

**BANK ZACHODNI WBK S.A. GROUP
WROCLAW, RYNEK 9/11**

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE 2014 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Bank Zachodni WBK S.A.

We have audited the attached financial statements of the Bank Zachodni WBK S.A. Group ("Capital Group"), with Bank Zachodni WBK S.A. as the Parent Company ("Parent Company", "Bank"), with its registered office in Wroclaw, at Rynek 9/11, including consolidated statement of financial position prepared as of 31 December 2014, consolidated income statement and consolidated statement of comprehensive income, movements on consolidated equity, consolidated statement of cash flow for the financial year from 1 January 2014 to 31 December 2014 and notes comprising a summary of significant accounting policies and other explanatory information.

Preparation of consolidated financial statements and a report on the activities of the capital group in line with the law is the responsibility of the Management Board of the Parent Company.

The Management Board of the Parent Company and members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on the activities of the Capital Group meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the consolidated financial statements with the accounting principles (policy) adopted by the Capital Group and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Capital Group.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the consolidated financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) applied by the Parent Company and the subsidiaries, verification - largely on a test basis - of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements of Bank Zachodni WBK S.A. Group in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Capital Group as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act and its executory provisions,
- comply with the provisions of law applicable to the Parent Company and Capital Group entities which affect the contents of the consolidated financial statements.

The report on the activities of the Capital Group for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133) and consistent with underlying information disclosed in the audited consolidated financial statements.

Paweł Nowosadko
Key certified auditor
conducting the audit
No. 90119

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Dariusz Szkaradek – Deputy Chairman of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 5 March 2015

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL
STATEMENTS OF THE BANK ZACHODNI WBK S.A. GROUP
FOR THE 2014 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Parent Company

The Parent Company of the Capital Group operates under the business name Bank Zachodni WBK S.A. (Parent Company, Bank). The Company's registered office is located in Wroclaw at Rynek 9/11.

The Bank operates as a joint stock company. The Bank was recorded in the District Court in Wroclaw, VI Business Division of the National Court Register, based on the decision of 27 April 2001, under KRS number 0000008723.

The Bank operates based on the provisions of the Code of Commercial Companies and Bank's law.

As of 31 December 2014, the Parent Company's share capital equaled PLN 992,345 and was divided into 99,234,534 ordinary shares with a face value of PLN 10.00 each.

Composition of the Management Board as of the date of the opinion:

– Mateusz Morawiecki	– Chairman of the Management Board,
– Andrzej Burliga	– Member of the Board,
– Eamonn Crowley	– Member of the Board,
– Michael McCarthy	– Member of the Board,
– Piotr Partyga	– Member of the Board,
– Juan de Porras Aguirre	– Member of the Board,
– Marcin Prell	– Member of the Board,
– Marco Antonio Silva Rojas	– Member of the Board,
– Mirosław Skiba	– Member of the Board,
– Feliks Szyszkowskiak	– Member of the Board.

In audited period there were no changes in the composition of the Management Board.

2. Structure of the Capital Group

The consolidated financial statements as of 31 December 2014 included the following entities:

- a) Parent Company – Bank Zachodni BZ WBK S.A.

We have audited the financial statements of the Parent Company for the period from 1 January to 31 December 2014. As a result of our audit, on 5 March 2015 we issued an unqualified opinion.

b) Companies subject to full consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
BZ WBK Finanse Sp. z o.o., Poznań	100%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., no opinion was issued till the date of this report	31 December 2014
BZ WBK Faktor Sp. z o.o., Warszawa	100%*	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
BZ WBK Leasing S.A., Poznań	100%*	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
BZ WBK Lease S.A. (till the end of 31 January 2014 the entity operates the name Kredyt Lease S.A.), Warszawa	100%*	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
BZ WBK Inwestycje Sp. z o.o., Poznań	100%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., no opinion was issued till the date of this report	31 December 2014
Giełdokracja Sp. z o.o., Poznań	100%	The Company is not subject to audit	31 December 2014
BZ WBK Nieruchomości S.A., Poznań	99,99%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., no opinion was issued till the date of this report	31 December 2014
BZ WBK Asset Management S.A., Poznań	50%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., Poznań	100%**	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
BZ WBK – Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., Poznań	66%	PricewaterhouseCoopers Sp. z o.o., no opinion was issued till the date of this report	31 December 2014
BZ WBK – Aviva Towarzystwo Ubezpieczeń na Życie S.A., Poznań	66%	PricewaterhouseCoopers Sp. z o.o., no opinion was issued till the date of this report	31 December 2014
Santander Consumer Bank S.A., Wrocław	66.67%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
Santander Consumer Finanse S.A., Wrocław	100%***	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
Santander Consumer Multirent S.A., Wrocław	100%***	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
AKB Marketing Services Sp. z o.o., Poznań	100%***	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., unqualified opinion	31 December 2014
S.C. Poland Auto 2014-1 Limited, Dublin	0%****	Deloitte&Touche, Dublin office, no opinion was issued till the date of this report	31 December 2014

* belongs to BZ WBK Finanse Sp. z o.o.

