SANTANDER CONSUMER BANK S.A.
WROCŁAW, STRZEGOMSKA 42C

FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR

WITH
AUDITOR'S OPINION
AND
AUDIT REPORT

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AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Santander Consumer Bank S.A.

We have audited the attached financial statements of Santander Consumer Bank S.A. with its registered office in Wrocław, ul. Strzegomska 42C (hereinafter: "the Bank"), including statement of financial position prepared as of 31 December 2014, statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year from 1 January 2014 to 31 December 2014 and notes comprising a summary of significant accounting policies and other explanatory information, as required by the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Bank.

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

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

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

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

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

In our opinion, the audited financial statements of Santander Consumer Bank S.A. in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Bank as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and in all matters not regulated in the standards - in accordance with the provisions of the Accounting Act and its executory provisions and based on properly kept accounting records,
- comply with the provisions of law and the by-laws of the Bank, which affect the contents of the financial statements.

The Report on the activities of the Bank for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and consistent with underlying information disclosed in the audited financial statements.

Paweł Nowosadko
Key certified auditor
conducting the audit
No. 90119

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

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

Warsaw, 17 February 2015

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF SANTANDER CONSUMER BANK S.A. FOR THE 2014 FINANCIAL YEAR

I. GENERAL INFORMATION

1. Details of the audited Bank

The Company operates under the business name Santander Consumer Bank S.A. (hereinafter: "the Bank"). The Bank's registered office is located in Wrocław, ul. Strzegomska 42c.

The Bank operates as a joint stock company. The Bank is recorded in the Register of Entrepreneurs kept by the District Court, VI Business-Registry Division in Wrocław, under KRS number 0000040562.

The Bank operates based on the provisions of the Code of Commercial Companies.

As of 31 December 2014, the Bank's share capital equaled PLN 520.000.000 and was divided into 5.200.000 ordinary shares with a face value of PLN 100 each.

In the audited period, the Bank conducted activities mainly in the area of granting loans and accepting deposits.

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

- Arkadiusz Wiktor Przybył – Chairman of the Management Board,
- Piotr Żabski – Vice-Chairman of the Management Board,
- Mariusz Klepacz – Member of the Management Board,
- Przemysław Kończal – Member of the Management Board,
- Oleksandr Krupchenko – Member of the Management Board,
- Rafał Szmuc – Member of the Management Board,
- Sebastian Ślanda – Member of the Management Board.

Changes in the composition of the Management Board during the audited period and until the date of the opinion:

- on 29 September 2014 Artur Zbigniew Wawrzyniak resigned the office of Member of the Management Board – his mandate was revoked on 15 October 2014.

2. Information on the financial statements for the previous financial year

The activities of the Bank in 2013 resulted in a net profit of PLN 449.352.241. The financial statements of the Bank for the 2013 financial year were audited by a certified auditor. The audit was performed by authorized entity Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2013 financial year was held on 30 June 2014. The General Shareholders' Meeting decided to distribute the net profit for 2013 in the following manner:

- dividends for shareholders – PLN 382.480.546,
- coverage of loss from previous years – PLN 66.871.695.

The financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 16 July 2014.

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

The entity authorized to audit the financial statements was appointed by the Shareholders' Meeting. The audit of the financial statements was performed based on the agreement of 19 December 2014 concluded between the Bank and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Paweł Nowosadko, key certified auditor (No. 90119), in the registered office of the Bank and outside the Bank's premises from 19 December 2014 to 17 February 2015.

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

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 17 February 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE BANK

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

Main items from the statement of comprehensive income (PLN '000)	2014	2013
Interest income	1,394,589	1,201,099
Interest expense	(431,754)	(470,914)
Net commission income	172,356	221,636
Bank's operating expenses	(451,066)	(413,593)
Impairment losses on financial assets	(41,124)	(60,021)
Income tax	(131,563)	(95,312)
Net profit	473,369	449,352
Total comprehensive income	480,358	443,995
Main items from the statement of financial position (PLN '000)		
Total assets	16,125,409	14,263,511
Cash and balances with central banks	239,409	254,064
Financial assets held for trading	2,599,522	1,306,037
Loans and advances to banks	12,458,352	11,475,270
Shares in subsidiaries	142,433	181,862
Deposits from banks	3,001,066	2,541,498
Deposits from customers	8,266,164	6,993,990
Financial liabilities held for trading	1,959,058	1,988,370
Subordinated liabilities	100,000	150,000
Equity, including:	2,251,797	2,153,919
share capital	520,000	520,000

Financial ratios analysis	2014	2013
– return on equity ratio (ROE)	21.49%	19.68%
– return on assets ratio (ROA)	3.12%	3.47%
– cost to income ratio (C/I)	37.83%	42.21%
– capital adequacy ratio	13.12%	13.09%
– non-performing loans ratio	9.88%	11.72%

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

- return on equity ratio (ROE) as a relation of profit for the period to equity calculated as an average of balances as of the beginning and as of the end of the period, increased from 19.68% to 21.49%,
- return on asset ratio (ROA) as a relation of profit for the period to total assets calculated as an average of balances as of the beginning and as of the end of the period, decreased from 3.47% to 3.12%,
- cost to income ratio (C/I) as a relation of operating expenses to income calculated as sum of net interest income, net commission income, dividend income, net result on cash flow hedges and other operating income, decreased from 42.21% to 37.83%,

- capital adequacy ratio calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms, increased from 13.09% to 13.12%,
- non-performing loans ratio as a relation of impaired gross loans granted to customers to total gross loans granted to customers, decreased from 11.72% to 9.88%.

Application of prudence principles

During our audit we have not identified significant discrepancies indicating lack of application of prudence principles determined by Polish Law, resolutions of Management of National Bank of Poland and resolutions of Polish Financial Supervision Authority.

Capital adequacy ratio

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

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Bank has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. The principles have been applied consistently and did not change compared to the principles applied in the prior year. The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Bank.

The Bank performed a physical count of assets and liabilities within the scope necessary to confirm the existence of the presented assets and liabilities.

2. Information identifying the audited financial statements

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

- statement of financial position prepared as of 31 December 2014, with total assets and liabilities plus equity of PLN 16,125,408,795,
- statement of comprehensive income for the period from 1 January 2014 to 31 December 2014, with a net profit of PLN 473,369,040 and total comprehensive income of PLN 480,358,294,
- statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing an increase in equity of PLN 97,877,748,
- statement of cash flows for the period from 1 January 2014 to 31 December 2014, showing a cash outflow of PLN 202,144,721,
- notes, comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

The structure of assets and liabilities as well as items affecting the financial result have been presented in the financial statements.

Financial assets and liabilities

The Bank classifies its financial instruments into the following categories:
- financial assets or financial liabilities measured at fair value through profit or loss,
- financial assets held to maturity,
- loans and receivables,
- available-for-sale financial assets,
- other financial liabilities.

Types of financial assets and liabilities have been correctly presented in the respective explanatory note to the statement of financial position.

Structure of loans and advances from banks and customers

Types of trade receivables have been correctly presented in the respective explanatory note to the statement of financial position.

The Bank systematically compares the assumptions and parameters used for loss calculations with the actual situation. The comparison includes changes of economic conditions, amendments to Bank's credit policies and recovery process. The process provides assurance that impairments are recognized correctly.

Credit risk management and credit risk exposure were presented in explanatory note to the statement of financial position.

Structure of deposits from banks and customers

Types of liabilities have been correctly presented in the respective explanatory note to the statement of financial position.

Prepayments, accruals and provisions for liabilities

The explanatory notes to prepayments, accruals and provisions for liabilities correctly present the structure of the items. Deferred expenses and income have been correctly classified with respect to the audited financial year. Provisions for liabilities have been determined at reliably estimated amounts. The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

4. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Bank

The Bank confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Bank in the 2014 financial year. The report contains information required under Article 49.2 of the Accounting Act. We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

IV. FINAL NOTES

Management Board's Representations

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

Paweł Nowosadko
Key certified auditor
conducting the audit
No. 90119

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

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

Warsaw, 17 February 2015

SANTANDER CONSUMER BANK S.A.

Wrocław, ul. Strzegomska 42c

FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR

prepared in accordance with the International Financial Reporting Standards as approved by the European Union

Including an independent auditor's opinion

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I) Statement of comprehensive income

Prepared for the year ended 31 December 2014 (in PLN).

