal loans by 38.5% (to PLN 47,159.9m) and loans and advances to enterprises and the public sector by 14.4% (to PLN 39,453.3m).
- Deposits from customers grew by 18.4% Ytd to PLN 93,023.0m due to an increase in the value of deposits from personal customers by 19.6% (to PLN 57,398.7m) and from enterprises & the public sector by 16.6% (to PLN 35,624.2m), respectively.
- Net value of assets in mutual funds and private portfolios totalled PLN 12.6bn, and was up 3.5% QoQ and 9.5% YoY.
- The number of customers using BZWBK24 and KB24 electronic banking services reached over 3m (+5.3% YoY), the number of customers with access to mobile banking services amounted to 0.4m (+91.2% YoY), while the payment card base of Bank Zachodni WBK included 4.1m debit cards (+17.4% YoY).

Profit earned by Bank Zachodni WBK Group after the first three quarters of 2014

The table below shows changes in the key items of the consolidated income statement of Bank Zachodni WBK Group for the first three quarters of 2014 compared with the same period of the previous year.

		PLN m		
Condensed Income Statement (for analytical purposes)	Q1-3 2014	Q1-3 2013	YoY Change	
Total income	4 735,1	4 274,3	10,8%	
- Net interest income	2 925,8	2 414,7	21,2%	
- Net fee & commission income	1 375,8	1 320,1	4,2%	
- Other income	433,5	539,5	-19,6%	
Total costs	(2 246,4)	(2 053,9)	9,4%	
- Staff, general and administrative expenses	(1 970,1)	(1 867,2)	5,5%	
- Depreciation/amortisation	(223,6)	(168,0)	33,1%	
- Other operating expenses	(52,7)	(18,7)	181,8%	
Impairment losses on loans and advances	(551,9)	(552,1)	0,0%	
Profit/loss attributable to the entities accounted for using the equity method	1,0	13,7	-92,7%	
Profit-before-tax	1 937,8	1 682,0	15,2%	
Tax charges	(386,7)	(329,1)	17,5%	
Net profit for the period	1 551,1	1 352,9	14,7%	
- Net profit attributable to BZ WBK shareholders	1 469,5	1 330,5	10,4%	
- Net profit attributable to non-controlling shareholders	81,6	22,4	264,3%	

The profit-before-tax earned by Bank Zachodni WBK Group over the first three quarters of 2014 amounted to PLN 1,937.8m, an increase of 15.2% YoY. The net profit attributable to Bank Zachodni WBK shareholders was PLN 1,469.5m and higher by 10.4% YoY.

As a result of the acquisition of a controlling stake in Santander Consumer Bank (SCB) on 1 July 2014, the profit-before-tax of Bank Zachodni WBK Group for nine months ended 30 September 2014 includes the gross profit for Q3 2014 of the new subsidiary and its connected entities (as per the organisational chart presented on page 17 of this report), i.e. PLN 149.2m after intercompany transactions and consolidation adjustments. As a retail banking group, Santander Consumer Bank with its subsidiaries (SCB Group) contributed primarily to the net interest income (PLN 259.8m) and net fee & commission income (PLN 44.7m) of the total consolidated income of Bank Zachodni WBK Group. The share of SCB Group in the total costs and impairment losses amounted to PLN 131.7m and PLN 28m, respectively.

At the end of December 2013, Bank Zachodni WBK gained control over the insurance companies: BZ WBK-Aviva TUO and BZ WBK-Aviva TUnž, which in the corresponding period of the previous year were accounted for using the equity method. Consolidation of the above-mentioned companies (for the periods starting on 1 January 2014) had an impact on the structure of the income statement through several significant items, increasing on the revenue side the other operating income (constituent of Other income item in the table above) by PLN 140.3m at the cost of the net insurance fee income and on the expense side raising by PLN 63.3m amortisation from the purchase price allocation.

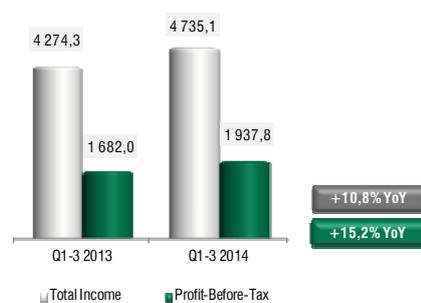
Key factors affecting the profit of Bank Zachodni WBK Group

- ✓ Increase in the net interest income by PLN 511.1m YoY, reflecting the growth in the quarterly net interest margin from 3.26% in Q1 2013 to 4.07% in Q3 2014 in the lower interest rate environment due to the harmonisation of the post-merger deposit offer, continued optimisation of deposit and credit product parameters, favourable development of business volumes, and the first-time consolidation of SCB Group in the financial statements.
- ✓ Moderate growth in the fee & commission income (+PLN 55.7m YoY) driven by the development of the Polish economy and financial markets, regulatory changes, competitive environment and the extended scope of consolidation of Bank Zachodni WBK Group's financial statements. An increase in the fee income from credit facilities, foreign exchange and credit cards was offset by a decline in the fees generated by brokerage services, asset management & distribution and account maintenance & cash transactions. The incorporation of Santander Consumer Bank into the consolidated financial statements of Bank Zachodni WBK Group most noticeably increased the fee and commission income from credit cards and insurance whereas the consolidation of BZ WBK-Aviva companies triggered a change in the recognition of the insurance income of the Group, which reduced the respective fee income while expanding the other operating income.
- ✓ Decrease in other income by PLN 106.0m due to lower net trading income and gains on other financial instruments (down by PLN 83.7m and PLN 221.7m YoY, respectively) realised in pursuit of the Group's strategic objectives in the management of financial assets portfolios under the conditions prevailing on the bond, IRS and FX markets. The resulting income decline was partly offset by the net insurance income of PLN 140.3m generated by BZ WBK-Aviva TUO and BZ WBK AvivaTUŃ.
- ✓ Stable YoY impairment losses on loans and advances (with SCB Group's contribution) as a consequence of post-merger unification of credit procedures and processes, and improving economic standing of business and personal customers amid economic revival (decelerating in the last two months of Q3).
- ✓ Effective cost management by Bank Zachodni WBK Group amid the delivery of diverse development projects and continued integration works. Excluding the integration costs, operating expenses of SCB Group and Aviva-BZ WBK subsidiaries as well as amortisation from purchase price allocation, the underlying cost base of Bank Zachodni WBK Group decreased by 0.3% YoY.

