



INTERIM REPORT 2016 **OF BANK ZACHODNI WBK GROUP**

2016



Bank Zachodni WBK

 Grupa Santander

FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Consolidated financial statements of Bank Zachodni WBK Group					
I Net interest income		2 277 192	2 082 711	519 848	503 788
II Net fee and commission income		943 560	961 174	215 400	232 499
III Operating profit		1 926 477	2 098 526	439 785	507 614
IV Profit before tax		1 773 929	2 103 888	404 960	508 911
V Net profit attributable to owners of BZ WBK S.A.		1 279 965	1 577 410	292 196	381 561
VI Total net cash flow		(4 910 084)	(3 981 487)	(1 120 896)	(963 084)
VII Total assets		142 248 818	133 050 314	32 142 994	31 720 941
VIII Deposits from banks		2 403 002	1 648 033	542 990	392 913
IX Deposits from customers		105 757 908	93 611 657	23 897 392	22 318 247
X Total liabilities		121 969 504	113 558 575	27 560 616	27 073 854
XI Total equity		20 279 314	19 491 739	4 582 378	4 647 086
XII Non-controlling interests in equity		1 061 599	1 087 956	239 882	259 383
XIII Profit of the period attributable to non-controlling interests		114 763	122 955	26 199	29 742
XIV Number of shares		99 234 534	99 234 534		
XV Net book value per share in PLN/EUR		204,36	196,42	46,18	46,83
XVI Capital ratio		14,44%	14,28%		
XVII Profit per share in PLN/EUR		12,90	15,90	2,94	3,85
XVIII Diluted earnings per share in PLN/EUR		12,89	15,88	2,94	3,84
XIX Declared or paid dividend per share in PLN/EUR*		13,00	-	2,94	-
Stand alone financial statements of Bank Zachodni WBK S.A.					
I Net interest income		1 661 623	1 512 402	379 323	365 836
II Net fee and commission income		771 675	795 985	176 161	192 541
III Operating profit		1 827 668	1 416 609	417 228	342 664
IV Profit before tax		1 668 079	1 416 609	380 796	342 664
V Profit for the period		1 377 027	1 170 519	314 354	283 138
VI Total net cash flow		(4 261 536)	(3 286 902)	(972 842)	(795 071)
VII Total assets		127 363 932	120 095 201	28 779 558	28 632 272
VIII Deposits from banks		1 624 151	858 257	366 998	204 620
IX Deposits from customers		97 462 495	86 884 587	22 022 934	20 714 426
X Total liabilities		108 721 171	102 205 685	24 566 980	24 367 176
XI Total equity		18 642 761	17 889 516	4 212 577	4 265 095
XII Number of shares		99 234 534	99 234 534		
XIII Net book value per share in PLN/EUR		187,87	180,28	42,45	42,98
XIV Capital ratio		15,63%	15,28%		
XV Profit per share in PLN/EUR		13,88	11,80	3,17	2,85
XVI Diluted earnings per share in PLN/EUR		13,87	11,79	3,17	2,85
XVII Declared or paid dividend per share in PLN/EUR*		13,00	-	2,94	-

FINANCIAL HIGHLIGHTS for the period ended 31.12.2015	Consolidated statement of financial position		Statement of financial position	
	PLN k	EUR k	PLN k	EUR k
I Total assets	139 708 700	32 783 926	125 477 589	29 444 465
II Deposits from banks	1 066 763	250 326	548 558	128 724
III Deposits from customers	101 245 186	23 758 110	94 021 282	22 062 955
IV Total liabilities	119 140 570	27 957 426	106 768 460	25 054 197
V Total equity	20 568 130	4 826 500	18 709 129	4 390 268
VI Non-controlling interests in equity	1 176 101	275 983	-	-

* Detailed information are described in Note 47.

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

- for balance sheet items – 4.4255 PLN rate to EUR as at 30.06.2016 stated by National Bank of Poland (NBP), 4.2615 PLN rate to EUR as at 31.12.2015; 4.1944 PLN rate to EUR as at 30.06.2015
- for profit and loss items – as at 30.06.2016: 4.3805 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2016), as at 30.06.2015: 4.1341 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2015)

As at 30.06.2016, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/2016 dd. 30.06.2016.



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR THE 6-MONTH PERIOD
ENDED 30 JUNE 2016**

2016



Bank Zachodni WBK

 Grupa Santander

TABLE OF CONTENTS

Consolidated income statement	6
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	10
Additional notes to consolidated financial statements	11
1. General information about issuer	11
2. Basis of preparation of interim financial statements	13
3. Operating segments reporting	17
4. Risk management	23
5. Capital management	31
6. Net interest income	33
7. Net fee and commission income	34
8. Net trading income and revaluation	34
9. Gains (losses) from other financial securities	35
10. Other operating income	35
11. Impairment losses on loans and advances	35
12. Employee costs	36
13. General and administrative expenses	36
14. Other operating expenses	36
15. Corporate income tax	37
16. Cash and balances with central banks	37
17. Loans and advances to banks	37
18. Financial assets and liabilities held for trading	38
19. Hedging derivatives	38
20. Loans and advances to customers	39
21. Buy-sell-back transactions	40
22. Financial assets available for sale	40
23. Investments in associates	41
24. Net deferred tax assets	42
25. Assets classified as held for sale	44
26. Other assets	44
27. Deposits from banks	44
28. Deposits from customers	45
29. Sell-buy-back transactions	45
30. Subordinated liabilities	45
31. Debt securities in issue	46
32. Other liabilities	48
33. Fair value	49
34. Contingent liabilities	52
35. The nominal value of derivatives	54
36. Basis of FX conversion	54
37. Shareholders with min. 5% voting power	54
38. Related party disclosures	55
39. Acquisitions and disposals of investments in subsidiaries and associates	58
40. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs	59
41. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period	59
42. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments	60
43. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets	60

44. Comments concerning the seasonal or cyclical character of the interim activity	60
45. Character and amounts of items which are extraordinary due to their nature, volume or occurrence	60
46. Issues, repurchases and repayments of debt and equity securities	60
47. Dividend per share.....	60
48. Information concerning issuing loan and guarantees by an issuer or its subsidiary.....	61
49. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets.....	61
50. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets	61
51. Share based payments	61
52. Events which occurred subsequently to the end of the interim period	62

In thousands of PLN

Consolidated income statement

for reporting period:		01.04.2016 30.06.2016	01.01.2016 30.06.2016	01.04.2015 30.06.2015	01.01.2015 30.06.2015
Interest income		1 479 026	2 941 003	1 383 688	2 837 447
Interest expense		(326 500)	(663 811)	(351 190)	(754 736)
Net interest income	Note 6	1 152 526	2 277 192	1 032 498	2 082 711
Fee and commission income		575 852	1 153 199	594 171	1 151 312
Fee and commission expense		(105 020)	(209 639)	(92 177)	(190 138)
Net fee and commission income	Note 7	470 832	943 560	501 994	961 174
Dividend income		15 225	94 794	89 904	89 907
Net gains/(losses) on subordinated entities	Note 39	-	100	-	522 995
Net trading income and revaluation	Note 8	90 066	172 859	47 980	128 609
Gains (losses) from other financial securities	Note 9	348 678	387 664	40 671	228 232
Other operating income	Note 10	37 606	66 727	34 762	107 618
Impairment losses on loans and advances	Note 11	(176 989)	(311 133)	(162 484)	(353 186)
Operating expenses incl.:		(840 633)	(1 705 286)	(840 388)	(1 669 534)
<i>Bank's staff, operating expenses and management costs</i>	Notes 12, 13	(732 887)	(1 472 712)	(747 195)	(1 488 918)
<i>Depreciation/amortisation</i>		(68 847)	(134 160)	(62 079)	(128 761)
<i>Other operating expenses</i>	Note 14	(38 899)	(98 414)	(31 114)	(51 855)
Operating profit		1 097 311	1 926 477	744 937	2 098 526
Share in net profits (loss) of entities accounted for by the equity method		13 058	20 696	4 681	5 362
Tax on financial institutions		(105 665)	(173 244)	-	-
Profit before tax		1 004 704	1 773 929	749 618	2 103 888
Corporate income tax	Note 15	(231 378)	(379 201)	(139 948)	(403 523)
Consolidated profit for the period		773 326	1 394 728	609 670	1 700 365
of which:				-	-
<i>attributable to owners of BZ WBK S.A.</i>		723 492	1 279 965	541 644	1 577 410
<i>attributable to non-controlling interests</i>		49 834	114 763	68 026	122 955
Net earnings per share (PLN/share)					
Basic earnings per share		7,29	12,90	5,46	15,90
Diluted earnings per share		7,28	12,89	5,45	15,88

Consolidated statement of comprehensive income

for reporting period:		01.04.2016 30.06.2016	01.01.2016 30.06.2016	01.04.2015 30.06.2015	01.01.2015 30.06.2015
Consolidated profit for the period		773 326	1 394 728	609 670	1 700 365
Other comprehensive income which can be transferred to the profit and loss account:		(298 007)	(175 873)	(260 453)	(402 282)
Available-for sale financial assets valuation		(366 267)	(310 610)	(404 920)	(454 499)
<i>including deferred tax</i>		69 591	59 016	76 935	86 355
Cash flow hedges valuation		(1 643)	93 483	83 373	(42 145)
<i>including deferred tax</i>		312	(17 762)	(15 841)	8 007
Other comprehensive income for the period, net of income tax		(298 007)	(175 873)	(260 453)	(402 282)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		475 319	1 218 855	349 217	1 298 083
Attributable to:					
<i>owners of BZ WBK S.A.</i>		431 131	1 107 332	280 802	1 173 479
<i>non-controlling interests</i>		44 188	111 523	68 415	124 604

Notes presented on pages 11 – 62 constitute an integral part of these Financial Statements.

In thousands of PLN

Consolidated statement of financial position

	as at:	30.06.2016	31.12.2015	30.06.2015
Assets				
Cash and balances with central banks	Note 16	3 139 261	6 229 853	3 031 101
Loans and advances to banks	Note 17	4 593 417	3 580 957	3 166 259
Financial assets held for trading	Note 18	4 924 014	4 165 511	4 994 553
Hedging derivatives	Note 19	94 508	164 777	144 863
Loans and advances to customers	Note 20	100 480 379	94 913 884	90 077 975
Buy-sell-back transactions	Note 21	34 925	289 260	138 290
Financial assets available for sale	Note 22	22 956 613	24 622 078	25 649 150
Investments in associates	Note 23	841 011	831 142	808 793
Intangible assets		431 833	465 687	399 915
Goodwill		1 688 516	1 688 516	1 688 516
Property, plant and equipment		804 667	830 493	751 790
Net deferred tax assets	Note 24	1 430 536	1 251 808	1 367 704
Assets classified as held for sale	Note 25	648	1 569	678
Other assets	Note 26	828 490	673 165	830 727
Total assets		142 248 818	139 708 700	133 050 314
Liabilities				
Deposits from banks	Note 27	2 403 002	1 066 763	1 648 033
Hedging derivatives	Note 19	2 394 274	2 079 805	2 294 922
Financial liabilities held for trading	Note 18	2 475 152	2 535 684	2 686 609
Deposits from customers	Note 28	105 757 908	101 245 186	93 611 657
Sell-buy-back transactions	Note 29	1 786 499	5 258 031	7 543 617
Subordinated liabilities	Note 30	542 725	526 634	519 734
Debt securities in issue	Note 31	4 378 949	4 320 891	3 225 723
Current income tax liabilities		199 195	228 488	290 877
Other liabilities	Note 32	2 031 800	1 879 088	1 737 403
Total liabilities		121 969 504	119 140 570	113 558 575
Equity				
Equity attributable to owners of BZ WBK S.A.		19 217 715	19 392 029	18 403 783
Share capital		992 345	992 345	992 345
Other reserve funds		15 784 671	14 685 919	14 676 835
Revaluation reserve		604 220	776 914	547 615
Retained earnings		556 514	609 578	609 578
Profit of the current period		1 279 965	2 327 273	1 577 410
Non-controlling interests in equity		1 061 599	1 176 101	1 087 956
Total equity		20 279 314	20 568 130	19 491 739
Total equity and liabilities		142 248 818	139 708 700	133 050 314

Notes presented on pages 11 – 62 constitute an integral part of these Financial Statements.

In thousands of PLN

Consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	Total equity
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total		
Opening balance as at 31.12.2015	992 345	14 685 919	776 914	2 936 851	19 392 029	1 176 101	20 568 130
Total comprehensive income	-	-	(172 633)	1 279 965	1 107 332	111 523	1 218 855
Consolidated profit for the period	-	-	-	1 279 965	1 279 965	114 763	1 394 728
Other comprehensive income	-	-	(172 633)	-	(172 633)	(3 240)	(175 873)
Distributions of profits and losses	-	1 177 730	-	(1 177 730)	-	-	-
Share scheme charge	-	8 403	-	-	8 403	-	8 403
Dividends	-	-	-	(1 290 049)	(1 290 049)	(226 025)	(1 516 074)
Other	-	(87 381)	(61)	87 442	-	-	-
As at 30.06.2016	992 345	15 784 671	604 220	1 836 479	19 217 715	1 061 599	20 279 314

As at the end of the period revaluation reserve in the amount of PLN 604,220 k comprises of debt securities and equity shares classified as available for sale of PLN 156,501 k and PLN 564,547 k respectively and additionally cash flow hedge activities of PLN (119,428) k and accumulated actuarial gains - provision for retirement allowances of PLN 2,600 k.

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	Total 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	12 309 424	951 546	2 277 580	16 530 895	1 520 799	18 051 694
Total comprehensive income	-	-	(174 632)	2 327 273	2 152 641	212 749	2 365 390
Profit and loss account	-	-	-	2 327 273	2 327 273	207 278	2 534 551
Other comprehensive income	-	-	(174 632)	-	(174 632)	5 471	(169 161)
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies	-	1 032 206	-	(342 467)	689 739	(540 854)	148 885
Distributions of profits and losses	-	1 329 746	-	(1 329 746)	-	-	-
Share scheme charge	-	18 754	-	-	18 754	-	18 754
Dividends	-	-	-	-	-	(16 593)	(16 593)
Other	-	(4 211)	-	4 211	-	-	-
As at 31.12.2015	992 345	14 685 919	776 914	2 936 851	19 392 029	1 176 101	20 568 130

As at the end of the period revaluation reserve in the amount of PLN 776,914 k comprises of debt securities and equity shares classified as available for sale of PLN 183,416 k and PLN 786,398 k respectively and additionally cash flow hedge activities of PLN (195,500) k and accumulated actuarial gains -provision for retirement allowances of PLN 2,600 k.

Notes presented on pages 11 – 62 constitute an integral part of these Financial Statements.

