



**REPORT OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 3 2015**

2015



Bank Zachodni WBK

 Grupa Santander

FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Consolidated financial statements of Bank Zachodni WBK Group					
I Net interest income		3 172 870	2 925 831	762 984	699 909
II Net fee and commission income		1 443 870	1 375 822	347 209	329 120
III Operating profit		2 759 878	1 936 735	663 672	463 300
IV Profit before tax		2 773 711	1 937 771	666 998	463 548
V Net profit attributable to owners of BZ WBK S.A.		2 050 131	1 469 481	492 998	351 525
VI Total net cash flow		(3 139 399)	892 867	(754 935)	213 589
VII Total assets		135 062 349	130 387 841	31 864 849	31 226 881
VIII Deposits from banks		7 986 005	7 787 640	1 884 114	1 865 080
IX Deposits from customers		95 602 148	93 022 956	22 555 124	22 278 279
X Total liabilities		115 148 461	112 711 196	27 166 626	26 993 461
XI Total equity		19 913 888	17 676 645	4 698 223	4 233 420
XII Non-controlling interests in equity		1 141 642	1 469 135	269 344	351 846
XIII Profit of the period attributable to non-controlling interests		179 463	81 569	43 156	19 513
XIV Number of shares		99 234 534	99 234 534		
XV Net book value per share in PLN/EUR		200,67	178,13	47,34	42,66
XVI Capital ratio		13,93%	13,44%		
XVII Profit per share in PLN/EUR		20,66	15,45	4,97	3,70
XVIII Diluted earnings per share in PLN/EUR		20,63	15,42	4,96	3,69
XIX Declared or paid dividend per share in PLN/EUR*		-	10,70	-	2,56
Stand alone financial statements of Bank Zachodni WBK S.A.					
I Net interest income		2 308 183	2 536 772	555 052	606 840
II Net fee and commission income		1 192 010	1 214 425	286 644	290 511
III Operating profit		1 891 565	1 944 482	454 867	465 154
IV Profit before tax		1 891 565	1 944 482	454 867	465 154
V Profit for the period		1 545 779	1 618 298	371 716	387 125
VI Total net cash flow		(2 703 847)	556 469	(650 198)	133 117
VII Total assets		121 313 572	115 173 995	28 621 142	27 583 282
VIII Deposits from banks		5 935 316	4 999 418	1 400 301	1 197 322
IX Deposits from customers		89 045 554	86 690 160	21 008 247	20 761 624
X Total liabilities		103 146 271	98 445 793	24 334 986	23 577 007
XI Total equity		18 167 301	16 728 202	4 286 156	4 006 275
XII Number of shares		99 234 534	99 234 534		
XIII Net book value per share in PLN/EUR		183,07	168,57	43,19	40,37
XIV Capital ratio		14,85%	14,43%		
XV Profit per share in PLN/EUR		15,58	17,01	3,75	4,07
XVI Diluted earnings per share in PLN/EUR		15,56	16,98	3,74	4,06
XVII Declared or paid dividend per share in PLN/EUR*		-	10,70	-	2,56
FINANCIAL HIGHLIGHTS for the period ended 31.12.2014					
		Consolidated statement of financial position		Statement of financial position	
		PLN k	EUR k	PLN k	EUR k
I Total assets		134 501 874	31 556 172	121 607 365	28 530 926
II Deposits from banks		8 359 856	1 961 349	6 171 077	1 447 828
III Deposits from customers		94 981 809	22 284 168	90 149 236	21 150 373
IV Total liabilities		116 450 180	27 320 972	104 495 353	24 516 189
V Total equity		18 051 694	4 235 200	17 112 012	4 014 737
VI Non-controlling interests in equity		1 520 799	356 802	-	-

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

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

- for balance sheet items – 4.2386 PLN rate to EUR as at 30.09.2015 stated by National Bank of Poland (NBP), 4.2623 PLN rate to EUR as at 31.12.2014; 4.1755 PLN rate to EUR as at 30.09.2014
- for profit and loss items – as at 30.09.2015: 4.1585 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2015), 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 30.09.2015, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 190/A/NBP/2015 dd. 30.09.2015.



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR THE 9-MONTH PERIOD
ENDED 30 SEPTEMBER 2015**

2015



Bank Zachodni WBK

 Grupa Santander

TABLE OF CONTENTS

Consolidated income statement	6
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Movements in consolidated equity	8
Consolidated statement of cash flows	9
Income statement of Bank Zachodni WBK	10
Statement of comprehensive income of Bank Zachodni WBK	10
Statement of financial position of Bank Zachodni WBK	11
Movements in equity of Bank Zachodni WBK	12
Statement of cash flows of Bank Zachodni WBK	13
Additional notes to interim consolidated financial statements	14
1. Basis of preparation of interim financial statements	14
2. Description of organization of Bank Zachodni WBK Group	17
3. Segment reporting	19
4. Net interest income	25
5. Net fee and commission income	26
6. Net trading income and revaluation	26
7. Gains (losses) from other financial securities	27
8. Other operating income	27
9. Impairment losses on loans and advances	28
10. Employee costs	28
11. General and administrative expenses	28
12. Other operating expenses	29
13. Corporate income tax	29
14. Cash and balances with central banks	30
15. Loans and advances to banks	30
16. Financial assets and liabilities held for trading	31
17. Loans and advances to customers	31
18. Investment securities available for sale	33
19. Investments in associates	33
20. Net deferred tax assets	34
21. Assets classified as held for sale	34
22. Other assets	35
23. Deposits from banks	35
24. Deposits from customers	35
25. Subordinated liabilities	36
26. Debt securities in issue	37
27. Other liabilities	38
28. Fair value	40
29. Contingent liabilities	43
30. Off-balance sheet liabilities relating to derivatives' nominal values	44
31. Basis of FX conversion	44
32. Shareholders with min. 5% voting power	44
33. Changes in shareholding of members of the Management and Supervisory Board	45
34. Related party disclosures	46
35. Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK	48
36. Acquisition of controlling interest in Santander Consumer Bank S.A.	48
37. Acquisitions and disposals of investments in subsidiaries and associates	49
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	51

39. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period	51
40. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.....	51
41. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets.....	51
42. Comments concerning the seasonal or cyclical character of the interim activity	51
43. Character and amounts of items which are extraordinary due to their nature, volume or occurrence	52
44. Issues, repurchases and repayments of debt and equity securities	52
45. Dividend per share.....	52
46. Information concerning issuing loan and guarantees by an issuer or its subsidiary.....	52
47. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets.....	53
48. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets	53
49. Events which occurred subsequently to the end of the interim period	53
50. Description of external environment in Q3 2015.....	54
51. Activities of Bank Zachodni WBK Group in Q3 2015.....	56
52. Overview of BZ WBK Group performance in three quarters of 2015	66
53. Factors which may affect future financial results of the Group in the perspective of at least next quarter	83

In thousands of PLN

Consolidated income statement

for reporting period:		01.07.2015 30.09.2015	01.01.2015 30.09.2015	01.07.2014 30.09.2014	01.01.2014 30.09.2014
Interest income		1 412 765	4 250 212	1 643 323	4 145 416
Interest expense		(322 606)	(1 077 342)	(490 512)	(1 219 585)
Net interest income	Note 4	1 090 159	3 172 870	1 152 811	2 925 831
Fee and commission income		588 070	1 739 382	578 507	1 625 565
Fee and commission expense		(105 374)	(295 512)	(95 780)	(249 743)
Net fee and commission income	Note 5	482 696	1 443 870	482 727	1 375 822
Dividend income		832	90 739	353	80 224
Net gains/(losses) on subordinated entities	Note 37	-	522 995	-	-
Net trading income and revaluation	Note 6	38 972	167 581	58 773	52 725
Gains (losses) from other financial securities	Note 7	36 015	264 247	11 304	66 537
Other operating income	Note 8	27 519	135 137	46 543	233 924
Impairment losses on loans and advances	Note 9	(201 101)	(554 287)	(216 044)	(551 933)
Operating expenses incl.:		(813 740)	(2 483 274)	(804 892)	(2 246 395)
<i>Bank's staff, operating expenses and management costs</i>	Notes 10, 11	(737 715)	(2 226 633)	(697 175)	(1 970 135)
<i>Depreciation/amortisation</i>		(61 651)	(190 412)	(82 449)	(223 584)
<i>Other operating expenses</i>	Note 12	(14 374)	(66 229)	(25 268)	(52 676)
Operating profit		661 352	2 759 878	731 575	1 936 735
Share in net profits (loss) of entities accounted for by the equity method		8 471	13 833	947	1 036
Profit before tax		669 823	2 773 711	732 522	1 937 771
Corporate income tax	Note 13	(140 594)	(544 117)	(156 414)	(386 721)
Consolidated profit for the period		529 229	2 229 594	576 108	1 551 050
of which:				-	-
<i>attributable to owners of BZ WBK S.A.</i>		472 721	2 050 131	515 901	1 469 481
<i>attributable to non-controlling interests</i>		56 508	179 463	60 207	81 569
Net earnings per share (PLN/share)				-	-
Basic earnings per share		4,76	20,66	5,42	15,45
Diluted earnings per share		4,76	20,63	5,41	15,42

Consolidated statement of comprehensive income

for reporting period:		01.07.2015 30.09.2015	01.01.2015 30.09.2015	01.07.2014 30.09.2014	01.01.2014 30.09.2014
Consolidated profit for the period		529 229	2 229 594	576 108	1 551 050
Other comprehensive income which can be transferred to the profit and loss account:		(111 798)	(514 080)	140 617	374 566
Available-for sale financial assets valuation		80 483	(374 016)	225 896	536 727
<i>including deferred tax</i>		(15 292)	71 063	(42 920)	(101 978)
Cash flow hedges valuation		(218 506)	(260 651)	(52 295)	(74 300)
<i>including deferred tax</i>		41 517	49 524	9 936	14 117
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		(111 798)	(514 080)	140 617	367 404
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		417 431	1 715 514	716 725	1 918 454
Attributable to:					
<i>owners of BZ WBK S.A.</i>		363 745	1 537 224	655 223	1 835 630
<i>non-controlling interests</i>		53 686	178 290	61 502	82 824

In thousands of PLN

Consolidated statement of financial position

	as at:	30.09.2015	31.12.2014	30.09.2014
Assets				
Cash and balances with central banks	Note 14	3 480 147	6 806 521	5 406 209
Loans and advances to banks	Note 15	3 386 246	2 523 063	3 478 761
Financial assets held for trading	Note 16	4 621 166	5 238 741	3 466 586
Hedging derivatives		153 198	238 889	230 872
Loans and advances to customers	Note 17	91 915 873	85 820 571	84 964 651
Investment securities	Note 18	25 827 142	27 057 093	26 535 786
Investments in associates	Note 19	817 264	42 792	64 480
Intangible assets		409 115	505 385	500 947
Goodwill		1 688 516	2 542 325	2 542 325
Property, plant and equipment		732 416	756 950	681 723
Net deferred tax assets	Note 20	1 332 314	1 181 610	964 884
Assets classified as held for sale	Note 21	983	1 378	2 897
Investment property		-	-	14 070
Other assets	Note 22	697 969	1 786 556	1 533 650
Total assets		135 062 349	134 501 874	130 387 841
Liabilities				
Deposits from banks	Note 23	7 986 005	8 359 856	7 787 640
Hedging derivatives		2 208 813	1 258 224	807 877
Financial liabilities held for trading	Note 16	2 194 603	2 781 680	2 085 957
Deposits from customers	Note 24	95 602 148	94 981 809	93 022 956
Subordinated liabilities	Note 25	524 885	1 539 967	1 509 717
Debt securities in issue	Note 26	4 388 201	3 373 374	3 570 081
Current income tax liabilities		250 827	624 189	362 842
Other liabilities	Note 27	1 992 979	3 531 081	3 564 126
Total liabilities		115 148 461	116 450 180	112 711 196
Equity				
Equity attributable to owners of BZ WBK S.A.		18 772 246	16 530 895	16 207 510
Share capital		992 345	992 345	992 345
Other reserve funds		14 681 553	12 309 424	12 310 490
Revaluation reserve		438 639	951 546	1 075 056
Retained earnings		609 578	362 869	360 138
Profit of the current period		2 050 131	1 914 711	1 469 481
Non-controlling interests in equity		1 141 642	1 520 799	1 469 135
Total equity		19 913 888	18 051 694	17 676 645
Total equity and liabilities		135 062 349	134 501 874	130 387 841

In thousands of PLN

Movements in consolidated equity

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2014	992 345	12 309 424	951 546	2 277 580	1 520 799	18 051 694
Other comprehensive income which can be transferred to the profit and loss account	-	-	(512 907)	2 050 131	178 290	1 715 514
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies.	-	1 032 206	-	(342 467)	(540 854)	148 885
Transfer to other capital	-	1 329 746	-	(1 329 746)	-	-
Share scheme charge	-	14 388	-	-	-	14 388
Dividends	-	-	-	-	(16 593)	(16 593)
Other	-	(4 211)	-	4 211	-	-
As at 31.09.2015	992 345	14 681 553	438 639	2 659 709	1 141 642	19 913 888

As at the end of the period revaluation reserve in the amount of PLN 438 639 k comprises of debt securities and equity shares classified as available for sale of PLN 188 942 k and PLN 574 481 k respectively and additionally cash flow hedge activities of PLN (319 329) k and accumulated actuarial losses -provision for retirement allowances of PLN (5 455) k.

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2013	935 451	10 115 745	708 907	2 111 985	610 855	14 482 943
Other comprehensive income which can be transferred to the profit and loss account	-	-	254 309	1 914 711	134 488	2 303 508
Other comprehensive income which can't be transferred to the profit and loss account	-	-	(11 670)	-	-	(11 670)
Issue of shares	56 894	2 102 575	-	-	-	2 159 469
Adjustment to equity from acquisition of controlling interest in Santander Consumer Bank	-	(663 825)	-	-	995 059	331 234
Transfer to other capital	-	750 915	-	(750 915)	-	-
Share scheme charge	-	6 846	-	-	-	6 846
Adjustment to equity from the incorporation of Dom Maklerski BZ WBK (Brokerage House) into the structure of Bank Zachodni WBK	-	(2 832)	-	2 832	-	-
Other	-	-	-	(101)	-	(101)
Dividends	-	-	-	(1 000 932)	(219 603)	(1 220 535)
As at 31.12.2014	992 345	12 309 424	951 546	2 277 580	1 520 799	18 051 694

As at the end of the period revaluation reserve in the amount of PLN 951 546 k comprises of debt securities and equity shares classified as available for sale of PLN 493 867 k and PLN 571 335 k respectively and additionally cash flow hedge activities of PLN (108 201) k and accumulated actuarial losses -provision for retirement allowances of PLN (5 455) k.

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2013	935 451	10 115 745	708 907	2 111 985	610 855	14 482 943
Other comprehensive income which can be transferred to the profit and loss account	-	-	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)	-	-	995 059	331 234
Share scheme charge	-	5 080	-	-	-	5 080
Transfer to other capital	-	750 915	-	(750 915)	-	-
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.

In thousands of PLN

Consolidated statement of cash flows

	for the period	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
Profit before tax		2 773 711	1 937 771
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(13 833)	(1 036)
Depreciation/amortisation		190 412	223 584
Impairment losses		1 733	1 616
(Profit) loss from investing activities		(812 246)	(66 318)
		2 139 777	2 095 617
Changes:			
Provisions		(1 103 794)	(12 843)
Trading portfolio financial instruments		1 066 778	18 971
Loans and advances to banks		(266 281)	434 552
Loans and advances to customers		(6 095 302)	(4 953 114)
Deposits from banks		(415 421)	(862 045)
Deposits from customers		1 120 777	6 939 106
Other assets and liabilities		1 009 461	482 967
		(4 683 782)	2 047 594
Interests and similar charges		212 735	(51 518)
Dividend received		(89 399)	(72 441)
Paid income tax		(947 467)	(439 576)
Net cash flow from operating activities		(3 368 136)	3 579 676
Inflows		91 565 837	157 144 039
Sale of subordinated entities		244 316	-
Sale/maturity of investment securities		91 184 621	157 054 473
Sale of intangible assets and property, plant and equipment		41 805	17 125
Dividend received		95 095	72 441
Outflows		(90 831 120)	(159 675 749)
Purchase of investment securities		(90 707 310)	(159 517 600)
Purchase of intangible assets and property, plant and equipment		(123 810)	(158 149)
Net cash flow from investing activities		734 717	(2 531 710)
Inflows		2 135 694	1 410 925
Debt securities in issue		1 951 125	475 000
Drawing of loans		184 569	932 870
Proceeds from issuing/shares		-	3 055
Outflows		(2 641 674)	(1 566 024)
Debt securities buy out		(522 200)	-
Repayment of loans		(1 781 863)	(193 011)
Dividends and other payments to shareholders		(16 593)	(1 220 535)
Other financing outflows		(321 018)	(152 478)
Net cash flow from financing activities		(505 980)	(155 099)
Total net cash flow		(3 139 399)	892 867
Cash at the beginning of the accounting period		13 530 975	12 300 487
Cash acquired in a business combination		-	1 169 992
Cash at the end of the accounting period		10 391 576	14 363 346

In thousands of PLN

Income statement of Bank Zachodni WBK

	for reporting period:			
	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Interest income	1 049 267	3 167 002	1 237 350	3 663 454
Interest expenses	(253 486)	(858 819)	(389 823)	(1 126 682)
Net interest income	795 781	2 308 183	847 527	2 536 772
Fee and commission income	468 320	1 388 988	457 777	1 393 929
Fee and commission expenses	(72 295)	(196 978)	(62 071)	(179 504)
Net fee and commission income	396 025	1 192 010	395 706	1 214 425
Dividend income	5 975	141 826	229 522	417 913
Net gains/(losses) on subordinated entities	-	234 391	-	-
Net trading income and revaluation	39 097	140 215	43 315	58 066
Gains (losses) from other financial securities	32 752	260 614	11 304	69 123
Other operating income	23 822	97 652	11 779	79 292
Impairment losses on loans and advances	(160 777)	(483 159)	(181 303)	(518 853)
Operating expenses incl.:	(657 719)	(2 000 167)	(608 259)	(1 912 256)
<i>Bank's staff, operating expenses and management costs</i>	(594 818)	(1 800 204)	(539 744)	(1 729 723)
<i>Depreciation/amortisation</i>	(50 779)	(150 659)	(48 222)	(142 180)
<i>Other operating expenses</i>	(12 122)	(49 304)	(20 293)	(40 353)
Operating profit	474 956	1 891 565	749 591	1 944 482
Profit before tax	474 956	1 891 565	749 591	1 944 482
Corporate income tax	(99 696)	(345 786)	(110 381)	(326 184)
Profit for the period	375 260	1 545 779	639 210	1 618 298
Net earnings per share (PLN/share)				
Basic earnings per share	3,78	15,58	6,72	17,01
Diluted earnings per share	3,78	15,56	6,71	16,98

Statement of comprehensive income of Bank Zachodni WBK

	for reporting period:			
	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Profit for the period	375 260	1 545 779	639 210	1 618 298
Other comprehensive income which can be transferred to the profit and loss account:				
Available-for sale financial assets valuation	87 944	(364 774)	222 643	531 442
<i>including deferred tax</i>	(16 709)	69 307	(42 302)	(100 974)
Cash flow hedges valuation	(214 109)	(258 533)	(53 860)	(75 865)
<i>including deferred tax</i>	40 680	49 121	10 233	14 414
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	(102 194)	(504 879)	136 714	361 855
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	273 066	1 040 900	775 924	1 980 153

In thousands of PLN

Statement of financial position of Bank Zachodni WBK

	30.09.2015	31.12.2014	30.09.2014
ASSETS			
Cash and balances with central banks	3 420 067	6 567 108	5 156 967
Loans and advances to banks	4 489 509	3 673 519	3 566 480
Financial assets held for trading	4 629 485	5 221 034	3 424 640
Hedging derivatives	153 199	238 889	228 913
Loans and advances to customers	78 784 397	74 645 880	72 198 043
Investment securities	23 300 579	24 465 448	24 415 711
Investments in subsidiaries and associates	2 377 325	2 387 250	2 435 605
Intangible assets	375 405	393 265	363 051
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	656 234	676 212	603 171
Net deferred tax assets	945 848	794 008	607 309
Assets classified as held for sale	637	637	2 652
Investment property	-	-	14 070
Other assets	492 371	855 599	468 867
Total assets	121 313 572	121 607 365	115 173 995
LIABILITIES			
Deposits from banks	5 935 316	6 171 077	4 999 418
Hedging derivatives	2 125 234	1 233 926	801 794
Financial liabilities held for trading	2 194 749	2 781 686	2 087 383
Deposits from customers	89 045 554	90 149 236	86 690 160
Subordinated liabilities	424 124	1 439 835	1 408 691
Debt securities in issue	1 701 320	983 646	984 153
Current income tax liabilities	192 340	475 363	267 352
Other liabilities	1 527 634	1 260 584	1 206 842
Total liabilities	103 146 271	104 495 353	98 445 793
Equity			
Share capital	992 345	992 345	992 345
Other reserve funds	14 234 309	13 177 940	13 042 768
Revaluation reserve	442 216	947 095	1 074 791
Retained earnings	952 652	-	-
Profit of the current period	1 545 779	1 994 632	1 618 298
Total equity	18 167 301	17 112 012	16 728 202
Total equity and liabilities	121 313 572	121 607 365	115 173 995

In thousands of PLN

Movements in equity of Bank Zachodni WBK

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2014	992 345	13 177 940	947 095	1 994 632	17 112 012
Other comprehensive income which can be transferred to the profit and loss account	-	-	(504 879)	1 545 779	1 040 900
Other comprehensive income which can't be transferred to the profit and loss account	-	-	-	-	-
Transfer to other capital	-	1 041 980	-	(1 041 980)	-
Share scheme charge	-	14 389	-	-	14 389
As at 30.09.2015	992 345	14 234 309	442 216	2 498 431	18 167 301

As at the end of the period revaluation reserve in the amount of PLN 442 216 k comprises of debt securities and equity shares classified as available for sale of PLN 188 794 k and PLN 575 292 k respectively and additionally cash flow hedge activities of PLN (316 445) k and accumulated actuarial losses - provision for retirement allowances of PLN (5 425) k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2013	935 451	10 324 574	712 936	1 611 471	13 584 432
Other comprehensive income which can be transferred to the profit and loss account	-	-	245 378	1 994 632	2 240 010
Other comprehensive income which can't be transferred to the profit and loss account	-	-	(11 219)	-	(11 219)
Issue of shares	56 894	2 102 575	-	-	2 159 469
Transfer to other capital	-	610 539	-	(610 539)	-
Transfer to dividends for 2013	-	-	-	(1 000 932)	(1 000 932)
Share scheme charge	-	6 846	-	-	6 846
Adjustment to equity from the incorporation of Dom Maklerski BZ WBK (Brokerage House) into the structure of Bank Zachodni WBK	-	133 406	-	-	133 406
As at 31.12.2014	992 345	13 177 940	947 095	1 994 632	17 112 012

As at the end of the period revaluation reserve in the amount of PLN 947 095 k comprises of debt securities and equity shares classified as available for sale of PLN 488 575 k and PLN 570 978 k respectively and additionally cash flow hedge activities of PLN (107 033) k and accumulated actuarial losses - provision for retirement allowances of PLN (5 425) k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2013	935 451	10 324 574	712 936	1 611 471	13 584 432
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 31.09.2014	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.