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



Total Income and Profit-Before-Tax in Q1-3 2013 and Q1-3 2014 (PLN m)



* As a result of transfer of 16% of shares in BZ WBK-Aviva TUO and BZ WBK-Aviva TUŃ to Bank Zachodni WBK, the bank's former stake in both companies (50% each) was restated to its fair value as at the date of control acquisition, which increased the Group's profit-before-tax for Q4 2013 by PLN 419m.

** On 1 July 2014, Bank Zachodni WBK acquired ordinary and preference shares of Santander Consumer Bank (SCB) representing 60% of SCB share capital and approximately 67% of votes at SCB General Meeting. As a consequence, SCB became a subsidiary and was incorporated into Bank Zachodni WBK Group together with its connected entities (please refer to the organisational chart on page 17 for details).

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 the first three quarters of 2014 and 2013.

PLN m

Components of Bank Zachodni WBK Group Profit-Before-Tax by contributing entities	Q1-3 2014	Q1-3 2013	YoY Change
Bank Zachodni WBK S.A.	1 944,5	1 605,2	21,1%
Subsidiary undertakings:	331,9	139,2	138,4%
Santander Consumer Bank S.A. with its subsidiaries ¹⁾	149,2	-	-
BZ WBK Leasing S.A., BZ WBK Lease S.A. and Finanse Sp. z o.o. ²⁾	66,2	39,3	68,4%
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. ³⁾	51,7	55,3	-6,5%
BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. ⁴⁾	18,5	-	-
Faktor Sp. z o.o.	23,1	8,8	162,5%
Dom Maklerski BZ WBK S.A.	22,2	34,5	-35,7%
Other subsidiary undertakings ⁵⁾	1,0	1,3	-23,1%
Equity method valuation	1,0	13,7	-92,7%
Elimination of dividends received by BZ WBK ⁶⁾	(338,7)	(75,5)	348,6%
Other intercompany and consolidation adjustments	(0,9)	(0,6)	50,0%
Profit-after-tax	1 937,8	1 682,0	15,2%

- 1) On 1 July 2014, Bank Zachodni WBK acquired a shareholding in Santander Consumer Bank (SCB), representing 60% of the share capital of SCB and approximately 67% of votes at the General Meeting of SCB. The following SCB subsidiaries are also subject to consolidation: AKB Marketing Services, Santander Consumer Multirent, Santander Consumer Finanse and S.C. Poland Auto 2014-1 Ltd. The amount provided for Q1-3 2014 represents profit-before-tax of SCB Group after intercompany and consolidation adjustments.
- 2) Effective from 31 January 2014, Kredyt Lease changed the company name to BZ WBK Lease.
- 3) Combined profit-before-tax of these entities excludes dividend received by BZ WBK Asset Management from BZ WBK Towarzystwo Funduszy Inwestycyjnych in the amount of PLN 30.3m in Q1-3 2014 and PLN 23.2m in Q1-3 2013.
- 4) BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ changed their status from joint ventures to subsidiary undertakings at the end of 2013. Throughout 2013, both entities were accounted for using the equity method. As at 31 December 2013, only their statements of financial position were consolidated with Bank Zachodni WBK. The amount provided for Q1-3 2014 represents profit-before-tax after consolidation adjustments and post-audit profit adjustments.
- 5) BZ WBK Inwestycje, BZ WBK Nieruchomości and BFI Serwis in liquidation. The amount for the comparable period (Q1-3 2013) also includes Kredyt Trade.
- 6) The amount for Q1-3 2014 includes dividend revenues of PLN 229,5m received by Bank Zachodni WBK from SCB.

The unconsolidated profit-before-tax of Bank Zachodni WBK for nine months ended 30 September 2014 increased by 21.1% YoY driven both by higher net interest income (+PLN 237.8m YoY) and net fee & commission income (+PLN 57.4m YoY), but most strongly by dividend income (+PLN 285.9m YoY) on the back of PLN 229.5m worth of dividend disbursed for the first time by the new subsidiary, Santander Consumer Bank, and larger YoY dividends (+PLN 56.4m YoY) received from other subsidiaries (BZ WBK Asset Management, Dom Maklerski BZ WBK, BZ WBK-Aviva companies) and equity investments (Aviva Group companies). The increase in dividend income more than compensated for lower gains on other financial instruments (-PLN 219.2m) and net trading income and revaluation (-PLN 76.2m). The growth in the profit-before-tax was also aided by the reduction in operating expenses (-PLN 19.2m) and net impairment losses (-PLN 10.9m).

The profit-before-tax reported by the consolidated subsidiaries was higher by 138.4% YoY. Excluding SCB Group (subject to consolidation since 1 July 2014) and BZ WBK-Aviva companies (included in the scope of the Group's income statement consolidation since 1 January 2014 and previously accounted for using the equity method), the underlying profit-before-tax of BZ WBK subsidiaries went up by 18.0% YoY, reflecting the strong performance of leasing and factoring companies.

Leasing companies, with their controlling entity BZ WBK Finanse, generated a 68.4% higher pre-tax-profit on a YoY basis on account of a continually high sales growth rate, lower impairment charges and recognition of PLN 12.4m of public liabilities refund.

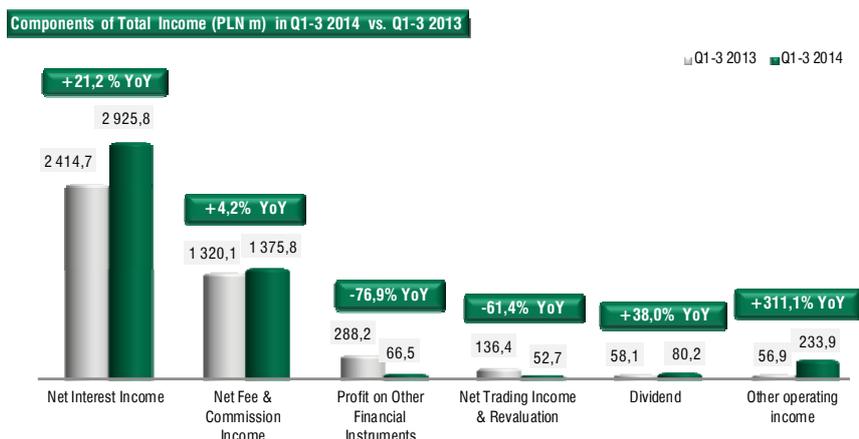
The factoring company's profit increased by 162.5% YoY on the back of the dynamic business growth, effective risk monitoring and cost management.

The total profit-before-tax of BZ WBK Asset Management and BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI) declined by 6.5% YoY despite the reduction in the cost base and an increase in the average value of assets under management. The decrease in profitability is attributed, among other things, to changes in the structure of assets towards lower margin funds/low risk portfolios and increasing fund management costs incurred by BZ WBK TFI. In addition, the income from proprietary investments fell in parallel with interest rates and the value of funds available for placements.