Item	Note	2014	2013 (restated data)*
Continuing operations			
Interest income	6	1 394 588 585	1 201 099 328
Interest expense	7	-431 753 604	-470 914 430
Net interest income		**962 834 981**	**730 184 898**
Commission income	8	252 480 487	256 519 552
Comission expenses	9	-80 124 987	-34 883 931
Net commission income		**172 355 500**	**221 635 621**
Result on financial operations and FX result	10	-393 417	-4 675 599
Result on banking activities		**1 134 797 064**	**947 144 920**
Other operating income	11	23 691 945	22 247 203
Bank's operating expenses	12	-451 066 085	-413 592 843
Depreciation and amortization	12	-42 988 994	-45 190 143
Impairment losses on financial assets	13	-41 124 154	60 020 834
Other operating expenses	14	-18 377 513	-25 966 206
Result on operating activities		**604 932 263**	**544 663 765**
Gross profit		**604 932 263**	**544 663 765**
Income tax expense	15	-131 563 223	-95 311 524
Net profit		**473 369 040**	**449 352 241**
Other comprehensive income that can be reclassified to financial profit/loss			
Measurement of financial assets available for sale	36	5 583 533	-7 132 757
Effective portion of a hedging relationship in cash flow hedge accounting	36	3 045 175	518 385
Deferred tax	36	-1 639 454	1 256 731
Total other comprehensive income		**6 989 254**	**-5 357 641**
Total comprehensive income		**480 358 294**	**443 994 600**

*Restated data for 2013 is presented in Note 50 *Changes in the presentation of financial data.*

The Bank did not recognize any other comprehensive that could be reclassified to the profit/loss in 2014 or 2013.

Notes presented below constitute an integral part of these financial statements.

II) Statement of financial position

Prepared as at 31 December 2014 (in PLN)

ASSETS	Note	31.12.2014	31.12.2013
Cash and balances in the Central Bank	17	239 409 069	254 064 109
Accounts and deposits in other banks	18	67 879 141	545 653 208
Financial assets available for sale	19	2 599 521 940	1 306 037 387
Hedging derivatives	20	0	40 767 698
Loans and advances granted to clients	21	12 458 351 687	11 475 269 688
Shares and interests in subsidiaries	22	142 432 779	181 861 762
Intangible assets	23	37 501 119	53 538 853
Property, plant and equipment	24	57 268 199	67 408 151
Other assets	25	151 505 850	23 695 576
Deferred tax asset	26	307 583 504	265 901 457
Prepayments	27	63 955 507	49 313 149
TOTAL ASSETS		**16 125 408 795**	**14 263 511 038**

EQUITY AND LIABILITIES	Note	31.12.2014	31.12.2013
LIABILITIES			
Lliabilities to banks	28	3 001 065 957	2 541 497 526
Hedging derivatives	20	40 017 486	170 082
Liabilities to customers	29	8 266 164 282	6 993 989 548
Liabilities arising from issue of debt securities	30	1 959 057 794	1 988 370 462
Other liabilities, including:	31	177 886 283	128 690 516
– income tax liability		*105 299 375*	*59 490 542*
Accrued expenses and deferred income	32	305 520 952	279 629 882
Restructuring and other provisions	33	23 899 038	27 243 767
Subordinated debt	34	100 000 000	150 000 000
TOTAL LIABILITIES		**13 873 611 792**	**12 109 591 783**
EQUITY			
Share capital	35	520 000 000	520 000 000
Share premium	35	768 047 473	768 047 473
Other reserves	36	490 380 490	483 391 236
Retained earnings	37	473 369 040	382 480 546
TOTAL EQUITY		**2 251 797 003**	**2 153 919 255**
TOTAL EQUITY AND LIABILITIES		**16 125 408 795**	**14 263 511 038**

Notes presented below constitute an integral part of these financial statements.

III) Statement of changes in equity

Prepared for the year ended 31 December 2014 (in PLN).

	Share capital	Share premium	Other supplementary capital	Revaluation reserve	Retained earnings	Total equity
Note	35	35	36	36	37	
Opening balance of equity	**520 000 000**	**768 047 473**	**493 842 908**	**-10 451 672**	**382 480 546**	**2 153 919 255**
- net profit	0	0	0	0	473 369 040	**473 369 040**
- other comprehensive income for the year	0	0	0	6 989 254	0	**6 989 254**
– dividend payments	0	0	0	0	-382 480 546	**-382 480 546**
Closing balance of equity	**520 000 000**	**768 047 473**	**493 842 908**	**-3 462 418**	**473 369 040**	**2 251 797 003**

Prepared for the year ended 31 December 2013 (in PLN).

	Share capital	Share premium	Other supplementary capital	Revaluation reserve	Retained earnings	Total equity
Note	35	35	36	36	37	
Opening balance of equity	**520 000 000**	**768 047 473**	**361 369 709**	**-5 094 031**	**768 433 936**	**2 412 757 087**
- net profit	0	0	0	0	449 352 241	**449 352 241**
- other comprehensive income for the year	0	0	0	-5 357 641	0	**-5 357 641**
- effect of business combination	0	0	0	0	-40 389 644	**-40 389 644**
– dividend payments	0	0	0	0	-662 442 788	**-662 442 788**
– reclassification of profit to supplementary capital	0	0	132 473 199	0	-132 473 199	**0**
Closing balance of equity	**520 000 000**	**768 047 473**	**493 842 908**	**-10 451 672**	**382 480 546**	**2 153 919 255**

Notes presented below constitute an integral part of these financial statements.

IV) Statement of cash flows

Prepared for the year ended 31 December 2014 (in PLN)

CASH FLOWS	Note	2014	2013
A. NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		**473 369 040**	**449 352 241**
Total adjustments:		**-196 537 580**	**-1 204 735 887**
Amortization/depreciation	12	42 988 994	45 190 143
Profit (loss) on investing activities	41	1 210 437	1 437 126
Income tax paid	41	-129 075 906	-108 463 344
Change in debt securities	19	-1 293 051 010	-605 116 765
Change in receivables from banks	41	276 722 279	-306 519 478
Change in loans and advances granted to customers	41	-2 025 714 077	-1 293 769 074
Change in liabilities to banks	41	528 081 732	-166 672 702
Change in liabilities to customers	41	1 476 142 093	529 272 249
Change in liabilities arising from issue of debt securities	30	78 671 524	86 137 798
Change in other liabilities	41	178 271 673	72 669 746
Change in prepayments and accruals	41	-30 433 335	139 967 819
Change in provisions	33	-3 344 729	-597 076
Change in other assets	41	-196 844 647	-23 233 822
Sale of impaired loan receivables	11	36 350 000	33 514 587
Measurement of derivatives charged to profit/loss	41	62 807 232	-9 151 679
Interest	41	727 692 916	370 511 717
Dividends from subsidiaries	41	32 669 075	0
Other adjustments	41	40 318 169	30 086 868
Net cash flows from operating activities		**276 831 460**	**-755 383 646**
B. NET CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows from investing activities		**546 862**	**11 357 385**
Disposal of intangible assets and property, plant and equipment	41	546 862	1 674 470
Cash from business combination	50	0	9 682 915
Outflows from investing activities		**-19 442 497**	**-196 217 543**
Acquisition of shares in subsidiaries	22	0	-172 275 200
Acquisition of intangible assets and property, plant and equipment	23, 24	-19 442 497	-23 942 343
Net cash flows from investing activities		**-18 895 635**	**-184 860 158**
C. NET CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows from financing activities		**845 000 000**	**1 064 900 000**
Issuance of debt securities	30	845 000 000	1 064 900 000
Outflows from financing activities		**-1 305 080 546**	**-857 442 788**
Dividends and other payments to shareholders	37	-382 480 546	-662 442 788
Repayment of subordinated liabilities	34	-50 000 000	0
Redemption of debt securities	30	-872 600 000	-195 000 000
Net cash flows from financing activities		**-460 080 546**	**207 457 212**
D. TOTAL NET CASH FLOWS (A+/-B+/-C)		**-202 144 721**	**-732 786 592**
E. BALANCE SHEET CHANGE IN CASH		**-202 144 721**	**-732 786 592**
F. OPENING BALANCE OF CASH	41	**509 418 061**	**1 242 204 653**
G. CLOSING BALANCE OF CASH	41	**307 273 340**	**509 418 061**

Notes presented below constitute an integral part of these financial statements.