In thousands of PLN

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	Total 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	12 309 424	951 546	2 277 580	16 530 895	1 520 799	18 051 694
Total comprehensive income	-	-	(403 931)	1 577 410	1 173 479	124 604	1 298 083
<i>Profit and loss account</i>	-	-	-	1 577 410	1 577 410	122 955	1 700 365
<i>Other comprehensive income</i>	-	-	(403 931)	-	(403 931)	1 649	(402 282)
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies	-	1 032 206	-	(342 467)	689 739	(540 854)	148 885
Distributions of profits and losses	-	1 329 746	-	(1 329 746)	-	-	-
Share scheme charge	-	9 670	-	-	9 670	-	9 670
Dividends	-	-	-	-	-	(16 593)	(16 593)
Other	-	(4 211)	-	4 211	-	-	-
As at 30.06.2015	992 345	14 676 835	547 615	2 186 988	18 403 783	1 087 956	19 491 739

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

Notes presented on pages 11 – 62 constitute an integral part of these Financial Statements.

In thousands of PLN

Consolidated statement of cash flows

	for the period	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Profit before tax		1 773 929	2 103 888
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(20 696)	(5 362)
Depreciation/amortisation		134 160	128 761
Impairment losses		7 533	1 731
(Profit) loss from investing activities		(397 798)	(762 598)
		1 497 128	1 466 420
Changes:			
Provisions		(89 050)	(1 136 083)
Trading portfolio financial instruments		(819 035)	149 117
Hedging derivatives		384 738	1 130 724
Loans and advances to banks		4 666	(267 504)
Loans and advances to customers		(5 566 495)	(4 257 404)
Deposits from banks		440 903	263 938
Deposits from customers		4 085 246	(727 351)
Buy-sell/ Sell-buy-back transactions		(3 454 572)	340 996
Other assets and liabilities		278 522	1 134 503
		(4 735 077)	(3 369 064)
Interest accrued excluded from operating activities		(350 076)	(394 824)
Dividend received		(94 736)	(88 724)
Paid income tax		(545 967)	(827 775)
Net cash flow from operating activities		(4 228 728)	(3 213 967)
Inflows		4 025 922	4 448 338
Sale of subordinated entities		100	244 316
Sale/maturity of financial assets available for sale		3 773 292	3 847 509
Sale of intangible assets and property, plant and equipment		7 467	48 738
Dividend received		74 517	85 437
Interest received		170 546	222 338
Outflows		(4 492 728)	(3 718 185)
Purchase of financial assets available for sale		(4 424 614)	(3 652 205)
Purchase of intangible assets and property, plant and equipment		(68 114)	(65 980)
Net cash flow from investing activities		(466 806)	730 153
Inflows		2 626 140	854 569
Debt securities in issue		767 000	670 000
Drawing of loans		1 859 140	184 569
Outflows		(2 840 690)	(2 352 242)
Debt securities buy out		(704 700)	(497 200)
Repayment of loans		(538 512)	(1 739 051)
Dividends and other payments to shareholders		(1 516 074)	(16 593)
Interest paid		(81 404)	(99 398)
Net cash flow from financing activities		(214 550)	(1 497 673)
Total net cash flow		(4 910 084)	(3 981 487)
Cash at the beginning of the accounting period		12 677 692	13 530 975
Cash at the end of the accounting period		7 767 608	9 549 488

Notes presented on pages 11 – 62 constitute an integral part of these Financial Statements.

In thousands of PLN

Additional notes to consolidated financial statements

1. General information about issuer

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

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

The immediate and, simultaneously, the ultimate parent entity of Bank Zachodni WBK is Banco Santander S.A. seated in Santander, Spain.

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

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

Group of Bank Zachodni WBK consists of the following entities:

In thousands of PLN

Subsidiaries:

Subsidiaries	Registered office	% of votes on AGM 30.06.2016	% of votes on AGM 31.12.2015	% of votes on AGM 30.06.2015
1. BZ WBK Finanse Sp. z o.o.	Poznań	100.00	100.00	100.00
2. BZ WBK Faktor Sp. z o.o.	Warszawa	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.
3. BZ WBK Leasing S.A.	Poznań	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.
4. BZ WBK Lease S.A.	Warszawa	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.	100% of AGM votes are held by BZ WBK Finanse Sp. z o.o.
5. Lizar Sp. z o.o. ¹⁾	Warszawa	-	-	100% of AGM votes are held by BZ WBK Lease S.A.
6. BZ WBK Inwestycje Sp. z o.o.	Poznań	100.00	100.00	100.00
7. Gieldokracja Sp. z o.o. in liquidation	Poznań	100.00	100.00	100.00
8. BZ WBK Nieruchomości S.A.	Zakrzewo	99.99	99.99	99.99
9. BZ WBK Asset Management S.A. ²⁾	Poznań	-	50.00	50.00
10. BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. ²⁾	Poznań	50.00	100% of AGM votes are held by BZ WBK Asset Management S.A.	100% of AGM votes are held by BZ WBK Asset Management S.A.
11. Santander Consumer Bank S.A. ³⁾	Wroclaw	60.00	60.00	66.67
12. Santander Consumer Finanse Sp. z o.o.	Wroclaw	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
13. Santander Consumer Multirent Sp. z o.o.	Wroclaw	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
14. AKB Marketing Services Sp. z o.o. in liquidation	Poznań	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
15. SC Poland Auto 2014-1 Limited	Dublin	-	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.
16. SC Poland Consumer 15-1 Sp. z o.o. ⁴⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.	-

¹⁾ On 29.10.2015, BZ WBK Lease entered into an agreement with Poland Media Properties S.A. whereby it sold all its shares of Lizar Sp. z o.o. As a result, the company ceased to be a member of Bank Zachodni WBK Group.

²⁾ On 31.03.2016, a merger of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (BZ WBK TFI) and BZ WBK Asset Management S.A. (BZ WBK AM) was completed, as a result of which BZ WBK TFI has acquired AM.

The merger was executed by way of transfer of all assets of BZ WBK AM (the acquired company) to BZ WBK TFI (the acquiring company) in return for shares which BZ WBK TFI has allotted to the shareholders of the acquired company. The merger of the companies took effect on the date of entry of the merger into the register of businesses. Upon recording of the merger, BZ WBK AM has been deleted from the register of businesses. As of the merger date BZ WBK TFI has taken over all rights and obligations of its legal predecessor, i.e. BZ WBK AM. Business combinations under common control have no material impact on the financial statements.

As at 30.06.2016, Bank Zachodni WBK was a co-owner of BZ WBK Towarzystwo Funduszy Inwestycyjnych 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 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.

In thousands of PLN

³⁾ Waiver of preference rights attached to Santander Consumer Bank's shares held by BZ WBK (effective from 10 July 2015), resulting in the bank's holding 60% of voting rights at the GM of SCB.

⁴⁾ 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.

Associates:

Associates	Registered office	% of votes on AGM 30.06.2016	% of votes on AGM 31.12.2015	% of votes on AGM 30.06.2015
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50.00	50.00	50.00
2. Metrohouse Franchise S.A.*	Warszawa	-	20.13	20.13
3. BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	Poznań	49.00	49.00	49.00
4. BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Poznań	49.00	49.00	49.00

*Details about the sale of shares of Metrohouse Franchise S.A. are provided in Note 39.

2. Basis of preparation of interim financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK Group for the year 2015.

The consolidated financial statements of the Group for the year 2015 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 2016 to 30 June 2016 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014 of 28.01.2014, No 133 as amended), the Bank is required to publish the financial results for the six months ended 30 June 2016 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 consolidated financial statements of Bank Zachodni WBK Group have been prepared in accordance with the International Financial Reporting Standards adopted for application in the European Union (IFRS). The consolidated financial statements have been prepared using the historical cost convention, except for the financial assets and financial liabilities measured at fair value through profit and loss, including derivatives and available-for-sale financial assets, except for those whose fair value cannot be determined reliably. Other financial assets and financial liabilities (including loans and advances) are recognised 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 Group has used the same accounting principles as those used in preparation of the Group's consolidated financial statements for 2015, except for the income tax charge, which was calculated in accordance with IAS 34.30c and the new standards described later in the section.

In thousands of PLN

Comparability with results of previous periods

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

During the current reporting period, in its Consolidated statement of financial position, the Bank separated the 'Buy-sell-back transactions/ Sell-buy-back transactions,' which were previously presented in the 'Loans and advances to customers,' 'Loans and advances to banks' and 'Deposits from banks' and 'Deposits from customers' lines.

The tax imposed under the act on tax on certain financial institutions that became effective on 1 February 2016 was disclosed in a separate item in the income statement as "Tax on financial institutions".

Changes in judgments and estimates

Compared with the consolidated financial statements for 2015, in H1 2016 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	Impact on the Group
Amendments to IAS 7 Statement of Cash Flows	The amendment requiring disclosure that enables to evaluate changes in liabilities, including both changes arising from cash flows and non-cash changes.	1 January 2017	The Group has not completed the analysis of changes.
Amendment to IAS 12 Income Taxes	The amendment clarifies the application of the standard for the recognition of a deferred tax asset in the case of losses on measurement of financial instruments classified as available for sale, e.g. debt instruments.	1 January 2017	The Group has not completed the analysis of changes.
Amendment to IFRS 15 - Revenue from Contracts with Customers	<p>Changes relate to the following areas:</p> <ul style="list-style-type: none"> • Transfer of control – recognition of revenue only when the customer gains control over a good or service. The amendment makes the definition of the transfer of control more precise. Introducing regulations allowing to define the legitimacy of recognising the revenue over time or at a point in time; • Variable consideration - the amendment takes into account variable consideration in prices of goods or services arising, for example, as a result of penalties or performance bonus; • Allocation of the transaction price on the basis of an adequate sales price per unit - introduction of the requirement to allocate the payment for goods or services in the case of sale under a single contract; • Licences - introduction of the requirement for entities to define the time for which a licence is transferred and specifying more precisely the revenue calculation in the case of transferring a licence at a point in time or over time; • Time value of money – the transaction price is adjusted for the time value of money. The entity may choose not to account for the time value of money when the interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months.; • Costs of obtaining a contract - introducing the conditions which determine if the given costs of obtaining a contract are subject to capitalization and can be amortised on a systematic basis that is consistent with recognizing revenues; • Disclosures - introduction of a requirement to disclose qualitative and quantitative information relating to judgements and changes in the judgements related with revenue recognition. 	1 January 2018	The Group has not completed the analysis of changes.
IFRS 9 Financial Instruments	<p>Changes relate to the following areas:</p> <ul style="list-style-type: none"> • Classification and measurement - introduction of three classifications of debt instruments: those measured at amortised cost, fair value through the other comprehensive income, fair value through profit or loss. Change in fair value measurement of equity instruments. Limiting possibilities of measurement at cost; • Expected credit losses - introduction of a new model of recognizing loss allowance for full lifetime expected credit losses for a financial instrument, rather than for 12 months; • Hedge effectiveness tests and the right to use hedge accounting - change in indication of hedge effectiveness threshold- introduction of correlation between the hedged item and hedging instrument for ratios used by the entity for the sake of risk identification; • Hedged items - introduction of new hedged items which, to date, were not eligible under IAS 39; • Hedging instruments - mitigating some hedging instruments listed in IAS 39 - including the time value of the purchased option, and implementing non-derivative financial instruments; • Entity's credit risk of financial liabilities. 	1 January 2018	The Group has not completed the analysis of changes.
Amendments to IFRS 16 Leases	<p>Changes relate to the following areas:</p> <ul style="list-style-type: none"> • Introduction of a new definition of lease as an agreement or part of an agreement; • Recognition by lessee - the change will influence balance-sheet measurements; • Recognition by lessor - in the case of book recognition of sales and leaseback and additional disclosures. 	1 January 2019	The Group has not completed the analysis of changes.

In thousands of PLN

Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2016

IFRS	Description of changes	Effective in the European Union	Impact on the Group
IFRS 14 Regulatory Deferral Accounts	The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to recognize amounts related to rate regulation in accordance with their previous accounting rules. To improve the comparability with entities that have already adopted IFRS and do not recognise such amounts, in line with the published IFRS 14 amounts from the rate-regulated activities are presented separately in the statement of financial position and income statement and statement of other comprehensive income.	1 January 2016	The change had no significant effect on financial statement.
IAS 19 "Employee benefits"	Change in determining the discount rate - it is applicable to post-employment obligations, in the currency of the obligation rather than the country of origin of the obligation.	1 February 2016	The change had no significant effect on financial statement.
Annual improvements to IFRS cycle 2010-2012	Improvements concern: <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, reconciliation of the total of the reportable segments' assets to the entity's assets; • IFRS 13 Short-term receivables and payables; • IAS16/IAS 38 Restatement – proportionate method; • IAS 24 Key management personnel. 	1 February 2015	The change had no significant effect on financial statement.
Amendment to IAS 27 Equity method in separate financial statements	Change in accounting for investments in subsidiaries in an entity's separate financial statements. <ul style="list-style-type: none"> • At purchase price; • In line with IFRS 9; • In line with IAS 28 (ownership rights); Refinement of the definition of separate financial statements.	1 January 2016	The change had no significant effect on financial statement.
Annual improvements to IFRS cycle 2012-2014	Improvements relate to: <ul style="list-style-type: none"> • IFRS 5 Changes of disposal method; • 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 change had no significant effect on financial statement.
Amendments to IFRS 11 Joint arrangements	During acquisition of an interest in a joint operation by an investor (in line with the IFRS3: "an investment") the requirement for the investor to apply the accounting rules for joint operations and to perform a number of actions: <ul style="list-style-type: none"> • to remeasure the identifiable assets and liabilities to fair value; • to relate the acquisition cost to the financial results; • to recognised deferred income tax; • to recognise residual value as an entity's value. 	1 January 2016	The change had no significant effect on financial statement.
Amendment to IAS 16 and IAS 38	In line with the amendment to IAS 16, the method of depreciation of tangible assets based on revenues under this measure is not considered to be appropriate. In line with the amendment to IAS 38, the method of amortization and depreciation of intangible assets based on revenues under this measure is not considered to be appropriate.	1 January 2016	The change had no significant effect on financial statement.
Amendments to IAS 1	The change regards the presentation of the financial statements, taking into consideration their materiality and disaggregation. The amendment introduces changes on drafting notes to the financial statements, disclosing accounting standards and grouping of items presented in other comprehensive income from the investment.	1 January 2016	The change had no significant effect on financial statement.

In thousands of PLN

3. Operating segments reporting

Presentation of information about business segments in Bank Zachodni WBK Group bases on management information model which is used for preparing of reports for the Management Board, which are used to assess performance of results and allocate resources. Operational activity of Bank Zachodni WBK Group has been divided into five segments: Retail Banking, Business & Corporate Banking, Global Corporate Banking (In 3rd quarter of 2015 the name of Global Banking & 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 2016 introduced the following changes:

- change of the methodology of capital and income from capital allocation between business segments;
- customer resegmentation between business segments; Once a year, BZWBK Group carry out the resegmentation/migration of customers between operating segments which results from the fact that customer meet the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations;
- share in net profits of entities accounted for by the equity method is presented in ALM and Centre segment;
- change in presentation of receivables and liabilities due to Repurchase Agreements. So far Repurchase Agreements were presented as Customers Receivables/ Customers Liabilities or if it concerned Financial Institutions, in Other Assets / Other Liabilities. Since second quarter of 2016, all receivables and liabilities from Repurchase Agreements have been presented in Other Assets / Other Liabilities.