In thousands of PLN

Statement of cash flows of Bank Zachodni WBK

	for reporting period:	
	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
Profit before tax	1 891 565	1 944 482
Total adjustments:		
Depreciation/amortisation	150 659	142 180
(Profit) loss from investing activities	(519 731)	(77 465)
Impairment losses	322	1 626
	1 522 815	2 010 823
Changes in:		
Provisions	(33 552)	(44 204)
Trading portfolio financial instruments	981 610	(98 503)
Loans and advances to banks	327 133	151 819
Loans and advances to customers	(4 138 517)	(4 583 501)
Deposits from banks	(420 719)	(1 279 366)
Deposits from customers	(629 768)	7 561 103
Other assets and liabilities	497 418	(3 645)
	(3 416 395)	1 703 703
Interests and similar charges	116 998	(60 599)
Dividend received	(140 486)	(417 913)
Paid income tax	(662 221)	(374 026)
Net cash flow from operating activities	(2 579 289)	2 861 988
Inflows	70 370 595	157 483 472
Sale of investments in subsidiaries	244 316	-
Sale/maturity of investment securities	69 916 801	157 057 042
Sale of intangible assets and property, plant and equipment	69 017	16 300
Dividend received	140 461	410 130
Outflows	(69 550 499)	(159 515 849)
Purchase of investment securities	(69 449 640)	(159 370 762)
Purchase of intangible assets and property, plant and equipment	(100 859)	(145 087)
Net cash flow from investing activities	820 096	(2 032 377)
Inflows	899 569	896 055
Debt securities in issue	715 000	475 000
Drawing of loans	184 569	418 000
Proceeds from issuing/shares	-	3 055
Outflows	(1 844 223)	(1 169 197)
Repayment of loans	(1 611 785)	(24 606)
Dividends and other payments to shareholders	-	(1 000 932)
Other financing outflows	(232 438)	(143 659)
Net cash flow from financing activities	(944 654)	(273 142)
Total net cash flow	(2 703 847)	556 469
Cash at the beginning of the accounting period	12 113 526	12 253 154
Cash at the end of the accounting period	9 409 679	12 809 623

In thousands of PLN

Additional notes to interim consolidated financial statements

1. Basis of preparation of interim financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK Group for the year 2014.

The consolidated financial statements of the Group for the year 2014 are available at the Bank's official website: www.bzwbk.pl.

Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2015 to 30 September 2015 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 2015 which is deemed to be the current interim financial reporting period.

Accounting policies

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

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

The accounting policies have been applied consistently by Group entities.

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

Comparability with results of previous periods

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

The financial statements of Bank Zachodni WBK Group for the fourth quarter of 2014 was the first financial statements prepared after incorporation of Dom Maklerski BZWBK into the structure of Bank Zachodni WBK. The incorporation has no effect on comparability of the Group's consolidated data, but certain items of the financial statements of Bank Zachodni WBK presented in the current reporting period are not comparable with previous years. See Note 35 for details of the incorporation.

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

Changes in judgments and estimates

Compared with the consolidated financial statements for 2014, in Q3 2015 there were no material changes in Bank Zachodni WBK Group's accounting estimates or judgments.

In thousands of PLN

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

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
Amendment to IAS 27 Equity method in separate financial statements	The amendment will allow entities to account for investments in subsidiaries, associates and joint ventures using the equity method in their separate financial statements.	1 January 2016	The impact analysis has not been completed yet.
Annual improvements cycle 2012-2014	The issues included in this cycle are: <ul style="list-style-type: none"> • IFRS 5 Changes in methods of disposal; • IFRS 7 Servicing Contracts; • IAS 19 Discount rate: regional market issue; • IAS 34 Disclosure of information 'elsewhere in the interim financial report'. 	1 January 2016	The impact analysis has not been completed yet.
Amendment to IFRS 11 Joint Arrangements	The purpose of the amendment is to issue new guidance on the disclosure of acquisition of an interest in a joint operation. It specifies the accounting treatment of such acquisition.	1 January 2016	The impact analysis has not been completed yet.
Amendment to IAS 16 and IAS 38	The amendment to IAS 16 and IAS 38 sets out the rule of consumption of the economic benefits with regard to recognition of depreciation and amortisation. IASB explained that the revenue-based method should not be used to calculate depreciation/amortisation.	1 January 2016	The impact analysis has not been completed yet.
IFRS 14 Regulatory Deferral Accounts	Under IFRS 14, first-time adopters of IFRS are permitted to continue to recognise amounts related to rate regulation in accordance with their previous accounting rules. To enhance comparability with entities that already apply IFRS and that do not recognise such amounts, the effect of rate regulation must be presented separately from other items, both in the statement of financial position and income statement and statement of other comprehensive income.	1 January 2016	The impact analysis has not been completed yet.
Amendments to IFRS 10, IFRS 12 and IAS 28	The amendments will only apply to the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	The impact analysis has not been completed yet.
Amendments to IAS 1	Presentation of Financial Statements	1 January 2016	The impact analysis has not been completed yet.
Amendments to IFRS 15	Revenue from Contracts with Customers.	1 January 2017	The impact analysis has not been completed yet.
IFRS 9 Financial Instruments	Amendment to the classification and measurement – replacement of the existing categories of financial instruments with two measurement categories: amortised cost and fair value. Amendments to hedge accounting.	1 January 2018 (IASB has been considering whether to set the date as the new effective date of the standard)	The impact analysis has not been completed yet.

In thousands of PLN

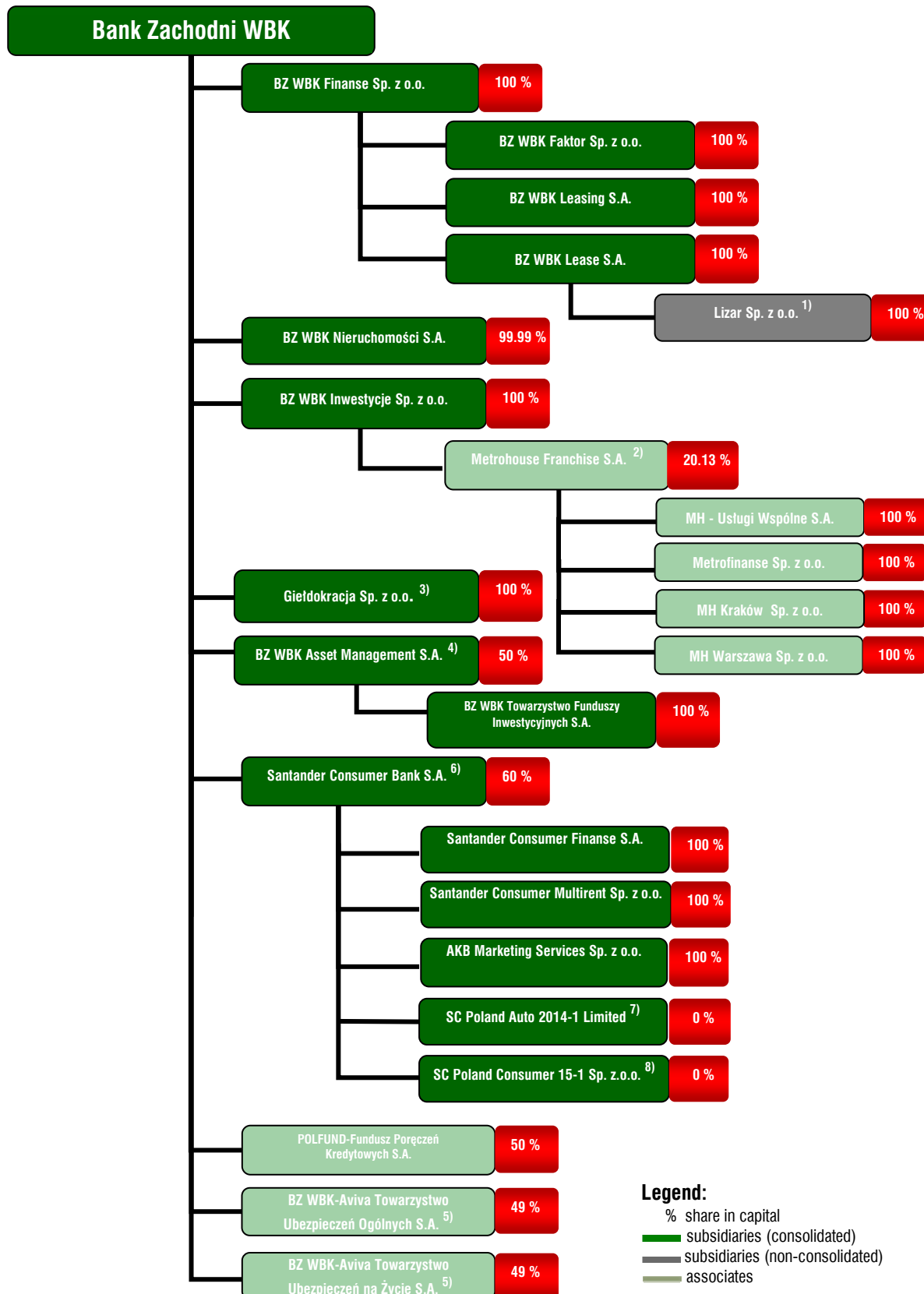
Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2015

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
Amendment to IAS 19 Employee Benefits	The amendment applies to contributions from employees or third parties. Specifically, it simplifies the accounting principles regarding the contributions which are independent of the number of years of service.	1 January 2015	The amendment does not have a significant impact on financial statements
Annual improvements to IFRS, the 2010-2012 cycle	The issues included in this cycle are: <ul style="list-style-type: none"> - IFRS 2 Definition of 'vesting condition'; - IFRS 3 Contingent consideration in a business combination; - IFRS 8 Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; - IFRS 13 Short-term receivables and payables; - IAS 16 / IAS 38 Revaluation method – proportionate restatement; - IAS 24 Key management personnel. 	1 January 2015	The amendment does not have a significant impact on financial statements
Annual improvements to IFRS, the 2011-2013 cycle	The issues included in this cycle are: <ul style="list-style-type: none"> - IFRS 1 Meaning of 'effective IFRS'; - IFRS 3 Scope of exception for joint ventures; - IFRS 13 Scope of paragraph 52 (portfolio exception); - IAS 40 Clarification of the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. 	1 January 2015	The amendment does not have a significant impact on financial statements

In thousands of PLN

2. Description of organization of Bank Zachodni WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group as at 30.09.2015:



In thousands of PLN

- 1) Lizar Sp. z o.o. – subsidiary unconsolidated due to irrelevance of their business operations and financial data.
- 2) Detailed information of Metrohouse Franchise S.A. is provided in Note 37.
- 3) Detailed information are described in Note 35.
- 4) As at 30 September 2015, Bank Zachodni WBK was a co-owner of BZ WBK Asset Management S.A., together with Banco Santander S.A. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK exercises control over the company and its subsidiary, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Consequently, the company is treated as a subsidiary.
- 5) On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŃ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Detailed information are described in Note 37.
- 6) On 1 July 2014, Bank Zachodni WBK completed the acquisition of the controlling stake in Santander Consumer Bank S.A. (“Group SCB”).
- 7) SC 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.
- 8) SC Poland Consumer 15-1 Sp. z o.o. set up for the purpose of securitisation of a part of the loan portfolio; its shareholder is foreign legal entity who has no ties with the Group; the company is controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7.

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

The scope of activities Santander Consumer Bank includes amongst other:

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

Additional SCB subsidiaries activities are:

- AKB Marketing Services Sp. z o.o. - operations ancillary to banking activities,
- Santander Consumer Multirent Sp. z o.o. - Leasing activities (finance & operating),
- Santander Consumer Finance S.A. - the Company's core business is investing cash surpluses and co-operation with TUIR Warta S.A. i TUŻ Warta S.A. as a financial agent,
- SC Poland Auto 2014-1 Limited - Special purpose vehicle set up for the purpose of issuing asset backed securities.
- SC Poland Consumer 15-1 Sp. z o.o. - Special purpose vehicle set up for the purpose of issuing asset backed securities.

In thousands of PLN

3. Segment reporting

Operational activity of Bank Zachodni WBK Group has been divided into five segments: Retail Banking, Business and Corporate Banking, Global Corporate Banking (in 3rd quarter of 2015 the name of Global Banking and Markets business segment was changed to Global Corporate Banking, the criteria of customers assignment to this business segment was maintained unchanged), ALM (Assets and Liabilities Management) and Centre, and Santander Consumer. They were identified based on customers and product types.

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

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

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

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

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

In 2015 introduced the following changes:

- change of the methodology of capital and income from capital allocation between business segments;
- change of the methodology of obligatory reserve allocation and results on obligatory reserve;
- customer resegmentation between business segments;
- due to organizational changes in the second half of 2014 - there is presentation change of internal transactions with lease companies, between Business and Corporate Banking and Retail Banking;
- in 3rd quarter of 2015 the name of Global Banking and Markets business segment was changed to Global Corporate Banking, the criteria of customers' assignment to this business segment remain the same.

In all cases comparable data are adjusted accordingly.

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

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

Retail Banking

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

In thousands of PLN

Business and Corporate Banking

Business and 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 Corporate Banking

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

- transactional banking with such products as cash management, deposits, leasing, factoring, letters of credit, guarantees, bilateral lending and trade finance;
- lending, including project finance, syndicated facilities and bond issues;
- FX and interest rate risk management products provided to all the Bank's customers (segment allocates revenues and costs from this activity to other segments, the allocation level may be subject to changes in consecutive years);
- underwriting and financing of securities issues, financial advice and brokerage services (until the incorporation of Brokerage House into the structure of the Bank at 31.10.2014, above services related to the activities of the Brokerage Office).

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

ALM and Centre

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

Santander Consumer

Santander Consumer business segment includes activities of the Santander Consumer Group, which was consolidated to the BZ WBK Group from 01.07.2014.

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

In thousands of PLN

Consolidated income statement (by business segments)

01.01.2015-30.09.2015	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	1 446 881	394 166	98 332	457 938	775 553	3 172 870
incl. internal transactions	(61 872)	(25 198)	92	93 572	(6 594)	-
Other income	1 045 896	225 553	228 634	868 139	165 608	2 533 830
incl. internal transactions	39 943	57 594	(92 897)	45 127	(49 767)	-
Dividend income	-	-	1 472	89 261	6	90 739
Operating costs	(1 428 766)	(228 750)	(166 205)	(101 219)	(367 922)	(2 292 862)
incl. internal transactions	(8 825)	(797)	(4)	11 210	(1 584)	-
Depreciation/amortisation	(81 733)	(11 029)	(13 879)	(54 838)	(28 933)	(190 412)
Impairment losses on loans and advances	(409 951)	(93 860)	3 987	(3 148)	(51 315)	(554 287)
Share in net profits (loss) of entities accounted for by the equity method	13 675	-	-	158	-	13 833
Profit before tax	586 002	286 080	152 341	1 256 291	492 997	2 773 711
Corporate income tax						(544 117)
Non-controlling interests						(179 463)
Profit for the period						2 050 131

In thousands of PLN

01.07.2015-30.09.2015	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	491 946	133 369	28 682	168 139	268 023	1 090 159
incl. internal transactions	(21 797)	(8 486)	21	35 646	(5 384)	-
Other income	345 864	69 162	89 059	26 134	54 983	585 202
incl. internal transactions	11 351	19 815	(27 590)	(25 279)	21 703	-
Dividend income	-	-	289	543	-	832
Operating costs	(468 536)	(76 088)	(54 536)	(29 016)	(123 913)	(752 089)
incl. internal transactions	(3 001)	(212)	(1)	4 062	(848)	-
Depreciation/amortisation	(26 831)	(3 707)	(4 671)	(17 186)	(9 256)	(61 651)
Impairment losses on loans and advances	(117 298)	(37 334)	(2 166)	(6 442)	(37 861)	(201 101)
Share in net profits (loss) of entities accounted for by the equity method	8 224	-	-	247	-	8 471
Profit before tax	233 369	85 402	56 657	142 419	151 976	669 823
Corporate income tax						(140 594)
Non-controlling interests						(56 508)
Profit for the period						472 721

Consolidated statement of financial position (by business segment)

30.09.2015	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	48 369 800	24 084 872	6 826 257	90 946	12 543 998	91 915 873
Investments in associates	14 129	-	-	803 135	-	817 264
Other assets	4 909 018	1 006 553	6 154 353	26 869 721	3 389 567	42 329 212
Total assets	53 292 947	25 091 425	12 980 610	27 763 802	15 933 565	135 062 349
Deposits from customers	62 054 747	17 758 491	6 860 171	222 933	8 705 806	95 602 148
Other liabilities and equity	3 592 255	2 411 143	4 748 554	18 076 371	10 631 878	39 460 201
Total equity and liabilities	65 647 002	20 169 634	11 608 725	18 299 304	19 337 684	135 062 349

* Includes individual customers and small and medium companies

In thousands of PLN

Consolidated income statement (by business segments)

01.01.2014-30.09.2014	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	1 686 305	444 876	109 257	427 649	257 744	2 925 831
incl. internal transactions	(67 230)	(32 071)	20 472	81 375	(2 546)	-
Other income	1 146 244	200 439	247 607	83 296	51 422	1 729 008
incl. internal transactions	36 751	44 179	(81 954)	(1 619)	2 643	-
Dividend income	-	-	1 007	79 215	2	80 224
Operating costs	(1 381 726)	(197 854)	(148 604)	(173 355)	(121 272)	(2 022 811)
incl. internal transactions	(7 789)	(738)	(3 187)	11 873	(159)	-
Depreciation/amortisation	(83 911)	(11 742)	(10 270)	(107 022)	(10 639)	(223 584)
Impairment losses on loans and advances	(338 775)	(178 567)	(16 617)	9 700	(27 674)	(551 933)
Share in net profits (loss) of entities accounted for by the equity method	-	-	922	114	-	1 036
Profit before tax	1 028 137	257 152	183 302	319 597	149 583	1 937 771
Corporate income tax						(386 721)
Non-controlling interests						(81 569)
Profit for the period						1 469 481

In thousands of PLN

01.07.2014 - 30.09.2014	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	571 666	147 548	40 303	135 550	257 744	1 152 811
incl. internal transactions	(23 445)	(11 784)	7 107	30 668	(2 546)	-
Other income	375 945	62 885	91 509	17 586	51 422	599 347
incl. internal transactions	15 378	15 335	(30 190)	(3 166)	2 643	-
Dividend income	-	-	318	33	2	353
Operating costs	(453 519)	(65 048)	(48 816)	(33 788)	(121 272)	(722 443)
incl. internal transactions	(2 279)	(508)	(1 138)	4 084	(159)	-
Depreciation/amortisation	(27 414)	(3 953)	(4 395)	(36 048)	(10 639)	(82 449)
Impairment losses on loans and advances	(141 350)	(51 014)	3 782	212	(27 674)	(216 044)
Share in net profits (loss) of entities accounted for by the equity method	-	-	443	504	-	947
Profit before tax	325 328	90 418	83 144	84 049	149 583	732 522
Corporate income tax						(156 414)
Non-controlling interests						(60 207)
Profit for the period						515 901

Consolidated statement of financial position (by business segment)

30.09.2014	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	43 905 245	22 206 597	6 826 508	52 630	11 973 671	84 964 651
Investments in associates	14 129	-	21 764	28 587	-	64 480
Other assets	8 116 792	1 250 772	6 540 527	26 162 292	3 288 327	45 358 710
Total assets	52 036 166	23 457 369	13 388 799	26 243 509	15 261 998	130 387 841
Deposits from customers	62 346 931	13 808 535	8 137 634	2 213 732	6 516 124	93 022 956
Other liabilities and equity	4 941 019	2 444 035	3 644 183	17 589 774	8 745 874	37 364 885
Total equity and liabilities	67 287 950	16 252 570	11 781 817	19 803 506	15 261 998	130 387 841

* Includes individual customers and small and medium companies

In thousands of PLN

4. Net interest income

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Interest income				
Loans and advances to enterprises	381 014	1 174 086	453 607	1 292 201
Loans and advances to individuals, of which:	739 077	2 191 899	829 257	1 831 841
<i>Home mortgage loans</i>	202 950	627 225	243 675	644 334
Debt securities incl.:	153 404	480 363	190 630	563 027
<i>Investment portfolio available for sale</i>	146 280	454 190	184 783	531 391
<i>Trading portfolio</i>	7 124	26 173	5 847	31 636
Leasing agreements	41 075	123 106	45 492	121 587
Loans and advances to banks	15 029	47 729	27 926	78 957
Public sector	1 853	5 934	3 590	11 530
Reverse repo transactions	1 691	7 567	9 498	20 809
Interest recorded on hedging IRS	79 622	219 528	83 323	225 464
Total	1 412 765	4 250 212	1 643 323	4 145 416
Interest expenses				
Deposits from individuals	(174 880)	(576 733)	(254 165)	(662 515)
Deposits from enterprises	(80 701)	(271 779)	(119 044)	(316 075)
Repo transactions	(15 312)	(46 659)	(22 289)	(57 089)
Deposits from public sector	(14 384)	(44 074)	(26 010)	(67 828)
Deposits from banks	(7 178)	(22 492)	(15 472)	(24 723)
Subordinated liabilities and issue of securities	(30 151)	(115 605)	(53 547)	(91 355)
Interest recorded on hedging IRS	-	-	15	-
Total	(322 606)	(1 077 342)	(490 512)	(1 219 585)
Net interest income	1 090 159	3 172 870	1 152 811	2 925 831

In thousands of PLN

5. Net fee and commission income

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Fee and commission income				
eBusiness & payments	140 013	399 658	147 764	454 769
Current accounts and money transfer	81 694	255 474	77 674	230 180
Asset management fees	70 078	211 573	66 935	194 839
Foreign exchange commissions	79 860	230 034	85 263	242 781
Credit commissions	68 106	206 130	83 477	215 584
Insurance commissions	74 501	214 291	50 357	82 037
Brokerage commissions	17 314	50 995	21 438	63 321
Credit cards	37 830	108 351	26 678	87 766
Off-balance sheet guarantee commissions	9 349	30 486	10 152	31 428
Finance lease commissions	3 270	9 544	2 817	6 294
Issue arrangement fees	1 817	11 280	898	1 999
Distribution fees	1 803	5 832	2 510	8 226
Other commissions	2 435	5 734	2 544	6 341
Total	588 070	1 739 382	578 507	1 625 565
Fee and commission expenses				
eBusiness & payments	(44 362)	(124 153)	(42 255)	(113 664)
Distribution fees	(7 013)	(21 646)	(7 287)	(22 331)
Brokerage commissions	(2 873)	(8 967)	(2 854)	(10 584)
Credit cards	(11 189)	(30 509)	(1 934)	(15 234)
Asset management fees and other costs	(1 540)	(5 440)	(1 809)	(6 300)
Finance lease commissions	(6 307)	(19 086)	(4 542)	(11 692)
Credit commissions paid	(13 838)	(33 846)	(18 892)	(22 303)
Other	(18 252)	(51 865)	(16 207)	(47 635)
Total	(105 374)	(295 512)	(95 780)	(249 743)
Net fee and commission income	482 696	1 443 870	482 727	1 375 822

6. Net trading income and revaluation

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Net trading income and revaluation				
Derivative instruments and interbank fx transactions	31 487	174 001	39 557	(17 786)
Other FX related income	8 829	13 609	7 745	56 816
Profit on equity instruments	(843)	(5 148)	162	1 499
Profit on debt instruments	(501)	(14 881)	11 309	12 196
Total	38 972	167 581	58 773	52 725

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 9 488 k for 1-3Q 2015, PLN 20 676 k for 3Q 2015 and 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 of derivatives resulting from counterparty risk in the amount of PLN 5 577 k for 3Q 2014.