Accounting policies and notes

1 Details of the Bank

Name:	Santander Consumer Bank Spółka Akcyjna (thereinafter "the Bank")
Registered address:	ul. Strzegomska 42c, 53-611 Wrocław
Country of incorporation:	Poland
Statistical number (REGON):	012736938
Tax identification number (NIP):	527-20-46-102
Register:	District Court for Wrocław, VI Business Division of the National Court Register, KRS 0000040562

The scope of business activities defined in the National Court Register:

- opening and keeping bank accounts,
- accepting saving and term deposits,
- handling cash settlements,
- granting and contracting loans and advances,
- handling cheque and bill of exchange operations,
- accepting and making money deposits in local and foreign banks and other financial institutions,
- giving bank guarantees and accepting securities and bank guarantees,
- organizing credit consortia,
- performing banking operations upon request of other banks,
- performing lease, factoring and forfaiting operations,
- providing financial and investment advisory services as well as providing agency and representation services within the scope of operations of the Bank,
- purchasing, selling and intermediating in trade of receivables and liabilities,
- purchasing and holding shares, bonds as well as other rights and securities issued by companies and other legal entities, coordination and management of operations of such companies and other legal entities,
- founding or assistance with founding companies or other legal entities whose establishing will be considered favourable for the Bank, as well as assuming and purchase of shares or securities issued by these companies or legal entities in another form,
- performance of immediate and term transactions as well as other transactions on derivatives.

Since 1 July 2014, Bank Zachodni WBK S.A., with its registered office in Wrocław, has been the Bank's parent company. The parent holds 60% of shares in the share capital of the Bank.
Banco Santander S.A. is the Bank's ultimate parent company.

Composition of the Management Board of Santander Consumer Bank S.A. at 31 December 2014:

- Arkadiusz Wiktor Przybył – President of the Management Board,
- Piotr Żabski – First Vice-President of the Management Board,
- Mariusz Klepacz - Member of the Management Board,
- Przemysław Kończal – Member of the Management Board,
- Oleksandr Krupchenko – Member of the Management Board,
- Rafał Szmuc – Member of the Management Board,
- Sebastian Ślanda – Member of the Management Board.

In 2014, the following changes were made to the composition of the Management Board of the Bank:

- On 15 October 2014, Mr. Artur Wawrzyniak's resignation from the position of Member of the Management Board submitted on 29 September 2014 became effective.

The financial statements of Santander Consumer Bank S.A. were prepared on a going concern basis for the foreseeable future, i.e. at least 12 months from 31 December 2014. The Management Board believes that as at the date of preparation of the financial statements there are no threats to the Bank's ability to continue as a going concern within at least 12 months from 31 December 2014.

The Bank applied exemption from the obligation to prepare consolidated financial statements as it meets conditions of IAS 10.4. The ultimate parent company Bank Zachodni WBK S.A. prepares consolidated financial statements comprising both the parent company and all subsidiaries of that parent exempted from preparing consolidated financial statements.
Bank Zachodni WBK S.A. was established and operates in Poland. The consolidated financial statements of Bank Zachodni WBK S.A. are available on the bank's website http://www.bzwbk.pl.

The Bank did not discontinue any operation in 2014 or 2013.

2 Indication of periods covered by the financial statements and comparable financial data

The financial statements are presented for the period from 1 January 2014 to 31 December 2014.

The presented financial information for the prior year covers for the period from 1 January 2013 to 31 December 2013.

3 Entity authorized to audit financial statements

Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp.k., with its registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors.

4 Significant accounting principles

Key accounting principles used in the preparation of the financial statements are presented below. The rules were applied consistently in all presented periods.

a) Statement of compliance

These financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) and IFRS adopted by the European Union. In view of the ongoing process of IFRS introduction in the EU and the business run by the Bank, as at the approval date of these financial statements, there are no differences between the already effective IFRSs and the IFRSs adopted by the EU in terms of the accounting principles applied by the Bank. IFRS consist of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved by the Management Board of the Bank on 17 February 2015.

Standards and interpretations applied for the first time in 2014

The accounting policies applied in preparation of the financial statements are consistent with those used for preparation of the Bank's financial statements for the year ended 31 December 2013, except the following amendments to the standards, new interpretations applicable to annual periods starting on 1 January 2014.

The following changes to the existing standards published by the International Accounting Standards Board and adopted by the EU became effective in 2014:

- **IFRS 10 *Consolidated Financial Statements***, endorsed by the EU on 11 December 2012 (applicable to annual periods beginning on or after 1 January 2014);
- **IFRS 11 *Joint Arrangements***, endorsed by the EU on 11 December 2012 (applicable to annual periods beginning on or after 1 January 2014);
- **IFRS 12 *Disclosure of Interests in Other Entities***, endorsed by the EU on 11 December 2012 (applicable to annual periods beginning on or after 1 January 2014);
- **IAS 27 (revised in 2011) *Separate Financial Statements***, endorsed by the EU on 11 December 2012 (applicable to annual periods beginning on or after 1 January 2014);

- **IAS 28 (revised in 2011)** ***Investments in Associates and Joint Ventures***, endorsed by the EU on 11 December 2012 (applicable to annual periods beginning on or after 1 January 2014);
- **Revised IFRS 10** ***Consolidated Financial Statements***, **IFRS 11** ***Joint Arrangements*** and **IFRS 12** ***Disclosure of Interests in Other Entities*** – transition guidance, endorsed by the EU on 4 April 2013 (applicable to annual periods beginning on or after 1 January 2014);
- **Revised IFRS 10** ***Consolidated Financial Statements***, **IFRS 12** ***Disclosure of Interests in Other Entities*** and **IAS 27** ***Separate Financial Statements*** – investment vehicles, endorsed by the EU on 20 November 2013 (applicable to annual periods beginning on or after 1 January 2014);
- **Revised IAS 32** ***Financial Instruments: Presentation*** – offsetting financial assets and financial liabilities, endorsed by the EU on 13 December 2012 (applicable to annual periods beginning on or after 1 January 2014);
- **Revised IAS 36** ***Impairment of Assets*** – disclosure of recoverable value of financial assets, endorsed by the EU on 19 December 2013 (applicable to annual periods beginning on or after 1 January 2014);
- **Revised IAS 39** ***Financial Instruments: Recognition and Measurement*** – novation of derivatives and continued hedge accounting, endorsed by the EU on 19 December 2013 (applicable to annual periods starting on or after 1 January 2014).

The above changes to standards did not have any significant effect on the financial statements of the Bank.

Standards and interpretations published and approved by the EU, but not yet effective

During approval of these financial statements the Bank did not apply the following standards, amendments to standards and interpretations that have been published and approved for use in the EU, but which had not yet come into force:

- **Revision of various standards** ***Revised IFRS (cycle 2010-2012)*** - resulting from the annual quality improvement in IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording, endorsed by the EU on 17 December 2014 (to be applied to annual periods beginning on or after 1 February 2015);
- **Revision of various standards** ***Revised IFRS (cycle 2011-2013)*** - resulting from the annual quality improvement in IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, endorsed by the EU on 18 December 2014 (to be applied to annual periods beginning on or after 1 January 2015);
- **Revised IAS 19** ***Employee Benefits*** – defined benefit plans: employee premiums, endorsed by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015);
- **IFRIC Interpretation 21** ***Levies*** - endorsed by the EU on 13 June 2014 (applicable to annual periods beginning on or after 17 June 2014).

The Bank did not decide on earlier application of the aforesaid standards, amendments to standards or interpretations. According to the Bank's estimates, the above standards, interpretations or amendments to standards would not have had any significant effect on the financial statements had they been adopted by the entity at the end of the reporting period.

Standards and interpretations adopted by IASB, but not yet endorsed by the EU

At present, IFRS in the form adopted by the EU do not differ significantly from regulations adopted by the International Accounting Standards Board (IASB), except the following standards as well as amendments to standards and interpretations which had not been adopted for use at 17 February 2015:

- **IFRS 9** ***Financial instruments*** (applicable to annual periods beginning on or after 1 January 2018);
- **IFRS 14** ***Regulatory Deferral Accounts*** (applicable to annual periods beginning on or after 1 January 2016);
- **IFRS 15** ***Revenue from Contracts with Customers*** (applicable to annual periods beginning on or after 1 January 2017);
- **Revised IFRS 10** ***Consolidated Financial Statements*** and **IAS 28** ***Investments in Associates and Joint Ventures*** - sale or contribution of assets between an investor and an associate or joint venture (applicable to annual periods beginning on or after 1 January 2016);

- Revised **IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*** and **IAS 28 *Investments in Associates and Joint Ventures*** – investment vehicles: consolidation relief (applicable to annual periods beginning on or after 1 January 2016);
- **IFRS 11 *Joint arrangements*** – accounting for acquisitions of interests in joint operations (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 1 *Presentation of Financial Statements*** – disclosures (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 16 *Property, Plant and Equipment*** and **IAS 38 *Intangible Assets*** - clarification of acceptable methods of depreciation and amortization (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 16 *Property, Plant and Equipment*** and **IAS 41 *Agriculture*** – bearer plants (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 27 *Separate financial statements*** – equity method in separate financial statements (effective for annual periods beginning on or after 1 January 2016);
- **Revision of various standards *Revised IFRS (cycle 2012-2014)*** - resulting from the annual quality improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (to be applied to annual periods beginning on or after 1 January 2016).