Adjusting for the non-recurring income of PLN 8m earned in 2013 on brokerage services related to the sale of the stake in Bank Zachodni WBK held by Banco Santander and KBC NV, the profit-before-tax of Dom Maklerski BZ WBK for the first three quarters of 2014 was down by 16.2% YoY as a result of equity market downturn prevailing throughout most of the reporting period, continued pressure to reduce margins across all domestic market segments and lower gains on the market making activity.

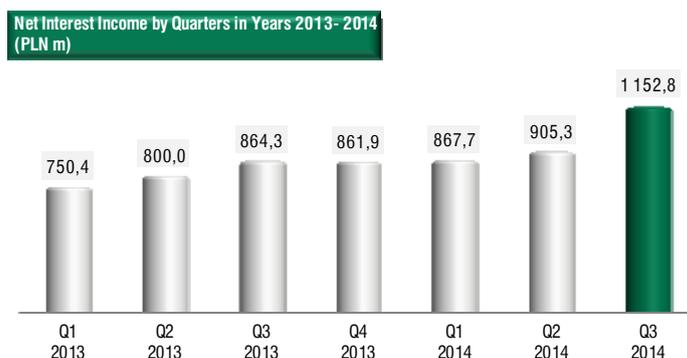
Total income

Total income achieved by Bank Zachodni WBK Group after the first three quarters of 2014 was PLN 4,735.1m and up 10.8% YoY.



Net interest income

The net interest income after Q3 2014 reached PLN 2,925.8m and was higher by 21.2% YoY.

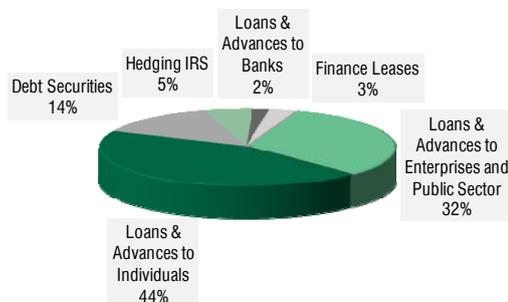


The net interest income includes interest income of PLN 176.7m for three quarters of 2014 (PLN 199.2m for three quarters 2013) from CIRS transactions designated as hedging instruments under cash flow hedge accounting which is disclosed as part of Note 4 "Net interest income" in the line item "Interest income from IRS hedges" showing PLN 225.5m for three quarters of 2014 vs. PLN 243.7m for three quarters of 2013.

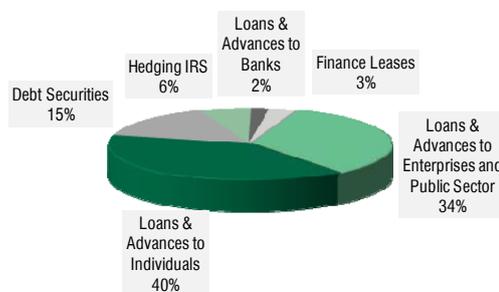
Taking into account the net income from non-hedging CIRS/IRS transactions (PLN 17.5m after nine months of 2014 vs. PLN 8.6m for the same period of 2013) which are used for the purpose of liquidity management and reported under "Net trading income and revaluation", the underlying net interest income increased by 21.5%.

The YoY growth in the net interest income occurred amid the falling interest rate environment (discounting the expected NBP interest rate cuts) as a combined effect of a moderate increase in interest revenues (+4.3% YoY to PLN 4,145.4m) and a quick pace of interest expense reduction (-21.8% YoY to PLN 1,219.6m). The former was driven by consolidation of the three-month interest revenues of Santander Consumer Bank while the latter showed some deceleration compared to the previous periods as a result of incorporation of Santander Consumer Bank interest expenses and the new deposit customer acquisition campaign carried out by Bank Zachodni WBK S.A.

Structure of Interest Revenues in Q1-3 2014

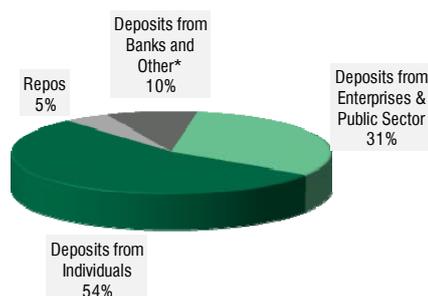


Structure of Interest Revenues in Q1-3 2013

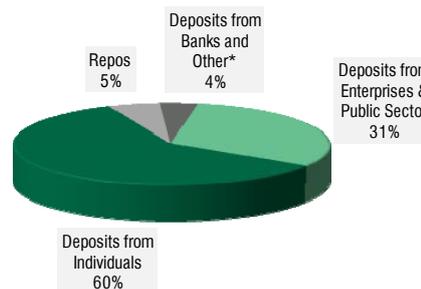


The growth of interest revenues was observed in reverse repo securities (+69.3% YoY) and loans and advances to individuals (+16.4% YoY). Other asset categories reported declines, including loans & advances to the public sector (-31.7% YoY), debt securities (-7.9% YoY) and IRS hedges (-7.5% YoY).

Structure of Interest Expense in Q1-3 2014



Structure of Interest Expense in Q1-3 2013



* includes deposits from banks, subordinated liabilities and issues of securities

Strong YoY reductions in interest expense were reported under repo transactions (-32.9% YoY) and deposits from individuals (-28.6% YoY) and public sector (-18.8% YoY). On the other hand, an increase was noted under subordinated liabilities and issue of securities (+128.4% YoY) and deposits from banks (+19.0% YoY).

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



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

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

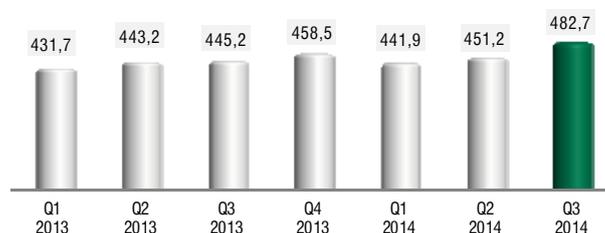
In Q3 2014, the quarterly net interest margin climbed from 3.72% to 4.07% due to the inclusion of gross loan receivables (PLN 13.5bn) and net interest income (PLN 259.8m) of Santander Consumer Bank Group in the consolidated financial statements. Excluding the contribution of SCB Group, the net interest margin of Bank Zachodni WBK Group declined to 3.59%, reflecting the market expectations of reference rate development and intensive measures taken by the bank to build a strong and stable deposit base through the acquisition and retention of new deposits. The main acquisition tool in Q3 2014 was New Easy Earning Deposit (Nowa Lokata Swobodnie Zarabiająca) paying a fixed interest rate of 4% which contributed significantly to the growth of term deposits from personal customers (PLN 3.8bn) and the respective interest expense.