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. oraz BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited is presented in comparable figures for 2015 in ALM and Centre segment.

The total result achieved by Bank Zachodni WBK SA from the transaction of acquisition of Visa Europe Limited by Visa Inc. (described in Note 9) is presented in ALM and Center Segment, whereas the result from described above transaction in Santander Consumer Bank is presented in Santander Consumer Segment.

In thousands of PLN

Retail Banking

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

Business 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 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.

Through its presence in the wholesale market, Global Corporate Banking 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 operating segments)

01.01.2016-30.06.2016	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	1 055 147	289 879	59 336	323 003	549 827	2 277 192
incl. internal transactions	(44 895)	(17 617)	20	59 417	3 075	-
Net fee and commission income	646 825	105 290	91 374	(6 836)	106 907	943 560
incl. internal transactions	33 877	17 115	(53 221)	3 111	(882)	-
Other income	34 937	50 586	75 034	442 886	23 907	627 350
incl. internal transactions	6 808	30 535	(35 268)	(7 623)	5 548	-
Dividend income	-	-	58	94 736	-	94 794
Operating costs	(949 818)	(160 650)	(100 776)	(106 772)	(253 110)	(1 571 126)
incl. internal transactions	(9 049)	(763)	(3)	11 014	(1 199)	-
Depreciation/amortisation	(82 145)	(8 999)	(10 739)	(14 937)	(17 340)	(134 160)
Impairment losses on loans and advances	(237 492)	(29 371)	(4 630)	(1 375)	(38 265)	(311 133)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	20 696	-	20 696
Tax on financial institutions	-	-	-	(159 590)	(13 654)	(173 244)
Profit before tax	467 454	246 735	109 657	591 811	358 272	1 773 929
Corporate income tax						(379 201)
Non-controlling interests						(114 763)
Profit for the period						1 279 965

* Includes individual customers and small and medium companies

In thousands of PLN

01.04.2016-30.06.2016	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	539 427	151 469	28 981	152 331	280 318	1 152 526
incl. internal transactions	(23 024)	(9 486)	6	29 503	3 001	-
Net fee and commission income	322 160	53 422	48 740	(2 889)	49 399	470 832
incl. internal transactions	18 151	7 921	(28 118)	2 502	(456)	-
Other income	18 674	27 641	44 754	369 745	15 536	476 350
incl. internal transactions	3 795	13 741	(18 758)	26 067	(24 845)	-
Dividend income	-	-	58	15 167	-	15 225
Operating costs	(455 521)	(77 630)	(46 003)	(73 191)	(119 441)	(771 786)
incl. internal transactions	(5 379)	(369)	(2)	6 637	(887)	-
Depreciation/amortisation	(40 673)	(4 138)	(5 348)	(10 360)	(8 328)	(68 847)
Impairment losses on loans and advances	(111 704)	(20 205)	(741)	(2 397)	(41 942)	(176 989)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	13 058	-	13 058
Tax on financial institutions	-	-	-	(97 597)	(8 068)	(105 665)
Profit before tax	272 363	130 559	70 441	363 867	167 474	1 004 704
Corporate income tax						(231 378)
Non-controlling interests						(49 834)
Profit for the period						723 492

Consolidated statement of financial position (by operating segments)

30.06.2016	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	52 587 949	26 404 507	8 406 143	156 118	12 925 662	100 480 379
Investments in associates	-	-	-	841 011	-	841 011
Other assets	4 546 616	900 842	5 310 834	27 146 703	3 022 433	40 927 428
Total assets	57 134 565	27 305 349	13 716 977	28 143 832	15 948 095	142 248 818
Deposits from customers	67 385 564	18 602 482	7 810 105	3 997 973	7 961 784	105 757 908
Other liabilities and equity	4 352 027	3 383 818	3 783 557	16 985 196	7 986 312	36 490 910
Total equity and liabilities	71 737 591	21 986 300	11 593 662	20 983 169	15 948 096	142 248 818

* Includes individual customers and small and medium companies

In thousands of PLN

Consolidated income statement (by operating segments)

01.01.2015-30.06.2015	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	963 311	263 496	71 274	277 100	507 530	2 082 711
incl. internal transactions	(40 075)	(16 712)	71	57 926	(1 210)	-
Net fee and commission income	659 008	103 793	97 687	(2 372)	103 058	961 174
incl. internal transactions	30 091	18 042	(52 606)	2 647	1 826	-
Other income	43 095	47 974	40 651	848 167	7 567	987 454
incl. internal transactions	(651)	20 408	(12 564)	66 103	(73 296)	-
Dividend income	-	-	1 183	88 718	6	89 907
Operating costs	(951 325)	(153 637)	(114 039)	(77 763)	(244 009)	(1 540 773)
incl. internal transactions	(5 824)	(585)	(3)	7 148	(736)	-
Depreciation/amortisation	(56 112)	(7 322)	(7 998)	(37 652)	(19 677)	(128 761)
Impairment losses on loans and advances	(292 374)	(56 940)	6 200	3 382	(13 454)	(353 186)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	5 362	-	5 362
Profit before tax	365 603	197 364	94 958	1 104 942	341 021	2 103 888
Corporate income tax						(403 523)
Non-controlling interests						(122 955)
Profit for the period						1 577 410

* Includes individual customers and small and medium companies

In thousands of PLN

01.04.2015-30.06.2015	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	478 409	125 963	36 089	137 554	254 483	1 032 498
incl. internal transactions	(19 663)	(8 165)	25	26 263	1 540	-
Net fee and commission income	340 357	54 196	56 877	(4 548)	55 112	501 994
incl. internal transactions	15 203	9 092	(28 012)	3 776	(59)	-
Other income	5 133	18 689	14 750	80 776	4 065	123 413
incl. internal transactions	(253)	10 630	(11 753)	22 754	(21 378)	-
Dividend income	-	-	1 183	88 718	3	89 904
Operating costs	(475 817)	(76 918)	(56 016)	(49 758)	(119 800)	(778 309)
incl. internal transactions	(3 374)	(326)	(2)	4 150	(448)	-
Depreciation/amortisation	(28 046)	(3 654)	(4 038)	(16 700)	(9 641)	(62 079)
Impairment losses on loans and advances	(165 282)	(19 449)	5 733	4 980	11 534	(162 484)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	4 681	-	4 681
Profit before tax	154 754	98 827	54 578	245 703	195 756	749 618
Corporate income tax						(139 948)
Non-controlling interests						(68 026)
Profit for the period						541 644

Consolidated statement of financial position (by operating segments)

30.06.2015	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	47 898 870	22 432 624	7 150 884	70 889	12 524 708	90 077 975
Investments in associates	-	-	-	808 793	-	808 793
Other assets	4 302 203	881 647	6 217 810	27 698 540	3 063 346	42 163 546
Total assets	52 201 073	23 314 271	13 368 694	28 578 222	15 588 054	133 050 314
Deposits from customers	61 087 512	16 105 841	7 262 820	1 432 424	7 723 060	93 611 657
Other liabilities and equity	4 005 478	2 691 359	5 407 577	17 436 503	9 897 740	39 438 657
Total equity and liabilities	65 092 990	18 797 200	12 670 397	18 868 927	17 620 800	133 050 314

* Includes individual customers and small and medium companies

In thousands of PLN

4. Risk management

In the first half of 2016, BZ WBK Group managed its risks in accordance with the principles laid down in the consolidated financial statements for 2015. Except as indicated below, no other material changes took place in the risk management process of BZ WBK Group.

The Management Board fulfils its risk management role through the Risk Management Committee and the Risk Control Committee, which was set up in March 2016. In accordance with the powers vested with the two committees, the Risk Management Committee is an executive committee, which is responsible for developing a risk management strategy across the Group, including the identification of material risk types, setting the risk appetite and defining the methods of risk measurement, control, monitoring and reporting. The Risk Control Committee, on the other hand, monitors the risk level across different areas of the bank's operations and supervises the activities of lower-level risk management committees set up by the Management Board. The above-mentioned committees, acting within the respective remits defined by the Management Board, are directly responsible for developing risk management methods and monitoring risk levels in specific areas.

In H1 2016, the bank reviewed and streamlined the structure of its committees:

- The powers of the Monitoring Committee (responsible for ensuring ongoing and effective monitoring of business and corporate credit portfolio) were delegated to the existing committees;
- The Information Management Panel, which used to operate as part of the Risk Management Forum, was replaced by an separate Information Management Committee, which is responsible for the quality and organisation of data related to risk management and other areas of the bank's operations;
- The Cyber Risk Committee was set up as a forum for direct cooperation and communication among all organisational units involved in the processes related to cyber security, to ensure effective supervision of the cyber security strategy.

Through the committees, the bank also supervises the risk attached to the operations of subsidiaries.

Credit risk

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

Forbearance Exposures

In the first half of 2016, no material changes to management of assets subject to forbearance measures took place. The principles laid down in the consolidated financial statements for 2015 are still valid. Except the amounts presented below, no other material changes took place in this area.

	30.06.2016	31.12.2015	30.06.2015
Loans and advances to customers- gross amount			
under forbearance measure:	3 930 202	4 348 559	4 611 539
corporate exposures	2 525 992	3 080 037	3 500 189
mortgage exposures	1 215 692	1 099 200	956 328
individuals exposures	188 518	169 322	155 022
Allowance for impairment - forbearance clients	(1 017 633)	(1 363 683)	(1 430 551)
of which: individually impaired	(553 996)	(931 812)	(1 063 603)
Loans and advances to forbearance clients- net amount	2 912 569	2 984 876	3 180 988

In thousands of PLN

Analysis of credit quality of financial assets subject to forbearance:

Loans and advances to customers under forbearance	Gross exposure			Allowance for impairment		
	30.06.2016	31.12.2015	30.06.2015	30.06.2016	31.12.2015	30.06.2015
Loans and advances -impaired	2 181 158	2 869 493	3 099 340	(938 255)	(1 291 777)	(1 340 649)
Loans and advances -unimpaired	1 749 044	1 479 066	1 512 199	(79 378)	(71 906)	(89 902)
non-overdue	1 464 864	1 112 524	1 130 023	(54 900)	(42 255)	(53 106)
from 1 to 30 days overdue	176 411	249 801	253 961	(11 179)	(15 124)	(17 025)
from 31 to 60 days overdue	69 910	79 954	79 826	(6 443)	(8 143)	(10 889)
from 61 to 90 days overdue	37 859	36 787	48 388	(6 856)	(6 384)	(8 882)
Total gross amount	3 930 202	4 348 559	4 611 539	(1 017 633)	(1 363 683)	(1 430 551)

Interest income on assets subject to forbearance was PLN 58,182 k as at 30 June 2016, PLN 119,732 k as at 31 December 2015 and PLN 72,185 k as at 30 June 2015.

Loans and advances to customers under forbearance	Collateral value		
	30.06.2016	31.12.2015	30.06.2015
Loans and advances -impaired	6 014 769	4 610 960	4 826 709
Loans and advances -unimpaired	3 653 674	3 418 509	3 803 832
non-overdue	3 217 105	2 344 532	3 341 252
from 1 to 30 days overdue	283 037	844 386	293 057
from 31 to 60 days overdue	85 360	177 125	104 361
from 61 to 90 days overdue	68 172	52 466	65 161
Total gross amount	9 668 443	8 029 469	8 630 541

The above table includes the value of all collateral taken, not necessarily taken into account in the calculation of allowance for impairment.

Loans and advances to customers under forbearance by geographical region (gross amount)	30.06.2016	31.12.2015	30.06.2015
Dolnośląskie	356 045	305 051	271 758
Kujawsko-Pomorskie	72 563	70 536	71 334
Lubelskie	53 967	48 385	45 211
Lubuskie	81 159	67 362	70 393
Mazowieckie	1 663 986	1 880 807	2 219 683
Małopolskie	266 544	311 123	377 795
Opolskie	27 737	25 221	19 451
Podkarpackie	33 719	30 510	26 043
Podlaskie	34 907	22 897	15 200
Pomorskie	183 360	152 685	133 145
Warmińsko-Mazurskie	45 127	39 377	35 888
Wielkopolskie	300 176	294 016	263 062
Zachodniopomorskie	88 395	82 909	68 315
Śląskie	424 280	626 978	630 451
Świętokrzyskie	203 466	276 448	256 722
Łódzkie	94 771	114 254	107 088
Total	3 930 202	4 348 559	4 611 539

In thousands of PLN

Loans and advances to customers under forbearance by industry (gross amount)	30.06.2016	31.12.2015	30.06.2015
Construction	295 252	364 526	380 773
Distribution	97 170	265 767	272 898
Energy	253 705	588 969	558 584
Financial sector	1 470	5 418	5 466
Other industries	507 393	593 763	690 640
Property	1 066 128	912 205	1 262 533
Manufacturing	259 221	303 185	283 479
Agriculture	9 301	8 409	6 500
Transportation	36 352	37 795	39 316
Individuals	1 404 210	1 268 522	1 111 350
Total	3 930 202	4 348 559	4 611 539

	30.06.2016	31.12.2015	30.06.2015
Net carrying amount at beginning of the period	2 984 876	2 808 753	2 808 755
Allowance for impairment	346 050	(32 740)	(99 606)
Loans and advances derecognised during the period	(559 715)	(33 356)	(31 506)
Loans and advances recognised during the period	670 798	1 352 572	857 397
Other changes/repayments	(529 441)	(1 110 353)	(354 051)
Net carrying amount at the end of the period	2 912 568	2 984 876	3 180 988

Calculation of Impairment

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

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

In thousands of PLN

30.06.2016	Provision cover	Loans and advances to customers	Loans and advances to banks	Financial assets available for sale	Financial assets held for trading*	Off-balance sheet exposures
Impaired portfolio						
Individually impaired						
	up to 50%	1 586 029	-	-	-	-
	50% - 70%	272 813	-	-	-	-
	70% - 85%	296 301	-	-	-	-
	over 85%	765 151	-	-	-	-
Gross amount		2 920 294	-	-	-	-
Impairment		(1 440 932)	-	-	-	-
Net amount		1 479 362	-	-	-	-
Collectively impaired						
	up to 50%	967 577	-	-	-	-
	50% - 70%	570 075	-	-	-	-
	70% - 85%	885 670	-	-	-	-
	over 85%	1 861 849	-	-	-	-
Gross amount		4 285 171	-	-	-	-
Impairment		(3 136 823)	-	-	-	-
Net amount		1 148 348	-	-	-	-
IBNR portfolio						
	up to 0,10%	45 014 912	4 593 418	22 956 613	4 924 014	-
	0,10% - 0,30%	25 579 308	-	-	-	-
	0,30% - 0,65%	11 137 327	-	-	-	-
	over 0,65%	16 636 860	-	-	-	-
Gross amount		98 368 407	4 593 418	22 956 613	4 924 014	-
IBNR		(663 663)	(1)	-	-	-
Net amount		97 704 744	4 593 417	22 956 613	4 924 014	-
Other receivables		147 925	-	-	-	-
Off-balance sheet exposures						
Financing granted		-	-	-	-	22 555 733
Guarantees		-	-	-	-	4 412 289
Nominal value of derivatives - purchased		-	-	-	241 549 258	-
Allowance for impairment		-	-	-	-	(59 375)
Off-balance sheet exposures - total		-	-	-	241 549 258	26 908 647