** belongs to BZ WBK Asset Management S.A.

*** subsidiary of Santander Consumer Bank S.A.

**** the company is controlled by Santander Consumer Bank S.A.

c) Companies subject to equity method of consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
POLFUND – Fundusz Poręczeń Kredytowych S.A., Szczecin	50%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., no opinion was issued till the date of this report	31 December 2014
Metrohouse S.A., Warszawa	100%*	PTE Profit Sp. z o.o., no opinion was issued till the date of this report	31 December 2014
Metrohouse Franchise S.A., Warszawa	20.13%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., no opinion was issued till the date of this report	31 December 2014

* subsidiary of Metrohouse Franchise S.A.

In the audited financial year, the Parent Company included in/excluded from consolidation the following entities:

- On 1 July 2014, Bank Zachodni WBK S.A. took control Santander Consumer Bank S.A. Group. The entities of the SCB Group are subject to full consolidation.
- In November 2014, subsidiary BFI Serwis Sp. z o.o. was deleted from the National Court Register (KRS), as a result as of 31 December was not subject to consolidation.
- On 30 October 2014 Dom Maklerski BZ WBK S.A. was deleted from the National Court Register (KRS) without a liquidation procedure and the company Giełdokracja Sp. z o.o. was registered. Dom Maklerski BZ WBK S.A. is now the unit of the Bank providing stockbroking services and acts as a brokerage office, whereas Giełdokracja Sp. z o.o. is subject to full consolidation.
- On 9 December 2014, sale of shares in Krynicki Recycling S.A. was settled, as a result the company is no longer an associated undertaking of BZ WBK Inwestycje Sp. z o.o. and is not subject to consolidation..

3. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2013 resulted in a net profit of PLN 2,014,611 thousand. The consolidated financial statements of the Capital Group for 2013 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the consolidated financial statements for the 2013 financial year was held on 16 April 2014.

In accordance with applicable laws, the consolidated financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 17 April 2014.

4. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the by the Supervisory Board. The audit of the consolidated financial statements was performed based on the agreement of 27 June 2014 concluded between the Parent Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the consolidated financial statements was conducted under the supervision of Paweł Nowosadko, key certified auditor (No. 90119) in the registered office of the Parent Company from 13 October to 21 November 2014, from 12 January to 13 February 2015 as well as outside the Company's premises until the date of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649, as amended) to express an unbiased and independent opinion on the consolidated financial statements of the Capital Group.

5. Availability of data and management's representations

The scope of our audit was not limited. During the audit, necessary documents and data as well as detailed information and explanations, were provided to the authorized entity and the key

certified auditor, as confirmed e.g. in the written representation of the Management Board of the Parent Company of 5 March 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items from the consolidated income statement, consolidated statement of financial position as well as financial ratios describing the financial performance of the Capital Group and its economic and financial position compared to the prior year.

<u>Main items from the consolidated statement of financial position (PLN '000)</u>	<u>2014</u>	<u>2013</u>
<u>Total assets</u>	134,501,874	106,059,967
Cash and balances with central banks	6,806,521	5,149,686
Loans and advances to banks	2,523,063	2,212,704
Financial assets held for trading	5,238,741	2,344,901
Loans and advances to customers	85,820,571	68,132,143
Investments securities	27,057,093	22,090,764
Goodwill	2,542,325	2,542,325
Intangible assets	505,385	506,792
Property, plant and equipment	756,950	632,642
Deposits from banks	8,359,856	6,278,797
Financial liabilities held for trading	2,781,680	1,277,162
Deposits from customers	94,981,809	78,542,982
Other liabilities	3,531,081	3,124,212
Subordinated liabilities	1,539,967	1,384,719
Total equity, including:	18,051,694	14,482,943
- share capital	992,345	935,451
<u>Main items from the consolidated income statement and consolidated statement of comprehensive income (PLN '000)</u>	<u>2014</u>	<u>2013</u>
Interest income	5,723,043	5,215,203
Interest expense	(1,726,221)	(1,938,643)
Net fee and commission income	1,847,761	1,778,556
Dividend income	80,229	58,738
Net trading income and revaluation	101,043	186,114
Operating expenses	(3,103,832)	(2,862,078)
Impairment losses on loans and advances	(836,555)	(729,301)
Profit for the period	2,047,292	2,014,611
Total comprehensive income for the period	2,291,838	1,851,124
<u>Effectiveness ratios</u>	<u>2014</u>	<u>2013*</u>
Return on equity ratio	12.59%	15.20%
Return on assets ratio	1.70%	1.93%
Cost to income ratio	47.25%	50.47%
Capital adequacy ratio	12.91%	13.92%
NPL ratio	8.37%	7.88%
Equity ratio	13.42%	13,65%

* Calculation of effectiveness ratios for period ended 31 December 2013 includes in the initial balances fair value of acquired assets and liabilities of Kredyt Bank S.A. as of 4 January 2013, calculated for merger purposes.