Net fee and commission income

PLN m			
Net Fee and Commission Income	Q1-3 2014	Q1-3 2013	YoY Change
E-Business and payments ¹⁾	341,1	338,2	0,9%
FX fees	242,8	216,8	12,0%
Account maintenance and cash transactions ²⁾	218,8	228,6	-4,3%
Credit fees ³⁾	185,1	159,2	16,3%
Asset management and distribution	174,4	176,2	-1,0%
Insurance fees ⁴⁾	82,0	77,4	5,9%
Credit cards	74,2	54,5	36,1%
Brokerage fees	52,7	67,5	-21,9%
Other ⁵⁾	4,7	1,7	176,5%
Total	1 375,8	1 320,1	4,2%

- 1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic & telecommunications services.
- 2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 "Net Fee and Commission Income" of the consolidated financial statements are included in the line item "Other".
- 3) Fees related to lending, leasing and factoring activities which are not amortised to interest income.
- 4) Following the acquisition of control over BZ WBK-Aviva companies, the presentation of insurance income has been changed. At present, the major part of income from the insurance business is disclosed in "Other operating income" instead of "Net fee and commission income". In Q1-3 2014, the respective income contributed PLN 140.3m to the Group's "Other operating income".
- 5) Guarantees & sureties, issue arrangement fees and others.

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



The net fee and commission income after nine months of 2014 added up to PLN 1,375.8m and was 4.2% higher YoY.

A significant YoY growth was noted in the net credit card fee income (+36.1% YoY), which is primarily attributed to the enlarged BZ WBK credit card base, increase in credit card transaction volumes and revision of selected credit card fees and charges. The pace of increase in this product line was additionally strengthened by the net fee and commission income earned by Santander Consumer Bank in Q3 2014.

The net credit fee income grew at a robust rate as well (+16.3% YoY), mainly on account of large financing schemes run by the Group.

A substantial rise in FX fees (+12.0% YoY) stems from increased FX customer trading volumes and volatility of the currency market.

The bancassurance fee income grew by 5.9% YoY due to the three-month contribution of PLN 32.1m from Santander Consumer Bank. Excluding the respective amount from the consolidated income statement, the underlying net insurance fee income decreased, reflecting changed presentation of the Group's net insurance income implemented upon gaining control over BZ WBK-Aviva companies. Presently, the majority of the relevant net income (PLN 140.3m after nine months of 2014) is disclosed under other operating income. Viewed on a stand-alone basis, the insurance fee revenues of Bank Zachodni WBK went up by 23.0% YoY, driven mainly by sales of cash loan and payment card insurance.

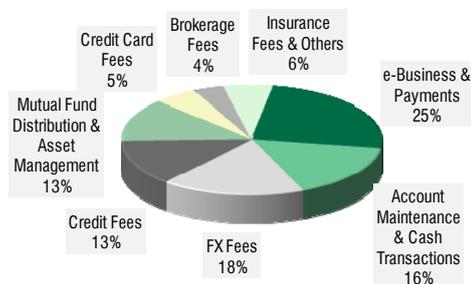
The net fee and commission income disclosed under "eBusiness and payments" line item grew by 0.9% YoY. A YoY growth in the total net fees from foreign payments, trade finance as well as card, ATM and electronic banking services was decelerated, among others, by lower income from interchange fees as a result of their statutory reduction since the beginning of July.

A decline in the net brokerage fees (-21.9% YoY) was due to lower income earned by Dom Maklerski BZ WBK in the secondary market, mainly on account of remuneration of PLN 8m recognised in the previous year for the sale of Bank Zachodni WBK shares held by Banco Santander and KBC Bank NV. The net brokerage fee income was also adversely affected by the equity market downturn observed in H1 2014 and continued pressure on the margins across all the segments of the stock exchange market.

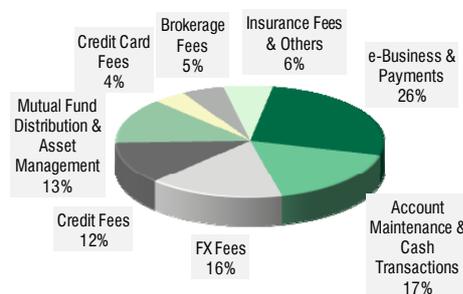
Despite a YoY increase in the average value of net assets under management, the net fee income earned by the Group from fund distribution & asset management went down (-1.0% YoY), reflecting lower management fee income from private portfolios, slower sales of sub-funds generating distribution fee and larger contribution of low-margin products in the net assets structure.

The net fee and commission income from account maintenance & cash transactions declined by 4.3% YoY due to the 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).

Net Commission Income Structure in Q1-3 2014



Net Commission Income Structure in Q1-3 2013



Other net income

Gains on other financial instruments

The gains on other financial instruments decreased by 76.9% YoY to PLN 66.5m as a result of a lower profit earned on the sale of treasury bonds (-PLN 233.1m YoY) 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 companies from the equity investment portfolio, including Kuźnia Polska (PLN 14.1m).

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

After three quarters of 2014, the net trading income reached PLN 52.7m and was down by 61.4% YoY.

The net income on interbank FX and derivative trading was represented by a loss of PLN 18.3m vs. a gain of PLN 117.8m in the comparable period. At the same time, the profit on other FX transactions increased from PLN 10.3m for nine months of 2013 to PLN 56.8m for nine months of 2014.

The above-mentioned result on interbank FX and derivative trading includes the net interest-related income of PLN 17.5m on the non-hedging CIRS/IRS transactions (PLN 8.6m for three quarters of 2013). It excludes, however, the net interest income from the CIRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 176.7m after three quarters of 2014 vs. PLN 199.2m after three quarters of 2013), which is disclosed in Note 4 “Net interest income” under “Interest income from IRS hedges”.

Debt securities trading brought in the profit of PLN 13m compared to a negative result of PLN -32 k in the corresponding period last year.

This performance reflects, among others, developments on the interest rate and currency markets. Over the first three quarters of 2014, bond and IRS yield curves moved downwards, which resulted in narrowing YoY spreads for instruments spanning 2-10-year horizon. In Q3 2014 alone, IRS rates hit all-time lows with occasional short-lived rebounds.