According to the Bank's estimates, the aforementioned standards, interpretations or revised standards would not have had a significant effect on the financial statements had they been adopted by the Bank at the balance sheet date. At present, the impact of those changes cannot be reliably estimated due to the need to appropriately adjust the IT systems and credit risk models used by the Bank.

In addition, hedge accounting principles applicable to the portfolios of financial assets and liabilities continue to remain outside the scope of regulations adopted by the EU, as they have not been approved for use in the EU.

b) Basis for preparation of the financial statements

The financial statements of Santander Consumer Bank S.A. for the period from 1 January 2014 to 31 December 2014 have been prepared in PLN rounded to the nearest PLN.
The financial statements are based on the historical cost concept, except assets which are measured at fair value through profit or loss and financial assets available for sale.

The statement of financial position was prepared according to assets' liquidity.

c) Accounting estimates

While preparing the financial statements in line with IFRS, the Bank makes certain estimates and assumptions that influence the financial statements and notes.
Estimates and assumptions made as at the end of each reporting period reflect current conditions, i.e. market prices, interest rates, exchange rates, etc. Although the estimates are based on the best knowledge of current conditions and activities of the Bank, actual results may differ from the estimates.
The Bank discloses the nature and amounts of changes in estimates, if the change impacts the current period or it is reasonably expected to impact future periods.
Estimates and assumptions adopted by the Bank for the carrying amounts of assets and liabilities as well as revenue and expenses are calculated based on historical data and other information which is available and deemed appropriate under the given circumstances. The key assumptions for the future and other available data are used in determining the amounts of assets and liabilities presented in the financial statements that cannot be reliably evaluated using other sources. In making the assumptions, the Bank takes into account the causes and sources of uncertainty that it is able to foresee as at the date of preparation of the financial statements.
Estimates and assumptions adopted by the Bank are subject to ongoing reviews. Adjustments to estimates are recognized in the period in which the estimate in question was changed, provided it applies to this period only.

The key assumption concerning the future used in the Bank's estimates refer mainly to the following areas:

- **Impairment of financial assets**

  At the end of each month, the Bank assesses whether there is any objective impairment trigger of a financial asset or a group of financial assets. Indications of impairment are events or groups of events that took place after the initial recognition of an asset or a group of assets and could have adverse effect on the expected future cash flows of the financial asset or group of financial assets. Impairment loss is estimated at the moment of recognition of indications of impairment.

  The Bank adopts three approaches to measurement of impairment:

  - for loans with impairment trigger of a single asset considered individually significant, the impairment loss is estimated based on an analysis of future cash flows for each individual asset;
  - for loans with impairment trigger of a single asset not considered individually significant, the impairment loss is estimated on the level for separated exposure, based on expected average cash flows generated by particular credit portfolios;
  - loans without impairment trigger of a single asset are collectively assessed for impairment following inclusion in a group of financial assets with similar credit risk to evaluate the possibility of losses incurred but not reported, with impairment loss estimated based on the loss identification period and the probability of default, as well as the loss given default.

- **Impairment of non-current assets**

  At the end of each reporting period, the Bank assesses whether there is any objective indication of impairment of any non-current asset or cash generating unit. If such indication exists, the Bank evaluates the recoverable amount and value in use of the non-current asset or cash generating unit. To estimate these values, the Bank needs to make assumptions e.g. on future cash flows that could be obtained from further use or disposal of the non-current asset or the cash generating unit. Making different assumptions on measurement of the future cash flows may impact the amount of some non-current assets presented in the financial statements.

- **Calculation of provision for post-employment, disability and death benefits**

  The provision is measured by an external actuarial firm in line with IAS 19. The calculation is based on the following data:

  - standard HR data of employees (sex, date of birth, length of service, salary, etc.);
  - information about the number of employees leaving the Bank in the past few years;
  - forecast increase in salaries and wages in the Bank in the next years;

  as well as actuarial tables, probability of retirement, mobility model and technical discount rate.

- **Calculation of provisions for disputes**

  Provisions for disputes were estimated using the probable payment amount.

- **Useful life of property, plant and equipment, intangible assets and investment property**

  Useful life of property, plant and equipment, intangible assets and investment property is estimated taking into consideration the following factors:

  - the so-far observed average useful lives, reflecting physical wear and tear, intensity of usage, etc.;
  - technological obsolescence;
  - period of control over the asset, legal and other limitations on period in use;
  - co-relation between the useful life of the asset in question and those of other assets;
  - other factors that may affect useful life of a given type of non-current assets.

  The expected useful life of a given asset is equal to its period in use defined under terms of the appropriate contract. If, however, the expected useful life of an asset is shorter than its contractual period in use, then the asset is depreciated/amortized over its useful life.

- **Revenues and costs from distribution of insurance products**

  The Bank recognize revenue from agency services related to the sale of insurance products and from providing insurance coverage to third persons under group insurance agreements concluded between the Bank and insurance companies on the bass of the following:

  - whether the sale of insurance by the Bank is limited to the agency services; or
  - whether the sale of insurance by the Bank is related to sale of a financial product.

  The basis of the analysis referred to in paragraph 1 above is the economic substance of the financial products and insurance products sold through the Bank acting as an agent; the analysis should determine whether and to what extent the Bank's revenue from acting as an intermediary in selling insurance products and providing insurance coverage to third persons under group insurance agreements concluded between the Bank and insurance companies constitute:

  - an integral part of a fee for an additionally offered financial product;
  - an agency fee;
  - a fee for additional services provided after the sale of an insurance product.

  On the basis of the aforesaid allocation of the Bank's revenues received for acting as an agent, the following solutions for recognition of bancassurance revenue were adopted:

  - If financial products are linked directly to insurance products: the Bank recognizes revenue from the sale of an insurance product under interest revenue at the effective interest rate using the amortized cost method;
  - if no direct link exists between financial and insurance products: the Bank recognizes revenue from the sale of an insurance product under commission revenue in accordance with the requirement of IAS 18;
  - a compound product (comprising a financial product and an insurance product): In accordance with Recommendation U, revenue from the sale of insurance products recognized by the Bank is divided into a portion recognized at amortized cost and a portion recognized in accordance with IAS 18. The division is made proportionally to the fair value of the financial product offered and the fair value of the agency service related to the sale of the insurance product.

  In addition, as regards the fair value model, the Bank estimates the portion of the revenue that will be reimbursed after the sale of the insurance product and allocates to the aforesaid elements, analogous to the allocation of revenue.

  Furthermore, under commission revenue the Bank also recognizes the commission received from insurance companies as a share in the profit from insurance earned by a given insurer from insurance agreements concluded as a result of the Bank's agency.

  The expected commission is recognized on the accrual basis as the insurance company's insurance profit arises.

- **Hedging derivatives**

  Hedging derivatives are carried at fair value. Their measurement and effectiveness is based on the discount curves determined using the bootstrapping method.

  Curves used for CHF/PLN:

  - the discount curves for CHF and PLN are based on the quotations of swap points and basis points for EUR using direct quotations of Cross Currency Basis Swaps for the currency against EUR;
  - EUR base curve based on the bank rates, FRA and IRS;
  - OIS curves are applied to discount cash flows from daily swaps. All derivative transactions concluded by the Bank are measured daily and subject to security deposit swaps with contractors.

d) Cash and cash equivalents

Cash and cash equivalents include cash on the nostro (current) account at the National Bank of Poland as well as receivables from other banks on the current account, and other cash with maturity of up to 3 months, disclosed at the nominal value.

e) Financial assets and liabilities

Financial assets are classified to the following categories:

- financial assets and liabilities measured at fair value through profit or loss;
- financial assets available for sale;
- loans and receivables;
- financial assets held to maturity;
- other financial liabilities.

The Bank decides on classification of a given item of financial assets and liabilities at its initial recognition. Financial assets and liabilities are recognized at the transaction date.

- **Financial assets and liabilities measured at fair value through profit or loss**

  This category includes financial assets held for trading and the assets which at the moment of initial recognition are classified as financial assets measured at fair value through profit or loss.

  Financial assets held for trading include debt and equity securities, advances and receivables acquired or granted primarily for the purpose of selling them in short term.

  As at 31 December 2014 and 31 December 2013, the Bank did not classify any assets as financial assets measured at fair value through profit or loss.