In thousands of PLN

7. Gains (losses) from other financial securities

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Gains (losses) from other financial securities				
Profit on sale of equity shares	9 337	10 951	613	14 706
Profit on sale of debt securities	31 993	260 646	12 645	53 731
Charge due to impairment losses	(3)	(1 734)	(201)	(1 626)
Total profit (losses) on financial instruments	41 327	269 863	13 057	66 811
Change in fair value of hedging instruments	(63 659)	46 188	(72 036)	(174 904)
Change in fair value of underlying hedged positions	58 347	(51 804)	70 283	174 630
Total profit (losses) on hedging and hedged instruments	(5 312)	(5 616)	(1 753)	(274)
Total	36 015	264 247	11 304	66 537

8. Other operating income

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Other operating income				
Income on sale of services	3 017	8 587	3 814	13 343
Insurance indemnity received	209	863	165	409
Reimbursements of BGF charges	2 203	39 630	327	14 682
Release of provision for legal cases and other assets	4 228	13 367	3 121	22 130
Settlements of leasing agreements	753	1 992	544	1 068
Recovery of other receivables	2 005	4 430	1 405	8 100
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	8 317	17 654	(568)	5 750
Income from net insurance activities	-	26 296	31 821	140 285
Other	6 787	22 318	5 914	28 157
Total	27 519	135 137	46 543	233 924

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

	01.01.2015- 27.02.2015*	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Income from net insurance activities			
Written premiums	46 050	86 682	333 636
Reinsurers' share in written premium	(16 842)	(775)	(2 312)
Total premiums written and reinsurers' share in written premium	29 208	85 907	331 324
Indemnity payments and insurance benefits paid	(37 036)	(51 898)	(215 287)
Reinsurers' share in indemnity payments and insurance benefits paid	182	988	1 326
Change in the balance of premium provisions and unexpired risks provisions	6 161	7 588	26 959
Change in the balance of premium provisions - reinsurers' share	15 930	-	-
Change in the balance of provisions for life insurance in respect of deductible	(5 757)	(9 051)	(9 689)
Change in the balance of provisions for life insurance in respect of deductible - reinsurers' share	857	(18)	(12 337)
Change in the balance of provisions for life insurance in respect of policyholder's risk	15 859	(1 546)	15 844
Net insurance benefits and indemnity payments	(3 804)	(53 937)	(193 184)
Other net insurance income	892	(149)	2 145
Net income from insurance operations	26 296	31 821	140 285

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

In thousands of PLN

9. Impairment losses on loans and advances

Impairment losses on loans and advances	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Collective and individual impairment charge	(201 846)	(581 970)	(231 268)	(624 369)
Incurred but not reported losses charge	(6 106)	(58 504)	9 239	39 467
Recoveries of loans previously written off	3 064	74 014	1 476	6 476
Off-balance sheet credit related facilities	3 787	12 173	4 509	26 493
Total	(201 101)	(554 287)	(216 044)	(551 933)

10. Employee costs

Employee costs	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Salaries and bonuses	(313 646)	(945 283)	(305 216)	(815 299)
Salary related costs	(50 615)	(162 852)	(49 466)	(143 913)
Staff benefits costs	(8 402)	(24 983)	(9 453)	(24 397)
Professional trainings	(3 884)	(11 722)	(3 671)	(9 825)
Retirement fund, holiday provisions and other employee costs	(2 597)	(3 769)	(202)	(1 548)
Integration costs *	(99)	(459)	(12 386)	(54 010)
Total	(379 243)	(1 149 068)	(380 394)	(1 048 992)

* In addition to the integration costs included in Notes 10 and 11, the amortisation/depreciation related to the cost of integration for 1-3Q 2015 was PLN 24 026 k and PLN 10 390 k for 1-3Q 2014.

11. General and administrative expenses

General and administrative expenses	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Maintenance and rentals of premises	(93 438)	(273 012)	(97 017)	(267 094)
Marketing and representation	(48 457)	(129 444)	(36 692)	(96 029)
IT systems costs	(48 022)	(140 184)	(43 361)	(115 662)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(55 588)	(186 210)	(32 545)	(96 768)
Postal and telecommunication costs	(13 301)	(44 907)	(13 239)	(36 103)
Consulting fees	(10 419)	(33 723)	(9 296)	(22 333)
Cars, transport expenses, carriage of cash	(18 217)	(55 954)	(19 838)	(56 526)
Other external services	(22 998)	(73 130)	(19 569)	(54 909)
Stationery, cards, cheques etc.	(8 267)	(24 108)	(8 043)	(20 575)
Sundry taxes	(8 954)	(24 748)	(7 230)	(19 976)
Data transmission	(5 536)	(16 187)	(5 214)	(14 982)
KIR, SWIFT settlements	(6 808)	(19 046)	(4 879)	(15 488)
Security costs	(5 245)	(14 846)	(5 347)	(15 025)
Costs of repairs	(2 247)	(5 812)	(1 735)	(4 249)
Integration costs *	(5 008)	(17 967)	(7 511)	(70 053)
Other	(5 967)	(18 287)	(5 265)	(15 371)
Total	(358 472)	(1 077 565)	(316 781)	(921 143)

* In addition to the integration costs included in Notes 10 and 11, the amortisation/depreciation related to the cost of integration for 1-3Q 2015 was PLN 24 026 k and PLN 10 390 k for 1-3Q 2014.

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

In 2015, the total cost of the annual Banking Guarantee Fund fee paid by Santander Consumer Bank was PLN 30 070 k.

In thousands of PLN

12. Other operating expenses

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Other operating expenses				
Charge of provisions for legal cases and other assets	(8 016)	(42 673)	(16 842)	(28 273)
Costs of purchased services	(305)	(1 120)	(681)	(2 272)
Other membership fees	(160)	(750)	(237)	(838)
Paid compensations, penalties and fines	(500)	(3 334)	(1 052)	(4 392)
Donation paid	(1 833)	(5 174)	(3 279)	(3 869)
Other	(3 560)	(13 178)	(3 177)	(13 032)
Total	(14 374)	(66 229)	(25 268)	(52 676)

13. Corporate income tax

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Corporate income tax				
Current tax charge	(79 642)	(574 104)	(317 053)	(690 008)
Deferred tax	(60 952)	29 987	160 639	303 287
Total	(140 594)	(544 117)	(156 414)	(386 721)

	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2014- 30.09.2014
Corporate total tax charge information				
Profit before tax	669 823	2 773 711	732 522	1 937 771
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(127 266)	(527 005)	(139 179)	(368 176)
Permanent differences	(2 890)	(16 814)	(8 310)	(7 457)
Sale of receivables	(5 915)	(13 540)	(5 555)	(14 097)
Non-tax income	273	18 210	7	15 051
Non-tax deductible bad debt provisions	(1 849)	(2 763)	1 513	(4 293)
Adjustment of prior year tax incl. technological relief	-	10 431	(4 767)	(14 983)
Consolidation adjustments	(2 644)	(12 712)	(1 683)	5 472
Other	(303)	76	1 560	1 762
Total income tax expense	(140 594)	(544 117)	(156 414)	(386 721)

	30.09.2015	31.12.2014	30.09.2014
Deferred tax recognised directly in equity			
Relating to equity securities available-for-sale	(134 707)	(133 969)	(131 895)
Relating to debt securities available-for-sale	(44 319)	(116 251)	(124 461)
Relating to cash flow hedging activity	74 904	25 381	4 245
Relating to valuation of defined benefit plans	1 279	1 279	222
Total	(102 843)	(223 560)	(251 889)

In thousands of PLN

14. Cash and balances with central banks

Cash and balances with central banks	30.09.2015	31.12.2014	30.09.2014
Cash	1 798 751	2 455 976	1 872 030
Current accounts in central banks	1 681 396	4 350 545	3 534 179
Total	3 480 147	6 806 521	5 406 209

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.

15. Loans and advances to banks

Loans and advances to banks	30.09.2015	31.12.2014	30.09.2014
Loans and advances	126 512	317 986	598 879
Current accounts	2 968 214	1 808 114	1 198 796
Buy-sell-back transactions	291 550	397 017	1 683 517
Gross receivables	3 386 276	2 523 117	3 481 192
Impairment write down	(30)	(54)	(2 431)
Total	3 386 246	2 523 063	3 478 761

In thousands of PLN

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.09.2015		31.12.2014		30.09.2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	1 853 560	1 904 434	1 919 323	2 304 675	1 371 620	1 439 921
Interest rate operations	1 279 865	1 274 587	1 280 091	1 635 916	1 049 713	1 100 714
Forward	-	-	-	139	10	-
Options	8 017	8 017	1 798	1 798	1 224	1 247
IRS	1 267 163	1 259 613	1 270 908	1 626 173	1 036 785	1 087 568
FRA	4 685	6 957	7 385	7 806	11 694	11 899
Transactions on equity instruments	10 346	10 346	9 956	33 400	8 170	31 135
Options	10 346	10 346	9 956	33 400	8 170	31 135
FX operations	563 349	619 501	629 276	635 359	313 737	308 072
CIRS	97 783	166 429	129 987	169 956	85 546	89 069
Forward	33 450	32 964	38 428	34 840	14 116	38 154
FX Swap	283 096	276 772	310 711	287 270	146 684	117 471
Spot	3 179	3 121	4 731	2 419	1 314	1 130
Options	140 215	140 215	140 796	140 798	62 120	62 090
Other	5 626	-	4 623	76	3 957	158
Debt and equity securities	2 767 606	-	3 319 418	-	2 094 966	-
Debt securities	2 747 442	-	3 235 504	-	2 074 533	-
Government securities:	2 746 807	-	3 230 890	-	2 070 000	-
- bonds	2 746 807	-	3 230 890	-	2 070 000	-
Commercial securities	635	-	4 614	-	4 533	-
- bonds	635	-	4 614	-	4 533	-
Equity securities	20 164	-	83 914	-	20 433	-
- listed	20 164	-	83 914	-	20 433	-
Short sale	-	290 169	-	477 005	-	646 036
Total financial assets/liabilities	4 621 166	2 194 603	5 238 741	2 781 680	3 466 586	2 085 957

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN 16 067 k as at 30.09.2015, PLN 6 116 k as at 31.12.2014, PLN (7 623) k as at 30.09.2014.

17. Loans and advances to customers

Loans and advances to customers	30.09.2015	31.12.2014	30.09.2014
Loans and advances to enterprises	42 033 147	39 149 855	39 201 587
Loans and advances to individuals, of which:	50 774 216	47 784 052	47 159 918
<i>Home mortgage loans</i>	33 039 306	30 860 840	30 651 225
Finance lease receivables	4 258 705	3 815 843	3 701 194
Loans and advances to public sector	245 576	190 811	251 717
Buy-sell-back transactions	13 880	100	18 018
Other	7 937	6 420	8 173
Gross receivables	97 333 461	90 947 081	90 340 607
Impairment write down	(5 417 588)	(5 126 510)	(5 375 956)
Total	91 915 873	85 820 571	84 964 651

In thousands of PLN

Movements on impairment losses on loans and advances to customers	30.09.2015	31.12.2014	30.09.2014
Individual and collective impairment			
As at the beginning of the period	(4 446 607)	(3 036 549)	(3 036 549)
Individual and collective impairment acquired in a business combination	-	(1 287 435)	(1 287 435)
Charge/write back of current period	(581 971)	(975 342)	(624 369)
Write off/Sale of receivables	330 504	815 289	262 739
Transfer	25 007	50 920	47 920
F/X differences	(5 773)	(13 490)	(5 479)
Balance at the end of the period	(4 678 840)	(4 446 607)	(4 643 173)
IBNR			
As at the beginning of the period	(679 903)	(453 176)	(453 176)
IBNR acquired in a business combination	-	(302 550)	(302 493)
Charge/write back of current period	(58 526)	98 636	41 649
Transfer	217	(19 104)	(16 908)
F/X differences	(536)	(3 709)	(1 855)
Balance at the end of the period	(738 748)	(679 903)	(732 783)
Allowance for impairment	(5 417 588)	(5 126 510)	(5 375 956)

In June 2014, Santander Consumer Bank completed the securitisation of a car and hire purchase loan portfolio of PLN 1,751,436,438 as at the transaction date. The transaction was executed as a traditional securitisation scheme involving transfer of securitised receivables to SC Poland Auto 2014-1 Limited (SCV), a special purpose vehicle registered in Ireland.

Based on the securitised assets, SPV issued two classes of bonds of PLN 1,367m in total secured by a registered pledge on SPV assets:

- Class A bonds of PLN 1,158 m rated: AA (Fitch) Aa3 (Moody's),
- Class B bonds of PLN 209 m rated: A (Fitch) Aa3 (Moody's).

Initially, the bonds were taken up by SCB in full. Subsequently, Class A and Class B bonds were sold to third parties in unconditional and repo transactions. Interest on bonds consists of 1M WIBOR plus margin. As a result of securitisation, SCB raised funding in exchange for transfer of future cash flows from the securitised credit portfolio. The bonds are planned to be redeemed in full by 20 June 2025, however, SCB expects that it will take place no later than 3 years after the date of transaction.

The transaction was financed from a loan of PLN 411,776,438 granted by SCB to SPV, which is subordinated to senior secured bonds. Interest on the loan is fixed and paid from SPV funds, while the principal will be repaid upon the full redemption of bonds. The value of securitisation bonds held by SCB as at 30.09.2015 was PLN 216,747 k.

In September 2015, Santander Consumer Bank completed the securitisation of a hire purchase loan portfolio. The transaction was executed as a traditional and revolving securitisation scheme involving transfer of securitised receivables to SC Poland Consumer 2015-1 Sp. z o.o. (SCPC), a special purpose vehicle registered in Poland.

Based on the securitised assets, SCPC issued bonds of PLN 1,051,125,000 in total secured by a registered pledge on SCPC assets. Interest on bonds consists of 1M WIBOR plus margin. As a result of securitisation, SCB raised funding in exchange for transfer of future cash flows from the securitised credit portfolio. The bonds are planned to be redeemed in full by 19 August 2025, however, SCB expects that it will take place no later than 2 years after the date of transaction. The transaction was financed from a loan granted by SCB to SCPC, which is subordinated to senior secured bonds. Interest on the loan is fixed and paid from SCPC funds, while the principal will be repaid upon the full redemption of bonds.

The contractual terms of securitisation do not satisfy the criteria for derecognition of securitised assets from stand-alone SCB financial statements pursuant to IAS 39. Consequently, as at 30.09.2015, SCB recognised on an unconsolidated basis the securitised assets of PLN 1,772,849 k under net Loans and advances to customers, and liability of PLN 1,911,942 k under Deposits from customers on account of securitisation.

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

Pursuant to the decision of the Swiss National Bank, in January 2015, there occurred a material depreciation of the zloty against the Swiss franc. The official NBP PLN/CHF exchange rate as at 31 December 2014 was 3.5447 vs. 3.8785 as at 30 September 2015. The exchange rate movement affected the value and the risk profile of assets, liabilities and off-balance sheet financial instruments denominated in the currency under review.

In thousands of PLN

The table below presents the impact of the change in the CHF/PLN exchange rate on the PLN equivalent of the mortgage loan-book value of Bank Zachodni WBK Group as at 31 December 2014 and 30 September 2015.

Gross mortgage loans by currency	30.09.2015	31.12.2014
CHF denominated mortgage loans	13 889 061	13 405 583
<i>Bank Zachodni WBK S.A.</i>	10 836 912	10 444 894
<i>Santander Consumer Bank</i>	3 052 149	2 960 689
Mortgage loans denominated in PLN and in other currencies	19 150 245	17 455 257
Total	33 039 306	30 860 840

Bank Zachodni WBK Group actively manages the CHF position using derivative instruments (swaps) and direct financing including loans and repo transactions. As at the end of September 2015, the volume of the above instruments added up to CHF 2.8 bn and CHF 0.8 bn, respectively.

Risk profile of CHF-indexed/denominated loans

CHF gross mortgage loans as at 30.09.2015	Gross amount	Impairment losses	Coverage ratio
Performing loans	13 718 781	109 921	0,80%
Non-performing loans	170 280	69 271	40,68%
Total	13 889 061	179 192	

Average LTV ratio and NPL ratio amounted to 113% and 1.2%, respectively. As at 30 September 2015, 99% of CHF loans were sanctioned before 2009.

18. Investment securities available for sale

Investment securities available for sale	30.09.2015	31.12.2014	30.09.2014
Available for sale investments - measured at fair value			
Debt securities	24 925 251	26 152 181	25 670 023
Government securities:	19 047 659	19 971 450	17 326 882
- bonds	19 047 659	19 971 450	17 326 882
Central Bank securities:	3 549 852	3 959 781	5 361 315
- bills	3 549 852	3 959 781	5 361 315
Commercial securities:	2 327 740	2 220 950	2 981 826
- bonds	2 327 740	2 220 950	2 981 826
Equity securities	884 193	886 937	845 765
- listed	61 360	66 406	28 804
- unlisted	822 833	820 531	816 961
Investment certificates	17 698	17 975	19 998
Total	25 827 142	27 057 093	26 535 786

19. Investments in associates

Movements on investments in associates	30.09.2015	31.12.2014	30.09.2014
Balance as at 1 January	42 792	63 444	63 444
Share of profits/(losses)	13 833	1 385	1 036
Impairment	-	(4 095)	-
Dividends	(5 721)	-	-
Reclassification *	766 360	(17 942)	-
Balance at the end of the period	817 264	42 792	64 480

In thousands of PLN

Balance sheet value of associates	30.09.2015	31.12.2014	30.09.2014
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 950	42 792	42 715
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	774 314	-	-
Krynicki Recykling S.A. *	-	-	17 706
Metrohouse Franchise S.A./Metrohouse S.A. *	-	-	4 059
Total	817 264	42 792	64 480

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

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

20. Net deferred tax assets

Deferred tax assets	30.09.2015	31.12.2014	30.09.2014
Provisions for loans	656 999	632 421	699 232
Unrealized liabilities due to derivatives	731 245	681 206	432 280
Other provisions which are not taxable costs	135 070	104 450	90 414
Deferred income	395 390	357 322	276 867
Difference between balance sheet and taxable value of leasing portfolio	175 220	148 660	143 823
Unrealised interest expense on loans, deposits and securities	78 169	187 002	169 468
Other	15 033	18 131	14 379
Total	2 187 126	2 129 192	1 826 463

Deferred tax liabilities	30.09.2015	31.12.2014	30.09.2014
Revaluation of financial instruments available for sale*	(103 552)	(223 373)	(251 341)
Unrealised receivables on derivatives	(381 278)	(411 875)	(304 279)
Unrealised interest income on loans, securities and interbank deposits	(186 638)	(201 987)	(191 949)
Provision due to application of investment relief	(2 232)	(3 227)	(3 287)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(8 299)	(6 228)	(5 337)
Difference between balance sheet and taxable value of unfinancial value assets	3 205	(358)	(2 319)
Valuation of investments in subsidiaries	(151 246)	(84 680)	(86 792)
Other	(24 772)	(15 854)	(16 275)
Total	(854 812)	(947 582)	(861 579)

Net deferred tax assets	1 332 314	1 181 610	964 884
-------------------------	-----------	-----------	---------

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

As at 30 September 2015 the calculation of deferred tax assets did not include purchased receivables of PLN 11 918 k and loans that will not be realised of PLN 67 584 k.

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.

21. Assets classified as held for sale

Assets classified as held for sale	30.09.2015	31.12.2014	30.09.2014
Land and buildings	638	638	2 652
Other fixed assets	345	740	245
Total	983	1 378	2 897

In thousands of PLN

22. Other assets

Other assets	30.09.2015	31.12.2014	30.09.2014
Receivables arising from insurance contracts *	-	749 309	754 204
Interbank and interbranch settlements	109 559	456 910	148 945
Sundry debtors	326 440	382 925	395 786
Prepayments **	192 857	125 754	153 657
Repossessed assets	37 364	41 425	41 425
Settlements of stock exchange transactions	28 992	22 615	34 345
Other	2 757	7 618	5 288
Total	697 969	1 786 556	1 533 650

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

In the period of 31.12.2014 and 30.09.2014 were recognized receivables arising from insurance contracts.

** “Prepayments” include Banking Guarantee Fund fees paid by Bank Zachodni WBK, which as at 30.09.2015 were PLN 50,214 k and PLN 26,023 k as at 30.09.2014.

As at 30.09.2015, the Banking Guarantee Fund fees paid by Santander Consumer Bank were PLN 7,518 k and PLN 4,136 k as at 30.09.2014.

23. Deposits from banks

Deposits from banks	30.09.2015	31.12.2014	30.09.2014
Repo/sell-buy-back transactions	6 015 573	7 045 487	5 819 766
Term deposits, other	1 011 827	399 402	677 191
Loans from other banks	595 406	548 545	1 009 206
Current accounts	363 199	366 422	281 477
Total	7 986 005	8 359 856	7 787 640

24. Deposits from customers

Deposits from customers	30.09.2015	31.12.2014	30.09.2014
Deposits from individuals	56 389 260	58 257 053	57 398 747
Term deposits	25 904 883	30 938 819	31 705 249
Current accounts	30 338 905	27 204 883	25 583 057
Other	145 472	113 351	110 441
Deposits from enterprises	34 185 839	33 150 169	31 778 859
Term deposits	17 143 778	16 164 448	16 588 088
Current accounts	13 612 771	13 640 292	11 653 271
Sell-buy-back transactions	395 770	157 134	328 548
Loans	2 255 996	2 668 541	2 632 670
Other	777 524	519 754	576 282
Deposits from public sector	5 027 049	3 574 587	3 845 350
Term deposits	3 287 733	1 371 671	1 704 791
Current accounts	1 739 103	2 202 706	2 131 628
Other	213	210	8 931
Total	95 602 148	94 981 809	93 022 956

In thousands of PLN

25. Subordinated liabilities

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

* Concerns Santander Consumer Bank

Movements in subordinated liabilities	30.09.2015	31.12.2014	30.09.2014
As at the beginning of the period	1 539 967	1 384 719	1 384 719
Subordinated liabilities acquired in a business combination	-	100 144	100 144
Increase (due to):	161 795	118 364	60 426
- interest on subordinated loan	39 015	63 659	45 882
- FX differences	122 780	54 705	14 544
Decrease (due to):	(1 176 877)	(63 260)	(35 572)
- subordinated loans repayment	(1 138 338)	-	-
- interest repayment	(38 539)	(63 260)	(35 572)
Subordinated liabilities - as at the end of the period	524 885	1 539 967	1 509 717
Short-term	2 939	4 903	5 663
Long-term (over 1 year)	521 946	1 535 064	1 504 054

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

In thousands of PLN

26. Debt securities in issue

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	30.09.2015
SCB00024	not quoted	40 000	PLN	30.10.2015	
SCB00025	not quoted	20 000	PLN	30.10.2015	
SCBP00300111	not quoted	106 000	PLN	15.12.2015	
SCB00021	not quoted	40 000	PLN	24.12.2015	
SCB00013	not quoted	25 000	PLN	27.01.2016	
SCBP00330500	not quoted	50 000	PLN	29.01.2016	
SCBP00310038	not quoted	38 000	PLN	29.01.2016	
SCB00014	not quoted	10 000	PLN	03.02.2016	
SCBP00360217	not quoted	21 700	PLN	12.02.2016	
SCBP00340050	not quoted	50 000	PLN	12.02.2016	
Series A bank securities	PLBZ00000184	230 000	PLN	17.02.2016	
SCB00016	not quoted	50 000	PLN	24.02.2016	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
Series A	PLBZ00000150	500 000	PLN	19.12.2016	
Series B	PLBZ00000168	475 000	PLN	17.07.2017	
SCB00006	PLSNTND00034	100 000	PLN	07.08.2017	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00010	not quoted	20 000	PLN	30.08.2017	
SCB00012	PLSNTND00042	215 000	PLN	04.10.2017	
SCB00019	PLSNTND00083	220 000	PLN	30.10.2017	
SCB00022	PLSNTND00091	100 000	PLN	16.02.2018	
SCB00017	PLSNTND00059	50 000	PLN	18.06.2018	
Series C	PLBZ00000176	485 000	PLN	25.06.2018	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
Securitized bonds Float A	XS1070423931	17 717	PLN	20.06.2025	
Securitized bonds Float sale	XS1275288295	1 051 125	PLN	19.08.2025	
Debt securities in issue - as at the end of the period					4 388 201

In thousands of PLN

27. Other liabilities

Other liabilities	30.09.2015	31.12.2014	30.09.2014
Settlements of stock exchange transactions	21 122	48 377	49 496
Interbank and interbranch settlements	475 799	239 148	371 539
Provisions:	487 776	1 591 570	1 542 528
<i>Employee provisions</i>	341 525	365 083	307 598
<i>Provisions for legal claims</i>	59 198	49 504	49 318
<i>Provisions for off-balance sheet credit facilities</i>	75 440	87 517	88 253
<i>Technical insurance provisions *</i>	-	1 074 445	1 080 992
<i>Provisions for restructuring **</i>	8 313	11 721	13 067
<i>Other</i>	3 300	3 300	3 300
Sundry creditors	296 043	332 202	266 126
Other deferred and suspended income	221 195	165 124	151 527
Public and law settlements	53 703	58 952	54 081
Accrued liabilities	395 499	366 187	395 803
Finance lease related settlements	41 531	29 595	29 739
Liabilities from insurance contracts and other *	311	854	4 215
Share purchase mandate adjustment *	-	699 072	699 072
Total	1 992 979	3 531 081	3 564 126

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

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

** Provision acquired as a result of the acquisition of control on July 1, 2014 in the amount of PLN 15 547 k (as at 30.09.2015 in the amount of PLN 8 313 k) referred to:

- restructuring of employment in the bank PLN 3 323 k (as at 30.09.2015 in the amount of PLN 1 936 k),
- liquidation of branches PLN 12 224 k. (as at 30.09.2015 in the amount of PLN 6 377 k).

The restructuring is related to the business reorganisation plan for Santander Consumer Finance (SCF) in Poland which was adopted by the Group in 2010. The plan was adopted after SCF Group had taken control over AIG Bank Polska S.A. and in the wake of subsequent restructuring actions carried out in the years 2013-2014 (amongst others, restructuring of the business transferred from Santander Consumer Finance S.A.).