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

In thousands of PLN

31.12.2015	Provision cover	Loans and advances to customers	Loans and advances to banks	Financial assets available for sale	Financial assets held for trading*	Off-balance sheet exposures
Impaired portfolio						
Individually impaired						
	up to 50%	1 843 684	-	-	-	-
	50% - 70%	569 530	-	-	-	-
	70% - 85%	206 632	-	-	-	-
	over 85%	666 603	-	-	-	-
Gross amount		3 286 449	-	-	-	-
Impairment		(1 487 149)	-	-	-	-
Net amount		1 799 300	-	-	-	-
Collectively impaired						
	up to 50%	823 145	-	-	-	-
	50% - 70%	545 530	-	-	-	-
	70% - 85%	876 338	-	-	-	-
	over 85%	1 736 821	-	-	-	-
Gross amount		3 981 834	-	-	-	-
Impairment		(2 984 488)	-	-	-	-
Net amount		997 346	-	-	-	-
IBNR portfolio						
	up to 0,10%	39 355 822	3 580 958	24 622 078	4 165 511	-
	0,10% - 0,30%	24 656 597	-	-	-	-
	0,30% - 0,65%	12 005 852	-	-	-	-
	over 0,65%	16 645 851	-	-	-	-
Gross amount		92 664 122	3 580 958	24 622 078	4 165 511	-
IBNR		(659 426)	(1)	-	-	-
Net amount		92 004 696	3 580 957	24 622 078	4 165 511	-
Other receivables		129 602	-	-	-	-
Off-balance sheet exposures						
Financing granted		-	-	-	-	21 917 739
Guarantees		-	-	-	-	4 425 961
Nominal value of derivatives - purchased		-	-	-	201 106 392	-
Allowance for impairment		-	-	-	-	(75 340)
Off-balance sheet exposures - total		-	-	-	201 106 392	26 268 360

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

In thousands of PLN

30.06.2015	Provision cover	Loans and advances to customers	Loans and advances to banks	Financial assets available for sale	Financial assets held for trading*	Off-balance sheet exposures
Impaired portfolio						
Individually impaired						
	up to 50%	2 329 465	-	-	-	-
	50% - 70%	349 458	-	-	-	-
	70% - 85%	369 458	-	-	-	-
	over 85%	837 473	-	-	-	-
Gross amount		3 885 854	-	-	-	-
Impairment		(1 747 526)	-	-	-	-
Net amount		2 138 328	-	-	-	-
Collectively impaired						
	up to 50%	813 927	-	-	-	-
	50% - 70%	590 334	-	-	-	-
	70% - 85%	849 887	-	-	-	-
	over 85%	1 558 822	-	-	-	-
Gross amount		3 812 970	-	-	-	-
Impairment		(2 834 116)	-	-	-	-
Net amount		978 854	-	-	-	-
IBNR portfolio						
	up to 0,10%	34 755 274	3 166 296	25 649 150	4 994 553	-
	0,10% - 0,30%	25 176 772	-	-	-	-
	0,30% - 0,65%	8 808 747	-	-	-	-
	over 0,65%	18 851 825	-	-	-	-
Gross amount		87 592 618	3 166 296	25 649 150	4 994 553	-
IBNR		(737 660)	(37)	-	-	-
Net amount		86 854 958	3 166 259	25 649 150	4 994 553	-
Other receivables						
		105 935	-	-	-	-
Off-balance sheet exposures						
Financing granted		-	-	-	-	20 695 042
Guarantees		-	-	-	-	4 458 598
Nominal value of derivatives - purchased		-	-	-	172 609 993	-
Allowance for impairment		-	-	-	-	(78 980)
Off-balance sheet exposures - total		-	-	-	172 609 993	25 074 660

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

IBNR portfolio

	Loans and advances to customers		
	30.06.2016	31.12.2015	30.06.2015
Non-past due	94 009 471	88 021 474	83 274 534
Past-due	4 358 936	4 642 648	4 318 084
1-30 days	3 309 194	3 780 417	3 415 824
31-60 days	728 904	620 103	601 125
61-90 days	306 158	228 795	288 454
> 90 days	14 680	13 333	12 681
Gross amount	98 368 407	92 664 122	87 592 618

In thousands of PLN

Allowances for impairment by classes

Provision cover	Loans and advances to customers			Loans and advances to banks		
	30.06.2016	31.12.2015	30.06.2015	30.06.2016	31.12.2015	30.06.2015
Individual allowance for impairment						
up to 50%	(338 907)	(361 251)	(480 175)	-	-	-
50% - 70%	(158 439)	(342 949)	(206 253)	-	-	-
70% - 85%	(218 994)	(152 007)	(271 839)	-	-	-
over 85%	(724 592)	(630 942)	(789 259)	-	-	-
Total individual allowance for impairment	(1 440 932)	(1 487 149)	(1 747 526)	-	-	-
Collective allowance for impairment						
up to 50%	(274 739)	(278 631)	(289 391)	-	-	-
50% - 70%	(353 468)	(331 738)	(366 341)	-	-	-
70% - 85%	(693 650)	(682 498)	(657 149)	-	-	-
over 85%	(1 814 966)	(1 691 621)	(1 521 235)	-	-	-
Total collective allowances for impairment	(3 136 823)	(2 984 488)	(2 834 116)	-	-	-
IBNR						
up to 0,10%	(16 015)	(13 483)	(12 597)	(1)	(1)	(37)
0,10%-0,30%	(42 205)	(46 675)	(52 940)	-	-	-
0,30%-0,65%	(54 227)	(58 580)	(42 134)	-	-	-
over 0,65%	(551 216)	(540 688)	(629 989)	-	-	-
Total IBNR	(663 663)	(659 426)	(737 660)	(1)	(1)	(37)
Total allowance for impairment	(5 241 418)	(5 131 063)	(5 319 302)	(1)	(1)	(37)

Market risk

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

To manage banking book risk BZ WBK implemented following maximum limits in 2016 for:

- sensitivity of Net Interest Income (NII – sensitivity to 100 b.p. parallel movement in the interest rate curve) at PLN 180 m,
- sensitivity of Market Value of Equity (MVE - sensitivity to 100 b.p. parallel movement in the interest rate curve) at PLN 340 m.

The Trading Book management has been conducted under the following limits since the beginning of 2016:

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

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

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

In thousands of PLN

The table below summarizes the utilization of sensitivity limits for the banking book as at the end of June 2016 and in the comparative periods.

1 day holding period	Net Interest Income Sensitivity (NII)			Market Value of Equity Sensitivity (MVE)		
	30.06.2016	31.12.2015	30.06.2015	30.06.2016	31.12.2015	30.06.2015
Maximum	119	118	101	250	215	188
Average	105	97	95	211	186	177
Value as at end of the period	107	116	101	237	215	172
Limit value	180	170	170	340	220	220

Between January and June 2016, the sensitivity limits applicable to the ALM were not exceeded.

The tables below present Group's key currency positions as at 30 June 2016 and in the comparative periods.

30.06.2016	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 715 551	237 799	20 733	165 178	3 139 261
Loans and advances to banks	534 274	3 713 483	46 792	298 868	4 593 417
Loans and advances to customers	67 432 461	18 172 836	13 820 081	1 055 001	100 480 379
Financial assets available for sale	21 573 309	992 758	-	390 546	22 956 613
Selected assets	92 255 595	23 116 876	13 887 606	1 909 593	131 169 670
LIABILITIES					
Deposits from banks	1 185 685	687 579	71 082	458 656	2 403 002
Deposits from customers	90 669 002	11 318 453	348 071	3 422 382	105 757 908
Subordinated liabilities	100 119	442 606	-	-	542 725
Selected liabilities	91 954 806	12 448 638	419 153	3 881 038	108 703 635

31.12.2015	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	5 900 563	202 996	16 367	109 927	6 229 853
Loans and advances to banks	509 761	2 687 425	17 029	366 742	3 580 957
Loans and advances to customers	62 999 792	16 916 558	13 901 092	1 096 442	94 913 884
Financial assets available for sale	23 386 981	1 026 241	-	208 856	24 622 078
Selected assets	92 797 097	20 833 220	13 934 488	1 781 967	129 346 772
LIABILITIES					
Deposits from banks	701 074	167 168	-	198 521	1 066 763
Deposits from customers	87 720 886	9 781 898	689 799	3 052 603	101 245 186
Subordinated liabilities	100 127	426 507	-	-	526 634
Selected liabilities	88 522 087	10 375 573	689 799	3 251 124	102 838 583

30.06.2015	PLN	EUR	CHF	Other	Total
ASSETS					
Cash and balances with central banks	2 565 593	296 697	18 156	150 655	3 031 101
Loans and advances to banks	432 356	2 613 887	6 985	113 031	3 166 259
Loans and advances to customers	59 001 005	14 728 278	14 809 192	1 539 500	90 077 975
Financial assets available for sale	24 857 774	444 386	-	346 990	25 649 150
Selected assets	86 856 728	18 083 248	14 834 333	2 150 176	121 924 485
LIABILITIES					
Deposits from banks	1 229 067	158 611	-	260 355	1 648 033
Deposits from customers	80 713 894	9 400 344	691 608	2 805 811	93 611 657
Subordinated liabilities	100 113	419 621	-	-	519 734
Selected liabilities	82 043 074	9 978 576	691 608	3 066 166	95 779 424

In thousands of PLN

The tables below show key risk measures applicable to the trading book as at 30.06.2016 and in the comparative periods.

Interest rate risk	VAR		
	30.06.2016	31.12.2015	30.06.2015
1 day holding period			
Average	1 800	1 643	1 514
Maximum	3 329	5 534	5 340
Minimum	855	375	362
as at the end of the period	3 085	837	1 238
Limit	7 193	5 852	5 647

FX risk	VAR		
	30.06.2016	31.12.2015	30.06.2015
1 day holding period			
Average	389	636	627
Maximum	1 596	3 411	3 292
Minimum	33	52	78
as at the end of the period	88	846	931
Limit	2 997	1 951	1 882

Equity risk	VAR Brokerage House		
	30.06.2016	31.12.2015	30.06.2015
1 day holding period			
Average	245	429	552
Maximum	475	1 057	1 020
Minimum	45	90	249
as at end of the period	333	230	249
Limit	4 313	4 057	3 915

In 2016, the VAR limits have not been exceeded in the Bank.

Liquidity risk

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

Operating Risk

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

5. Capital management

In H1 2016, BZ WBK Group managed its capital in accordance with the rules presented in the consolidated financial statements for 2015. There were no significant changes in the capital management process in BZ WBK Group in the current reporting period.

On 1 January 2014, the CRD IV/CRR package became effective pursuant to the decision of the European Parliament and of the Council. The package consists of:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD IV);
- Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012 (CRR).

The CRR is directly applicable in all EU member states. The CRD IV was transposed into the Polish law under Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system.

As at 30 June 2016, the calculation of capital ratio took account of the equity and total capital requirements for relevant risks using a standardised approach in line with Part Three of the Regulation no. 575/2013.

In thousands of PLN

On 20 April 2016, the General Meeting of Bank Zachodni WBK Shareholders agreed on the distribution of net profit of PLN 1,756,210,107.36 for the accounting year ended 31 December 2015 as follows:

- PLN 702,484,042.94 was allocated to the dividend for shareholders for 2015;
- PLN 878,105,053.68 was allocated to capital reserves;
- PLN 175,621,010.74 was left undistributed.

In addition, the dividend included PLN 587,564,899.06 worth of undistributed net profit for 2014. The total dividend paid was PLN 1,290,048,942, i.e. PLN 13 per share.

Dividend was paid on 16th May 2016.

The total capital ratio as at 30 June 2016 vs. 31 December 2015 was impacted by the following:

- increase in capital reserves as a consequence of profit distribution;
- allocation of the undistributed profit for 2015 to Tier 1 capital;
- payment of the portion of the retained profit for 2014 in the form of dividend;
- amendment of the terms and conditions of issue of subordinated bonds allocated to Tier 2 supplementary capital;
- increase in the value of risk weighted assets for credit risk arising from the business activity and reduction of capital requirements for counterparty risk and CVA through the recognition of contractual netting in accordance with Articles 295-298 of the CRR.

Capital ratios

The minimum capital ratios set by the Polish Financial Supervision Authority (KNF) for BZ WBK Group are as follows:

- a Tier 1 capital ratio of 10.78%;
- a total capital ratio of 13.96%.

The above-mentioned capital ratios include a conservation buffer and a buffer for an additional capital requirement due to risk attaching to foreign currency home mortgages. The capital ratios of BZ WBK Group calculated in accordance with the CRR requirements and an individual capital decision of the supervisory body are above the minimum requirements.

As at 30 June 2016, the Tier I capital ratio was equal 13,99% and the total capital ratio – 14,44%.

Impact of subordinated lending

The bank amended the terms and conditions of issue of subordinated bonds allocated to Tier 2 supplementary capital and received KNF consent of 18 May 2016 to allocate the new issue of EUR 100,000,000 maturing on 5 August 2025 to the supplementary capital.

Administrative proceedings

On 6 July 2016 the Bank received information from KNF about the commencement of supervision assessment in relation to identification of Bank Zachodni WBK as other systematically important institution and introduction of a relevant buffer in accordance with Article 39 (1) of Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system.

As at the publication date of this document, the Bank has not received the relevant decision related to the level of the above buffer.