- **Financial assets available for sale**

  This category includes financial assets which will be held for an unspecified period, and have not been classified as either financial assets measured at fair value through profit or loss or investments held to maturity. This category includes debt and equity securities.

  Debt instruments

  Debt instruments classified as available for sale are disclosed at fair value determined as follows:

  - debt instruments quoted on an active market – according to their market price;
  - debt instruments not quoted on an active market – according to another value best reflecting the fair value estimated by reference to:
    - reference asset value;
    - yield curve method, based on market quotations of interest rates, adjusted by a risk margin equal to the margin specified in the terms of issue.

  The effects of the fair value changes of the carrying amount of an instrument measured at amortized cost are recognized in other comprehensive income and charged to revaluation reserve, except impairment losses, which are recognized through profit or loss. Interest income and discount determined with the use of effective interest rate are recognized under interest revenue, while the profit or loss charged to revaluation reserve is the difference between the fair vale determined at the end of the reporting period and the value of the assets measured at amortized cost.

  Equity instruments

  Equity instruments classified as available for sale are disclosed at fair value determined as follows:

  - equity instruments quoted on an active market – according to their market value;
  - equity instruments not quoted on an active market:
    - based on the current bid price received,
    - based on the valuation made by a specialized external entity preparing such valuations.

  When it is not possible to establish the fair value of an equity instrument, it is measured at cost less impairment.

  Effects of changes in fair values of equity instruments classified as available for sale are recognized in revaluation reserve, except for the impairment losses, which are recognized through profit or loss. In case of equity instruments, impairment previously recorded as a loss is not reversed through profit or loss.

Dividends on equity instruments are recognized in the statement of comprehensive income as at the record date.

- **Loans and receivables**

  Loans, advances and receivables are non-derivative financial assets with fixed or determinable payment schedules that are not quoted in an active market, other than:
  - financial assets that the Bank intends to sell immediately or in the near term, which are classified as held for trading, and those that the Bank designated upon initial recognition as measured at fair value through profit or loss;
  - financial asses that the Bank designated upon initial recognition as available for sale; or
  - financial assets for which the holder may not recover substantially all of its initial investment, for reasons other than loan service deterioration, which are classified as available for sale.

  This category includes loans, advances and other receivables acquired or granted. Loans and receivables are measured at amortized cost with the use of effective interest rate and taking into account impairment.

  Amortized cost is the amount at which the loan or advance is measured at initial recognition less principal repayments, plus or minus any difference between the value at initial recognition and value at maturity and less impairment loss allowance. The amortized cost is calculated using the effective interest rate that discounts estimated future cash payments or receipts to the net carrying amount over the period remaining to the item's maturity or, as appropriate, over the period remaining to the item's next market valuation, which is the internal rate of return of the financial asset for the given period. When calculating the effective interest rate, the Bank takes into account all payments received that influence the nature of the financial instrument.Fees and commissions that are an integral part of effective return on a loan or advance adjust the carrying amount of these assets and are taken into account when calculating the effective interest rate.

  Loans and advances with undefined repayment schedules are measured at their nominal value plus any interest due, less impairment loss allowance.

  Receivables due to services provided by the Bank to clients are valued at their nominal value increased by interest due and reduced by impairment loss allowance.

  The Bank identifies restructured credit exposures and classifies them, in order to estimate impairment losses, to selected portfolios with separate modeling of PD parameters.

  In the case of restructuring exposures overdue by at least 90 days, the Bank applies the recovery period, during which, regardless of the current delay, the exposure is treated as impaired.

  All restructured exposures are being monitored and reported until expiration.

- **Securitization of credit portfolio**

  The Bank securitized the car loan and instalment sale portfolio in June 2014. The transaction was a traditional one and consisted in transferring the right to securitized receivables to SC Poland Auto 2014-1 Limited (SPV) with a registered office in Ireland. On the basis of the securitized assets, the said company issued bonds secured on the SPV's assets. The Bank granted the company a subordinated loan to support the transaction.

  The Bank carried out a comprehensive analysis of the transaction and concluded that in accordance with IAS 39, the terms and conditions of the transaction do not require the Bank to derecognize the securitized assets from its financial statements. As a consequence, the Bank recognizes a liability to the SPV due to securitization. The transaction is described in Note 21 *Loans and advances granted to customers.*

- **Financial assets held to maturity**

  Financial assets held to maturity include financial assets with determined or determinable due dates or amounts, which were acquired with the intention to hold and which the Bank is able to hold to maturity.

  Financial assets classified to this category are measured at amortized cost using the effective interest rate and impairment losses. The settlement of amortized cost using the effective interest rate is recognized under "interest revenue" in the statement of comprehensive income.

- **Other financial liabilities**

  This category includes financial liabilities resulting from a contractual obligation to pay in cash or other financial asset to another entity, which are not classified to the group of liabilities measured at fair value through profit and loss with characteristics of deposit or loan received. Other financial liabilities are measured at amortized cost or at the payment amount due.

- **Hedging derivatives**

  The Bank may designate certain derivatives as fair value or cash flow hedges. The Bank applies hedge accounting if the following conditions have been met:
  - at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction and the nature of the risk being hedged. The Bank determines the way in which it will evaluate the effectiveness of the hedging instrument in offsetting changes in cash flows attributable to the hedged transaction with respect to mitigation of the hedged risk;
  - the hedging financial instrument which is the subject of the contract and the hedged assets and liabilities display similar qualities, especially the nominal value, maturity date, sensitivity to changes in the interest rate or changes in the currency exchange rate;
  - the Bank expects that the hedging will be highly effective in achieving offsetting changes in cash flows, consistently with the originally documented risk management strategy for that particular hedging relationship;
  - for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
  - the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
  - the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

- **Fair value hedge**

  Fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognized asset or liability or firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the statement of comprehensive income.

  The fair value hedge is accounted for in the following manner: the gain or loss from remeasuring the hedging instrument at fair value (i.e. for a derivative hedging instrument) are recognized in the statement of comprehensive income; the gain or loss on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognized in profit or loss. This way, any ineffective portion (i.e. lack of full offsetting of the fair value of the hedged item and changes in the fair value of the hedged instrument) is immediately charged to profit or loss.

  For hedged items which are financial assets available for sale, the gains or losses on the hedged risk are recognized in profit or loss whereas the gain or loss on the unhedged risk are charged to equity.

- **Cash flow hedges**

  A hedge of the exposure to variability in cash flows that:
  - is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction;
  - could affect profit or loss of the Bank.

  The cash flow hedge is accounted for as follows: changes in the fair value of the hedging instrument that is determined to be an effective hedge shall be recognised in equity and the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss.

  Gains and losses recognized in equity (effective hedge) upon recognition of the financial asset or liability attributable to the hedged forecast transaction are reclassified to profit or loss in the period or periods when the hedged financial asset or liability affects the profit/loss.

In the case of non-financial assets and liabilities hedges, gain or loss recognized in equity as effective hedge are reclassified into the income statement on an ongoing basis, in the same period as the non-financial assets or liabilities affect the profit or loss (e.g. in the form of amortization) or on a one-off basis as an adjustment of the initial cost or carrying amount of the hedged item.

The Bank applies cash flow hedges to hedge future cash flows of a specific pool of assets and liabilities of the Bank or a portfolio of highly probable forecasted transactions against the risk resulting from changes in foreign exchange rates.

- **Derecognition of financial instruments**

  Financial instruments are derecognized from the financial statement when contractual rights to cash flows from these assets extinguish or when the Bank transfers the entire risk and rewards associated with a given financial instrument to another entity.

  The Bank usually derecognizes loans when they are cancelled, expire or are irrecoverable. Derecognized loans, advances and other receivables are charged to impairment loss allowance created for these items. When no impairment loss allowance has been created or when their value is lower than the value of loans, advances and other receivables, the value of the impairment loss allowance is increased, before the receivables are written down, by the difference between the receivable's value and the impairment loss allowance created thus far.

f) Impairment of financial assets

At the end of each month, the Bank assesses whether there is any objective impairment trigger of a financial asset or a group of financial assets. If any such indication exists, the Bank determines the impairment loss. Impairment loss is identified when there is objective evidence of impairment associated with one or more events that took place after the initial recognition of an asset and the loss generating event affects the expected future cash flows related to a financial asset or group of financial assets the value of which can be reliably estimated. Losses expected as a result of future events are not recognized regardless of their probability.