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

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

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

In thousands of PLN

Change in provisions	30.09.2015	31.12.2014	30.09.2014
As at the beginning of the period	1 591 570	1 555 371	1 555 371
Employee provisions	365 083	293 962	293 962
Provisions for legal claims	49 504	45 104	45 104
Provisions for off-balance sheet credit facilities	87 517	95 934	95 934
Technical insurance provisions	1 074 445	1 117 071	1 117 071
Provisions for restructuring	11 721	-	-
Other	3 300	3 300	3 300
Provision acquired in a business combination	-	78 730	78 730
Employee provisions	-	36 243	36 243
Provisions for legal claims	-	8 809	8 809
Provisions for off-balance sheet credit facilities	-	18 131	18 131
Technical insurance provisions	-	-	-
Provisions for restructuring	-	15 547	15 547
Other	-	-	-
Provision charge	316 637	494 159	350 496
Employee provisions	217 286	312 857	208 717
Provisions for legal claims	11 349	12 403	11 912
Provisions for off-balance sheet credit facilities	87 745	167 454	129 767
Technical insurance provisions	-	-	-
Provisions for restructuring	257	1 445	100
Other	-	-	-
Utilization	(209 171)	(256 263)	(222 163)
Employee provisions	(206 051)	(257 891)	(223 003)
Provisions for legal claims	(3 215)	(254)	(228)
Provisions for off-balance sheet credit facilities	95	1 882	1 068
Technical insurance provisions	-	-	-
Provisions for restructuring	-	-	-
Other	-	-	-
Write back	(1 215 200)	(280 427)	(219 906)
Employee provisions	(35 109)	(20 088)	(8 321)
Provisions for legal claims	(2 064)	(16 558)	(16 279)
Provisions for off-balance sheet credit facilities	(99 917)	(195 884)	(156 647)
Technical insurance provisions	(1 074 445)	(42 626)	(36 079)
Provisions for restructuring	(3 665)	(5 271)	(2 580)
Other	-	-	-
Other changes	3 940	-	-
Employee provisions	316	-	-
Provisions for legal claims	3 624	-	-
Provisions for off-balance sheet credit facilities	-	-	-
Provisions for restructuring	-	-	-
Other	-	-	-
Balance at the end of the period	487 776	1 591 570	1 542 528
Employee provisions	341 525	365 083	307 598
Provisions for legal claims	59 198	49 504	49 318
Provisions for off-balance sheet credit facilities	75 440	87 517	88 253
Technical insurance provisions	-	1 074 445	1 080 992
Provisions for restructuring	8 313	11 721	13 067
Other	3 300	3 300	3 300

In thousands of PLN

28. Fair value

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

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

Assets	30.09.2015		31.12.2014		30.09.2014	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	3 480 147	3 480 147	6 806 521	6 806 521	5 406 209	5 406 209
Loans and advances to banks	3 386 246	3 386 246	2 523 063	2 523 063	3 478 761	3 478 761
Financial assets held for trading	4 621 166	4 621 166	5 238 741	5 238 741	3 466 586	3 466 586
Hedging derivatives	153 198	153 198	238 889	238 889	230 872	230 872
Loans and advances to customers	91 915 873	92 300 625	85 820 571	85 835 391	84 964 651	85 291 146
Investment securities	25 827 142	25 827 142	27 057 093	27 057 093	26 535 786	26 535 786
Investments in associates	817 264	817 264	42 792	42 792	64 480	64 480
Liabilities						
Deposits from banks	7 986 005	7 986 005	8 359 856	8 359 856	7 787 640	7 789 243
Hedging derivatives	2 208 813	2 208 813	1 258 224	1 258 224	807 877	807 877
Financial liabilities held for trading	2 194 603	2 194 603	2 781 680	2 781 680	2 085 957	2 085 957
Subordinated liabilities	524 885	504 863	1 539 967	1 789 755	1 509 717	1 671 983
Deposits from customers	95 602 148	95 643 559	94 981 809	94 975 685	93 022 956	93 010 755

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

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

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

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

Loans and advances to customers: Carried at net value after impairment charges. Fair value is calculated as the discounted value of the expected future cash flows in respect of principal and interest payments. It is assumed that loans and advances will be repaid at their contractual maturity date. The estimated fair value of the loans and advances reflects changes in the credit risk from the moment of sanction (margins) and changes in interest rates. As the reporting date no estimates were made with regard to the fair value of the portfolio of mortgage loans denominated in CHF due to the lack of an active market for similar products, however in the case of part of the portfolio of mortgage loans denominated in CHF acquired from Kredyt Bank, the carrying amount includes the fair value component established as at the merger date.

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

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

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

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

In thousands of PLN

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

As at 30.09.2015 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

As at 30.09.2015 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.09.2015	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 787 604	2 832 320	1 242	4 621 166
Hedging derivatives	-	153 198	-	153 198
Financial investment assets - debt securities	16 024 602	8 900 649	-	24 925 251
Financial investment assets - equity securities	43 725	-	858 166	901 891
Total	17 855 931	11 886 167	859 408	30 601 506
Financial liabilities				
Financial liabilities held for trading	290 169	1 904 434	-	2 194 603
Hedging derivatives	-	2 208 813	-	2 208 813
Total	290 169	4 113 247	-	4 403 416

31.12.2014	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 878 034	3 359 317	1 390	5 238 741
Hedging derivatives	-	238 889	-	238 889
Financial investment assets - debt securities	16 581 263	9 570 918	-	26 152 181
Financial investment assets - equity securities	54 155	-	850 757	904 912
Total	18 513 452	13 169 124	852 147	32 534 723
Financial liabilities				
Financial liabilities held for trading	477 005	2 304 675	-	2 781 680
Hedging derivatives	-	1 258 224	-	1 258 224
Total	477 005	3 562 899	-	4 039 904

30.09.2014	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

In thousands of PLN

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

Level III	Financial assets			Financial liabilities
30.09.2015	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	1 390	-	850 757	-
Profits or losses	72	-	1 986	-
<i>recognised in income statement</i>	72	-	-	-
<i>recognised in equity</i>	-	-	1 986	-
Purchase	176	-	6 774	-
Sale	(396)	-	(4 503)	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	3 152	-
At the period end	1 242	-	858 166	-

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

Level III	Financial assets			Financial liabilities
30.09.2014	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
Beginning of the period	-	-	836 536	-
Profits or losses	-	-	(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	-

In thousands of PLN

29. Contingent liabilities

Significant court proceedings

As at 30.09.2015 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 385 145 k, which is ca 1.93% of the Group's equity. This amount includes PLN 165 460 k claimed by the Group, PLN 204 899 k in claims against the Group and PLN 14 786 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.09.2015 the amount of significant court proceedings which had been completed amounted to PLN 76 179 k.

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 amounted 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.

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	30.09.2015	31.12.2014	30.09.2014
Liabilities sanctioned			
- financial	20 880 023	19 959 943	17 969 762
- credit lines	17 639 670	17 047 109	15 350 206
- credit cards debits	2 876 732	2 367 098	2 234 245
- import letters of credit	353 655	413 654	385 311
- term deposits with future commencement term	9 966	132 082	-
- guarantees	4 561 226	4 383 084	4 292 555
Total	25 441 249	24 343 027	22 262 317

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	30.09.2015	31.12.2014	30.09.2014
1. Term derivatives (hedging)	38 591 242	35 207 413	33 367 479
a) Single-currency interest rate swap	3 315 386	2 988 000	3 038 000
b) Macro cash flow hedge -purchased (IRS)	2 221 024	2 740 423	2 790 171
c) Macro cash flow hedge -purchased (CIRS)	15 786 968	14 369 815	13 444 465
d) Macro cash flow hedge -sold (CIRS)	17 267 864	15 109 175	13 850 900
e) FX Swap cash flow hedge -purchased (FX)	-	-	122 843
f) FX Swap cash flow hedge-sold (FX)	-	-	121 100
2. Term derivatives (trading)	222 137 200	178 576 882	136 557 641
a) Interest rate operations	135 644 209	94 948 232	80 650 800
Single-currency interest rate swap	114 030 821	86 269 606	71 225 880
FRA - purchased amounts	18 220 000	6 450 000	7 850 000
Options	3 393 388	1 792 126	1 556 120
Forward- sold amounts	-	436 500	18 800
b) FX operations	86 492 991	83 628 650	55 906 841
FX swap – purchased amounts	20 012 995	20 757 332	12 517 767
FX swap – sold amounts	20 003 998	20 728 416	12 477 266
Forward- purchased amounts	3 595 496	3 372 360	2 612 290
Forward- sold amounts	3 615 690	3 394 071	2 654 564
Cross-currency interest rate swap – purchased amounts	7 884 133	6 331 120	5 962 819
Cross-currency interest rate swap – sold amounts	7 948 881	6 372 837	5 972 893
FX options -purchased CALL	5 727 782	5 519 076	3 390 550
FX options -purchased PUT	5 988 117	5 817 181	3 464 071
FX options -sold CALL	5 727 782	5 519 076	3 390 550
FX options -sold PUT	5 988 117	5 817 181	3 464 071
3. Currency transactions- spot	8 657 553	4 653 161	2 488 932
Spot-purchased	4 329 084	2 327 749	1 244 557
Spot-sold	4 328 469	2 325 412	1 244 375
4. Transactions on equity financial instruments	1 219 121	751 380	515 842
Derivatives contract - purchased	601 097	341 307	255 564
Derivatives contract - sold	618 024	410 073	260 278
5 Capital options related to subsidiary entities	-	255 738	250 530
Total	270 605 116	219 444 574	173 180 424

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

31. Basis of FX conversion

As at 30.09.2015, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 190/A/NBP/2015 dd. 30.09.2015.

32. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Bank Zachodni WBK General Meeting as at the publication date of the condensed interim consolidated report for Q3 2015 /29.10.2015/ are Banco Santander S.A. and Nationale-Nederlanden OFE.

In thousands of PLN

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	29.10.2015	30.07.2015	29.10.2015	30.07.2015	29.10.2015	30.07.2015	29.10.2015	30.07.2015
Banco Santander S.A.	68 880 774	68 880 774	69,41%	69,41%	68 880 774	68 880 774	69,41%	69,41%
Nationale-Nederlanden OFE	5 110 586	5 110 586	5,15%	5,15%	5 110 586	5 110 586	5,15%	5,15%
Other	25 243 174	25 243 174	25,44%	25,44%	25 243 174	25 243 174	25,44%	25,44%
Total	99 234 534	99 234 534	100,00%	100,00%	99 234 534	99 234 534	100,00%	100,00%

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

No. of Bank Zachodni WBK shares held and rights to them	As at 29.10.2015	As at 30.07.2015	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	49 333	52 933	(3 600)

Management Board members	29.10.2015		30.07.2015	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki	13 711	3 857	13 711	3 857
Andrzej Burliga	4 888	2 204	4 888	2 204
Eamonn Crowley	-	2 094	-	2 094
Beata Daszyńska-Muzyczka *	923	700	923	700
Michael McCarthy	1 075	2 424	1 075	2 424
Carlos Polaino Izquierdo *	-	1 000	-	1 000
Juan de Porras Aguirre	-	2 217	-	2 217
Marcin Prell	-	1 983	-	1 983
Mirosław Skiba	3 257	2 248	5 857	2 248
Feliks Szyszkowiak	3 704	2 248	4 704	2 248
Paweł Wieczorek *	-	800	-	800
Total	27 558	21 775	31 158	21 775

*As at 23.04.2015 the Bank's Supervisory Board appointed the Bank's Management Board for the next term in office with three new Board Members: Mrs Beata Daszyńska-Muzyczka, Mr Carlos Polaino Izquierdo and Mr Paweł Wieczorek.

In thousands of PLN

34. Related party disclosures

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

Transactions with BZ WBK-AVIVA TUŃ S.A., BZ WBK-Aviva TUO S.A. in the profit and loss account are presented as transactions for the associates for the period from 1 March to 30 September 2015.

Transactions with associates	30.09.2015	31.12.2014	30.09.2014
Assets	66	-	-
Other assets	66	-	-
Liabilities	100 476	2 931	14 403
Deposits from customers	100 141	2 931	14 403
Other liabilities	335	-	-
Income	30 321	3	2
Fee and commission income	30 321	3	2
Expenses	4 589	201	162
Interest expense	936	201	162
Fee and commission expense	2 178	-	-
Operating expenses incl.:	1 475	-	-
<i>Contingent liabilities</i>	1 475	-	-
Contingent liabilities	851	-	-
Sanctioned:	851	-	-
- <i>financing-related</i>	407	-	-
- <i>guarantees</i>	444	-	-

In thousands of PLN

Transactions with Santander Group	30.09.2015	31.12.2014	30.09.2014
Assets	332 978	259 377	148 035
Loans and advances to banks, incl:	78 442	697	1 790
<i>current accounts</i>	78 442	697	1 790
Financial assets held for trading	253 011	256 908	145 232
Hedging derivatives	1 305	869	839
Other assets	220	903	174
Liabilities	549 932	410 462	311 479
Deposits from banks incl.:	153 098	155 537	135 748
<i>current accounts</i>	153 098	155 537	56 413
<i>term deposits</i>	-	-	79 335
Hedging derivatives	22 409	21 505	9 761
Financial liabilities held for trading	261 609	158 907	97 447
Deposits from customers	106 649	74 459	65 792
Other liabilities	6 167	54	2 731
Income	302 643	219 596	56 750
Interest income	9 736	7 585	5 425
Fee and commission income	1 613	4 911	2 544
Other operating income	614	-	-
Net trading income and revaluation	290 680	207 100	48 781
Expenses	12 353	8 309	9 014
Interest expense	848	1 309	974
Fee and commission expense	689	204	3
Operating expenses incl.:	10 816	6 796	8 037
<i>Bank's staff, operating expenses and management costs</i>	10 728	6 796	8 037
<i>Other operating expenses</i>	88	-	-
Contingent liabilities	261	725	4 776
Sanctioned:	261	725	4 776
<i>guarantees</i>	261	725	4 776
Derivatives' nominal values	49 981 625	32 826 135	23 379 225
Cross-currency interest rate swap – purchased amounts	3 662 617	3 052 808	2 560 839
Cross-currency interest rate swap – sold amounts	3 570 485	2 970 459	2 506 879
Single-currency interest rate swap	12 146 288	7 265 993	5 414 438
FRA - purchased amounts	3 100 000	-	-
Options	3 322 745	1 669 031	1 431 419
FX swap – purchased amounts	4 095 849	2 920 096	1 957 138
FX swap – sold amounts	4 104 620	2 896 754	1 945 376
FX options -purchased CALL	2 841 857	3 002 819	2 095 581
FX options -purchased PUT	2 980 432	3 116 998	2 119 059
FX options -sold CALL	2 885 925	2 516 257	1 257 297
FX options -sold PUT	3 007 685	2 700 183	1 307 180
Spot-purchased	1 718 014	90 068	129 472
Spot-sold	1 718 045	90 297	129 365
Forward- purchased amounts	110 436	96 328	122 108
Forward- sold amounts	115 530	100 936	147 510
Capital derivatives contract - purchased	601 097	337 108	255 564

In thousands of PLN

35. Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK

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

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

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

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

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

The Brokerage House is now a unit of the Bank, providing stockbroking services and will act as a brokerage office.

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

Transaction details

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

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

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

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

Assets and liabilities as at the acquisition date

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

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

In thousands of PLN

Below is an estimate of the carrying value of the acquired assets and liabilities.

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

Non-controlling interest

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

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

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

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

37. Acquisitions and disposals of investments in subsidiaries and associates

Acquisitions and disposals of investments in subsidiaries and associates in 1-3Q 2015 and in 1-3Q 2014

Registration of SC Poland Consumer 15-1 sp. z o.o.

On 7 July 2015, a subsidiary of Santander Consumer Bank trading as SC Poland Consumer 15-1 sp. z o.o. was registered. This is a special-purpose vehicle formed for the purpose of securitisation of a part of the credit portfolio, its shareholder being a foreign legal person that is not associated with the Group. As the control criteria set out in IFRS 10.7 are met, the company is considered as an entity controlled by Santander Consumer Bank.

In thousands of PLN

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

On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŃ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). After the fulfilment of the conditions precedent, including the obtaining of the European Commission consent and a decision of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) confirming the absence of formal grounds for objecting to the direct acquisition by Aviva Ltd. and indirect acquisition by Aviva plc. of 17% of shares in TUŃ S.A. and 17% of shares in TUO S.A., the ownership transfer of the abovementioned shares has been completed.

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

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

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

Total profit before tax on the transaction	as at 27.02.2015
Fair value of consideration received	244 317
Revaluation of retained non-controlling interest	766 360
Non-controlling interests derecognised	540 854
Less: book value of identifiable net assets	(172 105)
Less: derecognition of goodwill	(853 809)
Other consolidation adjustments	(2 622)
Gain on sale of subordinated entities	522 995
Other adjustments related to loss of control	38 226
Total	561 221

Changes to the shareholding of Krynicki Recycling S.A.

On 9 December 2014, 320,000 ordinary bearer shares in Krynicki Recycling S.A. were sold on the regulated market. As a result, BZ WBK Inwestycje currently holds 3,332,648 shares in the company, representing 19.96% of its share capital. Consequently, Krynicki Recycling S.A. was no longer an associated undertaking of BZ WBK Inwestycje.

Deregistration of BFI Serwis Sp. z o.o. in liquidation

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

Incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK

The incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK and the foundation of a company Gieldokracja Sp. z o.o has been described in detail in Note 35.

In thousands of PLN

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

Acquisition of controlling interest in Santander Consumer Bank S.A. has been described in detail in Note 36.

Registration of Metrohouse Franchise S.A.

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

In September 2014, the shares of Metrohouse 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. Following the registration of an increase in the share capital of MHF, BZ WBK Inwestycje Sp. z o.o. held a 20.13% stake in the share capital and voting power in the company.

Subsidiaries Metrohouse Franchise S.A.: MH Warszawa Sp. z o.o. and MH Kraków Sp. z o.o. are active in the real estate brokerage franchise, Metrofinance Sp. z o.o. additional is engaged in financial advisory to real estate clients.

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

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

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

No events of defaults under the loan agreement have been observed

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

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

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

In the reporting period no such changes were made.

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

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

In thousands of PLN

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

Detailed information on:

- incorporation of Dom Maklerski BZ WBK into Bank Zachodni WBK;
- acquisition of controlling interest in Santander Consumer Bank S.A.;
- the closing of the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited

are presented in Notes 35,36 and 37.

On 16 April 2015, an agreement was signed between BZ WBK and its subsidiary BZ WBK Leasing providing for a financial leaseback of properties (freehold of a building and land and perpetual usufruct of land) and a lease of a planned project (an office building to be developed during the next three years) located in Wrocław.

The final total value of the assets arising from the lease of the building and land, which was estimated at the time of initiation of the transaction, was PLN 156,278 k.

Current value of the fixed assets obtained under the financial leaseback agreement was PLN 39,480 k as at 30.09.2015, the initial value of fixed assets under construction was PLN 2,093 k.

In accordance with the agreement, the basic lease term was defined as 153 months.

The purchase of assets by BZ WBK Leasing and development of the office building is financed with a loan provided by BZ WBK.

The lease agreement requires that only interest should be paid on the lease and the loan during the term of the respective agreements, while the principal sums will be paid as part of the last tranche, with the pre-financing costs relating to the building and the site where the building is developed are to be capitalised by BZ WBK Leasing, and the bank is to pay them along with the principal payment at the end of contractual period. Both agreements are to be based on 1M WIBOR + margin, and the parties reportedly plan to offset their mutual obligations.

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

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

45. Dividend per share

On 23.04.2015, The Annual General Meeting of Bank Zachodni WBK adopted a resolution to distribute the net profit of PLN 1,994,632k in respect of 2014 as follows: PLN 1,041,980k to be allocated to reserves and the remainder of PLN 952,652k to be left undistributed.

On 16.04.2014, The Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 1,000,932k to dividend for shareholders, from the net profit for 2013, which meant that the dividend was PLN 10.70 per share.

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

As at 30.09.2015 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

In thousands of PLN

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

As at 30.09.2015 and as at 30.09.2014, either Bank Zachodni WBK or its subsidiaries did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets.

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

In the period from 01.01.2015 to 30.09.2015 or Bank Zachodni WBK or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

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

Court of Appeal's ruling on the interchange fee

On 6 October 2015, the Court of Appeal in Warsaw passed a judgement in the lawsuit filed by 18 banks (including BZ WBK) and VISA and MasterCard vs. the President of the Competition and Consumer Protection Authority (UOKiK) and fully affirmed the appeal lodged by the latter. The court set aside the ruling of the Regional Court in Warsaw of 21 November 2013 (which was favourable for banks in that it seriously reduced the fines that the President of UOKiK had imposed on banks), and fully dismissed the appeals lodged by the banks and card organisations against the decision of the President of UOKiK of 29 December 2006. In addition, the banks were ordered to pay litigation costs to the UOKiK and the Polish Trade and Distribution Organization.

On the day of announcement of the judgement, the decision of the President of UOKiK of 29 December 2006, which determined that the banks participated in an agreement restrictive of competition and which imposed corresponding fines on banks became final and binding.

The total value of the fines imposed on Bank Zachodni WBK is PLN 26,440k.

Recommendations of the Financial Supervision Commission about the risks of the portfolio of foreign currency mortgage loans to households

The Management Board of Bank Zachodni WBK informed that on 23rd October 2015 it received the following recommendations from the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego): Bank Zachodni WBK S.A. to maintain own funds to cover the additional capital requirement at 0.72pp to secure the risk arising from FX mortgage loans for households that should be composed at least in 75% from Tier 1 capital (equivalent of 0.54pp), and Bank Zachodni WBK SA to retain at least 50% of the profit made between 1st January 2014 to 31st December 2014, in relations to the risk of the portfolio of foreign currency mortgage loans to households.

The Annual General Meeting of Bank Zachodni WBK dated 23rd April 2015 decided on allocation of 52% of Bank's profit made between 1st January 2014 to 31st December 2014 to the reserve capital.

On 23rd October 2015, the Management Board of Santander Consumer Bank received the recommendation from the Polish Financial Supervision Authority to maintain own funds to cover the additional capital requirement at 1.07 pp to secure the risk arising from FX mortgage loans for households that should be composed at least in 75% from Tier 1 capital (equivalent of 0.80pp).

Pursuant to the Act of 5 August 2015 on macro-prudential supervision over the financial system and crisis management in the financial system (Journal of Laws of 2015, item 1513), Polish banks have been advised by the Polish Financial Supervision Authority about imposition of an additional capital buffer (capital conservation buffer) of 1.25%. As a result, the existing minimum capital ratios will increase as follows: CET1 from 9% to 10.25% and CAR from 12% to 13.25%. The changes become effective as of 1 January 2016

In Bank Zachodni WBK's opinion, after taking into account additional capital requirement, the capital position of both banks remains strong and meets legal criteria and recommendations of Polish Financial Supervision Authority, both on a stand-alone and consolidated basis.

50. Description of external environment in Q3 2015

Economic growth

Economic growth in Poland remained at a solid pace in the first half of 2015. After a very good start of the year (GDP expanded by 3.6% YoY in Q1 2015), economic activity in Q2 2015 surprised on the negative side, slightly slowing down to 3.3% YoY. The growth in domestic demand accelerated to 3.3% YoY, despite a decrease in investment growth (to 6.4% YoY, lowest since Q4 2013) and stable consumption growth (3% YoY), as a change in inventories surprised to the upside. The net exports' contribution to GDP growth decreased amid deceleration in both exports and imports. Seasonally adjusted GDP growth remained quite robust, at 0.9% QoQ. The structure of GDP growth in Q2 2015 (in particular, notable investment slowdown) slightly reduced optimism about the pace of expansion in the second half of the year. The start of the third quarter also raised caution about predicting economic activity in Poland as the outcome of industrial output, retail sales and the PMI index for the manufacturing sector were lower than expected. Nonetheless, we expect the Polish economy to continue its healthy economic growth in the coming quarters with an expected GDP growth of 3.5% YoY for the whole of 2015. Private consumption growth should remain strong, supported by falling unemployment and rising labour income. Export growth is even likely to accelerate, fuelled by economic revival in the euro zone. The Polish external imbalance declined in January to August – according to our estimates, the current account deficit accounted for approx. 0.3% of the GDP at the end of August.