In thousands of PLN

6. Net interest income

	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Interest income				
Loans and advances to enterprises	411 273	810 840	385 354	793 072
Loans and advances to individuals, of which:	780 270	1 544 925	709 777	1 452 822
<i>Home mortgage loans</i>	225 916	443 409	199 050	424 275
Debt securities incl.:	143 319	296 960	159 412	326 959
<i>Investment portfolio available for sale</i>	140 595	286 453	148 622	307 910
<i>Trading portfolio</i>	2 724	10 507	10 790	19 049
Leasing agreements	44 544	87 258	40 219	82 031
Loans and advances to banks	16 115	31 608	14 593	32 700
Public sector	1 705	3 707	1 806	4 081
Reverse repo transactions	1 369	2 235	2 245	5 876
Interest recorded on hedging IRS	80 431	163 470	70 282	139 906
Total	1 479 026	2 941 003	1 383 688	2 837 447
Interest expenses				
Deposits from individuals	(165 005)	(344 935)	(184 583)	(401 853)
Deposits from enterprises	(93 106)	(187 866)	(87 523)	(191 078)
Repo transactions	(9 095)	(19 355)	(17 058)	(31 347)
Deposits from public sector	(12 710)	(23 672)	(13 623)	(29 690)
Deposits from banks	(11 876)	(18 887)	(7 519)	(15 314)
Subordinated liabilities and issue of securities	(34 708)	(69 096)	(40 884)	(85 454)
Total	(326 500)	(663 811)	(351 190)	(754 736)
Net interest income	1 152 526	2 277 192	1 032 498	2 082 711

In thousands of PLN

7. Net fee and commission income

	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Fee and commission income				
eBusiness & payments	138 019	278 653	129 602	259 645
Current accounts and money transfer	82 920	163 672	86 308	173 780
Asset management fees	62 996	124 699	72 736	141 495
Foreign exchange commissions	78 307	152 100	76 091	150 174
Credit commissions	69 730	134 867	75 065	138 024
Insurance commissions	65 567	147 297	75 711	139 790
Brokerage commissions	14 893	31 455	16 693	33 681
Credit cards	40 058	77 136	36 072	70 521
Off-balance sheet guarantee commissions	14 525	25 651	11 185	21 137
Finance lease commissions	3 880	7 476	3 178	6 274
Issue arrangement fees	2 069	4 240	7 495	9 463
Distribution fees	1 537	3 038	1 782	4 029
Other commissions	1 351	2 915	2 253	3 299
Total	575 852	1 153 199	594 171	1 151 312
Fee and commission expenses				
eBusiness & payments	(45 090)	(97 900)	(35 664)	(79 791)
Distribution fees	(6 057)	(12 018)	(7 538)	(14 633)
Brokerage commissions	(2 155)	(4 481)	(2 635)	(6 094)
Credit cards	(5 881)	(16 924)	(10 699)	(19 320)
Credit commissions paid	(10 556)	(17 266)	(10 516)	(20 008)
Insurance commissions	(13 463)	(19 387)	(3 844)	(9 133)
Finance lease commissions	(6 142)	(12 282)	(6 526)	(12 779)
Asset management fees and other costs	(1 427)	(3 212)	(1 865)	(3 900)
Other	(14 249)	(26 169)	(12 890)	(24 480)
Total	(105 020)	(209 639)	(92 177)	(190 138)
Net fee and commission income	470 832	943 560	501 994	961 174

8. Net trading income and revaluation

	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Net trading income and revaluation				
Derivative instruments and interbank fx transactions	90 433	154 028	67 897	142 514
Other FX related income	(1 815)	9 225	3 467	4 780
Profit on equity instruments	(5 411)	(3 533)	(5 006)	(3 122)
Profit on debt instruments	6 859	13 139	(18 378)	(15 563)
Total	90 066	172 859	47 980	128 609

Net trading income and revaluation includes value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (971) k for H1 2016, the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 6,013 k for 2Q 2016 and value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (11,175) k for H1 2015, PLN (7,202) k for 2Q 2015.

In thousands of PLN

9. Gains (losses) from other financial securities

	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Gains (losses) from other financial securities				
Profit on sale of equity shares	316 141	318 034	1 597	1 614
Profit on sale of debt securities	39 418	79 874	40 679	228 653
Charge due to impairment losses	(7 086)	(7 533)	(1 497)	(1 731)
Total profit (losses) on financial instruments	348 473	390 375	40 779	228 536
Change in fair value of hedging instruments	7 030	(17 252)	117 096	109 847
Change in fair value of underlying hedged positions	(6 825)	14 541	(117 204)	(110 151)
Total profit (losses) on hedging and hedged instruments	205	(2 711)	(108)	(304)
Total	348 678	387 664	40 671	228 232

On 21.06.2016, Visa Inc. announced the completion of its acquisition of Visa Europe Limited. As a result, BZ WBK Group received:

- Bank Zachodni WBK and Santander Consumer Bank (SCB) – EUR 49,974,289 and EUR 1,654,744 in cash, respectively
- Bank Zachodni WBK and SCB – 18,092 and 600 series C preference shares of Visa Inc., respectively.

Furthermore, the earn-out of EUR 1.12bn payable to all transaction participants was settled. The share of Bank Zachodni WBK in the above amount is 0.3839946336% and the share of SCB is 0.0127491571%. The earn-out payable to the bank/Group may be adjusted within three years of the transaction date in the circumstances stipulated in the agreement.

As at 30.06.2016, the total profit made by Bank Zachodni WBK and SCB on the above transaction was PLN 305,865 k and PLN 10,154 k, respectively and was recognised under “Gains from other financial securities” in the income statement.

10. Other operating income

	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Other operating income				
Income on sale of services	3 272	7 319	3 055	5 570
Reimbursements of BGF charges	18 608	25 097	14 880	37 427
Release of provision for legal cases and other assets	3 837	9 962	4 310	9 139
Settlements of leasing agreements	1 181	2 470	847	1 239
Recovery of other receivables	2 925	4 363	1 283	2 425
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	349	349	1 845	9 337
Income from net insurance activities	-	-	-	26 296
Received compensations, penalties and fines	140	395	431	596
Other	7 294	16 772	8 111	15 589
Total	37 606	66 727	34 762	107 618

11. Impairment losses on loans and advances

	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Impairment losses on loans and advances				
Collective and individual impairment charge	(204 325)	(378 408)	(171 588)	(380 124)
Incurred but not reported losses charge	13 537	(912)	(55 823)	(52 398)
Recoveries of loans previously written off	(2 557)	51 389	53 588	70 950
Off-balance sheet credit related facilities	16 356	16 798	11 339	8 386
Total	(176 989)	(311 133)	(162 484)	(353 186)

In thousands of PLN

12. Employee costs

Employee costs	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Salaries and bonuses	(307 345)	(610 303)	(313 521)	(631 637)
Salary related costs	(53 621)	(109 981)	(53 780)	(112 237)
Staff benefits costs	(8 556)	(16 611)	(8 333)	(16 581)
Professional trainings	(4 913)	(7 495)	(4 786)	(7 838)
Retirement fund, holiday provisions and other employee costs	(596)	(1 190)	(595)	(1 172)
Integration costs	-	-	(65)	(360)
Total	(375 031)	(745 580)	(381 080)	(769 825)

13. General and administrative expenses

General and administrative expenses	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Maintenance and rentals of premises	(90 851)	(184 187)	(88 168)	(179 574)
Marketing and representation	(39 416)	(71 954)	(49 518)	(80 987)
IT systems costs	(46 371)	(96 728)	(46 100)	(92 162)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(71 664)	(150 738)	(65 316)	(130 622)
Postal and telecommunication costs	(13 472)	(28 070)	(15 223)	(31 606)
Consulting fees	(11 341)	(22 728)	(11 139)	(23 304)
Cars, transport expenses, carriage of cash	(16 007)	(33 468)	(18 370)	(37 737)
Other external services	(27 561)	(53 577)	(24 164)	(50 132)
Stationery, cards, cheques etc.	(7 161)	(14 694)	(7 734)	(15 841)
Sundry taxes	(8 852)	(17 729)	(8 178)	(15 794)
Data transmission	(3 982)	(8 306)	(5 340)	(10 651)
KIR, SWIFT settlements	(6 657)	(13 655)	(6 515)	(12 238)
Security costs	(6 546)	(12 666)	(4 596)	(9 601)
Costs of repairs	(1 836)	(6 975)	(2 218)	(3 565)
Integration costs	-	-	(6 914)	(12 959)
Other	(6 139)	(11 657)	(6 622)	(12 320)
Total	(357 856)	(727 132)	(366 115)	(719 093)

14. Other operating expenses

Other operating expenses	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Charge of provisions for legal cases and other assets	(34 127)	(85 720)	(23 026)	(34 657)
Costs of purchased services	(342)	(434)	(448)	(815)
Other membership fees	(279)	(463)	(330)	(590)
Paid compensations, penalties and fines	(507)	(1 292)	(746)	(2 834)
Donation paid	-	(1 503)	(2 021)	(3 341)
Other	(3 644)	(9 002)	(4 543)	(9 618)
Total	(38 899)	(98 414)	(31 114)	(51 855)

In thousands of PLN

15. Corporate income tax

Corporate income tax	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Current tax charge	(368 436)	(516 675)	(197 720)	(495 255)
Deferred tax	137 058	137 474	57 772	91 732
Total	(231 378)	(379 201)	(139 948)	(403 523)

Corporate total tax charge information	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016	01.04.2015- 30.06.2015	01.01.2015- 30.06.2015
Profit before tax	1 004 704	1 773 929	749 618	2 103 888
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(190 894)	(337 047)	(142 428)	(399 739)
Permanent differences	(27 976)	(37 624)	(5 717)	(13 924)
Tax on financial institutions	(21 137)	(32 916)	-	-
Sale of receivables	(9 459)	(11 992)	(4 125)	(7 625)
Non-tax income	2 893	18 011	17 937	17 937
Non-tax deductible bad debt provisions	647	1 150	229	(914)
Adjustment of prior year tax incl. technological relief	-	8 385	-	10 431
Consolidation adjustments	15 397	14 195	(5 891)	(10 068)
Other	(849)	(1 363)	47	379
Total income tax expense	(231 378)	(379 201)	(139 948)	(403 523)

Deferred tax recognised directly in equity	30.06.2016	31.12.2015	30.06.2015
Relating to equity securities available-for-sale	(132 377)	(184 416)	(134 735)
Relating to debt securities available-for-sale	(36 711)	(43 023)	(28 337)
Relating to cash flow hedging activity	28 014	45 858	33 388
Relating to valuation of defined benefit plans	(610)	(610)	1 279
Total	(141 684)	(182 191)	(128 405)

16. Cash and balances with central banks

Cash and balances with central banks	30.06.2016	31.12.2015	30.06.2015
Cash	1 991 932	2 026 206	1 648 748
Current accounts in central banks	1 147 329	4 203 647	1 382 353
Total	3 139 261	6 229 853	3 031 101

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.

17. Loans and advances to banks

Loans and advances to banks	30.06.2016	31.12.2015	30.06.2015
Loans and advances	1 155 967	603 360	201 731
Current accounts	3 437 451	2 977 598	2 964 565
Gross receivables	4 593 418	3 580 958	3 166 296
Impairment write down	(1)	(1)	(37)
Total	4 593 417	3 580 957	3 166 259

In thousands of PLN

18. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2016		31.12.2015		30.06.2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	2 060 708	2 040 738	2 065 688	2 011 486	2 037 582	2 380 628
Interest rate operations	1 263 795	1 222 674	1 296 009	1 261 947	1 319 794	1 516 096
Forward	7	-	-	-	-	-
Options	7 428	7 428	9 638	9 639	11 094	11 094
IRS	1 244 157	1 207 824	1 282 734	1 247 065	1 303 726	1 497 979
FRA	12 203	7 422	3 637	5 243	4 974	7 023
Transactions on equity instruments	9 410	9 410	13 099	13 099	8 220	8 220
Options	9 410	9 410	13 099	13 099	8 220	8 220
FX operations	787 503	808 654	756 580	736 440	709 568	856 312
CIRS	199 161	267 045	117 879	171 575	99 276	271 974
Forward	78 981	44 901	35 472	36 408	58 765	59 037
FX Swap	312 122	309 811	392 673	324 068	396 818	378 340
Spot	1 311	1 044	1 913	1 704	3 026	2 274
Options	185 841	185 841	202 503	202 503	144 694	144 687
Other	10 087	12	6 140	182	6 989	-
Debt and equity securities	2 863 306	-	2 099 823	-	2 956 971	-
Debt securities	2 832 918	-	2 074 899	-	2 926 980	-
Government securities:	2 832 282	-	2 073 995	-	2 926 492	-
- bonds	2 832 282	-	2 073 995	-	2 926 492	-
Commercial securities:	636	-	904	-	488	-
- bonds	636	-	904	-	488	-
Equity securities:	30 388	-	24 924	-	29 991	-
- listed	30 388	-	24 924	-	29 991	-
Short sale	-	434 414	-	524 198	-	305 981
Total financial assets/liabilities	4 924 014	2 475 152	4 165 511	2 535 684	4 994 553	2 686 609

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN 14,233 k as at 30.06.2016, PLN 14,214 k as at 31.12.2015, PLN (5,191) k as at 30.06.2015.

19. Hedging derivatives

Hedging derivatives	30.06.2016		31.12.2015		30.06.2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives hedging fair value	-	245 193	116	192 392	1 725	184 532
Derivatives hedging cash flow	94 508	2 149 081	164 661	1 887 413	143 138	2 110 390
Total hedging derivatives	94 508	2 394 274	164 777	2 079 805	144 863	2 294 922

As at 30.06.2016 Hedging derivatives - derivatives hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (11,195) k., PLN (11,719) k as at 31.12.2015, PLN (12,249) k as at 30.06.2015.

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

In thousands of PLN

20. Loans and advances to customers

Loans and advances to customers	30.06.2016	31.12.2015	30.06.2015
Loans and advances to enterprises	45 999 677	43 307 122	40 720 975
Loans and advances to individuals, of which:	54 326 454	51 950 070	50 398 613
<i>Home mortgage loans</i>	35 609 753	33 720 581	33 159 654
Finance lease receivables	5 204 591	4 545 711	4 080 612
Loans and advances to public sector	158 096	235 177	184 045
Other	32 979	6 867	13 032
Gross receivables	105 721 797	100 044 947	95 397 277
Impairment write down	(5 241 418)	(5 131 063)	(5 319 302)
Total	100 480 379	94 913 884	90 077 975

Movements on impairment losses on loans and advances to customers	01.01.2016- 30.06.2016	01.01.2015- 31.12.2015	01.01.2015- 30.06.2015
Individual and collective impairment			
As at the beginning of the period	(4 471 467)	(4 446 507)	(4 446 507)
Charge/write back of current period	(378 410)	(926 317)	(380 124)
Write off/Sale of receivables	285 166	873 273	224 734
Transfer	(1 586)	36 393	24 654
F/X differences	(11 463)	(8 309)	(4 303)
Balance at the end of the period	(4 577 760)	(4 471 467)	(4 581 546)
IBNR			
As at the beginning of the period	(659 596)	(679 903)	(679 903)
Charge/write back of current period	(910)	22 761	(52 413)
Sale of receivables	1 497	-	-
Transfer	342	193	(480)
F/X differences	(4 991)	(2 647)	(4 960)
Balance at the end of the period	(663 658)	(659 596)	(737 756)
Allowance for impairment	(5 241 418)	(5 131 063)	(5 319 302)

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. (SPV2), a special purpose vehicle registered in Poland.