The following situations can in particular result in impairment loss:

- delinquency in repayment exceeding 90 days;
- information about client's bankruptcy;
- fraud identified;
- borrower's death;
- restructuring of exposure overdue by more than 90 days or agreement with the client regarding the repayment of the debt;
- information of effective contract termination;
- information of acquisition of credit exposure collateral;
- high probability of bankruptcy or other financial reorganization of borrower;
- the entity learns about financial problems of the issuer or debtor;
- unknown residence or undisclosed assets of a counterparty;
- exposure being affected by impairment of other exposures.

In case of individually assessed loans granted to corporate clients, impairment triggers include:

- material deterioration in the counterparty's financial standing that poses a threat to timely repayments, including losses severely affecting client's net assets;
- the Bank's notice to terminate the credit contract;
- a downgrade in a credit rating of counterparty by recognized rating agency;
- information about the bankruptcy proceedings or liquidation of the debtor;
- initiation of enforcement proceedings against the contractor;
- the debtor legally questions the loan exposure;
- the whereabouts of the client are unknown or his possessions are not disclosed;
- loss of client's major source of revenue.

The impairment allowance is equal to the difference between the book value of the asset and the current value of estimated future cash flows discounted using the initial effective interest rate for a given item.

Individual impairment assessment:

The individual assessment of impairment is performed for corporate portfolio credit receivables and for other credit receivables above a specific level of involvement, when individual impairment triggers have been identified.

Future cash flows for individual impairment valuation are calculated based on:

- type and value of collaterals attributable to the Bank;
- expected timing and value of recovery from respective collateral;
- expected costs needed to recover from the collateral.

Collective assessment of impairment

For the purpose of collective assessment of impairment, financial assets are grouped to portfolios according to their similar credit risk characteristics. Future cash flows in the group of financial assets collectively tested for impairment are estimated based on history of losses for assets of similar credit risk characteristics. The Bank regularly checks the methodology and assumptions made for the purpose to evaluate future cash flows in order to reduce mismatch between estimated and actual losses.

In order to calculate the impairment loss for balance sheet exposures analyzed collectively, amongst other the modified probability of default (PD) parameter is used. Modifications of the parameter enable to take into account the specificity of the product as well as periods when the impairment occurs.

Such approach, in particular, allows to identify in particular:

- losses which already occurred;
- losses, which occurred at the date of impairment, but have not been yet documented (so called provision for credit losses, for which impairment occurred but was not reported – IBNR).

The carrying amount of an asset is decreased by impairment loss and the impairment loss is charged to profit or loss. If, in a subsequent period, the value of impairment loss decreases as a result of an event that occurs after the impairment date (e.g. improvement of a debtor's creditworthiness), then the previously recognized impairment loss allowance is reversed. The reversed amount is charged to financial result.

There were no changes in the impairment methodology for exposures assessed collectively in 2014. Only the parameters in impairment calculation model have been subject to changes, i.e.:

- reduction in the period of identification of PD parameter for cash loans, installment loans and credit cards;
- incluison of the porffolio acquired from Santander Consumer Finance S.A. in the consumer segment of Santander Consumer Bank S.A. in order to estimate the PD parameter;
- refreshing the PD and LGD parameters in accordance with the internal instructions collectively assessed portfolio.

g) Property, plant and equipment and intangible assets

Property, plant and equipment as well as intangible assets are disclosed as at the end of the reporting period at cost less depreciation/amortization charges and impairment losses. All non-current assets, whose value decreases due to their use or the time elapsed, are depreciated using the straight line method over their estimated useful lives. The adopted depreciation periods and rates are reviewed periodically. If circumstances or changes which suggest that the carrying amount of property, plant and equipment may not be recoverable occur, such assets are tested for impairment. Depreciation charges and impairment loss are charged directly to profit or loss as expenses of a given period.

Costs of leasehold improvements are divided among a building's material components, when these components have different useful lives or when they provide the Bank with different benefits. Each component is depreciated separately.

Depreciation is finished no later than the moment when:

- the value of depreciation/amortization or accumulated depreciation/amortization charges becomes equal to the initial value of a given asset;
- assets are designated for liquidation;
- sale;
- their shortage is identified;
- verification reveals that their expected residual value exceeds their net carrying amount.

In the case of intangible assets, it is assumed that their residual value is zero, unless there is a third party obligation to buy back the asset in question or when an active market exists and will continue to exist upon discontinuation of the asset's use, and its value on this market can be determined.

Depreciation/amortization periods for basic groups of fixed assets and intangible assets applied at the Bank:

Fixed assets	**Periods**
Leasehold improvements (buildings, facilities)	10 years (or the rent period, if shorter)
Machines, technical equipment, tools and devices	3–15 years
Computer sets	3 years
Vehicles	2.5–5 years

Intangible assets	**Periods**
Computer software	3–10 years
Other intangible assets	3–5 years

h) Assets seized for debt

The Bank recognizes assets seized for debt as its own assets only when it takes over all the risks and rewards related to them. In particular, the Bank does not recognize as assets vehicles took over as collateral for car loans, if according to the loan contract, the risk related to the decrease of the value of the vehicle (between the date of takeover and date of cash recovery) is incurred by the debtor, not the Bank.

i) Lease agreements

The Bank is a party to lease arrangements, under which it rents an asset for use and benefiting from the PP&E or intangible assets for a given period, inparticular under sublease or lease of premises. The Bank is also a party to lease arrangements, under which it receives fixed assets or intangibles for a chargeable use for a given period. The basis for classification of lease arrangements is the extent in which the risks and rewards of the ownership of the asset are attributable to the lessor or the lessee.

Leases whereby the lessor retains substantially all the risk and rewards of ownership of an asset are classified as operating leases.

Operating lease payments are recognized as costs in profit and loss account throughout the lease period.

j) Recognition of investments in controlled entities

Investments in associates, subsidiaries and co-subsidiaries are measured at cost less impairment loss.

k) Non-current assets held for sale

Non-current assets classified as held for sale include assets whose carrying amount is to be recovered through their sale, instead of continued use. Only assets that are available for immediate sale in their current status, whose sale is highly likely (i.e. the decision to carry out the plan to sell a given asset has been made, and an active search for a buyer in order to execute the sale plan has begun), are classified as held for sale. Such assets must also be offered at prices that are rational as compared to the current fair value of the asset and it is expected that the sales transactions shall be recognized as completed within one year of the asset's classification to this category.

Non-current assets classified as held for sale are measured at their book value and fair value less cost to sell, whichever is lower. Impairment losses on non-current assets held for sale are recognized in profit or loss of the period, when such impairment is applied. Assets classified as held for sale are not depreciated.

l) Measurement of items denominated in foreign currencies and FX result

The Bank disclosed on- and off-balance sheet foreign currency items in PLN after translation, using the NBP's average exchange rate applicable at the end of the reporting period. Impairment losses on loans, advances and other receivables denominated in foreign currency that are created in PLN are revalued in line with changes in the value of the foreign currency assets for which they are created. Realized and unrealized exchange differences are charged to profit or loss.

m) Exchange rates adopted during preparation of the financial statements

The Bank adopted the following exchange rates announced by the National Bank of Poland at the end of the reporting period when translating on- and off-balance sheet items:

Currency	31.12.2014	31.12.2013
CHF	3.5447	3.3816
USD	3.5072	3.0120
EUR	4.2623	4.1472

As regards impairment losses on credit receivables in foreign currencies, the Bank applies an approach whereby for each reporting date the value of an impairment loss is calculated in the reporting currency (PLN), and the change in the value of impairment is presented in statement of comprehensive income under *Impairment losses on financial assets.*

n) Granted off-balance sheet liabilities

As part of its operating activity, the Bank enters into transactions which are not recognized upon conclusion in the financial statements as assets or liabilities, but they still result in origination of contingent liabilities. A contingent liability is:

- a possible obligation that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully controlled by the Bank;
- a present obligation that arises from past events but which is not recognized in the financial statements, as it is unlikely that cash or other assets will have to be used to fulfill this obligation, or the amount of the related liability cannot be reliably estimated.

Off-balance sheet liabilities include in particular credit lines and guarantees granted.

Granted off-balance sheet liabilities bearing the risk that the mandator will not fulfill contractual terms are covered by provisions created in accordance with IAS 37 and IAS 39.

o) Deferred tax

For the purposes of financial reporting, deferred income tax is calculated using the balance sheet liability method based on temporary differences that occur as at the end of the reporting period between the tax value of assets and liabilities and their carrying amount recognized in the consolidated financial statements.

A deferred tax provision is recognized in relation to all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- in respect of taxable temporary gains associated with investments in subsidiaries, associates and share in joint arrangements except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects either the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and share in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of a deferred tax asset is verified as at each balance sheet date and is reduced as appropriate, taking into account a decrease in probability of achieving taxable income sufficient for the realization of the deferred tax asset in part or in whole. An undisclosed deferred tax asset is remeasured as at the end of each financial year and recognized up to the amount reflecting probable taxable income which will facilitate realization of the asset.