The situation on the currency market was more volatile compared to the interest rate market due to a stronger impact of external developments, including geopolitical factors (Ukraine, the Middle East, independence referendum in Scotland) as well as domestic and foreign monetary policy. At the end of September 2014, the zloty gained 1% YoY against EUR, lost 5.6% YoY and 6.1% YoY in relation to USD and GBP, respectively, and held relatively steady against CHF.

Other income items

The dividend income reached PLN 80.2m and exceeded the level reported for three quarters of 2013 by PLN 22.1m due to higher dividend pay-outs from Aviva Group non-controlled entities.

Other operating income grew by 311.1% YoY to PLN 233.9m, which is primarily attributed to the acquisition of control over BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ and their inclusion in the Group’s consolidated income statements for the periods starting from 1 January 2014. The line incorporates the net income of PLN 140.3m from the insurance activities of the above-mentioned entities, which is composed of the gross premiums written, reinsurers’ share of premium written, net claims and benefits, and other net insurance income. The other operating income also comprises PLN 15.2m representing the write-down of the legal risk provision related to the appeal procedure against the decision of the Competition and Consumer Protection Office (UOKiK) in respect of interchange fees collected in the past (both by the former Kredyt Bank and Bank Zachodni WBK), PLN 12.4m of public liabilities refund to BZ WBK Lease, PLN 9.1m of gains on the disposal of Bank Zachodni WBK properties and PLN 3.8m arising from the consolidation of Santander Consumer Bank Group.

Impairment Charges

	PLN m		
Impairment Losses on Loans and Advances	Q1-3 2014	Q1-3 2013	YoY Change
Collective and individual impairment charge	(624,4)	(670,3)	-6,8%
Impaired but not reported losses charge	39,5	120,0	-67,1%
Recoveries of loans previously written off	6,5	11,8	-44,9%
Off-balance sheet credit related facilities	26,5	(13,6)	-
Total	(551,9)	(552,1)	0,0%

After the first nine months of 2014, the loan impairment charge to the profit and loss account of Bank Zachodni WBK Group was PLN 551.9m and kept flat YoY. The charge attributable to Santander Consumer Bank Group amounted to PLN 28m.

The negative balance of provisions for identified losses (individual and collective) was PLN 624.4m and down by 6.8% YoY as a result of lower impairment charges on the individually significant and collective exposures to business customers which were partly offset with higher impairment charges on personal exposures subject to collective impairment assessment.

The decline of 67.1% YoY in the positive balance of charges for the incurred by not reported losses (IBNR) is due to the transfer of selected credit exposures from this category (mainly exposures towards business customers) to the portfolio of evidenced impairment, effected in 2013.

Over the first three quarters of 2014, Bank Zachodni WBK Group sold overdue personal and business receivables in the principal amount of PLN 181.9m vs. PLN 430.5m in the corresponding period last year.

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

As at 30 September 2014, Bank Zachodni WBK Group's NPL ratio was 8.0% versus 7.9% as at 30 September 2013. The cost of risk was 0.9% vs. 1.0% in the corresponding period last year. Excluding the impact of Santander Consumer Bank, the underlying ratios totalled 7.5% and 0.9% at the end of September 2014, respectively.

Total costs

PLN m			
Total costs	Q1-3 2014	Q1-3 2013	YoY Change
Staff, general and administrative expenses, of which:	(1 970,1)	(1 867,2)	5,5%
- Staff expenses	(1 049,0)	(1 023,4)	2,5%
- General and administrative expenses	(921,1)	(843,8)	9,2%
Depreciation/amortisation	(223,6)	(168,0)	33,1%
Other operating expenses	(52,7)	(18,7)	181,8%
Total costs	(2 246,4)	(2 053,9)	9,4%
Integration costs ¹⁾	(134,5)	(152,5)	-11,8%
Total costs of subsidiaries consolidated effective from 2014 ²⁾	(216,8)	-	-
Underlying total costs	(1 895,1)	(1 901,4)	-0,3%

1) Integration costs for Q1-3 2014 are composed of staff, general & administrative expenses of PLN 124.1m and amortisation of PLN 10.4m. The comparative amounts for Q1-3 2013 were PLN 151.4m and 1.1m, respectively.

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

The total costs of Bank Zachodni WBK Group for three quarters of 2014 amounted to PLN 2,246.4m and were 9.4% higher YoY. Excluding the integration costs (PLN 134.5m Ytd and PLN 152.5m in the corresponding period last year), operating expenses of Santander Consumer Bank Group, BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŽ, as well as amortisation of PLN 63.3m arising from allocation of the purchase price of the above-mentioned companies, the total underlying costs dropped by 0.3% YoY. These movements were observed at the time of intensive development activities designed to improve the offer and customer service as well as organisational culture of the Group in accordance with the Next Generation Bank Programme.

With total income increasing slightly higher than total costs (10.8% YoY and 9.4% YoY, respectively), the Group's cost-to-income ratio improved from 48.1% after three quarters of 2013 to 47.4% after three quarters of 2014. Adjusting for the integration costs, the cost-to-income ratio was 44.6% and relatively stable on a year-on-year basis.

Staff expenses

The Group's staff expenses increased by 2.5% YoY to PLN 1,049m.

A marked growth which occurred in the cost of training (+71.5% YoY) is attributed to the launch of workshops for managers under the Management Style Programme and training aimed to develop the skills of customer advisors. A slight increase reported under the "salaries and bonuses" and "statutory deductions from salaries" (0.8% YoY and 2.2% YoY, respectively) results from the input of Santander Consumer Bank Group and BZ WBK Aviva companies with their staffing levels at 2,686 FTEs and 64 FTEs, respectively, as at the of September 2014. Excluding the impact of new subsidiaries included in the consolidation scope since 2014, the above line items showed a steady decline resulting from the continued employment optimisation process in BZ WBK Group.

Adjusting for the integration costs and total expense base of subsidiaries incorporated in 2014 consolidated financial statements for the first time, the underlying staff expenses declined by 5% YoY.

General and administrative expenses

The general and administrative expenses of the enlarged Bank Zachodni WBK Group increased by 9.2% YoY to PLN 921.1m.