Based on the securitised assets, SPV2 issued bonds of PLN 1,051 m in total secured by a registered pledge on SPV2 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 of PLN 234,721 k granted by SCB to SPV2, which is subordinated to senior secured bonds. Interest on the loan is fixed and paid from SPV2 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 SCB financial statements pursuant to IAS 39. Consequently, as at 30.06.2016, SCB recognised the securitised assets of PLN 1,142,397 k net under Loans and advances to customers, and liability of PLN 1,286,637 k under Deposits from customers in respect of cash flows on account of securitisation.

In May 2016, Santander Consumer Bank closed the securitisation of a car and hire purchase loan portfolio which was completed in 2014. The transaction was executed as a traditional securitisation scheme involving transfer of securitised receivables to SC Poland Auto 2014-1 Limited (SPV1), a special purpose vehicle registered in Ireland. The net value of the securitisation portfolio at the repurchase date was PLN 391,684 k.

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

Pursuant to the decision of the Swiss National Bank as a result of the decision of the Swiss National Bank to abandon the cap on the franc's value against the euro, in January 2015, there occurred a material depreciation of the zloty against the Swiss franc. The official NBP PLN/CHF exchange rate as at 30 June 2016 was 4,0677, as at 31 December 2015 was 3,9394, as at 30 June 2015 was 4,0412.

The exchange rate movement have affected the value and the risk profile of assets, liabilities and off-balance sheet financial instruments denominated in the currency under review from 1 Q 2015 onwards.

In thousands of PLN

The table below presents the PLN equivalent of the mortgage loan-book value of Bank Zachodni WBK Group as at 30 June 2016, December 2015, 30 June 2015

Gross mortgage loans by currency	30.06.2016	31.12.2015	30.06.2015
CHF denominated mortgage loans, of which:	13 793 653	13 853 060	14 739 377
<i>Bank Zachodni WBK</i>	10 765 194	10 809 116	11 495 961
<i>Santander Consumer Bank</i>	3 028 459	3 043 944	3 243 416
Mortgage loans denominated in other currencies, of which:	21 816 100	19 867 521	18 420 277
<i>in PLN</i>	19 475 225	17 536 095	16 046 940
Total	35 609 753	33 720 581	33 159 654

Bank Zachodni WBK Group actively manages the CHF position using derivative instruments (swaps) and direct financing including loans and repo transactions. As at the end of June 2016, the volume of the above instruments added up to CHF 3.06 bn and CHF 0.33 bn, respectively.

Risk profile of CHF-indexed/denominated loans

CHF gross mortgage loans as at 30.06.2016	Gross amount	Impairment losses	Coverage ratio
Performing loans	13 594 321	86 666	0,64%
Non-performing loans	199 332	88 657	44,48%
Total	13 793 653	175 323	

Average LTV ratio and NPL ratio amounted to 120% and 1.5%, respectively. As at 30 June 2016, 99% of CHF loans were sanctioned before 2009.

21. Buy-sell-back transactions

Buy-sell-back transactions	30.06.2016	31.12.2015	30.06.2015
Buy-sell-back transactions to banks	34 925	272 300	138 290
Buy-sell-back transactions to customers	-	16 960	-
Razem	34 925	289 260	138 290

22. Financial assets available for sale

Financial assets available for sale	30.06.2016	31.12.2015	30.06.2015
Available for sale investments - measured at fair value			
Debt securities	22 018 549	23 463 634	24 736 537
Government securities:	19 718 295	18 621 755	19 270 377
- bonds	19 718 295	18 621 755	19 270 377
Central Bank securities:	-	2 599 243	3 239 730
- bills	-	2 599 243	3 239 730
Commercial securities:	2 300 254	2 242 636	2 226 430
-bonds	2 300 254	2 242 636	2 226 430
Equity securities	937 301	1 149 147	894 834
- listed	38 122	43 232	68 205
- unlisted	899 179	1 105 915	826 629
Investment certificates	763	9 297	17 779
Total	22 956 613	24 622 078	25 649 150

In thousands of PLN

Movements on financial assets available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2016	23 463 634	1 158 444	24 622 078
Additions	37 637 473	77 884	37 715 357
Disposals (sale and maturity)	(39 271 391)	(277 689)	(39 549 080)
Fair value adjustment	(12 957)	(13 042)	(25 999)
Movements on interest accrued	166 646	-	166 646
Allowances for impairment	-	(7 533)	(7 533)
F/X differences	35 144	-	35 144
As at 30 June 2016	22 018 549	938 064	22 956 613

Movements on financial assets available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2015	26 152 181	904 912	27 057 093
Additions	124 520 434	6 805	124 527 239
Disposals (sale and maturity)	(126 454 096)	(21 346)	(126 475 442)
Fair value adjustment	(416 286)	269 806	(146 480)
Movements on interest accrued	(37 741)	-	(37 741)
Allowances for impairment	-	(1 733)	(1 733)
F/X differences	34 657	-	34 657
Financial assets adjustment due to loss of control over BZ WBK-Aviva insurance companies.	(335 515)	-	(335 515)
As at 31 December 2015	23 463 634	1 158 444	24 622 078

Movements on financial assets available for sale	Debt securities	Financial instruments representing equity rights	Total
As at 1 January 2015	26 152 181	904 912	27 057 093
Additions	71 127 779	6 105	71 133 884
Disposals (sale and maturity)	(71 817 370)	(1 600)	(71 818 970)
Fair value adjustment	(558 181)	4 927	(553 254)
Movements on interest accrued	149 565	-	149 565
Allowances for impairment	-	(1 731)	(1 731)
F/X differences	18 078	-	18 078
Financial assets adjustment due to loss of control over BZ WBK-Aviva insurance companies.	(335 515)	-	(335 515)
As at 30 June 2015	24 736 537	912 613	25 649 150

23. Investments in associates

Movements on investments in associates	30.06.2016	31.12.2015	30.06.2015
Balance as at 1 January	831 142	42 792	42 792
Share of profits/(losses)	20 696	27 711	5 362
Dividends	(10 827)	(5 721)	(5 721)
Reclassification *	-	766 360	766 360
Balance at the end of the period	841 011	831 142	808 793

Balance sheet value of associates	30.06.2016	31.12.2015	30.06.2015
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 999	42 803	42 703
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	798 012	788 339	766 090
Total	841 011	831 142	808 793

In thousands of PLN

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

24. Net deferred tax assets

Deferred tax assets	30.06.2016	Changes to equity	Changes to financial result	Changes in temporary differences	31.12.2015
Provisions for loans	638 730	-	29 997	29 997	608 733
Unrealized liabilities due to derivatives	844 603	-	76 759	76 759	767 844
Cash flow hedges valuation	28 013	(17 845)	-	(17 845)	45 858
Other provisions which are not taxable costs	133 645	-	(9 280)	(9 280)	142 925
Deferred income	426 203	-	19 476	19 476	406 727
Difference between balance sheet and taxable value of leasing portfolio	230 987	-	40 066	40 066	190 921
Unrealised interest expense on loans, deposits and securities	72 849	-	(17 048)	(17 048)	89 897
Other	12 092	-	(3 315)	(3 315)	15 407
Total	2 387 122	(17 845)	136 655	118 810	2 268 312

Deferred tax liabilities	30.06.2016	Changes to equity	Changes to financial result	Changes in temporary differences	31.12.2015
Revaluation of financial instruments available for sale*	(170 638)	59 099	-	59 099	(229 737)
Unrealised receivables on derivatives	(411 772)	-	11 836	11 836	(423 608)
Unrealised interest income on loans, securities and interbank deposits	(200 507)	-	(17 845)	(17 845)	(182 662)
Provision due to application of investment relief	(2 144)	-	59	59	(2 203)
Difference between balance sheet and taxable value of unfinancial value assets	3 782	-	1 607	1 607	2 175
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(8 836)	-	(344)	(344)	(8 492)
Valuation of shares / interests in subsidiaries	(144 759)	-	8 207	8 207	(152 966)
Other	(21 712)	-	(2 701)	(2 701)	(19 011)
Total	(956 586)	59 099	819	59 918	(1 016 504)

Net deferred tax assets	1 430 536	41 254	137 474	178 728	1 251 808
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*Changes in deferred tax liabilities were recognised in the consolidated statement of comprehensive income.

As at 30.06.2016 the calculation of deferred tax assets did not include gross purchased receivables of PLN 8,518 k and gross loans that will not be realised of PLN 46,686 k.

In thousands of PLN

	31.12.2015	Changes to equity	Changes to financial result	Changes in temporary differences	30.06.2015
Deferred tax assets					
Provisions for loans	608 733	-	(38 507)	(38 507)	647 240
Unrealized liabilities due to derivatives	767 844	-	(104 322)	(104 322)	872 166
Cash flow hedges valuation	45 858	12 470	-	12 470	33 388
Other provisions which are not taxable costs	142 925	-	29 781	29 781	113 144
Deferred income	406 727	-	21 568	21 568	385 159
Difference between balance sheet and taxable value of leasing portfolio	190 921	-	23 071	23 071	167 850
Unrealised interest expense on loans, deposits and securities	89 897	-	4 594	4 594	85 303
Other	15 407	-	(2 600)	(2 600)	18 007
Total	2 268 312	12 470	(66 415)	(53 945)	2 322 257

	31.12.2015	Changes to equity	Changes to financial result	Changes in temporary differences	30.06.2015
Deferred tax liabilities					
Revaluation of financial instruments available for sale*	(229 737)	(67 151)	-	(67 151)	(162 586)
Unrealised receivables on derivatives	(423 608)	-	5 972	5 972	(429 580)
Unrealised interest income on loans, securities and interbank deposits	(182 662)	-	(9 255)	(9 255)	(173 407)
Provision due to application of investment relief	(2 203)	-	66	66	(2 269)
Difference between balance sheet and taxable value of unfinancial value assets	2 175	-	1 806	1 806	369
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(8 492)	-	(829)	(829)	(7 663)
Valuation of investments in subsidiaries	(152 966)	-	(3 842)	(3 842)	(149 124)
Other	(19 011)	-	11 282	11 282	(30 293)
Total	(1 016 504)	(67 151)	5 200	(61 951)	(954 553)

Net deferred tax assets	1 251 808	(54 681)	(61 215)	(115 896)	1 367 704
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*Changes in deferred tax liabilities were recognised in the consolidated statement of comprehensive income.

As at 31.12.2015 the calculation of deferred tax assets did not include gross purchased receivables of PLN 10,684 k and gross loans that will not be realised of PLN 61,866 k.

	30.06.2015	Changes to equity	Changes to financial result	Changes in temporary differences	31.12.2014
Deferred tax assets					
Provisions for loans	647 240	-	14 820	14 820	632 420
Unrealized liabilities due to derivatives	872 166	-	190 960	190 960	681 206
Cash flow hedges valuation	33 388	8 008	-	8 008	25 380
Other provisions which are not taxable costs	113 144	-	8 694	8 694	104 450
Deferred income	385 159	-	27 837	27 837	357 322
Difference between balance sheet and taxable value of leasing portfolio	167 850	-	19 190	19 190	148 660
Unrealised interest expense on loans, deposits and securities	85 303	-	(101 699)	(101 699)	187 002
Other	18 007	-	(887)	(887)	18 894
Total	2 322 257	8 008	158 915	166 923	2 155 334

	30.06.2015	Changes to equity	Changes to financial result	Changes in temporary differences	31.12.2014
Deferred tax liabilities					
Revaluation of financial instruments available for sale*	(162 586)	86 354	-	86 354	(248 940)
Unrealised receivables on derivatives	(429 580)	-	(17 705)	(17 705)	(411 875)
Unrealised interest income on loans, securities and interbank deposits	(173 407)	-	28 580	28 580	(201 987)
Provision due to application of investment relief	(2 269)	-	958	958	(3 227)
Difference between balance sheet and taxable value of unfinancial value assets	369	-	1 316	1 316	(947)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(7 663)	-	(1 435)	(1 435)	(6 228)
Valuation of investments in subsidiaries	(149 124)	-	(65 226)	(65 226)	(83 898)
Other	(30 293)	-	(13 671)	(13 671)	(16 622)
Total	(954 553)	86 354	(67 183)	19 171	(973 724)

Net deferred tax assets	1 367 704	94 362	91 732	186 094	1 181 610
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*Changes in deferred tax liabilities were recognised in the consolidated statement of comprehensive income.

As at 30.06.2015 the calculation of deferred tax assets did not include gross purchased receivables of PLN 11,893 k and gross loans that will not be realised of PLN 91,615 k.

In thousands of PLN

25. Assets classified as held for sale

Assets classified as held for sale	30.06.2016	31.12.2015	30.06.2015
Land and buildings	638	638	638
Other fixed assets	10	931	40
Total	648	1 569	678

26. Other assets

Other assets	30.06.2016	31.12.2015	30.06.2015
Interbank and interbranch settlements	201 504	120 024	160 296
Sundry debtors	420 300	353 994	335 869
Prepayments *	138 543	133 667	250 289
Repossessed assets	37 467	37 364	37 364
Settlements of stock exchange transactions	26 426	23 508	41 328
Other	4 250	4 608	5 581
Total	828 490	673 165	830 727

* Due to changes in the Act on Bank Guarantee Fund (Journal of Laws of 2016), in March 2016, the mandatory and prudential BGF fee started to be calculated on an annual rather than quarterly basis.

Accordingly, at the end of March 2016, the Bank paid the fee for Q1 2016 and now no BGF payments are posted under "Prepayments".

Due to the above amendment to the Act, the basis for calculation of the fee will also change in the following quarters. In Q2, the fee will be calculated on the basis of the total risk exposure estimated as at 31.03.2016.

In the corresponding period, "Prepayments" included the fees to the Bank Guarantee Fund that are settled over time. As at 30.06.2015 they amounted to PLN 100,428 k for the bank and PLN 15,035 k for Santander Consumer Bank.

In 2015, BGF payments were accounted for on an accrual basis in accordance with the opinion of the KNF and the Finance Ministry.