Labour market

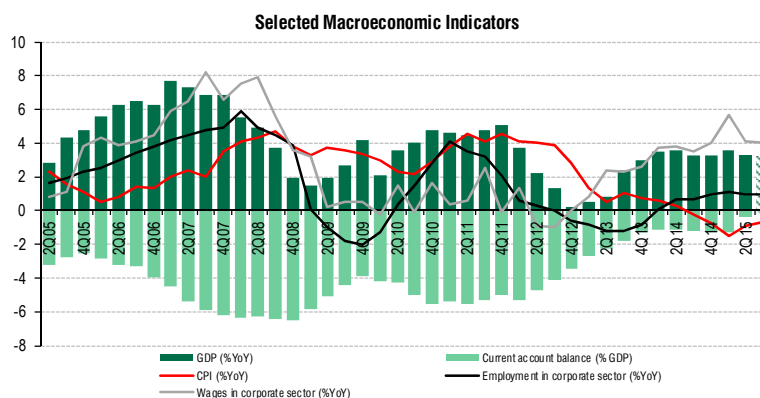
In the third quarter of 2015, the labour market remained strong. Average employment in the enterprise sector grew on average by 1%YoY, accompanied by a steady increase in the demand for labour. The higher demand for employees was generated mostly by industrial manufacturing, retail trade as well as administrative and supporting activities, while the trends in other sectors remained weaker. The unemployment rate continued to fall, both as regards registered unemployment and LFS unemployment. According to the Ministry of Labour, the registered unemployment rate in September went down below 10% for the first time since 2008. Meanwhile, LFS unemployment was moving closer to the record minimum of 6.8%, which in our view can be achieved again at the turn of 2015 and 2016. Still, the pace of decline of unemployment is slowing down, which can be a sign of a shortage of workers with adequate qualifications, and this can translate into higher wage pressure. Nominal wage growth in the corporate sector amounted to approx. 3.5% YoY, which together with negative growth in consumer prices and positive increase in employment caused a decent rise (of 4.6% YoY) in disposable incomes in real terms. According to our estimates, the real wage bill in the corporate sector increased by 5.7% YoY, the highest pace since 2008.

Inflation

Inflationary pressures continued to remain low in Q3 2015. CPI inflation is gradually picking up after bottoming out in February 2015, but the headline rate has remained below zero for over a year. This stemmed from the deflationary trends abroad and still negative output gap in Poland. CPI inflation amounted to -1.0% YoY on average in January-September against +0.2% YoY on average in the same period of 2014. It is expected that the inflation rate will increase gradually in the coming months to +0.5% YoY in December (mainly due to the extremely low base) and then to continue its slow climb towards the target (due to the low statistical base, commodity prices and robust domestic demand). CPI inflation excluding food and energy prices amounted to 0.4% YoY on average in Q1-Q3 2015, while PPI inflation was -2.4% YoY on average.

Monetary policy

Poland's Monetary Policy Council (MPC), after lowering interest rates in March by 50bp, has continued a stable monetary policy. The reference rate remained at 1.50%, the lowest level in history. The Council has clearly highlighted that it finds no reasons to change the monetary policy unless there is a significant turn in the macroeconomic outlook. The recent data releases (even though some of them were a bit disappointing) did not worsen the central bank's economic outlook. The MPC believes that the economic growth in Poland continues, driven mainly by rising domestic demand. The majority of the Council's members, as indicated by the minutes, think that interest rates should remain unchanged until the end of the current Council's term (i.e. until early 2016). Some Council members emphasised that the stabilisation of interest rates strengthens the resilience of the Polish economy to shocks, particularly in view of the considerable uncertainty with regard to global economic outlook and increased volatility in international financial markets.



Credit and deposit markets

The credit market situation also remained positive in Q3 2015. The growth of loans to companies accelerated to almost 8% YoY (after FX adjustment) from approx. 6% YoY in 2Q2015. The nominal value of loans to enterprises advanced by nearly PLN 13bn – the highest quarterly increase in credit activity in this segment of the market in 4 years. It is a positive sign, suggesting that activity of Polish companies unabated despite the uncertainty of the global economic outlook. Household loans slightly slowed in Q3 2015, but the pace of growth remained quite strong (7% YoY). The growth in household deposits was solid, at slightly below 10% YoY, supported by the increasing household income. In the meantime, the growth rate of corporate deposits accelerated to a two-digit figure, suggesting that financial results of companies are still good.

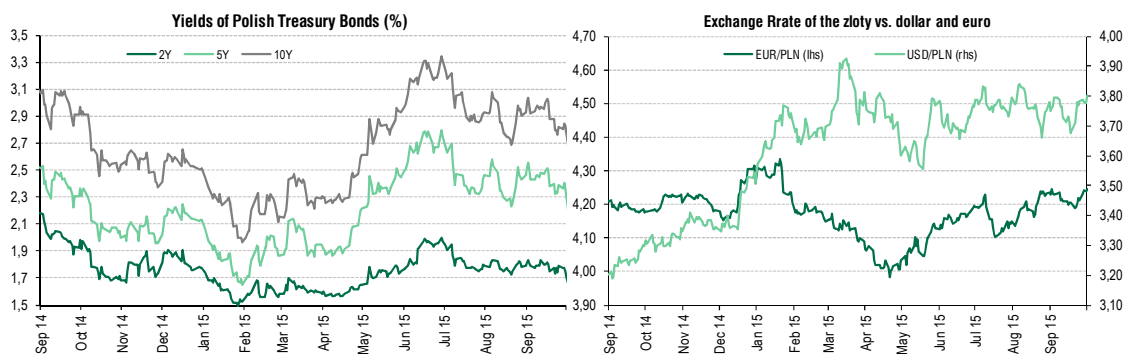
Financial market

In January to September, the situation in financial markets was influenced by a number of factors:

- Central Banks' actions, including the Swiss National Bank (abandonment of the EUR/CHF exchange rate cap of 1.20); the European Central Bank (launch of the expanded asset purchase programme in March); Poland's Monetary Policy Council (interest rate cut by 50bp in March) and the Federal Reserve (unchanged monetary policy);
- domestic and external macroeconomic data releases: economic growth slowdown in the euro area and Poland in Q2 2015 after a very good Q1; raised concerns about the outlook for global economy (due to such factors as weak data from China and Germany) and its negative impact on the zloty;
- geopolitical factors: prolonging Russia-Ukraine conflict, situation in Greece, significant inflow of refugees into Europe.

Q3 was favourable for the domestic interest rate market. Yields of T-bonds, IRS and FRA rates declined quite clearly after reaching this year's peaks in June (the yield of 10Y benchmark increased to 3.36%, while the 10Y IRS rate to 3.10%). This stemmed from a decline in the risk of Greece exiting the EU and the delayed start of normalization in the US monetary policy. Both bond yield and IRS curves shifted up by 10-30 bp on average as compared with the end of 2014, while curves moved down by 14-25 bp for T-bonds and by 30-40 bp for IRS, with the largest drop on the front end of the curves (the effect of growing expectations of further monetary policy easing by the MPC in 6-9 months' time).

Like the interest rate market, the foreign exchange market was highly volatile in January-September period. The domestic currency was under the influence of both global factors (central banks' monetary policy, geopolitical situation) and domestic factors (likely changes on the political scene or information about a possible FX loans conversion). While the zloty benefited significantly from the improved global sentiment after Greece had reached an agreement with its creditors (the EUR/PLN rate fell to 4.10), the increase in concerns about the global economic outlook (after series of weak data from China, the lack of a rate hike by Fed) pushed the EUR/PLN towards 4.25. At the end of September 2015, the zloty was by c. 1.5% weaker against the euro than a year earlier. Mixed data from the British economy and the postponing of the first interest rate hike by the Bank of England until 2016 helped the zloty to rebound and to trim a part of its earlier losses against the British pound in Q3 2015. The zloty also gained against the Swiss franc. Nonetheless, the domestic currency remained weak against the US dollar, the Swiss franc and the British pound as compared to the end of September 2014. The scale of depreciation amounted to 15% against the US dollar, almost 13% against CHF and 7% against GBP.



51. Activities of Bank Zachodni WBK Group in Q3 2015

Retail Banking

Personal loans

Cash loans

In Q3 2015, cash loan sales went up by 6% YoY. The most pronounced growth was reported by remote distribution channels, i.e. Telephone Banking Centre and Internet Banking. In July and August 2015, credit delivery was supported by a special offer of 0% interest-rate loan which was available exclusively with an insurance plan.

Mortgage loans

Effective from 1 September 2015, Bank Zachodni WBK modified the terms of the home loan "Home for the Young" in compliance with the amended Act on state aid for young first-time apartment buyers:

- the amount of the downpayment subsidy now depends on the number of children in the family;
- the requirement for the first apartment and age limitations have been waived in relation to families with at least three children;
- customers may now apply for a loan to buy apartments and single-family houses in the secondary market.

Between 1 July 2015 and 31 August 2015, customers were offered a promotional fixed interest rate on home loans and equity releases at 3.95% and 5.5%, respectively, for the period of five years.

The value of new mortgage loan drawdowns in Q3 2015 was PLN 1.15bn and 47% higher than in the same period last year. The respective loan-book increased by 9% YoY to PLN 29.7bn.

Credit cards

In Q3 2015, the following measures were taken in relation to credit cards:

- the range of products was expanded to include direct debits to credit card accounts;
- changes were introduced (from 1 July 2015) to the General Terms of Assistance Insurance provided by Europe Assistance in a bundled offer with BZ WBK platinum credit cards (mainly extension of the insurance scope and increase in the sum insured);
- the process for simplification of the range of credit cards was launched, resulting in a withdrawal from sale of selected types of cards.

The number of credit cards in the bank's portfolio increased by 8% YoY, reaching 736.8 thousand items. A growing demand was also observed for complementary services, in particular Ratio loan, FastCash service and automatic minimum payments on credit cards.

Personal accounts and bundled products

Personal accounts

On 7 September 2015, Bank Zachodni WBK launched Account<20 designed for the customers aged 13-20. The account comes with a MasterCard<20 card, free ATM withdrawals in Poland and abroad and a no-fee guarantee for the account holders until they turn twenty. As part of promotion of the new package, customers were offered a promotional gadget and a moneyback service for card transactions at cinemas and theatres. Until the end of September 2015, 10.1k of Accounts<20 were sold. Throughout the quarter a total of 78.5k new current accounts were opened.

Debit cards

In Q3 2015, the following changes were introduced to debit cards offered by Bank Zachodni WBK to personal customers:

- Holders of all PLN accounts are eligible for an ATM card (issued independently of payment organisations) to be used for cash withdrawal from ATMs or make deposits in CDMs (cash deposit machines) of Bank Zachodni WBK (July 2015);
- The security of online card payments was enhanced through the activation of 3D-Secure service for debit and credit cards held by BZWBK Internet24 users who authorise their payments with an smsCode or a token (19 July 2015).

As at 30 September 2015, the personal debit card portfolio of Bank Zachodni WBK (including pre-paid cards) comprised 3,9 million items and increased slightly (+1% YoY). Taking business cards into account, the total number of debit cards reached 4.1m.

Savings and investment products

With regard to deposit and investment instruments, in Q3 2015, the bank focused on diversification of the portfolio to strengthen the relationship with its deposit customers and to achieve the best possible proportion between traditional bank deposits and investment products.

In the reporting period, the base of savings and investment products grew on account of new funds, savings accounts, bonus deposits (rewarding customer activity) and structured deposits.

Deposits and brokerage offer

In Q3 2015, deposit acquisition was supported by a 6M term deposit with promotional pricing, available for new funds.

The actions aimed at positioning the products offered by the Brokerage Office among personal customers of Bank Zachodni WBK were continued and included:

- expansion of the distribution network for brokerage products to 600 outlets employing more than a thousand trained and certified advisors;
- implementation of a new transaction platform for mobile devices ("Investor Mobile"), which was promoted among customers through the special offer of the Brokerage Office, "Fee Refund for the Mobile".

The above actions contributed to higher transaction activity of the existing customers of the Brokerage Office and helped acquire new ones, which led to a further growth in the number of brokerage accounts and investment advisory agreements.

Structured deposits

In Q3 2015, the bank continued to sell structured deposits with a wide variety of tenors and underlying instruments. The product range included 6-, 9-, 15-, 18- and 24-month deposits with yields linked to exchange rates or stock indices and 100% capital protection at maturity.

The bank offered 42 products in the total of 24 subscriptions, including:

- 15 subscriptions for standard personal customers:
 - ✓ in six subscriptions, the bank offered deposits where the interest rate was linked to the EUR/PLN or USD/PLN rate, and was also dependent on the investment strategy adopted by the customer: appreciation, depreciation or stabilisation of currency;
 - ✓ in seven subscriptions, the yield was linked to stock indices: DAX, S&P500 and SX7E;
 - ✓ two subscriptions of FX structured deposits paid interest depending on EUR/USD rate.

- Seven subscriptions were made exclusively to VIP personal customers, with interest linked to EUR/PLN exchange rate, STOXX® Europe 600 Health Care Index and performance of SPDR Gold Shares mutual fund.
- Two issues were targeted at Wealth Management customers, with yield depending on the performance of SPDR Gold Shares and Energy Select Sector SPDR mutual funds.

In all, more than PLN 1.2bn worth of funds were collected in Q3 2015 as a result of the aforementioned subscriptions.

Investment funds

As at 30 September 2015, the total net assets managed by BZ WBK Towarzystwo Funduszy Inwestycyjnych were PLN 13.0bn, up 7% YoY and down 4% QoQ. The quarterly drop in net assets was driven by negative net sales and lower value of underlying instruments. Sales performance in Q3 was shaped by customer redemptions of corporate and treasury bond sub-funds amid short-term decline in value of the participation units. Additional pressure came from the stock market, in particular from the downward trend of the large-cap indices WIG 20 and WIG (down 10.8% QoQ and 6.6% QoQ, respectively).

Arka Prestiż Obligacji Korporacyjnych (corporate bond sub-fund) was ranked the highest among top ten most popular Polish mutual funds in H1 by the stock market daily Parkiet (14 July 2015) based on Analizy Online data. Included in this ranking was also Arka BZ WBK Obligacji Korporacyjnych (corporate bond sub-fund). Meanwhile, Arka Prestiż Akcji Polskich was ranked among the three top-performing equity funds in Poland in the July survey by Analizy Online, in recognition of its 9 month and 12 month rates of return which were at 14.8% and 21.4%, respectively.

In July 2015, pursuant to the KNF consent of 26 June 2015, the following sub-funds of Arka BZ WBK FIO were merged: CEE equity sub-fund Arka Prestiż Akcji Środkowej i Wschodniej Europy (an acquiring sub-fund) and Russian equity sub-fund Arka Prestiż Akcji Rosyjskich (an acquired sub-fund). On 4 September 2015, the Statutes and Prospectus of Arka Prestiż SFIO were amended in relation to the above-mentioned merger of sub-funds.

ING Bank Śląski, acting in its capacity as a liquidator of Arka BZ WBK Fundusz Rynku Nieruchomości FIZ in liquidation (the first of two Arka funds which operated in the property market), continued the liquidation process which is due to be completed in 2016.

On 15 September 2015, Arka BZ WBK Fundusz Rynku Nieruchomości 2 FIZ (the second of two property funds set up for a definite period until 28 December 2015) sold its remaining last five properties and shares it owned in two special purpose vehicles. On the completion of the last stage of the fund's operation, the liquidation process will be launched.

SME Banking

Changes to products and services for SME customers

Loans, deposits and current accounts

On 18 September 2015, Bank Zachodni WBK signed a new agreement with the European Investment Bank for a EUR 100m worth of credit line earmarked for funding towards small and medium enterprises (for more details please refer to the section "Other Information" below).

In Q3 2015, the second edition of the Business Account Worth Recommending campaign was launched. The bank prepared a special offer for customers using an account with Bank Zachodni WBK for making social security contributions, including:

- free PLN current account with free-of-charge domestic transfers for an indefinite period of time;
- free-of-charge FX account (EUR, USD, GBP or CHF) and foreign transactions for the period of 12 months.

Mobile and Internet banking

The functionality of mobile and internet banking for SME customers was expanded to include:

- BlueCash instant transfers – PLN transfers (up to PLN 20k) between accounts in domestic banks made in a few minutes;
- new options available on eFX platform: futures options, FX forward transactions, orders and FX alerts;
- direct access to Faktor24 application from iBiznes24 application offered to users of both platforms.

Credit and deposit business

In Q3 2015, sales of loans and deposits to SME customers trended upwards, enabling further growth of respective portfolios:

- Credit sales went up by 19% YoY and the portfolio grew by 14% YoY;
- The volume of deposits increased by more than 2% YoY.

Key initiatives

Bank Zachodni WBK became a sponsor of a unique TV show called “Firmowe Ewolucje” (“Business Evolution”) dedicated to small and medium enterprises. The programme (broadcast on TVP1 from September to November 2015) consists of ten episodes about companies from ten different sectors. The purpose is to support Polish entrepreneurs in setting the direction for further growth based on recommendation and advice from a sector mentor and experts in finance, marketing, human resources and banking.

Awards and rankings

Bank Zachodni WBK was hailed the best bank for small and medium enterprises in the 2015 Wprost Portfolios Awards organised by Wprost weekly.

Leasing business

Over the three quarters of 2015, BZ WBK Leasing and BZ WBK Lease financed PLN 2,731.9m worth of total net assets, which represents a 31% growth YoY, i.e. two-fold higher than the market. This performance gave the companies the second position among the Polish leasing companies and drove an increase in gross lease receivables to PLN 5.3bn as at 30 September 2015.

In the vehicles segment, sales went up by 15% YoY to PLN 1,109.5m, mainly on account of personal cars and delivery vehicles.

Sales of machines and equipment grew particularly dynamically, reaching PLN 1,440.6m for the first nine months of 2015 (+31% YoY) and securing the companies the leadership position in this market segment. The increase was driven mainly by the agro sector, which is provided with a comprehensive and attractive array of products and services. In Q3 2015, the companies launched three new financing schemes in cooperation with Polish manufacturers of agricultural machinery and equipment, which enabled them to facilitate customer access to new machines, reduce turnaround times and offer attractive terms of financing.

Business and Corporate Banking

Development of products and services

In Q3 2015, the bank continued development of iBiznes24 electronic banking:

- changes were introduced to the management of financing lines and new features were implemented with respect to trade finance and payroll accounts;
- users of iBiznes24 and Faktor24 were provided with direct access to the factoring application from iBiznes24 platform;
- iBiznes24 was upgraded to offer more user-friendly solutions.

The range of products for business customers was expanded to include the following:

- BlueCash instant transfers;
- progressive account – a current account dedicated mainly to local administration units which can deposit their funds on agreed terms;
- current account for settling EU subsidies and advances;
- simplified process for Company Identification Card (KIF) forms;
- changes related to loans and trade finance, including:
 - ✓ a unique solution of combining a multiline agreement with a factoring limit (multiline with factoring);
 - ✓ new loan agreements including collections (new options for financing collections) and investment loan with VAT (two agreements merged into one, simplified documentation, common collateral);
 - ✓ option to issue guarantees under a foreign law for selected bank customers.

Business development

In Q3 2015, Business and Corporate Banking Division continued its strategy of increasing the Bank's share in the corporate market. As a result, as of the end of September the value of loans for corporate customers increased by 10% from the end of December 2014. Deposit base from the corporate segment was on the rise as well, clearly exceeding the market dynamics with a growth rate of 18% Ytd.

In Q3 2015, Business and Corporate Banking enhanced its customer acquisition and sales through cross-selling of key products with high growth potential, such as trade finance, factoring, leasing and interest rate products.

In the reporting period the bank continued the project aimed at providing guidance on how to raise EU funds and held a conference directed at corporate customers in this respect.

Business support for importers & exporters

In Q3 2015, Business and Corporate Banking Division continued Export Development Programme whose beneficiaries are companies interested in international expansion. The program was developed in collaboration with many external partners and received strong support from the Ministry of Foreign Affairs and the Ministry of Economy, and also from local governments and regional chambers at the local level. Export Development Program has met with a very good reception from customers and received an award in 2015 Innovator of Wprost magazine, granted for the most innovative Polish companies.

As part of services provided by International Desk, the Bank organized – individually and in cooperation with Banco Santander Group – a series of meetings for companies doing business or seeking investment opportunities and business contacts in the Spanish market and other markets where Santander Group is operating.

Factoring business

During three quarters of 2015, the turnover of BZ WBK Faktor came in at PLN 12,306.2m, up 18% YoY. This gave the company a market share of 13% and the third position in the ranking of the members of the Polish Association of Factoring Companies. As at the end of September 2015, the company's credit exposure was PLN 2,672.6m and higher by 31% YoY.

Global Corporate Banking (formerly Global Banking & Markets)

On 29 September 2015, Global Banking & Markets Division was renamed Global Corporate Banking Division. The scope of business did not change.

Global Corporate Banking Division (GCB) provides an end-to-end support to the largest corporate customers of Bank Zachodni WBK (around 130 companies and groups as at the end of September 2015), renders services to corporations handled under the global framework of Santander Group GCB, is responsible for the bank's activities on the financial markets and provides specialist financial products including treasury, brokerage and capital market instruments to retail and corporate customers.

Global Transactional Banking

In the reporting period, Global Transactional Banking:

- Closed a number of transactions with companies from the finance, transport, construction and telecom sectors, mainly in relation to working capital financing, guarantees and trade finance;
- Implemented (in early Q3 2015) innovative e-cheques for GCB customers, which will be subsequently provided to companies handled by Business and Corporate Banking and SME Banking.

As at 30 September 2015, the value of open credit lines totalled PLN 2.5bn.

The volume of factoring transactions grew by 80% YoY to PLN 1.4bn and was generated mainly by the trade sector.

The value of term deposits and current account balances totalled PLN 6.2bn and was slightly lower YoY.

Capital and Credit Markets

Capital Markets

In Q3 2015, Capital Markets:

- Provided analytical and advisory services to customers and were engaged as a financial/transactional advisor for companies from the financial, automotive, clothing, transport and construction sectors;
- Sold shares of Masterform S.A. (August 2015) from the portfolio of BZ WBK Inwestycje, generating an income of PLN 7.8m;
- Managed the JESSICA Programme (Urban Regeneration Fund for Greater Szczecin) under the agreement with the Zachodniopomorskie province. As at the end of September 2015, 100% of the committed credit line was drawn.

Credit Markets

In Q3 2015, Credit Markets closed a number of financing deals with companies from the telecom, energy and FMCG sectors.

In the reporting period, Bank Zachodni WBK joined the following syndicated undertakings:

- A syndicated loan agreement with the leading energy group in Poland for a total amount of PLN 5.5bn with the bank's share of PLN 500m (September 2015);
- A revolving loan agreement with a company from the FMCG sector to finance corporate goals and refinance the existing debt (the bank acted as the lead arranger, facility agent and security agent);
- A syndicate of 20 banks to provide PLN 12,500m worth of funding to a group from the media and telecom sector, with the bank's share of PLN 1,750m. The funds were earmarked for refinancing of the existing debt (loan and obligations). The bank – together with three other banks – acted as a global banking coordinator.

Furthermore, in the reporting period, Credit Markets – in cooperation with the Business and Corporate Banking Division – finalised a financing transaction with a company from the food sector.

As at 30 September 2015, the value of open credit lines increased to PLN 8.4bn, whereas the total sum of loans and advances to customers amounted to PLN 4.3bn, up 20% YoY.

Financial Markets

Treasury

In Q3 2015, the Financial Market Transactions Department:

- Focused on further development of products and services, leveraging the global know-how of Santander Group. The new products are targeted at large corporates and include solutions with a considerable market potential based on debt and derivative instruments;
- In response to market demand and trends, the Department took intensive efforts to extend the range of structured products for retail and corporate customers.

In the reporting period, the Treasury Services Department:

- continued the strategy aimed at diversification of income from treasury transactions based on development of interest rate hedges;
- expanded the product range to include interest hedging instruments dedicated to mortgage borrowers and SME customers;
- focused on the promotion of foreign exchange instruments among customers so as to hedge currency risk in a long term and thus stabilise their balance sheet positions.

In addition, works were underway to develop the distribution channels for treasury products and e-commerce tools, which increases sales opportunities and customer service quality.