A major year-on-year increase was reported under the cost of marketing & entertainment (+83.6% YoY) driven by a larger number of extensive advertising campaigns (e.g. 1 | 2 | 3 Account, Duet cash loan, SME lending proposition, Account Worth Recommending, seasonal cash loan and New Easy Earning Deposit – New Funds) and a contribution of SCB Group and BZ WBK-Aviva companies to the 2014 expense base. The costs paid by the Group to the market regulators went up significantly (+60.7% YoY) following the implementation of the revised Banking Guarantee Fund Act in October 2013 which set up a stabilisation fund created from the prudential fees paid by the banks participating in the guarantee system. In the reporting period the respective costs were additionally increased by PLN 10.2m worth of fees paid by Santander Consumer Bank. Larger cost of consultancy and advisory services (+21.7% YoY) derives from new development projects (such as incorporation of the Brokerage House and finalisation of the acquisition of a controlling shareholding in Santander Consumer Bank) which required expertise and independent opinions. A marked growth (+18.8% YoY) was also observed in the cost of IT usage on account of relatively high contribution from new subsidiaries. Costs generated by consumables, cards and cheques accelerated by 9.9% YoY as a result of increased demand for plastic cards arising from higher sales of debit and credit cards.

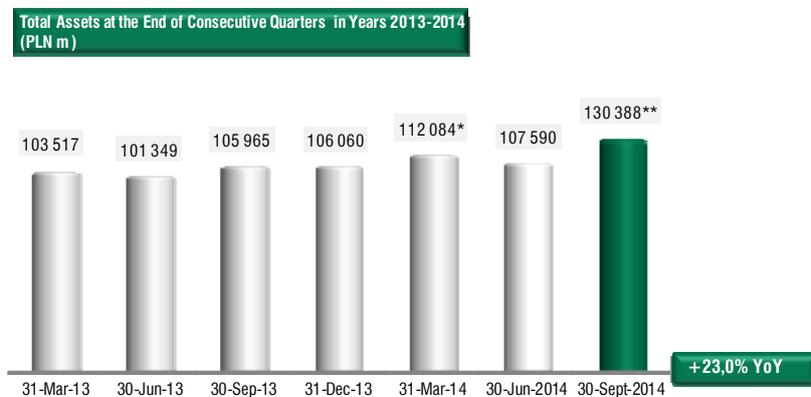
Concurrently, there was a drop in the costs of data transmission (-11.3% YoY), postal & telecommunications fees (-6.0% YoY) and costs of maintenance & rental of premises (-1.5% YoY).

Excluding the contribution of Santander Consumer Bank Group and BZ WBK Aviva companies as well as the integration costs, the consolidated general and administrative expenses went up by 5.5% YoY.

Financial Position

Assets

As at 30 September 2014, total assets of Bank Zachodni WBK Group amounted to PLN 130,387.8m, and increased by 22.9% Ytd. The value and structure of the Group's statement of financial position is mainly affected by the parent company, which accounts for 88.3% of the consolidated total assets vs. 97.5% as at the end of December 2013. The lower share of Bank Zachodni WBK reflects the inclusion of Santander Consumer Bank in the scope of consolidation of the Group's financial statements.



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

** As at 30 September 2014, the balance sheet total includes the total assets of SCB Group which has been under Bank Zachodni WBK's control since 1 July 2014 (PLN 12.3bn).

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

Assets (condensed presentation for analytical purposes)	PLN m							
	30.09.2014	Structure 30.09.2014	31.12.2013	Structure 31.12.2013	30.09.2013	Structure 30.09.2013	Change Ytd	Change YoY
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers *	84 964,6	65,2%	68 132,1	64,2%	69 687,6	65,8%	24,7%	21,9%
Investment securities	26 535,8	20,4%	22 090,8	20,8%	20 554,7	19,4%	20,1%	29,1%
Cash and operations with Central Banks	5 406,2	4,1%	5 149,7	4,9%	5 767,9	5,4%	5,0%	-6,3%
Fixed assets, intangibles and goodwill	3 725,0	2,8%	3 681,8	3,5%	2 627,9	2,5%	1,2%	41,7%
Financial assets held for trading and hedging derivatives	3 697,4	2,8%	2 666,8	2,5%	2 760,3	2,6%	38,6%	33,9%
Loans and advances to banks	3 478,8	2,7%	2 212,7	2,1%	2 991,5	2,8%	57,2%	16,3%
Other assets	2 580,0	2,0%	2 126,1	2,0%	1 575,4	1,5%	21,3%	63,8%
Total	130 387,8	100,0%	106 060,0	100,0%	105 965,3	100,0%	22,9%	23,0%

* Includes impairment write-down.

Year-to-date movements in the statement of the consolidated financial position of Bank Zachodni WBK Group reflect its enlarged size, business development tendencies and the Group's management of its balance sheet structure and liquidity.

Compared to the end of December 2013, the most pronounced growth was reported under loans and advances to banks (+57.2% Ytd) driven by high transactional volumes in the repo market.

The trading portfolio of Treasury bonds grew by PLN 1bn Ytd, triggering an increase in the aggregate line "financial assets held for trading and hedging derivatives" (+38.6% Ytd).

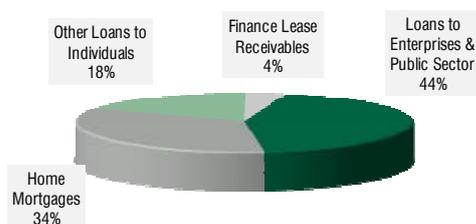
A substantial growth (+24.7% Ytd) was also noted in the net loans and advances to customers which reached PLN 84,964.6m at the end of September 2014, accounting for 91.3% of the deposits from non-financial entities funding them, as compared with 86.7% at the end of December 2013. Santander Consumer Bank Group contributed PLN 12bn to the consolidated net loans and advances to customers, while PLN 4.8bn can be attributed to the successful credit delivery of Bank Zachodni WBK.

The value of investment securities rose by 20.1% due to the expanding portfolio of debt securities available for sale (mainly on account of treasury and commercial bonds), with PLN 1.8bn contributed by Santander Consumer Bank.

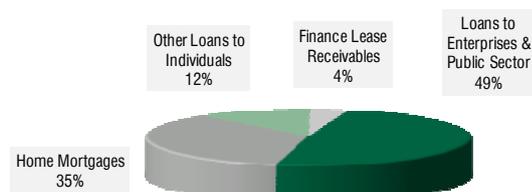
Credit portfolio

Gross Loans and Advances to Customers	PLN m				
	30.09.2014 1	31.12.2013 2	30.09.2013 3	Ytd Change 1/2	YoY Change 1/3
Loans and advances to individuals	47 159,9	34 041,4	34 412,4	38,5%	37,0%
Loans and advances to enterprises and public sector customers	39 453,3	34 478,3	35 432,7	14,4%	11,3%
Finance lease receivables	3 701,2	3 052,1	2 967,8	21,3%	24,7%
Other	26,2	50,1	541,3	-47,7%	-95,2%
Total	90 340,6	71 621,9	73 354,2	26,1%	23,2%

Structure of Loans & Advances to Customers as at 30.09.2014



Structure of Loans & Advances to Customers as at 31.12.2013



As at 30 September 2014, gross loans and advances to customers amounted to PLN 90,340.6m and were higher by 26.1% on the end of December 2013.