27. Deposits from banks

Deposits from banks	30.06.2016	31.12.2015	30.06.2015
Term deposits	486 951	179 260	708 578
Loans from other banks	1 487 263	574 693	622 778
Current accounts	428 788	312 810	316 677
Total	2 403 002	1 066 763	1 648 033

In thousands of PLN

28. Deposits from customers

Deposits from customers	30.06.2016	31.12.2015	30.06.2015
Deposits from individuals	61 358 919	59 200 715	55 977 101
Term deposits	24 813 400	26 967 411	26 424 384
Current accounts	36 425 604	32 087 123	29 433 797
Other	119 915	146 181	118 920
Deposits from enterprises	39 861 278	38 787 658	33 982 710
Term deposits	20 599 635	20 119 828	17 593 375
Current accounts	14 903 593	14 957 442	13 161 069
Loans	3 547 534	3 002 047	2 276 813
Other	810 516	708 341	951 453
Deposits from public sector	4 537 711	3 256 813	3 651 846
Term deposits	2 848 232	1 476 264	1 768 170
Current accounts	1 678 223	1 668 272	1 883 442
Other	11 256	112 277	234
Total	105 757 908	101 245 186	93 611 657

29. Sell-buy-back transactions

Sell-buy-back transactions	30.06.2016	31.12.2015	30.06.2015
Sell-buy-back transactions from banks	1 786 499	4 637 841	7 423 613
Sell-buy-back transactions from customers	-	620 190	120 004
Razem	1 786 499	5 258 031	7 543 617

30. Subordinated liabilities

Subordinated liabilities	Redemption date	Currency	Nominal value
Tranche 1	05.08.2025	EUR	100 000
Tranche 2 *	14.12.2016	PLN	100 000

* Concerns Santander Consumer Bank

Movements in subordinated liabilities	30.06.2016	31.12.2015	30.06.2015
As at the beginning of the period	526 634	1 539 967	1 539 967
Increase (due to):	25 653	168 913	152 592
- interest on subordinated loan	9 328	45 260	34 209
- FX differences	16 325	123 653	118 383
Decrease (due to):	(9 562)	(1 182 246)	(1 172 825)
- subordinated loans repayment	-	(1 138 338)	(1 138 338)
- interest repayment	(9 562)	(43 908)	(34 487)
Subordinated liabilities - as at the end of the period	542 725	526 634	519 734
Short-term	101 900	2 285	2 277
Long-term (over 1 year)	440 825	524 349	517 457

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

31. Debt securities in issue

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	30.06.2016
SCB00032	not quoted	20 000	PLN	26.08.2019	
SCB00033	not quoted	50 000	PLN	26.02.2020	
SCB00034	not quoted	140 000	PLN	05.05.2020	
SCB00035	not quoted	82 000	PLN	29.05.2020	
Series A	PLBZ00000150	500 000	PLN	19.12.2016	
Series B	PLBZ00000168	475 000	PLN	17.07.2017	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
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	
SCB00031	not quoted	40 000	PLN	23.02.2018	
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	
Series D	PLBZ00000200	185 000	PLN	26.02.2017	
Series A bank securities	PLBZ00000192	250 000	PLN	17.08.2016	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
Securitization Bonds Float A	XS1275288295	1 051 125	PLN	19.08.2025	
Debt securities in issue					4 378 949

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	31.12.2015
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	
SCB00030	not quoted	40 000	PLN	24.03.2016	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00027	not quoted	50 000	PLN	29.04.2016	
SCB00028	not quoted	20 000	PLN	29.04.2016	
SCB00029	not quoted	50 000	PLN	13.05.2016	
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 sale	XS1275288295	1 051 125	PLN	19.08.2025	
Debt securities in issue					4 320 891
- as at the end of the period					

In thousands of PLN

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	30.06.2015
SCB00026	not quoted	25 000	PLN	30.09.2015	
SCB00025	not quoted	20 000	PLN	30.10.2015	
SCB00024	not quoted	40 000	PLN	30.10.2015	
SCBP00300111	not quoted	106 000	PLN	15.12.2015	
SCB00021	not quoted	40 000	PLN	24.12.2015	
SCB00013	not quoted	25 000	PLN	27.01.2016	
SCBP00330500	not quoted	50 000	PLN	29.01.2016	
SCBP00310038	not quoted	38 000	PLN	29.01.2016	
SCB00014	not quoted	10 000	PLN	03.02.2016	
SCBP00360217	not quoted	21 700	PLN	12.02.2016	
SCBP00340050	not quoted	50 000	PLN	12.02.2016	
SCB00016	not quoted	50 000	PLN	24.02.2016	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
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	
Securitization Bonds Float A	XS1070423931	116 143	PLN	20.06.2025	
Debt securities in issue - as at the end of the period					3 225 723

Movements in debt securities in issue	30.06.2016	31.12.2015	30.06.2015
As at the beginning of the period	4 320 891	3 373 374	3 373 374
Increase (due to):	821 788	2 217 617	719 731
- debt securities in issue	767 000	2 111 125	670 000
- interest on debt securities in issue	54 788	106 492	49 731
Decrease (due to):	(763 730)	(1 270 100)	(867 382)
- debt securities redemption	(704 700)	(1 159 567)	(816 441)
- interest repayment	(59 030)	(110 533)	(50 941)
As at the end of the period	4 378 949	4 320 891	3 225 723

In thousands of PLN

32. Other liabilities

Other liabilities	30.06.2016	31.12.2015	30.06.2015
Settlements of stock exchange transactions	21 380	25 376	34 846
Interbank and interbranch settlements	314 497	202 317	311 159
Provisions:	427 550	516 600	455 487
Employee provisions	300 767	380 724	304 998
Provisions for legal claims	57 935	48 582	58 875
Provisions for off-balance sheet credit facilities	59 375	75 340	78 980
Provisions for restructuring *	6 173	8 648	9 334
Other	3 300	3 306	3 300
Sundry creditors	451 474	342 341	277 538
Other deferred and suspended income	262 025	232 127	201 222
Public and law settlements	95 432	52 119	58 732
Accrued liabilities	412 063	429 113	359 362
Finance lease related settlements	46 551	78 866	38 411
Other	828	229	646
Total	2 031 800	1 879 088	1 737 403

* Provision acquired as a result of the acquisition of control over Santander Consumer Bank on July 1, 2014 in the amount of PLN 15,547 k (as at 30.06.2016 in the amount of PLN 6,173 k) referred to:

- restructuring of employment in the bank PLN 3,323 k (as at 30.06.2016 in the amount of PLN 2,119 k),
- liquidation of branches PLN 12,224 k. (as at 30.06.2016 in the amount of PLN 4,054 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 Sp z o.o.). Provision has also been associated with the implementation of the Operational Excellence Programme in 2015.

It is expected that most of cash flows related to the raised restructuring provision will materialise in the years 2016-2018.

Change in provisions 30.06.2016	Provisions for off balance sheet credit facilities				Total
	Employee provisions	Provisions for legal claims	Other*		
As at the beginning of the period	380 724	48 582	75 340	11 954	516 600
Provision charge	175 926	76 017	53 243	-	305 186
Utilization	(217 452)	(66 037)	833	(6)	(282 662)
Write back	(38 691)	(627)	(70 041)	(2 436)	(111 795)
Other changes	260	-	-	(39)	221
Balance at the end of the period	300 767	57 935	59 375	9 473	427 550
Short-term	239 088	57 935	49 825	9 473	356 321
Long-term	61 679	-	9 550	-	71 229

* Position Other provisions include, among others, provisions for restructuring provision of PLN 6 173.

Change in provisions 31.12.2015	Provisions for off balance sheet credit facilities				Total
	Employee provisions	Provisions for legal claims	Other*		
As at the beginning of the period	365 083	53 128	87 517	1 089 466	1 595 194
Provision charge	297 134	12 320	115 734	1 811	426 999
Utilization	(236 171)	(7 628)	252	-	(243 547)
Write back	(45 639)	(9 238)	(128 163)	(1 079 323)**	(1 262 363)
Other changes	317	-	-	-	317
Balance at the end of the period	380 724	48 582	75 340	11 954	516 600
Short-term	321 264	48 582	60 944	11 954	442 744
Long-term	59 460	-	14 396	-	73 856

* Position Other provisions include, among others, provisions for restructuring provision of PLN 8 648.

In thousands of PLN

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

Change in provisions 30.06.2015	Provisions for off balance sheet credit facilities				Total
	Employee provisions	Provisions for legal claims	Other*		
As at the beginning of the period	365 083	53 128	87 517	1 089 466	1 595 194
Provision charge	144 499	10 436	66 158	257	221 350
Utilization	(175 341)	(2 977)	(152)	-	(178 470)
Write back	(29 560)	(1 712)	(74 543)	(1 077 089)**	(1 182 904)
Other changes	317	-	-	-	317
Balance at the end of the period	304 998	58 875	78 980	12 634	455 487
Short-term	236 826	58 875	65 755	12 634	374 090
Long-term	68 172	-	13 225	-	81 397

* Position Other provisions include, among others, provisions for restructuring provision of PLN 9 334.

**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.”).

33. Fair value

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

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

Assets	30.06.2016		31.12.2015		30.06.2015	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	3 139 261	3 139 261	6 229 853	6 229 853	3 031 101	3 031 101
Loans and advances to banks	4 593 417	4 593 417	3 580 957	3 580 957	3 166 259	3 166 259
Financial assets held for trading	4 924 014	4 924 014	4 165 511	4 165 511	4 994 553	4 994 553
Hedging derivatives	94 508	94 508	164 777	164 777	144 863	144 863
Loans and advances to customers	100 480 379	100 411 916	94 913 884	95 598 939	90 077 975	90 328 323
Financial assets available for sale	22 956 613	22 956 613	24 622 078	24 622 078	25 649 150	25 649 150
Investments in associates	841 011	841 011	831 142	831 142	808 793	808 793
Liabilities						
Deposits from banks	2 403 002	2 403 002	1 066 763	1 066 763	1 648 033	1 648 033
Hedging derivatives	2 394 274	2 394 274	2 079 805	2 079 805	2 294 922	2 294 922
Financial liabilities held for trading	2 475 152	2 475 152	2 535 684	2 535 684	2 686 609	2 686 609
Subordinated liabilities	542 725	672 757	526 634	603 709	519 734	594 462
Deposits from customers	105 757 908	105 794 211	101 245 186	101 270 892	93 611 657	93 627 620

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.

In thousands of PLN

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.

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.

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

As at 30.06.2016 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, 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.

The objective of using a valuation technique is to determine the fair value, i.e., prices, which were obtained by the sale of an asset in an orderly transaction between market participants carried out under current market conditions between market participants at the measurement date.

Valuation of major capital investments classified to Category III are made semi-annually by specialized units of the Bank using income methods based on discounted cash flows and comparative methods based on market multiples of comparable transactions multiples or stock quotes.

The final valuation is approved jointly by representatives of the Risk Management Division and the Financial Accounting and Control Division, who assess it taking into account in particular:

- a) which valuation technique requires the least subjective / expert changes to the input data (ie. to maximize the use of appropriate, observable parameters and minimizes the use of unobservable data)
- b) span ranges of valuation and the convergence of the results indicated by valuation techniques,
- c) the differences in the values indicated by the different valuation techniques.

In the current reporting period, the valuations remained unchanged.

In thousands of PLN

As at 30.06.2016 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.06.2016	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	2 460 205	2 463 504	305	4 924 014
Hedging derivatives	-	94 508	-	94 508
Financial assets available for sale - debt securities	13 600 096	8 418 454	-	22 018 550
Financial assets available for sale- equity securities	38 120	-	899 943	938 063
Total	16 098 421	10 976 466	900 248	27 975 135
Financial liabilities				
Financial liabilities held for trading	434 414	2 040 738	-	2 475 152
Hedging derivatives	-	2 394 274	-	2 394 274
Total	434 414	4 435 012	-	4 869 426

31.12.2015	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 743 074	2 420 598	1 839	4 165 511
Hedging derivatives	-	164 777	-	164 777
Financial assets available for sale - debt securities	15 299 779	8 163 855	-	23 463 634
Financial assets available for sale- equity securities	43 232	-	1 115 212	1 158 444
Total	17 086 085	10 749 230	1 117 051	28 952 366
Financial liabilities				
Financial liabilities held for trading	524 198	2 011 486	-	2 535 684
Hedging derivatives	-	2 079 805	-	2 079 805
Total	524 198	4 091 291	-	4 615 489

30.06.2015	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 647 553	3 345 640	1 360	4 994 553
Hedging derivatives	-	144 863	-	144 863
Financial assets available for sale - debt securities	15 526 814	9 209 723	-	24 736 537
Financial assets available for sale- equity securities	50 570	-	862 043	912 613
Total	17 224 937	12 700 226	863 403	30 788 566
Financial liabilities				
Financial liabilities held for trading	305 981	2 380 628	-	2 686 609
Hedging derivatives	-	2 294 922	-	2 294 922
Total	305 981	4 675 550	-	4 981 531

In thousands of PLN

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

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial assets available for sale - debt securities	Financial assets available for sale - equity securities	Financial liabilities held for trading
30.06.2016				
Beginning of the period	1 839	-	1 115 212	-
Profits or losses	27	-	55 685	-
<i>recognised in income statement (unrealised)</i>	27	-	63 651	-
<i>recognised in equity</i>	-	-	(7 966)	-
Purchase	298	-	7 500	-
Sale	(1 859)	-	(278 454)	-
Transfer between levels	-	-	-	-
At the period end	305	-	899 943	-

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial assets available for sale - debt securities	Financial assets available for sale - equity securities	Financial liabilities held for trading
31.12.2015				
Beginning of the period	1 390	-	850 757	-
Profits or losses	23	-	270 526	-
<i>recognised in income statement (unrealised)</i>	23	-	-	-
<i>recognised in equity</i>	-	-	270 526	-
Purchase	1 278	-	6 597	-
Sale	(852)	-	(15 820)	-
Transfer between levels	-	-	3 152	-
At the period end	1 839	-	1 115 212	-

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

34. Contingent liabilities

Significant court proceedings

As at 30.06.2016 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.

In thousands of PLN

The value of all litigation amounts to PLN 616,617 k, which is ca 3.04% of the Group's equity. This amount includes PLN 450,353 k claimed by the Group, PLN 166,017 k in claims against the Group and PLN 247 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.06.2016 the amount of significant court proceedings which had been completed amounted to PLN 172,077 k.

As at 30.06.2016, the value of provisions for legal risks, for court cases against the Bank was PLN 25,866 k. In seven cases against the Bank, where the claim value was high, a provision of PLN 23,000 k was raised. The remaining amount of PLN 2,866 k covers 56 cases.

The Bank raises provisions for legal risk where an internal risk assessment for a particular case indicates a possible outflow of cash. Provisions for cases disputed in court are presented in Note 32.

As at 31.12.2015 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 483 466 k, which is ca 2.35% of the Group's equity. This amount includes PLN 256 443 k claimed by the Group, PLN 211 811 k in claims against the Group and PLN 15 212 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2015 the amount of significant court proceedings which had been completed amounted to PLN 80 040 k.

As at 31.12.2015, the value of provisions for legal risks, for court cases against the Bank was PLN 27,373 k. In eight cases against the Bank, where the claim value was high, a provision of PLN 25,000 k was raised. The remaining amount of PLN 2,373 k covers 58 cases.

As at 30.06.2015 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

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

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

As at 30.06.2015, the value of provisions for legal risks, for court cases against the Bank was PLN 37 945 k. In five cases against the Bank, where the claim value was high, a provision of PLN 31 411 k was raised. PLN 4 226 k relates to a provision raised for a claim filed by the Bank. The remaining amount of PLN 2 308 k covers 42 cases.