Brokerage Office

In Q3 2015, the Brokerage Office:

- Continued to render brokerage services to corporate and retail customers in relation to securities trading on WSE and – in cooperation with the Capital Markets Department – provided support to companies with respect to public offerings and private placements;
- Implemented a new application called Inwestor mobile (available free of charge through Google Play and App Store), which enables customers to invest in stock market in a convenient, modern and mobile way using the latest market information. Until the end of the year, its users can avail of a special offer “Fee Refund for the Mobile”. The application has been downloaded by more than 5.5k users;
- Topped the league table in terms of market making activity in WSE spot market in September 2015;
- Held the 1st Conference of Energy and Commodity Sector Companies which was attended by about 30 Polish institutional investors and a foreign investment fund. The meetings with eight key companies from the Polish energy and commodity sector provided an opportunity to learn about the current position of the companies and prospects for the sector under the prevailing economic conditions;
- As part of the Summer Stock Exchange School (project delivered by WSE and SII), experts from the Brokerage Office provided training which attracted a great number of investors.

Next Generation Bank Programme after Q3 2015

In Q3 2015, the bank continued the transformation process as part of the Next Generation Bank programme with a view to creating the best retail and business bank in Poland that earns the loyalty of employees, customers, shareholders and local communities.

The key achievements of the main streams are presented below.

Simple Bank Stream

In Q3 2015, works were continued to facilitate cash relations with customers, including implementation of a new model for handling large lodgements (in 149 selected branches and cash service centres), development of a simplified cash and vault service model and increase in the number of machines featuring cash deposit function. Furthermore, the business model and interior design of the Customer Relations Centre (a cash-free branch) were developed (the pilot will commence in Q4 2015).

Under the Simple Processes module, the implementation plan of new processes for the Telephone Banking Centre was prepared and launched. In addition, a new process of opening a current account for SME customers was reviewed and implemented, taking account of all recommended procedural improvements and discount/incentive packages. The bank's products and services were further simplified (the process covered 271 banking products as at the end of September).

Multichannel CRM Stream

In the period under review, the first stage of Multichannel CRM project covering the CRM campaign generation system was successfully implemented. The process of migrating campaigns from previously used tools to the new system was launched. Works on optimising the prototype of a new front-end for branch network and the Telephone Banking Centre were finalised. First changes to the sales network incentive scheme were introduced to enhance multi-channel integration.

Advanced Business Banking Stream

The Business and Corporate Banking Division continued its work in four areas: Sales Force Effectiveness, Customer Service Quality, Digital Banking for corporate customers and Export Development Programme. The scope of changes included process facilitation, implementation of new products and further development of corporate bankers competence. The overriding goal is to increase competitiveness and quality of services offered by the bank.

In Q3 2015, the bank continued the series of meetings with customers called “Strategic Review”, as one of the elements of the new customer relationship building model. Also, new sales tools were implemented to enable overall management of customer relationships.

As part of electronic banking development new functionalities were added for corporate customers (as described in the section on activities of Bank Zachodni WBK S.A.).

People, Engagement, Development Stream

As part of the People, Engagement, Development stream, strategic projects were continued to enhance the engagement and development of Bank Zachodni WBK employees. These measures were designed to support the development of the new organisational culture based on the Simple, Personal, Fair values.

A new managerial competences model was developed to support the delivery of business strategy in the near future. Recruitment initiatives were launched with a view to strengthening the bank's employer brand.

Selected Distribution Channels of Bank Zachodni WBK

Branch network in Q3 2015

As at 30 September 2015, Bank Zachodni WBK had a network of 752 branches (locations), down 36 on 31 December 2014 and 51 YoY. The decrease is an effect of the continued optimisation process, involving the relocation, liquidation and set-up of new outlets.

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

ATMs/cash deposit machines

As at 30 September 2015, the bank's ATM network comprised 1,465 machines (1,365 as at 31 December 2014; 1,374 as at 30 September 2014), including:

- 1,276 machines with ATM function;
- 189 machines with ATM and CDM functions.

In addition, there were 221 CDMs in branches (204 as at 31 December 2014; 151 as at 30 September 2014).

Development of mobile and Internet banking

In Q3 2015, the functionality of the Mobile and Internet Banking of Bank Zachodni WBK was expanded as follows:

- new key features of BZWBK24 mobile:
 - ✓ transfer confirmations in a PDF format;
 - ✓ extension of the list of cities where customers may buy public transport tickets or pay for parking fees using the mobile application;
 - ✓ BlueCash instant transfers;
 - ✓ online Advisor services in BZWBK24 mobile available in Windows Phone smartphones.
- new key features of BZWBK24 Internet:
 - ✓ credit history including information about the interest paid;
 - ✓ simplified credit request form and calculation of credit instalment when filling in the form;
 - ✓ BlueCash instant transfers;
 - ✓ further simplification of Przelew24 services.

Awards for BZWBK24 mobile banking

In the reporting period, BZ WBK mobile banking won a number of awards:

- top places in the competition Global Finance “2015 World's Best Digital Banks Awards in Central & Eastern Europe” (August 2015):
 - ✓ 1st place for BZWBK24 mobile application and the titles “Best in Mobile Banking” and “Best in Mobile Banking App”;
 - ✓ 1st place in Poland for the Bank in the category “The 2015 World's Best Consumer Digital Banks in Central & Eastern Europe”;
- 1st place in the Friendly Bank ranking published by Newsweek (October 2015);
- Emerging Payments Award for “Best Mobile Application” (October 2015).

Telephone Banking Centre

In Q3 2015, the Telephone Banking Centre (TBC) focused on the following initiatives:

- delivery of training to introduce the services of a universal advisor and expand sales by TBC teams;
- reduction of helpline waiting times and facilitation of access to customer information;
- support of Online Advisors for Branch Banking in the mortgage lending process in (a pilot);
- back-up in the communications process with customers in relation to, among other things, mortgage loans, 3D-Secure service, credit card limit top-ups, arrears in accounts, modifications of electronic banking services;
- extension of services to include handling of non-standard BZWBK24 payment instructions;
- extension of the scope of tasks performed by the Cards Service Team, SME Team and Affluent Customers Team as well as Online Advisors;
- implementation of new event-based campaigns and relationship campaigns targeted at less active or inactive customers.

Santander Consumer Bank Group**Loans**

The lending activity of SCB Bank is based on the following product groups: car loans for the purchase of new and used vehicles; business loans, instalment loans, cash loans, consolidation loans and credit cards.

As at 30 September 2015, net loans originated by Santander Consumer Bank Group were PLN 12.5 bn, up 4.8% YoY, as a result of an increase in cash loans and credit cards portfolio. The growing sales of cash loans are a result of low market interest rates and strong marketing activity. Credit card balances increased mainly on the back of the sales of co-branded cards.

Compared with 30 September 2014, deposits from customers increased by 2.0% to PLN 6.6 bn, driven by corporate deposits.

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

As regards retail deposits, the balance stabilisation process continued with a gradual reduction in the cost of this source of funding. The bank focuses on the sale of deposits with tenors longer than 1 year, offering particularly attractive pricing for 24M and 36M deposits.

Distribution Network of Santander Consumer Bank

As at 30 September 2015, Santander Consumer Bank sold its products through the following distribution channels:

- own network of 172 branches (-1 YoY);
- 121 franchise outlets (+24 YoY);
- a network of 582 partners selling the bank's car loans (+1 YoY);
- 13 477 active partners selling the bank's instalment loans and credit cards (-662 YoY).

Debt securities of Santander Consumer Bank

In September 2015, SCB carried out another asset securitisation on its portfolio of instalment loans (for more details please refer to "Other Information" and Note 17).

Awards

In Q3 2015, Santander Consumer Bank came top in the "Banking Stars" ranking, category "Profitability and Flexibility" organised by the Gazeta Prawna daily.

Other Information

Employment

As at 30 September 2015, the number of FTEs in Bank Zachodni WBK Group was 14,319 (14,835 as at 31 December 2014; 14,733 as at 30 September 2014), including 2,642 FTEs of SCB Group (2,720 as at 31 December 2014; 2,686 as at 30 September 2014).

The headcount figures as at 30 September 2015 do not take into account the employees of BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ (64 FTEs as at 31 December 2014) following the loss of control over the above insurance companies as of 27 February 2015.

Agreements with international financial institutions

On 18 September 2015, Bank Zachodni WBK signed an agreement with the European Investment Bank providing for a 5-year EUR 100m worth of credit line to be used for financing credit delivery to small and medium enterprises. The loan was disbursed in October 2015.

In September 2015, BZ WBK Lease entered into an agreement with the European Bank for Reconstruction and Development, and BZ WBK Leasing signed an agreement with the Council of Europe Development Bank. The loans, EUR 50m each, were granted for 5 years, and guaranteed by Bank Zachodni WBK.

Securitisation transaction of Santander Consumer Bank

In September 2015, Santander Consumer Bank carried out a securitisation of its instalment loans portfolio as part of a traditional, revolving transaction whereby the ownership of the securitised receivables was transferred to a special purpose vehicle (SPV) – SC Poland Consumer 2015-1 Sp. z o.o. (SCPC). On the basis of the securitised assets, the company issued bonds for a total value of PLN 1,051.1m, secured by a registered pledge on the assets of SCPC.

52. Overview of BZ WBK Group performance in three quarters of 2015

Financial and Business Highlights of Bank Zachodni WBK Group (BZ WBK Group) for three quarters of 2015*	
Total income	<ul style="list-style-type: none"> Total income of BZ WBK Group for three quarters of 2015 increased by 22.4% YoY to PLN 5,797.5m. Excluding one-off gains on subordinate entities totalling PLN 523m on account of partial disposal and loss of control over BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych (BZ WBK-Aviva TUO) and BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie (BZ WBK-Aviva TUnŻ), the underlying total income grew by 11.4% YoY.
Total costs	<ul style="list-style-type: none"> Total costs went up by 10.5% YoY to PLN 2,483.2m. Excluding the impact of integration with former Kredyt Bank and acquisition or loss of control over subordinate entities (SCB, BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ), the underlying cost base grew by 7.3% YoY.
Profit	<ul style="list-style-type: none"> Profit before tax was PLN 2,773.7m and increased by 43.1% YoY, and by 16.2% YoY excluding one-off gains. Profit attributable to the shareholders of BZ WBK was PLN 2,050.1m and 39.5% higher YoY (10.7% excluding one-off gains).
Capital Ratio	<ul style="list-style-type: none"> Capital Ratio stood at 13.93% as per the calculation methodology defined in CRD IV/CRR package (12.91% as at 31 December 2014 and 13.44% as at 30 September 2014).
ROE	<ul style="list-style-type: none"> Return on Equity (ROE) was 16.4% (14.4% as at 31 December 2014 and 15.9% as at 30 September 2014), and 14.1% excluding the impact of the sale of BZ WBK-Aviva companies and integration costs.
Costs/Income	<ul style="list-style-type: none"> Cost-to-income ratio was 47.1% after exclusion of one-off gains (47.4% for three quarters of 2014), and 46.3% if further adjusted for integration costs (44.6% for three quarters of 2014).
Net impairment losses	<ul style="list-style-type: none"> Net impairment losses on loans and advances amounted to PLN 554.3m compared with PLN 551.9m for three quarters of 2014.
Credit quality	<ul style="list-style-type: none"> NPL ratio was 8.1% (8.4% as at 31 December 2014 and 8.0% as at 30 September 2014), while the ratio of impairment losses to the average gross credit volumes was 0.9% (1% on 31 December 2014 and 0.9% on 30 September 2014).
Loans/Deposits	<ul style="list-style-type: none"> Net customer loan-to-deposit ratio was 96.1% as at 30 September 2015 compared with 90.4% as at 31 December 2014 and 91.3% as at 30 September 2014. The ratio increased on account of a dynamic growth of sales of mortgage and corporate loans, and depreciation of the zloty against the Swiss franc.
Loans to customers	<ul style="list-style-type: none"> Gross loans to customers increased by 7.7% YoY to PLN 97,333.5m due to the growth of personal loans by 7.7% YoY and loans to enterprises and the public sector by 7.2% YoY to PLN 50,774.2m and PLN 42,278.7m, respectively.
Deposits from customers	<ul style="list-style-type: none"> Deposits from customers increased by 2.8% YoY to PLN 95,602.1m as a combined effect of the expansion of deposits from enterprises and the public sector by 10.1% YoY to PLN 39,212.9m and decrease in personal deposits by 1.8% YoY to PLN 56,389.2m.
Net assets under management	<ul style="list-style-type: none"> Net value of assets in mutual funds and private portfolios amounted to PLN 13.5bn and grew by 2.3% Ytd and 7.3% YoY.
Electronic banking	<ul style="list-style-type: none"> The number of customers using BZWKB24 electronic banking services totalled 3.1m (+2.2% YoY), the number of customers with access to mobile services stood at 0.6m (+64.5% YoY), while the BZ WBK Group payment card base included 4.1m debit cards (+0.8% YoY) and more than 1.1m credit cards (+16.9% YoY) including the cards of SCB customers.
Customer base	<ul style="list-style-type: none"> Stable customer base of BZ WBK and SCB at 6.2m customers.

* Significant YoY increases in the consolidated income statement of Bank Zachodni WBK Group for the period of nine months ended 30 September 2015 are largely attributed to the consolidation of Santander Consumer Bank Group following the acquisition of control over this entity on 1 July 2014.

Factors and events affecting financial results of the Bank in Q3 2015

- Signals of a slight economic slowdown in the euro zone, disappointing data from Germany, worries about the geopolitical situation and economic outlook due to the slowdown in China.
- Mixed data about industrial output and retail sales growth; relatively robust growth in the construction output.
- Good situation on the labour market – gradual increase in employment in the enterprise sector, declining unemployment and growth in disposable income of households, supporting private consumption.
- Low inflationary pressure, CPI inflation rate falling to the lowest level ever in February 2015 (-1.6% YoY) and rebounding very gradually.
- NBP official rates kept at the lowest level in history.
- Changes of moods in international financial markets influenced by expected policy orientations of the main central banks (Federal Reserve, ECB), incoming macroeconomic data, worries about geopolitical situation, including worries about Greece exiting the EU, immigrant crisis, slowdown in China.
- Continuation of the European Central Bank's quantitative easing programme.
- Volatility of the zloty exchange rate versus the main currencies. Decline in Polish bond yields on a year-on-year basis;
- Growth in loans in the banking sector, high growth in investment loans.

Income Statement of Bank Zachodni WBK Group

The table below illustrates changes in the key items of the Group's consolidated income statement for three quarters of 2015 compared with the same period in the previous year and in Q3 2015 compared with the previous quarter.

PLN m

Condensed Income Statement (for analytical purposes)	Q1-3 2015 ¹⁾	Q1-3 2014	Q3 2015	Q2 2015	YoY Change	QoQ Change
Total income	5 797,5	4 735,0	1 676,2	1 747,8	22,4%	-4,1%
- Net interest income	3 172,9	2 925,8	1 090,2	1 032,5	8,4%	5,6%
- Net fee & commission income	1 443,9	1 375,8	482,7	502,0	4,9%	-3,8%
- Other income	1 180,7	433,4	103,3	213,3	172,4%	-51,6%
Total costs	(2 483,2)	(2 246,4)	(813,8)	(840,4)	10,5%	-3,2%
- Staff, general and administrative expenses	(2 226,6)	(1 970,1)	(737,7)	(747,2)	13,0%	-1,3%
- Depreciation/amortisation	(190,4)	(223,6)	(61,7)	(62,1)	-14,8%	-0,6%
- Other operating expenses	(66,2)	(52,7)	(14,4)	(31,1)	25,6%	-53,7%
Impairment losses on loans and advances	(554,3)	(551,9)	(201,1)	(162,5)	0,4%	23,8%
Profit/loss attributable to the entities accounted for using the equity method	13,8	1,0	8,5	4,7	-	80,9%
Profit before tax	2 773,7	1 937,7	669,8	749,6	43,1%	-10,6%
Tax charges	(544,1)	(386,7)	(140,6)	(139,9)	40,7%	0,5%
Net profit for the period	2 229,6	1 551,0	529,2	609,7	43,8%	-13,2%
- Net profit attributable to BZ WBK shareholders	2 050,1	1 469,5	472,7	541,6	39,5%	-12,7%
- Net profit attributable to non-controlling shareholders	179,5	81,5	56,5	68,1	120,2%	-17,0%

1) Other income and profit before tax for three quarters of 2015 include one-off gains on subordinate entities of PLN 523m arising from partial disposal and loss of control over BZ WBK-Aviva TUŃ and BZ WBK-Aviva TUO. The above-mentioned one-off gains after tax totalled PLN 423.1m.

Profit for three months ended 30 September 2015

In Q3 2015, Bank Zachodni WBK Group posted a profit before tax of PLN 669.8m, down 10.6% QoQ. Profit attributable to the shareholders of Bank Zachodni WBK was PLN 472.7m and decreased by 12.7% QoQ. The QoQ drop in the profit is due to a high base effect caused by recognition of dividend income of PLN 89.9m in Q2 2015 (PLN 0.8m in Q3 2015) and sale of a considerable portfolio of non-performing loans of Bank Zachodni WBK and SCB as part of credit risk management (with a positive impact on profit before tax of the base period at PLN 52.7m vs. PLN 7.6m in Q3). The Q3 2015 profit was favourably affected by higher net interest margin (translating into a QoQ increase in net interest income of PLN 57.7m) and lower operating costs, both developments reflecting, among other things, proactive attitude of the Group in the changing environment.

Profit for nine months ended 30 September 2015

Over the first nine months of 2015, Bank Zachodni WBK Group posted a profit before tax of PLN 2,773.7m, up 43.1% YoY. Profit attributable to the shareholders of Bank Zachodni WBK was PLN 2,050.1m and 39.5% higher YoY. Excluding one-off gains on subordinate entities (on account of partial disposal and loss of control over BZ WBK-Aviva companies), the underlying profit before tax grew by 16.2% YoY and profit attributable to the shareholders of the parent entity increased by 10.7% YoY.

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

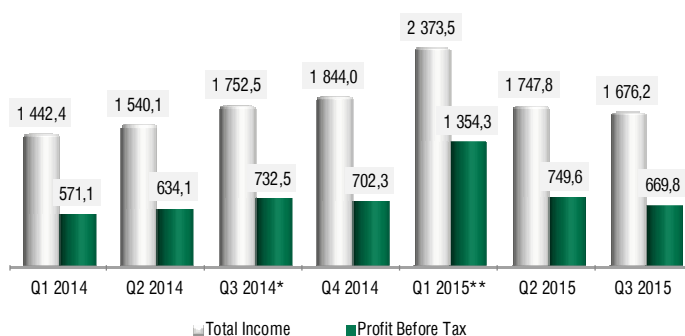
- **Expansion of Bank Zachodni WBK Group structure to include SCB Group**
 - ✓ Bank Zachodni WBK acquired control over Santander Consumer Bank and its subsidiaries (SCB Group), effective from 1 July 2014. As a result, the consolidated income statement of Bank Zachodni WBK Group covers nine months of the financial performance of SCB Group in the current reporting period and three months (Q3) in the base period, hence higher YoY movements in respective income statement items.
- **Loss of control over BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO**
 - ✓ On 27 February 2015, Bank Zachodni WBK sold part of its stake in BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO (17% of shares in each insurance company), which resulted in a loss of control over the above entities. In effect, gains on the sale (PLN 234.4m) and adjustments resulting from the loss of control (PLN 288.6m) were recognised.
 - ✓ The loss of control resulted in reclassification of the above-mentioned companies from subsidiaries to associated undertakings along with the change of their accounting treatment from full consolidation to equity method. The above changes most strongly affected comparability of the consolidated income statement with regard to the insurance fee and other operating income.
- **Incorporation of Dom Maklerski BZ WBK by Bank Zachodni WBK**
 - ✓ On 31 October 2014, Dom Maklerski BZ WBK was divided (and removed from the National Court Register) through transfer to Bank Zachodni WBK of an organised part of the enterprise specialising in the provision of brokerage services and set-up of Gieldokracja, a limited liability company, which provides educational, advertising and communication services. The brokerage activity is now an integral part of Bank Zachodni WBK's operations.

Key factors affecting the profit of Bank Zachodni WBK Group after three quarters of 2015

- Partial disposal and loss of control over BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ insurance companies contributed PLN 523.0m in total to the Group's consolidated profit before tax. In the condensed income statement above, the respective amount is included in "other income" line item, whereas in the complete financial statements, it is disclosed in a separate line item "net gains on subordinate entities".
- YoY increase in net interest income (+PLN 247.1m) combined with a slight decrease in net interest margin (from 3.79% for three quarters of 2014 to 3.54% for three quarters of 2015 as per year-to-date annualisation) reflects a faster growth of income assets than interest income generated by that portfolio (in a low interest rate environment). This performance resulted from inclusion of SCB Group in the consolidation scope and organic growth of business volumes amid economic recovery.
- An increase in fee and commission income (+PLN 68.1m YoY) was driven by the development of the Polish economy and financial markets, regulatory changes, competitive pressures and changes in the scope of consolidation of Bank Zachodni WBK Group's financial statements. A growth in the net fee income from insurance products and credit cards, distribution and asset management as well as account maintenance and cash transactions which occurred in the first three quarters of 2015 was partly offset by lower fees from e-Business and payments, brokerage services and lending.

- An increase of PLN 224.3m in the Group's other income (excluding PLN 523m resulting from the settlement of the partial disposal and loss of control over BZ WBK-Aviva companies) was due to a YoY growth in gains on the trading portfolio and other financial instruments (+PLN 114.9m and PLN 197.7m, respectively) realised in the management of the Group's financial assets structure in accordance with the pursued strategic objectives and in view of the conditions prevailing in the bond, IRS and FX markets. Concurrently, there was a decline in net insurance income (-PLN 114.0m) generated by BZ WBK-Aviva TUO and BZ WBK TUnŻ and disclosed under other operating income, which was attributable to the deconsolidation of the companies and the Group's return to the former presentation of the entire insurance income as fee and commission income (starting from March 2015), without any of it being taken to other operating income.
- Stable YoY level of impairment losses and credit quality ratios reflect the Group's proactive credit risk management policy, close monitoring of loan portfolios and favourable trends in the economic environment.
- Effective cost management by Bank Zachodni WBK Group based on a strict budget policy. Excluding integration costs, operating expenses of SCB Group and BZ WBK-Aviva companies along with the amortisation arising from allocation of the purchase price of the insurance entities, the underlying cost base of Bank Zachodni WBK Group increased by 7.3% YoY on account of statutory contributions.

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



* On 1 July 2014, Santander Consumer Bank became a subsidiary and together with its related entities became a part of Bank Zachodni WBK Group

** As a result of partial sale and loss of control over BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO, BZ WBK Group reported a one-off profit on subordinate entities of PLN 523 m.

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

The table below illustrates the profit contribution of respective members of Bank Zachodni WBK Group to the consolidated profit before tax for three quarters of 2015 compared with the corresponding period in 2014.

PLN m

Components of Bank Zachodni WBK Group Profit Before Tax by contributing entities	Q1-3 2015	Q1-3 2014	YoY Change
Bank Zachodni WBK S.A.	1 891,6	1 944,5	-2,7%
Existing subsidiary undertakings:	616,3	331,9	85,7%
Santander Consumer Bank and its subsidiaries ¹⁾	493,1	149,2	-
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. ²⁾	55,5	51,7	7,4%
BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. ³⁾	12,1	18,5	-
BZ WBK Leasing S.A., BZ WBK Lease S.A. and BZ WBK Finanse Sp. z o.o. ⁴⁾	47,3	66,2	-28,5%
Dom Maklerski BZ WBK S.A. ⁵⁾	-	22,2	-
Faktor Sp. z o.o.	6,4	23,1	-72,3%
Other subsidiary undertakings ⁶⁾	1,9	1,0	90,0%
Equity method valuation	13,8	1,0	-
Elimination of dividends received by BZ WBK ⁷⁾	(51,7)	(338,7)	-84,7%
Other intercompany and consolidation adjustments ⁸⁾	303,7	(1,0)	-
Profit before tax	2 773,7	1 937,7	43,1%

- 1) On 1.07.2014, Bank Zachodni WBK acquired shares in Santander Consumer Bank (SCB), representing 60% of the share capital of SCB. The following SCB subsidiaries are also subject to consolidation: AKB Marketing Services Sp. z o.o. in liquidation, Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse S.A. and S.C. Poland Auto 2014-1 Limited and SC Poland Consumer 2015-1 Sp. z o.o. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the period of nine months of 2015 and three months of 2014, respectively.
- 2) Combined profit before tax of these entities excludes dividend of PLN 41.6m and PLN 30.3m received by BZ WBK Asset Management from BZ WBK Towarzystwo Funduszy Inwestycyjnych in 2015 and 2014, respectively.
- 3) BZ WBK-Aviva TUO and BZ WBK-Aviva TUŃZ changed their status from subsidiary undertakings to associates as of 27 February 2015. Since then, both entities have been accounted for using the equity method. The amount provided above represents profit before tax of both companies (after consolidation adjustments and post-audit profit adjustments) for two months of 2015 and nine months of 2014, respectively.
- 4) Combined profit before tax of these entities for 2015 excludes dividend of PLN 32.4m received by BZ WBK Finanse from BZ WBK Leasing.
- 5) Dom Maklerski BZ WBK (BZ WBK Brokerage House) was removed from the National Court Register on 31 October 2014. Part of the company which had been involved in brokerage activities was incorporated into the structure of BZ WBK, and the remaining part was transferred to the newly created company Gieldokracja which is responsible for advertising and information services.
- 6) The amount for three quarters of 2014 includes profit before tax of BZ WBK Inwestycje, BZ WBK Nieruchomości and BFI Serwis in liquidation (deregistered on 20 November 2014). The amount for three quarters of 2015 additionally takes account of Gieldokracja (registered on 31 October 2014).
- 7) Dividend received by Bank Zachodni WBK from subsidiaries and associated undertakings, including dividend of PLN 229.5m received from SCB in 2014.
- 8) Consolidation adjustments (other than dividends) for three quarters of 2015 include the items resulting from the loss of control over BZ WBK-Aviva companies (PLN 288.6m).