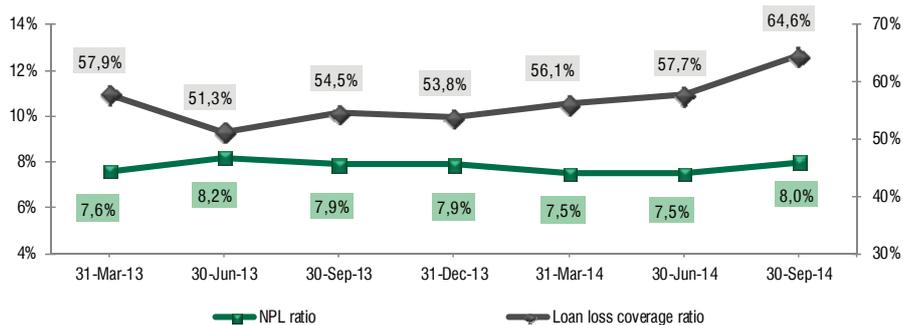
Consolidation of Santander Consumer Bank Group, which specializes in retail banking, affected the structure of BZ WBK Group's total gross customer loan-book by giving the largest share to loans and advances to individuals instead of loans and advances to enterprises & the public sector which were removed to the second position.

Compared with the end of 2013, loans and advances to individuals increased by 38.5% to PLN 47,159.9m at the end of September 2014, including PLN 12.1bn contributed by Santander Consumer Bank Group. Home mortgages, which continue to represent the major portion of loans and advances to individual customers, increased by 21.2% Ytd to PLN 30,651.2m. The second significant constituent item, i.e. cash loans, grew by 68% to PLN 9 504m.

Loans and advances to enterprises & public sector companies amounted to PLN 39,453.3m, up 14.4% due to the strong business lending activity of Bank Zachodni WBK, particularly in the segment of corporate and GBM customers.

As at 30 September 2014, the finance lease receivables, including the portfolio of BZ WBK Leasing and BZ WBK Lease, totalled PLN 3,701.2m, increasing by 21.3% on account of strong sales of vehicles and machines & equipment and due to contribution of Santander Consumer Bank Group. Loans granted by the leasing companies to finance machines and vehicles, which totalled PLN 1,144.5m as at 30 September 2014 vs. PLN 846.2m as at 31 December 2013, are disclosed as loans and advances to enterprises.

Credit Quality Ratios by Quarters in 2013 and 2014



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

Excluding the impact of Santander Consumer Bank Group, the non-performing loans to customers represented 7.5% of the gross portfolio, while the provision coverage for the NPLs was 58.3%.

Equity and Liabilities

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

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	Structure		Structure		Structure		Change	Change
	30.09.2014	30.09.2014	31.12.2013	31.12.2013	30.09.2013	30.09.2013	Ytd	YoY
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	93 023,0	71,3%	78 543,0	74,0%	76 188,0	71,9%	18,4%	22,1%
Deposits from banks	7 787,6	6,0%	6 278,8	5,9%	11 342,7	10,7%	24,0%	-31,3%
Subordinated liabilities and debt securities in issue	5 079,8	3,9%	1 885,3	1,8%	1 409,6	1,3%	169,4%	260,4%
Financial liabilities held for trading and hedging derivatives	2 893,8	2,2%	1 644,7	1,6%	1 670,4	1,6%	75,9%	73,2%
Other liabilities	3 927,0	3,0%	3 225,3	3,0%	1 607,5	1,5%	21,8%	144,3%
Total equity	17 676,6	13,6%	14 482,9	13,7%	13 747,1	13,0%	22,1%	28,6%
Total	130 387,8	100,0%	106 060,0	100,0%	105 965,3	100,0%	22,9%	23,0%

In the consolidated liabilities and equity as at 30 September 2014, the highest growth on a year-to-date basis was observed in the subordinated liabilities and debt securities in issue (+169.4% Ytd), which was down to the latest issue of bonds by Bank Zachodni WBK with a nominal value of PLN 475m and the contribution of Santander Consumer Bank Group of PLN 2.7bn made up of bonds and asset-backed securities.

The growth in the portfolio of financial liabilities held for trading and hedging derivatives (+75.9% Ytd) was driven by new hedging relationships and increased liabilities arising from short sales and IRS transactions.

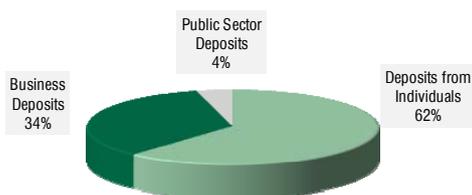
Due to Santander Consumer Bank Group's contribution totalling PLN 2.5bn, the deposits from banks grew by as much as 24% Ytd, particularly on account of the interbank money market and repo transactions.

The deposits from customers increased considerably (+18.4% Ytd) under the impact of higher balances in the term deposits of personal and business customers.

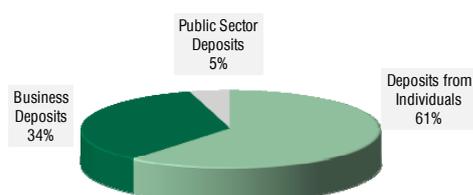
Total equity went up by 22.1% YoY, mainly as a consequence of two increases in the share capital of Bank Zachodni WBK by the total of PLN 2,159.5m. In Q3 2014, the bank issued 305,543 series K ordinary bearer shares (registered on 11 July 2014) with a nominal value of PLN 3.1m under the 4th Incentive Scheme for employees of Bank Zachodni WBK Group and 5,383,902 series L ordinary shares totalling PLN 2,156.4m (registered on 18 July 2014), which were placed with SCF in exchange for in-kind contribution of Santander Consumer Bank shares. The nominal value of series L shares of PLN 53.8m increased the share capital, while the share premium of PLN 2,102.6m was recognised in the supplementary capital.