Deferred tax assets and liabilities are measured by reference to the tax rates expected to be applicable in the period when the asset is realized or the liability derecognized, assuming tax rates (and tax regulations) effective as at the end of the reporting period or those certain to be effective as at the aforementioned date as the basis.

Income tax on items not recognized in profit or loss is recognized in other comprehensive income for items recognized there or directly in equity for items recognized directly in equity.

The Bank offsets its deferred tax assets and deferred tax liabilities only if it has an enforceable legal title to offset its current tax receivables with liabilities, whereas the deferred income tax is related to the same taxpayer and the same tax authority.

The deterred tax is calculated as 19% of the difference between the tax value of assets and liabilities and their book value and is presented in the financial statements either as deferred tax assets or deferred tax provision.

Changes in deferred tax are classified as statutory deductions from profit, except effects of measurement of financial assets whch are charged to equity.

The carrying amount of a deferred tax asset is verified as at each end of the reporting period and is reduced as appropriate, taking into account the reduction in the probability of achieving taxable income sufficient for the realization of the deferred tax asset in part or in whole.

Deferred tax assets and provisions for deferred tax are measured with the application of tax rates expected to be applicable in the period of realization of the asset or release of the provision, with the consideration of tax rates (tax regulations) applicable as at the end of the reporting period or rates that will be applicable at the end of the reporting period in the future.

p) Financial liabilities measured at amortized cost

Financial liabilities (except for derivatives) are measured at amortized cost using the effective interest rate. If a cash flow schedule cannot be determined for a given financial liability and therefore the effective interest rate cannot be reliably estimated, such a liability is measured at amount due.

Debt instruments issued by the Bank are recognized as liabilities and measured at amortised cost taking into account effective interest rate.

q) Accruals

Accrued expenses relate to particular types of expenses, which will be charged to profit or loss in future reporting periods in line with the passage of time.

r) Provisions

Provisions are recognized in the financial statements, if the Bank is subject to legal or customary liability resulting from past events, and if there is a probability that fulfillment of the obligation results in outflow of funds that include economic benefits. If the effect is material, the value of the provision is determined using expected discounted future cash flows, with pre-tax interest rate, which reflects the current market assessment of the time value of money value and, when applicable, risks related to a given liability. The Bank creates provisions for future liabilities whose value can be reliably estimated, as well as for contingent liabilities.

In accordance with IAS 37, the Bank recognizes in the financial statements a restructuring provision for documented costs of restructuring. The provision is recognized, based on a detailed, formal and announced restructuring plan. The provision does not account for future operating costs.

s) Calculation of profit or loss

The Bank recognizes all material items of expenses and revenue in accordance with the accrual and matching principle, as well as principles of recognition and measurement of assets and liabilities, and recognition of impairment loss allowance.

Interest revenue and expenses

Interest revenue and expenses include interest recognized based on the accrual method using the effective interest rate. The effective interest rate method is a method of accruing the amortized cost of financial assets or liabilities (or a group of financial assets or financial liabilities) and assigning interest revenue and expenses to relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected period. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms but without possible credit losses not yet incurred. The calculation includes all fees paid and received by the parties to the agreement that include an integral part of the effective interest rate, transactionl costs and any other premiums and discounts.

Commission revenue and expenses

Commissions on credit limits, revolving loans and off-balance sheet liabilities are settled on a straight-line basis in profit or loss. Other commissions and fees related to post-sales support are recognized in profit or loss when services are provided.

Revenues and costs from distribution of insurance products

Revenues and costs from distribution of insurance products are recognized in accordance with the rules described inpoint 4.c. *Accounting estimates*

Gain/loss on foreign exchange transactions

Gain/loss on foreign exchange transactions includes exchange gains and losses, both realized and unrealized, resulting from everyday measurement of foreign currency assets and liabilities at the average exchange rate of the National Bank of Poland applicable at the end of the reporting period.

Other operating revenue and expenses

Other operating revenue and expenses include revenue and expenses that are not related directly to banking operations. Other operating revenue include the recovered overdue, redeemed and irrecoverable receivables, revenue due to the sale/liquidation of non-current assets and assets seized for debts, received damages fines and gains from debt collection. Other operating expenses include mainly the costs of selling/liquidating non-current assets, including assets seized for debts, costs of granted donations and costs related to damages, fines and losses on debt collection.

t) Current income tax

Current income tax is calculated based on profit before tax adjusted by: revenue which in accordance with tax regulations is not classified as taxable income, taxable income not recognized as revenue for accounting purposes, non-deductible expenses and costs that are not recognized as expenses for accounting purposes, in accordance with Polish tax regulations. These items include mainly accrued but not received interest revenue and expenses as well as provisions for receivables, off-balance sheet liabilities and other assets.

u) Equity

Equity includes capitals created by the Bank in line with current legal regulations and the Bank's Charter. Equity also includes undistributed prior year profits and uncovered prior year losses.
Share capital is recognized in the amount stated in the Charter and the entry in the Register of Entrepreneurs, at nominal value.
Supplementary capital is created in accordance with the Bank's Charter, through appropriation of profit and share premiums, and is designated to cover losses that may result from the Bank's activity. Decisions on the use of supplementary capital are made by the General Shareholders' Meeting.

The following items are also included in equity:

- profit/loss pending approval;
- declared but unpaid dividends;

- revaluation reserve, recognized following the measurement of financial instruments classified as available for sale and financial instruments designated as cash-flow hedges.

The net profit/loss for the financial year is defined as profit before tax adjusted by the income tax liability.

v) Company Social Benefits Fund

The Bank has created a social benefits fund in accordance with the Act on Social Benefits Funds of 4 March 1994 (*Journal of Laws* of 1994 No. 43, item 163 as amended). The purpose of the fund is to finance social benefits for employees. The fund's assets comprise accumulated contributions made by the Bank to the social benefits fund increased by the instalments of loans repaid by employees, less non-refundable expenses from that fund. The Bank offset the fund's assets and liabilities in the financial statement, due to the fact that the fund's assets do not constitute the Bank's assets.

w) Share-based payments

The Bank participates in the Long-Term Incentive Plan introduced by the Santander Group. The system was addressed to the top management and intended as a financial performance-related incentive system for employees of the Santander Group entities.

The final cycle of the programme has finished.

Share-based employee benefits were measured at fair value of the shares (which reflected the future actual cash payment) and recognized in profit or loss (under salaries and wages) proportionally to the passage of time of the plan. Liabilities in this respect were recognized under accruals.

5 Objectives and principles of financial risk management

The purpose of risk management is supporting business operations by way of optimizing expenses incurred by the Bank if a given type of risk occurs.

The key risks affecting the Bank's financial profit/loss include: credit and market risk comprising interest rate risk, foreign exchange risk, capital adequacy risk and liquidity risk. The Bank verifies and agrees the management principles applied to each type of risk. These principles are discussed below.

a) Credit risk

Credit risk is managed in two areas of operations: *ex ante*, i.e. credit approval, and ex post, i.e. monitoring of repayments and collateral, restructuring, collection of receivables and alternatively the sale of irregular portfolio, if collection of receivables is not economically justified, considering the proportion of collection expenses to potential recoveries. The credit risk management consists of the following actions taken by the Bank:

- assessment and review of credit applications;
- credit risk ratios monitoring and reporting;
- repayment monitoring and collection and debt restructuring;
- collateral management;
- trading in liabilities portfolios;
- determining impairment losses on credit exposures;
- determining concentration limits for exposures and production and red light levels for these limits;
- monitoring, reporting and validation of score cards and other instruments used in the credit application analysis, which define decision rules and which are created based on quantitative methods.

Credit risk monitoring is carried out on an ongoing basis and reports are prepared every day, month or quarter. The reports are a part of the management reporting system and sent to a Member of the Management Board responsible for the Bank's credit risk and discussed during the meetings of the Management Board and Supervisory Board.

The Bank manages credit risk using the key risk parameter forecasting method and mitigating some of the risk types. The Bank prepares forecasts for annual periods which coincide with calendar years. The forecasts are divided into separate business lines (products). The forecasts are controlled on a monthly basis and any deviations from the assumption are subject to a detailed analysis.
The objective of the Bank is to reach credit risk ratios assumed in the forecast and to control credit risk impact on the credit portfolio profitability.
An important element of the Bank's policy is management of credit risk limits, in particular identification of criteria for risk limit-setting and their periodic reviews,monitoring and inspection.