Parent entity of Bank Zachodni WBK Group

After three quarters of 2015, the unconsolidated PBT of Bank Zachodni WBK decreased by 2.7% YoY. In the reporting period, the bank recognised gains on the partial disposal of shares in BZ WBK-Aviva companies of PLN 234.4m, higher profit on available-for-sale and trading financial instruments (+PLN 273.6m YoY) as well as lower net impairment losses (-PLN 35.7m YoY). Positive effect of the above-mentioned developments was offset by lower dividend income (-PLN 276.1m YoY, including PLN 229.5m worth of dividend received from SCB in 2014), decrease in net interest income (PLN -228.6m YoY) and net fee and commission income (-PLN 22.4m YoY) as well as higher total operating expenses (+PLN 87.9m YoY). The profit remained under pressure from market and regulatory environment, including record low interest rates, volatility of financial markets and regulatory changes related to selected sector fees and contributions.

Subsidiaries

The subsidiaries consolidated by Bank Zachodni WBK reported an increase of 85.7% YoY in their total profit before tax mainly as a result of acquisition and consolidation of SCB Group effective from 1 July 2014.

Adjusted for intercompany transactions and consolidation adjustments, SCB Group's contribution to the consolidated profit before tax of Bank Zachodni WBK Group totalled PLN 493.1m. In three quarters of 2015, SCB Group contributed most to the net interest income (PLN 768.9m) and net fee and commission income (PLN 152.5m) of the consolidated income of Bank Zachodni WBK Group. The share of SCB Group in the total costs and impairment losses amounted to PLN 394.6m and PLN 51.2m, respectively. The year-to-date profit before tax of SCB Group (presented in the table above) is not subject to a horizontal analysis (over time) as it covers different time periods (three months of 2014 vs. nine months of 2015).

On a quarterly basis, profit of SCB Group increased by 2% to PLN 152.1m and was driven by the following factors:

- Higher net interest income (+3.5% YoY) driven by the growth of the credit portfolio and improvement of its structure (increased share of high-margin facilities) coupled with a lower cost of financing in a falling interest rate environment;
- Increase in net fee and commission income (+11.2% YoY) attributed to lower fees resulting from the development of the sales network and higher insurance income;
- Higher operating expenses of the bank (+3.8% YoY) on account of costs of IT development and marketing campaigns supporting the sale of cash loans;
- Higher impairment losses (+34.9% YoY) arising from the change of the credit portfolio structure (higher share of cash loans and credit cards).

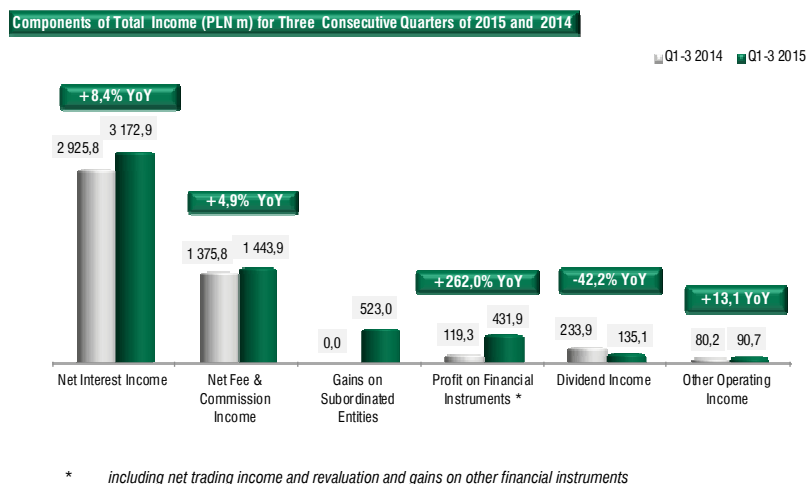
Partial disposal and change of accounting treatment of BZ WBK-Aviva insurance companies (from full consolidation to equity method) impaired the comparability of the profit before tax of both companies as presented in the table above.

Excluding the profit of SCB Group, BZ WBK Brokerage House (Dom Maklerski BZ WBK) and BZ WBK-Aviva companies from the current and base periods, the underlying profit before tax of subsidiaries for three quarters of 2015 declined by 21.8% YoY. It is mainly attributed to higher impairment losses recognised by leasing and factoring companies, as part of, among other things, validation of risk model under a uniform prudential approach to risk management across the Group. The negative movement in profit before tax of leasing companies was also aided by the public liabilities refund of PLN 12.4m posted in Q1 2014. It should be noted that over the first nine months of 2015 the Group's leasing business grew very dynamically (increase in the performing leasing portfolio of 21% YoY), as did the factoring business of BZ WBK Faktor (increase in factoring turnover and portfolio by 18% and 31% YoY, respectively).

BZ WBK Towarzystwo Funduszy Inwestycyjnych and BZ WBK Asset Management grew their profit before tax (excluding intercompany dividends) by 7.4% YoY on account of higher net fee and commission income from asset management and distribution of mutual funds, resulting from an increase in net assets of mutual funds and private portfolios (+7.3% YoY).

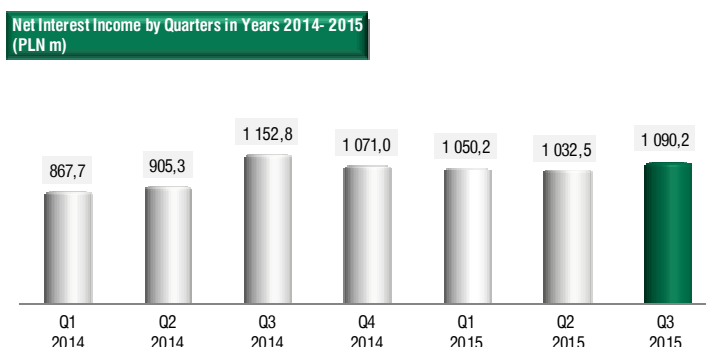
Total income

The total income earned by Bank Zachodni WBK Group in three quarters of 2015 totalled PLN 5,797.5m, up 22.4% YoY. Adjusted for one-off gains on subordinate entities of PLN 523m, the respective income went up by 11.4% YoY.



Net interest income

After three quarters of 2015, net interest income amounted to PLN 3,172.9m and increased by 8.4% YoY.

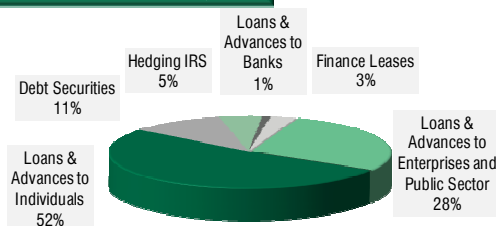


The net interest income of Bank Zachodni WBK Group includes the net interest income from CIRS transactions designated as hedging instruments under cash flow hedge accounting, totalling PLN 185.9m for three quarters of 2015 vs. PLN 176.7m for three quarters of 2014. The above-mentioned income is disclosed in the line item "Interest income from IRS hedges" (Note 4 "Net interest income"), showing PLN 219.5m for three quarters of 2015 vs. PLN 225.5m for three quarters of 2014.

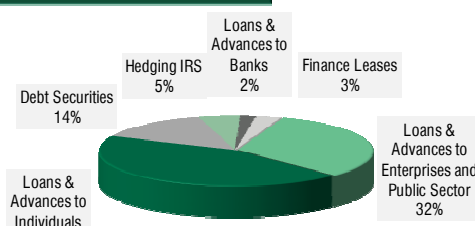
Taking into account the net income from non-hedging CIRS/IRS transactions (PLN 14.0m for three quarters of 2015 vs. PLN 17.5m for three quarters of 2014), which are used for the purpose of liquidity management and reported under "Net trading income and revaluation", the underlying net interest income increased by 8.3% YoY.

This net interest income growth in a falling interest rate environment is due to the enlarged scope of consolidation with inclusion of SCB Group specialising in consumer lending. Asymmetrical contribution of SCB Group to the consolidated income statement in the current and base periods (for nine months of 2015 and three months of 2014) resulted in an increase in the consolidated interest income by 2.5% YoY (PLN 4,250.2m) while reducing the decline rate of interest expense to 11.7% YoY (PLN 1,077.3m). The growth in interest income was attributed mainly to loans and advances to individuals, whereas the decrease in interest expense was driven by customer deposits of all market segments (retail, corporate and public sector).

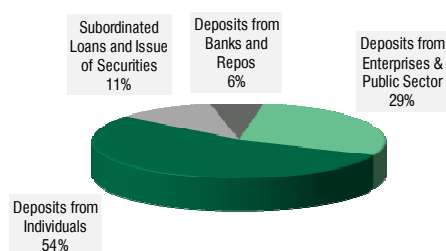
Structure of Interest Revenues After Q1-3 2015



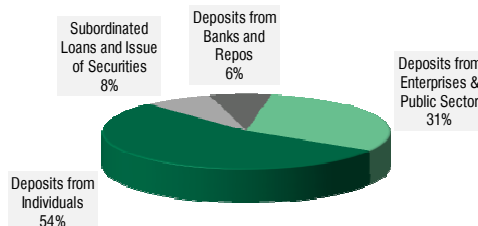
Structure of Interest Revenues After Q1-3 2014



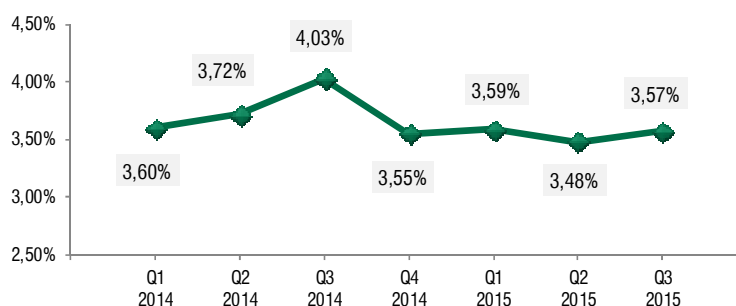
Structure of Interest Expense After Q1-3 2015



Structure of Interest Expense After Q1-3 2014



Net Interest Margin by Quarters in Years 2014-2015
(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. It excludes however (since Q1 2014) interest income from the debt trading portfolio. Since 1 July 2015, the margin has taken account of net interest income and interest-bearing assets of SCB Group.

Over the first nine months of 2015, the quarterly net interest margin held fairly steady, fluctuating around 3.5%. In the reporting period, the Group actively acquired business volumes and modified pricing to reflect market trends, customer expectations and own objectives in terms of liquidity, capital and balance sheet structure management. Compared with the last year, the margin clearly declined due to falling interest rates and their adverse impact on interest income from credit portfolios as well as measures aimed at diversifying funding sources and building a stable deposit base based on the strength of customer relationship.

An increase in net interest margin over Q3 from 3.48% to 3.57% reflects development directions of business volumes and their structure, which are supported by, among other things, the Group's proactive approach in acquisition, promotion and management of product parameters (higher cash and corporate loans; higher total deposit base fuelled by current funds).

Net fee and commission income

PLN m

Net Fee and Commission Income	Q1-3 2015	Q1-3 2014	YoY Change
E-Business and payments ¹⁾	275,5	341,1	-19,2%
Account maintenance and cash transactions ²⁾	253,5	218,8	15,9%
FX fees	230,0	242,8	-5,3%
Insurance fees ³⁾	200,6	73,5	172,9%
Asset management and distribution	190,3	174,4	9,1%
Credit fees ⁴⁾	162,7	187,9	-13,4%
Credit cards	77,8	72,5	7,3%
Brokerage fees	42,0	52,7	-20,3%
Other ⁵⁾	11,5	12,1	-5,0%
Total	1 443,9	1 375,8	4,9%

1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic and telecommunications services.

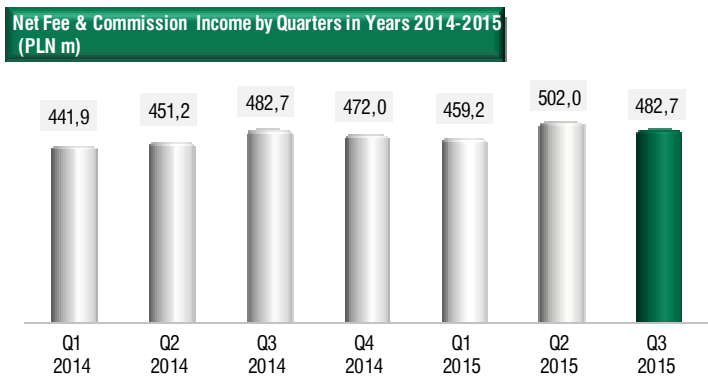
2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 "Net fee and commission income" of the consolidated financial statements are included in the line item "Other" (PLN 2m for three quarters of 2015 vs. PLN 11.4m for three quarters of 2014).

3) Insurance fees were reduced by insurance costs associated mainly with products of the former Kredyt Bank and SCB (PLN 13.7m for three quarters of 2015 vs. PLN 8.5m for three quarters of 2014).

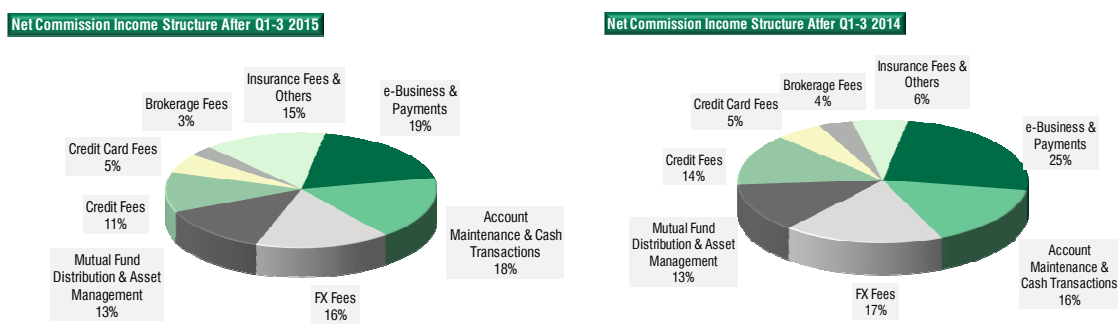
During the period of control over BZ WBK-Aviva companies (from 20 December 2013 to 27 February 2015), the bank disclosed the major part of income from insurance business in "Other operating income" instead of "Net fee and commission income". In the current reporting period, PLN 26.3m worth of insurance income was recognised (PLN 140.3m in the corresponding period). As a result of loss of control over the entities, the whole insurance fee income is disclosed under net fee and commission income.

4) Net fee and commission income related to lending, factoring and leasing activities which is not amortised to net interest income. This line item includes inter alia cost of credit agency.

5) Guarantees and sureties, issue arrangement fees and others.



Net fee and commission income for three quarters of 2015 was PLN 1,443.9m and increased by 4.9% YoY.



After three quarters of 2015, a significant growth was noted in net insurance fee income (+172.9% YoY), which is attributable to SCB Group and its contribution of PLN 108.9m in the current period (Q1-3 2015) vs. PLN 32.1m in the corresponding period (Q3 2014), as well as changes in the presentation of the Group's insurance income following the loss of control over BZ WBK-Aviva companies. In the period from 1 January 2014 to 27 February 2015, the major part of such income was disclosed under other operating income (PLN 26.3m for three quarters of 2015 and PLN 140.3m for three quarters of 2014), whereas starting from March 2015, the total income is taken to insurance fees. Viewed on a stand-alone basis, the underlying net insurance fee income of Bank Zachodni WBK rose by 20.2% YoY, driven mainly by the sale of loan insurance and non-banking insurance.

Net fee income from account maintenance and cash transactions increased by 15.9% YoY on the back of updated schedule of fees and charges and higher volume of customer transactions.

Net fee income from fund distribution and asset management increased by 9.1% YoY as a result of higher average value of assets managed by BZ WBK Towarzystwo Funduszy Inwestycyjnych and BZ WBK Asset Management driven by inflows to sub-funds and private portfolios in H1 2015, supported by continued demand for corporate bonds and sentiments in the stock market that prevailed over most of that period.

Net credit card fee income for three quarters of 2015 grew by 7.3% YoY, mainly due to the contribution of SCB. Excluding the impact of SCB Group, the underlying net credit card fee income decreased as a consequence of statutory reduction of an interchange fee (from 1 July 2014 and 29 January 2015) and revision of the selected bank's fees and charges related to credit cards. The business grew steadily in the reporting period both in terms of the number of credit cards and associated non-cash transactions.

Despite a significant increase in the volume of debit card transactions, the net fee and commission income aggregated under the "eBusiness and payments" line item declined markedly (-19.2% YoY) following the reduction of an interchange fee rate.

Lower net credit fee income (-13.4% YoY) is attributed to lower fee income from arranging corporate project financing and increasing cost base on account of commission costs of growing sales of leases and credit agency costs related to the distribution model of Santander Consumer Bank.

The decline in net brokerage fees (-20.3% YoY) was due to lower income earned by BZ WBK Brokerage Office in the secondary market as a result of a decrease in equity market trading over nine months of 2015 in line with the trends prevailing on the main WSE floor and lower trading volumes in relation to distribution of non-core products.

Gains on interest in subordinate entities

In Q1 2015, Bank Zachodni WBK Group sold a part of its stake in BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ (17% interest in each). Accordingly, the Group lost control over the entities in favour of Aviva Ltd. and reclassified them from subsidiaries to associates. The transaction generated a profit of PLN 523m reported under gains on interest in subordinate entities.

Gains on financial instruments***Gains on other financial instruments***

Over three quarters of 2015, the gains on other financial instruments increased by PLN 197.7m YoY to PLN 264.2m.

Gains on the sale of treasury bonds were PLN 260.6m, up PLN 206.9m YoY. The measures taken as part of duration management on the available-for-sale debt securities portfolio were kept in line with the market conditions and took into account the Group's objectives with regard to risk and liquidity management. The decisions regarding the structure of the portfolio and balance sheet were determined by expectations of an end to interest rate cuts as well as fluctuations of yield curves caused by geopolitical factors and decisions of central banks.

Gains on the sale of equity totalled PLN 11m, of which most (PLN 7.8m) derived from the disposal of a shareholding held in the portfolio of BZ WBK Inwestycje.

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

After three quarters 2015, net trading income and revaluation reported by Bank Zachodni WBK Group was PLN 167.6m versus PLN 52.7m recorded in the corresponding period of the previous year.

The Group's activity in the financial derivative and interbank money markets generated a profit of PLN 174.0m versus a loss of PLN 17.8m reported in the previous year. This performance is attributed to high business volumes in a relatively volatile currency market and an increase in IRS yield curve over the nine months. The item includes the net interest-related income on non-hedging CIRS/IRS transactions totalling PLN 14m for three quarters of 2015 vs. PLN 17.5m for three quarters of 2014. It excludes, however, the net interest income from the CIRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 185.9m for three quarters of 2015 vs. PLN 176.7m for three quarters of 2014), which is disclosed in Note 4 "Net interest income" under "Interest income from IRS hedges". In the current reporting period, gains on derivative instruments and interbank currency transactions were additionally increased by the reversal of the first-day valuation adjustment of call options (PLN 23.4m) arising on the settlement of the disposal of a stake in BZ WBK-Aviva entities to Aviva Ltd.

Other FX related income was PLN 13.6m and lower by PLN 43.2m on a YoY basis.

Until the end of September 2015, debt and equity securities trading brought in a total loss of PLN 20.0m compared with a profit of PLN 13.7m in the corresponding period.

Other income***Other operating income***

During the first nine months of 2015, other operating income was PLN 135.1m, down 42.2%. This item includes the net insurance income of PLN 26.3m generated by BZ WBK-Aviva companies (for the first two months of 2015 preceding the loss of control) and PLN 140.3m reported for three quarters of 2014. These amounts are composed of the gross premiums written, reinsurers' share of premium written, net claims and benefits, and other net insurance income. The significant decline in insurance income (on account of new presentation) was partly offset by the returned Banking Guarantee Fund fees amounting to PLN 39.6m for three quarters of 2015, up PLN 24.9m YoY. In addition, an increase of PLN 11.9m was reported in income on sale and liquidation of fixed assets which reached PLN 17.7m.

Dividends

Dividend income from the equity investment portfolio of Bank Zachodni WBK came in at PLN 90.7m, up PLN 10.5m YoY. The major portion was generated by Aviva Group companies.

Impairment charges

PLN m			
Impairment Losses on Loans and Advances	Q1-3 2015	Q1-3 2014	YoY Change
Collective and individual impairment charge	(582,0)	(624,4)	-6,8%
Impaired but not reported losses charge	(58,5)	39,5	-
Recoveries of loans previously written off	74,0	6,5	1038,5%
Off-balance sheet credit related facilities	12,2	26,5	-54,0%
Total	(554,3)	(551,9)	0,4%

After three quarters of 2015, loan impairment charges to the income statement of Bank Zachodni WBK Group were PLN 554.3m, up 0.4% YoY. The contribution of SCB Group to that figure was PLN 51.2m vs. PLN 28m in the corresponding period of 2014.

The negative balance of provisions for incurred and reported losses (on individual and collective exposures) was PLN 582m for three quarters of 2015 and down 6.8% YoY as a result of decrease in impairment charges on business exposures evaluated on an individual basis.

The negative balance of impairment charges for incurred but not reported losses of PLN 58.5m resulted from periodical update of parameters underlying risk assessment in IBNR provision calculation model.

Over the first three quarters of 2015, Bank Zachodni WBK sold the non-performing personal and business receivables in the principal amount of PLN 165.5m vs. PLN 181.9m in the corresponding period. These transactions had a positive impact on the profit before tax in both periods at PLN 18.1m and PLN 11.3m, respectively. At the same time, Santander Consumer Bank sold written-off retail portfolios, totalling PLN 425.5m, which brought in recoveries of PLN 60.5m.

The changes in the value and structure of impairment charges reflect the prudential approach of Bank Zachodni WBK Group to credit risk management.

As at 30 September 2015, the Bank Zachodni WBK Group's NPL ratio was 8.1% compared with 8.0% as at 30 September 2014. The cost of credit kept flat YoY at 0.9%.

Total costs

PLN m			
Total costs	Q1-3 2015	Q1-3 2014	YoY Change
Staff, general and administrative expenses, of which:	(2 226,6)	(1 970,1)	13,0%
- Staff expenses	(1 149,1)	(1 049,0)	9,5%
- General and administrative expenses	(1 077,5)	(921,1)	17,0%
Depreciation/amortisation	(190,4)	(223,6)	-14,8%
Other operating expenses	(66,2)	(52,7)	25,6%
Total costs	(2 483,2)	(2 246,4)	10,5%
Integration costs ¹⁾	(42,5)	(134,5)	-68,4%
Total costs of SCB Group and BZ WBK-Aviva companies ²⁾	(406,6)	(216,8)	-
Underlying total costs	(2 034,1)	(1 895,1)	7,3%

1) Costs of integration of Bank Zachodni WBK with former Kredyt Bank are composed of staff, general & administrative expenses (PLN 18.5m for three quarters of 2015 vs. PLN 124.1m for three quarters of 2014) and amortisation/depreciation (PLN 24.0m for three quarters of 2015 vs. PLN 10.4m for three quarters of 2014).