Deposits from Customers	PLN m				
	30.09.2014	31.12.2013	30.09.2013	Change	Change
	1	2	3	Ytd	YoY
				1/2	1/3
Deposits from individuals	57 398,7	47 999,1	45 135,7	19,6%	27,2%
Deposits from enterprises and public sector customers	35 624,3	30 543,9	31 052,3	16,6%	14,7%
Total	93 023,0	78 543,0	76 188,0	18,4%	22,1%

Structure of Customer Deposits as at 30.09.2014



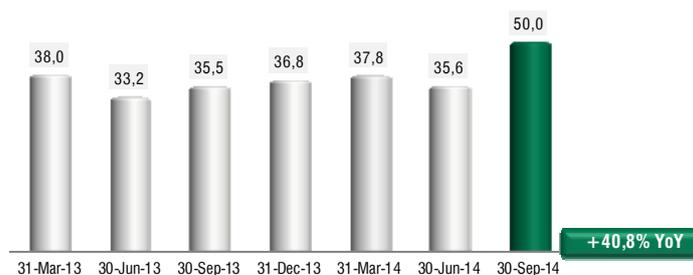
Structure of Customer Deposits as at 31.12.2013



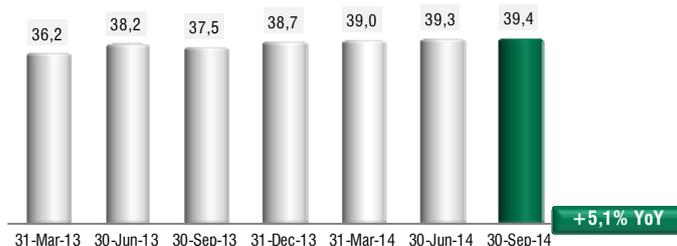
Deposits from customers, which represent 71.3% of the Group's liabilities and equity, are the primary source of funding its lending business. Compared to the end of 2013, customer deposits increased by 18.4% to reach PLN 93,023.0m as at 30 September 2014 (including PLN 6.5bn contributed by the newly consolidated Santander Consumer Bank Group).

In the total deposits from customers, term deposits amounted to PLN 49,998.1m, a rise of 35.7% Ytd; current accounts were worth PLN 39,368.0m, an increase of 1.6% Ytd; and other liabilities went up by 23.4% Ytd to PLN 3,656.9m. The last item includes the loans from the European Investment Bank to finance the bank's lending activity (reported as "Loans" under "Deposits from Enterprises"). Following the disbursement of a new credit line of EUR 100m to finance credit delivery in SME and corporate sectors, at the end of Q3 2014 the value of EIB loans was comprised of EUR 350m, CHF 258.9m and PLN 196.7m.

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



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



* includes savings accounts

Deposits from individuals amounted to PLN 57,398.7m and increased by 19.6% Ytd driven by personal term deposits (+41.9% Ytd) due to incorporation of SCB Group's portfolio and an attractive deposit offer of Bank Zachodni WBK, including the New Easy Earning Deposit – New Funds launched in mid-August 2014 which attracted ca. PLN 3.8bn over the last three months. In Q3 2014, the Group took intensive efforts to collect deposits and build a stable deposit base of current and term funds from personal customers with strong relationship with the bank.

Similar initiatives were taken with respect to enterprises & public sector customers. In particular, the bank launched new attractive products (e.g. one-month Business Impet Deposit for new funds), increased interest rates on negotiated deposits, enhanced service quality and focused on strengthening the relationship with customers. Deposits from this segment grew by 16.6% Ytd to PLN 35,624.2m under the impact of higher balances in term deposits (+26.2% Ytd) and current accounts (+4.9% Ytd).

Selected financial ratios

Selected Financial Ratios	Q1-3 2014	Q1-3 2013
Total costs/Total income ¹⁾	47,4%	48,1%
Net interest income/Total income	61,8%	56,5%
Net interest margin ²⁾	3,8%	3,5%
Net commission income/Total income	29,1%	30,9%
Customer loans/Customer deposits	91,3%	91,5%
NPL ratio	8,0%	7,9%
NPL coverage ratio	64,6%	54,5%
Credit risk ratio ³⁾	0,9%	1,0%
ROE ⁴⁾	15,9%	14,3%
ROA ⁵⁾	1,8%	1,7%
Capital adequacy ratio ⁶⁾	13,4%	14,2%
Book value per share (in PLN)	178,1	147,0
Earnings per share (in PLN) ⁷⁾	15,5	14,3

1) Excluding integration costs, the adjusted cost-to-income ratio was 44.6% for Q1-3 2014 and 44.5% for Q1-3 2013.

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

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

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

Excluding the impact of integration costs, adjusted ROE was 17.4% as at 30.09.2014 and 15.5% as at 30.09.2013.

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

6) The calculation of a capital adequacy ratio as at 30.09.2014 takes account of the equity and total capital requirements for relevant risks using a standardised approach in line with CRD IV/CRR package, effective from 1 January 2014 by virtue of the decision of the European Parliament and European Banking Authority.

The calculation of a capital adequacy ratio as at 30.09.2013 takes account of the equity and total capital requirements for relevant 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.

Capital adequacy

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

		PLN m		
		30.09.2014	31.12.2013	30.09.2013
I	Total capital requirement	7 912,3	6 693,7	6 760,4
II	Own funds after reductions	13 292,8	11 647,0	12 010,1
CAD [II/(I*12.5)]		13,44%	13,92%	14,21%

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

The calculation of a consolidated capital adequacy ratio of Bank Zachodni WBK Group as at 31 December 2013 and 30 September 2013 takes account of the equity and total capital requirements for credit, market and operational risks, using the standardised approach in line with Annex no. 4 of Polish Financial Supervision Authority (KNF) Resolution no. 76/2010 of 10 March 2010 (as amended).

53. Factors which may affect future financial results of the bank and 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:

- Worries about weaker economic growth in the world economy, in particular in the euro zone, which implies weaker prospects for Polish exports;
- Favourable growth rate of real household income due to low inflation, employment growth and gradual acceleration of wage growth; impulse from the fiscal policy in the form of higher tax allowances for families with children and introduction of the minimum nominal pension indexation;
- Cut of NBP interest rates, with reference rate going down by 50bp and lombard rate by 100bp in October; expectations of further policy easing; low financing costs for households and companies, which should be supportive for a gradual rise in the demand for bank loans; at the same time, low interest on deposits should encourage banks' clients to look for alternative forms of saving / investing;
- The changes of assets' financing cost depending on the pace and scale of changes of the main interest rates, changes of the zloty exchange rate, development of the liquidity situation of the banking sector and intensity of price competition between banks for deposits;
- Possible increase in volatility of the financial market in case of disappointment about the pace of global economic revival or worries about too fast pace of monetary policy tightening by the Fed;
- Further developments on the global stock market and their impact on 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
27.10.2014	Marco Antonio Silva Rojas	Member of the Management Board	
27.10.2014	Wojciech Skalski	Financial Accounting Area Director	