An analysis of the above figures and ratios indicated the following trends in 2014:

- return on equity ratio (ROE) as a relation of profit for the period to equity calculated as an average of balances as of the end of two last annual periods decreased at the end of 2014, reaching 12.59% in comparison to 15.20% at the end of 2013,
- return on asset ratio (ROA) as a relation of profit for the period to total assets calculated as an average of balances as of the end of two last annual periods decreased at the end of 2014, reaching 1.70% in comparison to 1.93% at the end of 2013,
- cost to income ratio as a relation of operating expenses to income calculated as sum of net interest income, net fee and commission income, dividend income, net trading income and revaluation, gains (losses) from other financial securities and other operating income decreased in 2014, reaching 47.25% in comparison to 50.47% in 2013,
- capital adequacy ratio ratio as a relation of own funds to total capital requirement multiplied by 12.5 at the end of 2014 was 12.91%; at the end of 2013 solvency ratio was 13.92%,
- non-performing loans ratio as a relation of gross loans and advances to customers (individually and collectively impaired) to total gross loans and advances to customers increased at the end of 2014, reaching 8.37% in comparison to 7.88% at the end of 2013,
- equity ratio as a relation of equity to total equity and liabilities at the end of 2014 was 13.42% in comparison to 13.65% at the end of 2013,
- as a result of the merger of Bank Zachodni WBK S.A. with Kredyt Bank the calculation of the fair value of acquired assets and liabilities resulted in the goodwill of PLN 1,688,516 thousand. As a result of acquisition of control over BZ WBK – AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK – AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. the final estimation of the fair value of acquired assets and liabilities resulted in the goodwill of PLN 853,809 thousand. The settlement of the acquisition of control has been described in the note 50 of consolidated financial statements. Total amount of goodwill in consolidated financial statement regarding above mentioned transactions is PLN 2,542,325 thousand and has not changed comparing to previous year.

Application of prudence principles

During the audit we did not detect facts indicating that as of 31 December 2014 the Parent Company did not comply with prudence principles defined by provisions of the Banking Law, resolutions of the Management Board of the National Bank of Poland and resolutions of the Polish Financial Supervision Commission.

Capital adequacy ratio

During our audit we have not identified significant discrepancies in the area of calculation of capital ratio as at 31 December 2014 in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms).

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2014 and include:

- consolidated statement of financial position prepared as of 31 December 2014, with total assets and liabilities plus equity of PLN 134,501,874 thousand,
- consolidated income statement for the period from 1 January 2014 to 31 December 2014, with a net profit of PLN 2,047,292 thousand,
- consolidated statement of comprehensive income for the period from 1 January 2014 to 31 December 2014, with a total comprehensive income of PLN 2,291,838 thousand,
- consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing an increase in equity of PLN 3,568,751 thousand,
- consolidated statement of cash flows for the period from 1 January 2014 to 31 December 2014, showing a cash inflow of PLN 1,230,489 thousand
- notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2014 to 31 December 2014 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Company;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation;
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

2. Consolidation documentation

The Parent Company presented the consolidation documentation including:

- 1) financial statements of entities, included in the consolidated financial statements,
- 2) consolidation packages of controlled entities included in the consolidated financial statements, adjusted to IFRS rules and the accounting principles (policy) applied of Capital Group,
- 3) all consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements,
- 4) calculation of minority interest.

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent Company and the subsidiaries included in consolidation were summed up

The equity method was applied with respect to associated entities. The value of the Parent Company's interest in the associated company was adjusted by increases or decreases in the equity of the associated company attributable to the Parent Company, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

The Parent Company preparing the consolidated financial statements has not applied any material simplifications and exceptions to the consolidation principles with respect to the controlled entities

3. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Capital Group

The Parent Company confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes and explanations to the consolidated financial statements gives a description of measurement principles regarding assets, liabilities, financial performance and principles of preparation of the consolidated financial statements.

The Parent Company prepared notes in the form of tables to individual items of the consolidated statement of financial position and statement of comprehensive income as well as narrative descriptions, in line with the requirement of IFRS.

The Management Board of Parent Company prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2014 financial year. The report contains information determined by Article 49 of the Accounting Act and the Ordinance of the Minister of Finance Ordinance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133). We have audited the report with respect to the disclosed information derived directly from the audited consolidated financial statements.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Parent Company's Management Board, in which the Board stated that the Capital Group complied with the laws in force.

Paweł Nowosadko
Key certified auditor
conducting the audit
No. 90119

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Dariusz Szkaradek – Deputy Chairman of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 5 March 2015