Off-balance sheet liabilities

The value of contingent liabilities and off-balance sheet transactions by categories is presented below. The value of guarantees and letters of credit, as presented in the table below, reflects the maximum possible loss which would have been disclosed at the balance sheet date without taking into account the collateral held by the Bank if the customers failed to meet their commitments towards third parties in full.

Contingent liabilities - sanctioned	30.06.2016	31.12.2015	30.06.2015
Liabilities sanctioned			
- financial	22 510 347	21 870 729	20 647 885
- credit lines	18 663 990	18 462 963	17 591 140
- credit cards debits	3 259 358	2 966 977	2 681 349
- import letters of credit	582 611	437 988	358 457
- term deposits with future commencement term	4 388	2 801	16 939
- guarantees	4 398 300	4 397 631	4 426 775
Total	26 908 647	26 268 360	25 074 660

In thousands of PLN

35. The nominal value of derivatives

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

Derivatives' nominal values	30.06.2016	31.12.2015	30.06.2015
1. Term derivatives (hedging)	35 899 766	37 200 049	39 269 582
a) Single-currency interest rate swap	2 332 255	2 115 615	3 273 000
b) Macro cash flow hedge -purchased (IRS)	2 468 212	3 498 747	2 218 087
c) Macro cash flow hedge -purchased (CIRS)	13 635 413	15 012 938	15 968 787
d) Macro cash flow hedge -sold (CIRS)	15 529 942	16 572 749	17 809 708
e) FX Swap cash flow hedge -purchased (FX)	957 696	-	-
f) FX Swap cash flow hedge-sold (FX)	976 248	-	-
2. Term derivatives (trading)	303 490 442	250 073 754	213 799 284
a) Interest rate operations	177 032 702	147 668 316	126 841 726
Single-currency interest rate swap	140 067 629	130 621 773	113 340 939
FRA - purchased amounts	31 300 000	13 375 000	10 720 000
Options	5 662 853	3 671 543	2 780 787
Forward- purchased amounts	2 220	-	-
Forward- sold amounts	-	-	-
b) FX operations	126 457 740	102 405 438	86 957 558
FX swap – purchased amounts	30 286 684	22 949 839	19 207 223
FX swap – sold amounts	30 250 913	22 881 247	19 187 039
Forward- purchased amounts	5 439 597	4 872 628	3 914 800
Forward- sold amounts	5 441 188	4 899 101	3 935 593
Cross-currency interest rate swap – purchased amounts	13 753 316	9 061 073	7 741 567
Cross-currency interest rate swap – sold amounts	13 842 958	9 118 586	7 932 596
FX options -purchased CALL	6 696 021	6 972 190	6 125 607
FX options -purchased PUT	7 025 521	7 339 292	6 393 763
FX options -sold CALL	6 696 021	6 972 190	6 125 607
FX options -sold PUT	7 025 521	7 339 292	6 393 763
3. Currency transactions- spot	1 516 374	3 022 127	3 932 780
Spot-purchased	758 323	1 511 171	1 966 764
Spot-sold	758 051	1 510 956	1 966 016
4. Transactions on equity financial instruments	1 143 352	1 485 063	863 783
Derivatives contract - purchased	557 094	731 883	418 543
Derivatives contract - sold	586 258	753 180	445 240
5. Capital options related to subsidiary entities	-	-	-
Total	342 049 934	291 780 993	257 865 429

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

36. Basis of FX conversion

As at 30.06.2016, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/2016 dd. 30.06.2016.

37. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Bank Zachodni WBK General Meeting as at the publication date of the condensed interim consolidated report for H1 2016 /27.07.2016/ 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	
	27.07.2016	27.04.2016	27.07.2016	27.04.2016	27.07.2016	27.04.2016	27.07.2016	27.04.2016
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%

38. Related party disclosures

Transactions with associates	30.06.2016	31.12.2015	30.06.2015
Assets	57	68	66
Other assets	57	68	66
Liabilities	119 176	60 351	101 687
Deposits from customers	118 896	60 075	101 351
Other liabilities	280	276	336
Income	13 169	49 561	14 697
Fee and commission income	13 169	49 561	14 697
Expenses	6 812	7 689	2 268
Interest expense	676	1 237	599
Fee and commission expense	1 451	3 480	1 070
Operating expenses incl.:	4 685	2 972	599
<i>General and administrative expenses</i>	4 685	2 972	599
Contingent liabilities	407	407	444
Sanctioned:	407	407	444
- <i>guarantees</i>	407	407	444

In thousands of PLN

Transactions with Santander Group	with the parent company			with other entities		
	30.06.2016	31.12.2015	30.06.2015	30.06.2016	31.12.2015	30.06.2015
	Assets	760 429	684 477	406 400	5 256	13 376
Loans and advances to banks, incl:	389 440	337 099	162 402	2 205	1 391	2 221
<i>loans and advances</i>	177 020	252 132	-	-	-	-
<i>current accounts</i>	212 420	84 967	162 402	2 205	1 391	2 221
Financial assets held for trading	370 297	343 790	240 057	3 051	11 982	8 169
Hedging derivatives	473	1 529	3 374	-	-	-
Other assets	219	2 059	567	-	3	-
Liabilities	657 315	401 482	345 810	156 626	125 302	116 642
Deposits from banks incl.:	238 600	102 590	50 794	1 059	9 193	6 232
<i>current accounts</i>	238 600	102 590	50 794	1 059	9 193	6 232
Hedging derivatives	54 269	22 065	10 862	-	-	-
Financial liabilities held for trading	364 444	276 696	284 148	18 750	7 220	9 631
Deposits from customers	-	-	-	129 280	105 202	96 428
Other liabilities	2	131	6	7 537	3 687	4 351
Income	745 427	736 899	111 963	5 953	473	(738)
Interest income	7 054	13 035	6 515	23	11	6
Fee and commission income	832	2 220	1 019	100	63	33
Other operating income	-	-	-	-	614	614
Net trading income and revaluation	737 541	721 644	104 429	5 830	(215)	(1 391)
Expenses	717	1 083	476	9 826	16 452	6 776
Interest expense	125	116	5	594	1 034	547
Fee and commission expense	592	967	471	115	192	-
Operating expenses incl.:	-	-	-	9 117	15 226	6 229
<i>Bank's staff, operating expenses and management costs</i>	-	-	-	9 117	15 016	6 197
<i>Other operating expenses</i>	-	-	-	-	210	32
Contingent liabilities	15	280	560	-	-	-
Sanctioned:	15	280	560	-	-	-
- financing-related	15	280	300	-	-	-
- <i>guarantees</i>	-	-	260	-	-	-
Derivatives' nominal values	61 110 407	48 521 643	39 710 884	1 591 529	2 059 430	1 857 244
Cross-currency interest rate swap – purchased amounts	5 615 936	3 704 776	3 650 637	-	-	-
Cross-currency interest rate swap – sold amounts	5 517 879	3 586 042	3 636 817	-	-	-
Single-currency interest rate swap	16 464 009	11 991 876	8 700 563	1 591 529	1 591 418	1 586 000
FRA - purchased amounts	3 050 000	1 600 000	-	-	-	-
Options	5 621 021	3 626 907	2 704 277	-	-	-
FX swap – purchased amounts	4 929 780	4 412 806	3 624 362	-	-	-
FX swap – sold amounts	4 905 351	4 401 243	3 573 527	-	-	-
FX options -purchased CALL	3 375 752	3 563 906	3 064 602	-	-	-
FX options -purchased PUT	3 601 979	3 751 086	3 194 972	-	-	-
FX options -sold CALL	3 320 269	3 408 284	3 061 005	-	-	-
FX options -sold PUT	3 423 542	3 588 205	3 198 791	-	-	-
Spot-purchased	160 967	144 011	465 851	-	-	-
Spot-sold	161 276	143 917	465 394	-	-	-
Forward- purchased amounts	204 092	165 120	108 347	-	-	-
Forward- sold amounts	202 130	169 671	114 440	-	-	-
Capital derivatives contract - purchased	556 424	263 793	147 299	-	468 012	271 244

In thousands of PLN

Transactions with Members of the Management and Supervisory Boards

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

As at 30.06.2016, 31.12.2015 and 30.06.2015 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

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

30.06.2016

In H1 2016 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK totalled PLN 5,057 k, whereas additional benefits totalled PLN 369 k. In 2016, a total bonus of PLN 6,006 k was paid for 2015, including a deferred part for 2014, 2013 and 2012.

In H1 2016, the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 879 k.

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives as at 30.06.2016 totalled PLN 5,075 k.

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

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

31.12.2015

In 2015 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK totalled PLN 11,743 k, whereas additional benefits totalled PLN 973 k. In 2015, a total bonus of PLN 6,475 k was paid for 2015, including a deferred part for 2014, 2013 and 2012.

In 2015, the Management Board members were paid the equivalent for unused annual leave in the amount of PLN 1,056k .

In addition, Mr. Piotr Partyga received additional compensation for termination of the contract and the non-competition clause in the amount of PLN 1,108k.

In 2015, the total remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 1,535 k.

In addition, Mr John Power received remuneration for the supervision of the merger process of BZ WBK and Kredyt Bank on behalf of the Supervisory Board in the amount of PLN 1,050 k.

Mr John Power received remuneration of PLN 31 k from subsidiaries for his membership in their Supervisory Boards.

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives as at 31.12.2015 totalled PLN 5,160 k.

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

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

30.06.2015

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

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

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives as at 30.06.2015 totalled PLN 12,312 k.

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

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

In thousands of PLN

39. Acquisitions and disposals of investments in subsidiaries and associates

Acquisitions and disposals of investments in subsidiaries and associates in 1H 2016 and in 2015

A merger of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. and BZ WBK Asset Management S.A. was completed, as a result of which BZ WBK TFI has acquired AM.

On 31.03.2016, a merger of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (BZ WBK TFI) and BZ WBK Asset Management S.A. (BZ WBK AM) was completed, as a result of which BZ WBK TFI has acquired AM.

The merger was executed by way of transfer of all assets of AM (the acquired company) to BZ WBK TFI (the acquiring company) in return for shares which BZ WBK TFI has allotted to the shareholders of the acquired company. The merger of the companies took effect on the date of entry of the merger into the register of businesses. Upon recording of the merger, AM has been deleted from the register of businesses. As of the merger date BZ WBK TFI has taken over all rights and obligations of its legal predecessor, i.e. AM. Business combinations under common control have no material impact on the financial statements.

Metrohouse Franchise S.A. shares sale transaction

On 22.01.2016, BZ WBK Inwestycje Sp. z o.o. sold all its shares of Metrohouse Franchise S.A. and ceased to be a shareholder of Metrohouse Franchise S.A.

Disposal of a shareholding in Lizar Sp. z o.o.

On 29.10.2015, BZ WBK Lease entered into an agreement with Poland Media Properties S.A. whereby it sold all its shares of Lizar Sp. z o.o. As a result, the company ceased to be a member of Bank Zachodni WBK Group.

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

On 07.07.2015, 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.

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 27.02.2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUnŻ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). After the fulfilment of the conditions precedent, including the obtaining of the European Commission consent and a decision of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) confirming the absence of formal grounds for objecting to the direct acquisition by Aviva Ltd. and indirect acquisition by Aviva plc. of 17% of shares in TUnŻ S.A. and 17% of shares in TUO S.A., the ownership transfer of the abovementioned shares has been completed.

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.

In thousands of PLN

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

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

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

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

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

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

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

In thousands of PLN

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

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

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

In the reporting period no such changes were made.

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

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

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

- The settlement of the acquisition of Visa Europe Limited by Visa Inc. (details in Note 9),
- 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

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

Detailed information on the issue of bonds are presented in Note 31.

47. Dividend per share

On 20.04.2016, the Annual General Meeting of Bank Zachodni WBK adopted a resolution to distribute the net profit of PLN 1,756,210k in respect of 2015 as follows: PLN 702,484k to be allocated to the dividend for shareholders, PLN 878,105k to be allocated to the reserve capital and the remainder of PLN 175,621k to be left undistributed.

The Annual General Meeting of Bank Zachodni WBK allocated to the dividend for shareholders, the amount PLN 587,565k from retained profit in the amount of PLN 952,652k generated by the Bank in the accounting year commenced on 01.01.2014 and ended on 31.12.2014. The remaining part PLN 365,087k to be left undivided.

Dividend per share is PLN 13.

In thousands of PLN

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

As at 30.06.2016, 31.12.2015 and 30.06.2015 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

As at 30.06.2016, 31.12.2015 and 30.06.2015, either Bank Zachodni WBK or its subsidiaries did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets.

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

As at 30.06.2016, 31.12.2015 and 30.06.2015 or Bank Zachodni WBK or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

51. Share based payments

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

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

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

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

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

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

In thousands of PLN

Share based payments granted in 2014:

	2014
Number of share based payments	177 336
Share price (PLN)	363,30
Excercise price (PLN)	10
Vesting period	2,8 years
Expected volatility	26,40%
Award life	3 years
Risk free rate	2,29%
Fair value per award	PLN 322.39
Dividend yield	2,75%

The following table summarizes the share based payments activity:

	6 months of 2016	12 months of 2015	6 months of 2015
	Number of share based payments	Number of share based payments	Number of share based payments
Outstanding at 1 January	168 784	177 336	177 336
Granted	-	-	-
Exercised	-	-	-
Forfeited	(5 676)	(8 552)	(2 104)
Expired	-	-	-
Outstanding at 30 June	163 108	168 784	175 232
Exercisable at 30 June	-	-	-

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

For the share based payments outstanding as at 30.06.2016 and as at 30.06.2015 the average remaining contractual life is approximately 1 year and 2 years respectively.

The total expense recognized in profit and loss account with corresponding increase in equity (other reserve capital) amounts to: for 6 months of 2016: PLN 8,403 k, for 6 months of 2015: 9,670 k..

For the share based payments outstanding as at 31.12. 2015 the average remaining contractual life is approximately 1,5 years.

The total expense is recognized in profit and loss account in correspondence with other reserve capital and settlements with subsidiaries. For 12 months of 2015 increase of equity amounted to PLN 18 754 k.

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

There were no major events subsequent to the end of the interim period.

**Signatures of Members of the Management Board**

Date	Name	Function	Signature
25.07.2016	Gerry Byrne	Acting President of BZ WBK Management Board	
25.07.2016	Andrzej Burliga	Member	
25.07.2016	Artur Chodacki	Member	
25.07.2016	Eamonn Crowley	Member	
25.07.2016	Beata Daszyńska-Muzyczka	Member	
25.07.2016	Michael McCarthy	Member	
25.07.2016	Carlos Polaino Izquierdo	Member	
25.07.2016	Juan de Porras Aguirre	Member	
25.07.2016	Marcin Prell	Member	
25.07.2016	Miroslaw Skiba	Member	
25.07.2016	Feliks Szyszkowski	Member	

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

Date	Name	Function	Signature
25.07.2016	Wojciech Skalski	Financial Accounting Area Director	