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

After nine months of 2015, the total expenses of the Group amounted to PLN 2,483.2m, and were 10.5% higher YoY. Excluding the integration costs (PLN 42.5m for three quarters of 2015 and PLN 134.5m in the corresponding period), the operating costs of SCB Group, BZ WBK-Aviva TUO and BZ WBK-Aviva TUŃ, amortisation arising from allocation of the purchase price of the two insurance companies (PLN 63.3m for three quarters of 2014) and the relevant adjustment after control loss (PLN 6.2m in 2015), the total underlying costs increased by 7.3% YoY, mainly on account of fees imposed by market regulators.

As the growth rate of the Group's recurring income (excluding one-off gains of PLN 523m) was similar to that of costs (11.4% YoY and 10.5% YoY, respectively), the Group's cost-to-income ratio was stable at 47.1% vs. 47.4% for three quarters of 2014. Adjusted further for integration costs, the ratio was 46.3% vs. 44.6% in the corresponding period.

Staff expenses

Staff expenses of Bank Zachodni WBK Group for three quarters of 2015 totalled PLN 1,149.1m and increased by 9.5% YoY against a decrease in the headcount by 414 FTEs to 14,319.

The cost base growth was accelerated by consolidation of SCB Group which on a year-to-date basis covered asymmetrical reporting periods, i.e. nine months of 2015 and three months of 2014 (following the assumption of control over SCB). Staff expenses of SCB Group totalled PLN 167.5m for the first nine months of 2015 and PLN 54.7m for the base period.

Presentation of the diminishing integration costs under a separate line (PLN 0.5m in the current period vs. PLN 54m in the comparable period) further aided the growth rate reported under the key staff expense line items such as "salaries and bonuses", "statutory deductions from salaries" and "training costs" (15.9% YoY, 13.2% YoY and 19.3% YoY).

Excluding the contribution of SCB Group and BZ WBK-Aviva companies, and the integration costs, the underlying staff expenses increased by 5.1% YoY.

General and administrative expenses

General and administrative expenses of Bank Zachodni WBK Group for three quarters of 2015 increased by 17.0% YoY to PLN 1,077.5m. Costs incurred by SCB Group totalled PLN 185.2m and contributed most to cost of marketing and entertainment, cost of maintenance and rental of premises, IT usage and regulatory fees.

The growth in consolidated general and administrative expenses was driven mainly by charges imposed by market regulators (+92.4% YoY) as a consequence of an increase in their calculation base (an effect of business growth) and an increase in the annual and prudential fee payable to the Banking Guarantee Fund (BFG) as part of the Polish deposit guarantee scheme. In the current reporting period, the respective charge to the income statement was PLN 173.2m as compared to PLN 88.5m posted in the corresponding period of 2014. The full year amount due to BFG from Bank Zachodni WBK Group in 2015 is PLN 230.9m (including the share of Bank Zachodni WBK of PLN 200.9m) vs. PLN 104.4m in 2014.

Intensive marketing efforts supporting the business growth and brand awareness of Bank Zachodni WBK and SCB caused a significant increase in the cost of marketing and entertainment (+34.8% YoY). The cost of third party services grew as well (+33.2% YoY) on account of business expansion and extended scope of outsourcing of selected processes. A significant increase in the cost of IT usage (+21.2% YoY) and consultancy and advisory fees (+51.0% YoY) is an effect of consolidation of SCB Group and exclusion from both lines of diminishing integration costs which used to be relatively high in the base period. In 2015, the integration costs totalled PLN 18.0m vs PLN 70.1m in 2014.

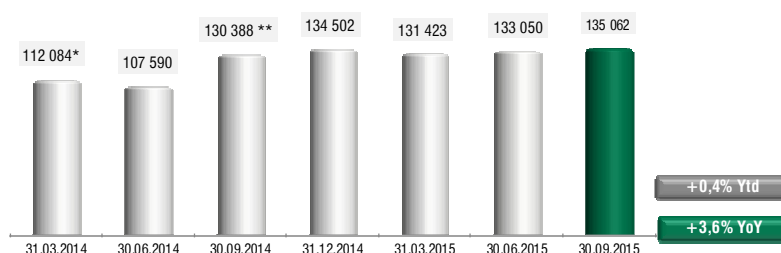
Excluding the contribution of SCB Group, BZ WBK-Aviva companies and integration costs, the underlying general and administrative expenses increased by 12.2% YoY driven by higher fees payable to market regulators.

Financial Position

Assets

As at 30 September 2015, total assets of Bank Zachodni WBK Group were PLN 135,062.3m, an increase of 0.4% from 31 December 2014 and of 3.6% from 30 September 2014. The value and structure of the Group's financial position is determined by the parent entity, which accounts for 89.8% of the consolidated total assets vs. 90.4% as at the end of December 2014.

Total Assets at the End of Consecutive Quarters in Years 2014-2015 (PLN m)



* 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.

** The balance sheet total as of 30 September 2014, includes the total assets of SCB Group controlled by Bank Zachodni WBK since 1 July 2014.

The table below presents major developments in the key categories of the consolidated assets of Bank Zachodni WBK Group as at 30 September 2015 versus the previous nine and twelve months.

Assets (condensed presentation for analytical purposes)	PLN m							
	Structure		Structure		Structure		Change	Change
	30.09.2015	30.09.2015	31.12.2014	31.12.2014	30.09.2014	30.09.2014		
1	2	3	4	5	6	1/3	1/5	
Loans and advances to customers *	91 915,9	68,1%	85 820,6	63,8%	84 964,6	65,2%	7,1%	8,2%
Investment securities	25 827,1	19,1%	27 057,1	20,1%	26 535,8	20,4%	-4,5%	-2,7%
Financial assets held for trading and hedging derivatives	4 774,4	3,5%	5 477,6	4,1%	3 697,4	2,8%	-12,8%	29,1%
Cash and operations with Central Banks	3 480,1	2,6%	6 806,5	5,1%	5 406,2	4,1%	-48,9%	-35,6%
Fixed assets, intangibles and goodwill	2 830,1	2,1%	3 804,7	2,8%	3 725,0	2,8%	-25,6%	-24,0%
Loans and advances to banks	3 386,2	2,5%	2 523,1	1,9%	3 478,8	2,7%	34,2%	-2,7%
Other assets	2 848,5	2,1%	3 012,3	2,2%	2 580,0	2,0%	-5,4%	10,4%
Total	135 062,3	100,0%	134 501,9	100,0%	130 387,8	100,0%	0,4%	3,6%

* Includes impairment write-down.

The movements in the consolidated statement of financial position of Bank Zachodni WBK Group over the first nine months of 2015 reflect the business development tendencies, the Group's management of its balance sheet structure and current liquidity, and divestments (sale of 17% stake in BZ WBK-Aviva companies).

Net loans and advances to customers were PLN 91,915.9m, an increase of 7.1% on the end of December 2014 on account of credit delivery to personal and business customers. SCB Group contributed PLN 12,544.0m to this line vs. PLN 12,345.7m as at 31 December 2014 (after intercompany and consolidation adjustments). Loans and advances to banks expanded as well (+34.2% Ytd) propelled by higher volume of current account balances.

Concurrently, a decline was observed in the balance of "cash and operations with Central Banks" (-48.9% Ytd) as part of ongoing liquidity management. A decrease in "investment securities" (-4.5% Ytd) reflects higher sales and redemptions of treasury bonds and NBP bills in the reporting period compared with respective purchases. The contribution of SCB in the consolidated investment portfolio amounted to PLN 2,482.7m at the end of September 2015 vs. PLN 2,205.8m at the end of December 2014.

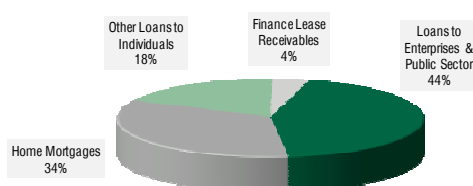
Due to the partial disposal and loss of control over BZ WBK-Aviva companies, the goodwill arising on acquisition of these companies (PLN 853.8m) was derecognised, reducing the line aggregating fixed assets, intangibles and goodwill by 25.6% Ytd. Deconsolidation of the above-mentioned companies had an impact on other assets as well, as insurance receivables ceased to be recognised.

Credit portfolio

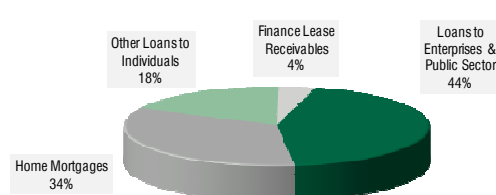
Gross Loans and Advances to Customers	30.09.2015	31.12.2014	30.09.2014	Change	Change
	1	2	3	1/2	1/3
Loans and advances to individuals	50 774,2	47 784,1	47 159,9	6,3%	7,7%
Loans and advances to enterprises and public sector customers	42 278,7	39 340,7	39 453,3	7,5%	7,2%
Finance lease receivables	4 258,7	3 815,8	3 701,2	11,6%	15,1%
Other	21,9	6,5	26,2	236,9%	-16,4%
Total	97 333,5	90 947,1	90 340,6	7,0%	7,7%

PLN m

Structure of Loans & Advances to Customers as at 30.09.2015

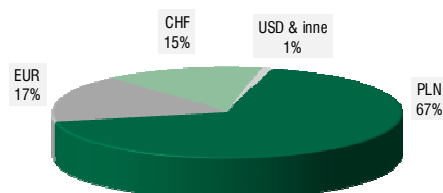


Structure of Loans & Advances to Customers as at 30.09.2014



As at 30 September 2015, gross loans and advances to customers were PLN 97,333.5m, increasing by 7.0% on the end of December 2014 and by 7.7% on the end of September 2014. On a constant currency basis, the increase was 5.7% both on a year-to-date and year-on-year basis.

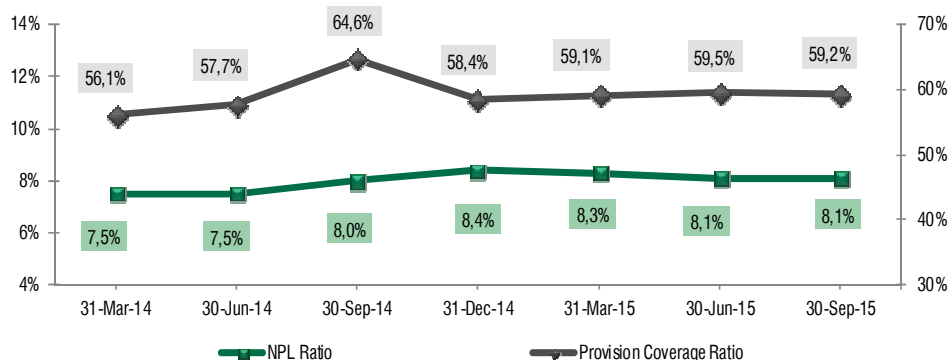
FX Structure of Loans & Advances to Customers as at 30.09.2015



Compared with the end of 2014, loans and advances to individuals increased by 6.3% to PLN 50,774.2m. Housing loans, which represent the major portion of loans and advances to individuals, increased by 7.1% to PLN 33,039.3m over the first nine months of 2015. The second significant constituent item, i.e. cash loans, grew by 9.2% Ytd to PLN 10,636.2m.

Loans and advances to enterprises and public sector companies amounted to PLN 42,278.7m, an increase of 7.5% Ytd, while finance leases, which include inter alia the portfolio of BZ WBK Leasing and BZ WBK Lease, were PLN 4,258.7m and up 11.6% Ytd driven by sales of machinery and equipment, and vehicles. Loans granted by the leasing companies to finance machines and vehicles for business customers, which totalled PLN 1,481.9m as at 30 September 2015 (vs. PLN 1,203.9m as at 31 December 2014), are disclosed outside the leasing portfolio, as loans and advances to enterprises.

Credit Quality Ratios by Quarters in 2014 and 2015



As at the end of September 2015, non-performing (impaired) loans and advances to customers accounted for 8.1% of the gross portfolio versus 8.4% recorded nine months before. The provision coverage ratio for impaired loans was 59.2% compared with 58.4% as at 31 December 2014.

Excluding the contribution of SCB Group, the underlying loans and advances to customers represented 7.8% of the gross portfolio and the provision coverage ratio for impaired loans was 53.0%.

Equity and liabilities

The table below presents major developments in the key categories of the consolidated equity and liabilities of Bank Zachodni WBK Group as at 30 September 2015 versus the previous nine and twelve months.

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	30.09.2015	Structure 30.09.2015	31.12.2014	Structure 31.12.2014	30.09.2014	Structure 30.09.2014	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	95 602,1	70,8%	94 981,8	70,6%	93 023,0	71,3%	0,7%	2,8%
Deposits from banks	7 986,0	5,9%	8 359,9	6,2%	7 787,6	6,0%	-4,5%	2,5%
Financial liabilities held for trading and hedging derivatives	4 403,4	3,3%	4 039,9	3,0%	2 893,8	2,2%	9,0%	52,2%
Subordinated liabilities and debt securities in issue	4 913,1	3,6%	4 913,3	3,7%	5 079,8	3,9%	0,0%	-3,3%
Other liabilities	2 243,8	1,7%	4 155,3	3,1%	3 927,0	3,0%	-46,0%	-42,9%
Total equity	19 913,9	14,7%	18 051,7	13,4%	17 676,6	13,6%	10,3%	12,7%
Total	135 062,3	100,0%	134 501,9	100,0%	130 387,8	100,0%	0,4%	3,6%

In the consolidated liabilities and equity as at 30 September 2015, significant growth was observed in both constituents of “subordinated liabilities and debt securities in issue”, which (having a similar scope but opposite direction) were set off in an aggregated line item. The Group continued the issue of debt securities as part of diversification of funding sources. In June 2015, Bank Zachodni WBK issued 3-year bonds with a nominal value of PLN 485m and in August 2015 6-month bank securities with a nominal value of PLN 230m. SCB issued 3-year bonds with a nominal value of PLN 100m and 6-month bonds of PLN 85m in total. Furthermore, SCB redeemed part of the bonds issued under the asset securitisation programme completed in 2014 and several series of bonds from an issue programme. In addition, it entered into another securitisation transaction (based on the instalment loans portfolio) of PLN 1,051.1m. The ensuing increase in balances was offset by the repayment of three subordinated loans of CHF 100m, CHF 165m and PLN 75m granted to Bank Zachodni WBK by KBC Bank NV which did not qualify as Tier 2 capital.

The first nine months of 2015 witnessed a growth in deposits from customers (+0.7% Ytd) and in financial liabilities held for trading and hedging derivatives (+9.0% Ytd), the latter mainly on account of cash flow hedging relationships based on CIRS.

Total equity increased by 10.3% Ytd as a result of Resolution of General Meeting of Shareholders dated 23 April 2015 to divide the 2014 profit of Bank Zachodni WBK by allocating the amount of PLN 1,042.0m to the reserve capital and leaving undivided the remaining part in the amount of PLN 952.7m.

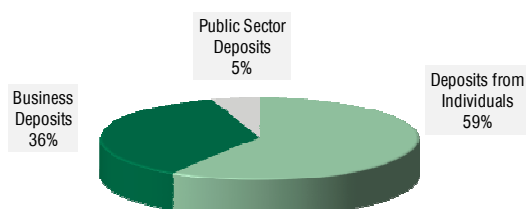
A negative change in other liabilities (-46.0% Ytd) was reported as a result of disposal of 17% stake in the two BZ WBK-Aviva companies, which led to derecognition of technical insurance provisions (PLN 1,074.4m as at 31 December 2014) and PLN 699.1m representing an expired obligation of Bank Zachodni WBK to repurchase other shares held by Aviva Ltd. in accordance with contractual arrangements.

Deposits from banks decreased by 4.5% along with the volume of repo deals.

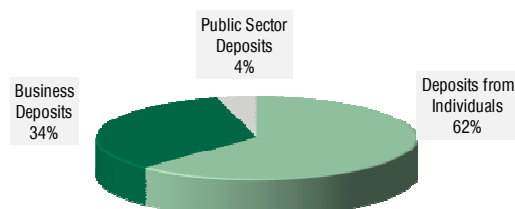
Deposit base

PLN m					
Deposits from Customers	30.09.2015	31.12.2014	30.09.2014	Change	Change
	1	2	3	1/2	1/3
Deposits from individuals	56 389,2	58 257,0	57 398,8	-3,2%	-1,8%
Deposits from enterprises and public sector customers	39 212,9	36 724,8	35 624,2	6,8%	10,1%
Total	95 602,1	94 981,8	93 023,0	0,7%	2,8%

Structure of Customer Deposits as at 30.09.2015



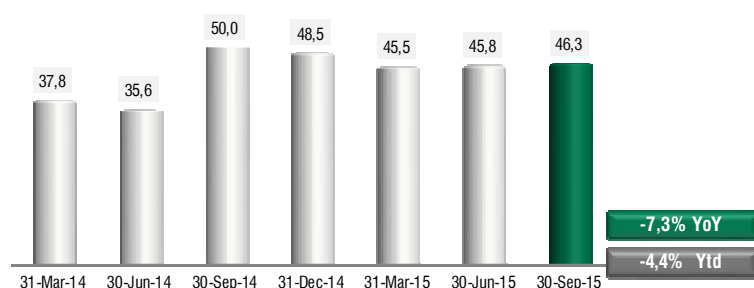
Structure of Customer Deposits as at 30.09.2014



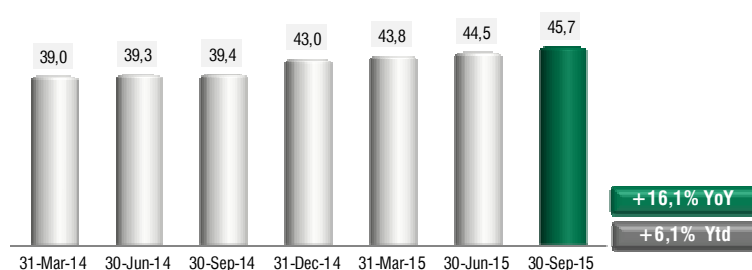
Deposits from customers, which represent 70.8% of the Group's equity and liabilities, are the primary source of funding its lending business. These deposits increased by 0.7% Ytd and by 2.8% YoY to PLN 95,602.1m as at the end of September 2015, including a after-intercompany contribution of PLN 6,639.9m by SCB Group (PLN 6,861.5m as at the end of December 2014).

Term deposits from Group customers were PLN 46,336.4m, decreasing by 4.4% over the first nine months of 2015; current account balances increased by 6.1% to PLN 45,690.8m, and the Group's other liabilities were PLN 3,575.0m, up 3.4%. The latter item includes loans of EUR 350m, CHF 135.5m and PLN 196.7m granted by the European Investment Bank to finance the bank's lending activity (disclosed as "loans and advances" under "deposits from enterprises").

Term Deposits at the End of Consecutive Quarters of 2014 and 2015 (PLN bn)



Current Accounts* at the End of Consecutive Quarters of 2014 and 2015 (PLN bn)



*including savings accounts

The retail deposit base totalled PLN 56,389.3m and decreased by 3.2% Ytd due to lower balances of term deposits (-16.3% Ytd) arising from relatively low appeal of bank deposits in a record low interest rate environment. A 6-month term deposit for new funds and bonus deposits for active bank customers attracted the major portion of funds in the above period. Balances were partially transferred from term deposits to current accounts which increased by 11.5% Ytd supported by an offer of savings accounts featuring “à la Deposit Account” (Konto Oszczędnościowe à la Lokata).

The reverse trends prevailed in deposits from enterprises and the public sector, i.e. an increase in term deposit balances (+16.5% Ytd) was coupled with a decline in current account balances (-3.1% Ytd). Q3 2015 witnessed in particular high-value deposit placements from local administration units. The total deposit base from the enterprise and public sector grew by 6.8% Ytd to PLN 39,212.9m.

Selected financial ratios

Selected Financial Ratios	Q1-3 2015 ¹⁾	Q1-3 2014
Total costs/Total income ²⁾	47,1%	47,4%
Net interest income/Total income	60,2%	61,8%
Net interest margin ³⁾	3,5%	3,8%
Net commission income/Total income	27,4%	29,1%
Customer net loans/Customer deposits	96,1%	91,3%
NPL ratio	8,1%	8,0%
NPL coverage ratio	59,2%	64,6%
Credit risk ratio ⁴⁾	0,9%	0,9%
ROE ⁵⁾	16,4%	15,9%
ROTE ⁶⁾	20,9%	22,6%
ROA ⁷⁾	1,9%	1,8%
Capital ratio ⁸⁾	13,9%	13,4%
Tier I ratio ⁹⁾	13,5%	12,3%
Book value per share (in PLN)	200,7	178,1
Earnings per share (in PLN) ¹⁰⁾	16,4	15,5

1) The Group's total income and profit have been adjusted for one-off gains on interest in BZ WBK-Aviva companies in the calculations of the following ratios for three quarters of 2015: cost/income, net interest income/total income, net commission income/total income and earnings per share.

2) Excluding integration costs, the adjusted cost-to-income ratio was 46.3% for three quarters of 2015 vs. 44.6% for three quarters of 2014.

3) Annualized net interest income (excluding interest income from the portfolio of trading securities) to average interest-bearing assets (excluding the trading portfolio).

4) Impairment losses for four consecutive quarters to average gross loans and advances to customers (as at the beginning and end of the reporting period).

5) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the beginning and end of the reporting period), net of non-controlling interests, current period profit and undistributed portion of the profit/dividend. Adjusting for the impact of integration costs and divestment from BZ WBK-Aviva companies, ROE as at 30 September 2015 was 14.1%.

6) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the beginning and end of the reporting period) defined as common equity attributable to the parent's shareholders less revaluation reserve, current period profit, intangible assets and goodwill. Excluding the impact of integration costs and divestment from BZ WBK-Aviva companies, the ROTe ratio as at 30 September 2015 was 17.3%.

7) Net profit attributable to BZ WBK shareholders (for four consecutive quarters) to average total assets (as at the beginning and end of the reporting period).

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

9) Tier I ratio is Tier I capital expressed as a percentage of risk weighted assets for credit, market and operational risk.

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

Capital ratios

The tables below present calculation of the capital ratio and Tier 1 ratio of Bank Zachodni WBK and Bank Zachodni WBK Group as at 30 September 2015 and 30 September 2014.

Bank Zachodni WBK		PLN m	
		30.09.2015	30.09.2014
I	Total capital requirement	7 138,7	6 494,7
II	Own funds after reductions	13 254,7	11 717,3
Capital Ratio [II/(I*12,5)]		14,85%	14,43%
Współczynnik Tier I		14,47%	13,07%

Bank Zachodni WBK Group		PLN m	
		30.09.2015	30.09.2014
I	Total capital requirement	8 752,9	7 912,4
II	Own funds after reductions	15 245,6	13 292,8
Capital Ratio [II/(I*12,5)]		13,93%	13,44%
Współczynnik Tier I		13,47%	12,28%

The table below presents the capital and Tier 1 ratios of Santander Consumer Bank as at 30 September 2015 and 30 September 2014.

Santander Consumer Bank		PLN m	
		30.09.2015	30.09.2014
Capital Ratio [II/(I*12,5)]		14,8%	13,0%
Współczynnik Tier I		14,6%	12,7%

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

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

The most likely factors to affect the Group's performance in the near future are as follows:

- Uncertainty about the global economic outlook, fuelled by external risk factors, like economic slowdown in China.
- Likely stabilisation of Polish economic growth at a solid level above 3% YoY.
- Favourable growth rate of real household income due to low inflation, employment growth and wage growth.
- Low financing costs for households and companies, which should be supportive of a gradual rise in demand for bank loans. At the same time, low interest rates on deposits should encourage banks' clients to look for alternative forms of saving / investing.
- Possible changes in the ECB and Federal Reserve monetary policy.
- Changes in the cost of asset financing depending on the timing and degree of changes in the main interest rates, changes in the zloty exchange rate, development of the liquidity situation of the banking sector and the intensity of price competition between banks to attract deposits.

- Possible increase in volatility of the financial market in the case of disappointment with the pace of global economic revival, worries about too fast pace of monetary policy tightening by the Fed or lack of agreement between Greece and international creditors about additional financial help.
- Further developments in the global stock market and its impact on the willingness to purchase investment funds units or to keep savings in safe bank deposits as an alternative.



Signatures of the persons representing the entity

Date	Name	Function	Signature
27.10.2015	Carlos Polaino Izquierdo	Member	
27.10.2015	Wojciech Skalski	Financial Accounting Area Director	