Apart from the risk forecast, the Bank applies other tools for measuring and projecting credit risk, which also allow for simulating results of potential business decisions. In particular the Bank prepares:

- vintage analysis;
- analysis of key loss ratios in the portfolio;
- boundary value analysis of selected credit risk ratios;
- matrix of exposure migrations between delinquency buckets;
- analysis of impairment provisions;
- analysis of identification of risk, its levels and possibility of managing it in relation to new products and services;
- analysis of application and behavioural characteristics of customers;
- statistical analyses considering the historical data as well as portfolio forecasts and other internal analyses to determine the limits applicable in the Bank;
- stress testing;
- other ad-hoc analyses and reports to monitor and report the quality of credit portfolio.

The Bank's objective is to ensure the most comprehensive IT support for the analyses and verification of credit applications. The Bank's strategy is to restructure the acceptance of credit decisions so that the Bank is able to service a bigger volume of credit applications at the same acceptable credit risk exposure, measured as the equity requirement for credit risk.
In order to identify impairment losses on credit exposures, the Bank uses the methodology consistent with International Financial Reporting Standards.

b) Market risk

The Bank is exposed to market risk understood as the risk resulting from adverse movement in the current measurement of open positions debt, F/X and equity instruments due to changes in risk factors, in particular interest rates, currency exchange rates, share prices. Market risk includes: interest rate risk, currency risk, capital adequacy risk and liquidity risk in the short, mid and long term.
The purpose of managing market and liquidity risk of the Bank is to mitigate exposure to particular types of risk and to optimize the Bank's income at acceptable levels of liquidity, interest rate and currency risks. The Bank's objective is not to generate speculative gains on short-term changes in prices but to prevent adverse impact of these changes on the Bank's profit/loss. Consequently, the Bank classifies all transactions to its banking portfolio, not to the commercial one.
The tool used by the Bank to determine the acceptable risk level is limiting open positions in financial instruments. The Bank's exposure to market and liquidity risk is measured using standard tools applied for particular risk types.
The risk management process in the Bank ensures separating operational functions, i.e. concluding transactions in the interbank market from risk assessment, monitoring and control functions. The process covers the Bank and its subsidiaries applying the same methods and principles of managing market risk.
Market risk reporting is an integral part of the management information system, including monthly reporting to the Management Board of the Bank and the Asset Liability Management Committee and quarterly reporting to the Bank's Supervisory Board.

c) Interest rate risk in banking register

The Bank understands the interest rate risk as the risk which results from the exposure of the Bank's present and future financial profit/loss as well as its capitals to adverse impact of interest rate fluctuations. The Bank monitors and mitigates all elements of the interest rate risk, such as:

- repricing risk;
- basis risk;
- yield curve risk;
- option risk.

In order to measure interest rate risk, the Bank applies e.g. interest rate gap adjusted by early repayments of loans, taking into account deposits termination assumption. The Bank analyses the impact of the potential change in interest rates on the interest income. The Bank also estimates the Value at Risk Ona monthly basis at a 99 percent confidence level. The analysis includes stress tests in case of a sudden dramatic change in interest rates.

d) Currency risk

The Bank understands the currency risk as the risk which results from the exposure of the Bank's present and future financial profit/loss as well as its capitals to adverse impact of exchange rate fluctuations. As a part of its currency risk monitoring the Bank analyses the liquidity risk in foreign currencies and the impact of the currency risk on the credit risk, which occurs in case of credit facilities denominated in foreign currencies if there is a mismatch between the loans currency and the currency of the Bank's revenue as well as the influence of currency risk on liquidity risk, resulting from the PLN valuation of CIRS and FX Swap instruments. Such risk occurs in case of a large portion of the Bank's portfolio, as loans denominated in foreign currencies, whose financing is significantly based on swap transactions, constitute a significant item in the Bank's financial statements.

The key objective of the Bank is to maintain the currency position of the Bank in the amount which is not related to the need to maintain the regulatory capital requirements related to currency risk. In order to do so the currency position limits are conservative and they do not exceed the materiality threshold determined with relation to the Bank's own funds.

Currency risk management includes the following issues:

- managing the open currency position of the Bank, including determination and control over limits for the open currency position and maximum loss limits;
- monitoring exchange differences from currency exchange and exchange position result;
- estimating a potential loss due to currency risk (Value at Risk) and stress tests analysis;
- managing revenue related to transactions bearing currency risk;
- capital allocation to the risk of currency mismatch between exposures and customers' revenue.

The capped values include: the value of open currency positions and the Value at Risk calculated for 10-day periods at a 99 percent confidence level.

e) Capital adequacy risk

The objective of capital adequacy management in Santander Consumer Bank S.A. is to ensure that the Bank meets equity requirements adequate to its risk profile, business model and scale of its operations taking market conditions into account. Equity level and capital adequacy is estimated in accordance with the applicable regulations and directives of the European Parliament and EU Council, and recommendations of the Polish Financial Supervison Authority.

f) Liquidity risk

The objective of managing liquidity risk is to shape the financial position and contingent liabilities of the Bank in order to ensure permanent ability to repay liabilities taking into account the nature of operations and the needs that may occur as a result of changes in the market environment and customers' behaviour. The key objective of liquidity risk management in the Bank is growing stable sources of financing.

The liquidity risk is measured using liquidity gap adjusted by early repayments of loans, stress tests included in the emergency liquidity plan and the analysis of stability and costs of acquisition of liabilities and equity.

The financial liquidity of the Bank is affected mainly by funds from deposits of retail and corporate customers, issuance of own debt securities and credit lines granted by the Santander Group and other entities. Unused credit lines cover all financing needs of the Bank and ensure the primary and secondary liquidity reserve under Resolution No. 386/2008 of the Polish Financial Supervision Authority, also if the Bank obtains funds from other sources.

The Bank does not use derivatives to manage liquidity risk. Due to the lack of speculative positions the risk related to illiquidity of financial markets is significantly mitigated.

In 2013, the financial structure of portfolio denominated in CHF changed materially in order to match financing to characteristics of assets portfolio and to mitigate short-term liquidity gap. For this purpose part of the financing acquired from short-term swap transactions was replaced by long-term balance-sheet financing. This financing was acquired in consequence of *repo* transaction secured by securities and in addition by credit line in CHF. In 2014, the Bank continued the strategy of reducing the short-term and long-term liquidity gap by way of entering into long-term off-balance transactions (CIRS). In 2014, the Bank carried out a process of adjusting to the new liquidity measures as required by the CRR Regulation. In particular, the nature of the Bank's liquidity reserve changed; until December 2012, the aforesaid reserve was ensured by irrevocable credit lines from entities in the Bank's Capital Group. Such a liquidity reserve mechanism is allowed under Resolution No. 386 of the Financial Supervision Authority, but not under the CRR Regulation. For that reason, in 2014, the Bank began the process of replacing off-balance sheet liquidity instruments with liquidity reserves which comply with the definition of high quality of liquid assets from the CRR Regulation.

6 Interest income

Interest income	**2014**	**2013**
On banks' deposits and accounts	19 109 054	23 834 899
On loans and advances granted to cutomers	1 273 248 778	1 040 317 447
Enterprises loans	*16 382 882*	*22 274 862*
Car loans	*131 992 331*	*185 211 973*
Mortgages	*144 149 803*	*172 817 035*
Loans to purchase goods and services	*133 623 252*	*55 054 113*
Cash loans	*767 858 835*	*525 457 362*
Credit cards	*71 814 043*	*75 970 059*
Other	*7 427 632*	*3 532 043*
On securities available for sale	50 119 180	59 650 345
On subordinated loans	8 214 482	0
On derivatives	43 897 091	77 296 637
Total	**1 394 588 585**	**1 201 099 328**

Interest income on impaired financial assets	**2014**	**2013**
On loans and advances granted to cutomers	334 195 575	95 598 185
Total	**334 195 575**	**95 598 185**

7 Interest expense

Interest expense	2014	2013
On banks' deposits, loans and advances	-61 286 001	-45 684 376
On customers' deposits, loans and advances	-240 363 151	-319 824 405
On subordinared loan	-4 263 220	-7 806 301
On own debt securities	-83 042 571	-85 045 479
On derivatives	-15 672 967	-12 415 234
On finance lease	-316 393	-138 635
On other liabilities	-26 809 301	0
Total	**-431 753 604**	**-470 914 430**

8 Commission income

Commission income	2014	2013
Revenues from sale of insurance products	128 952 329	118 844 355
Interest in profits of insurers	23 625 283	25 487 595
Commission on loans granted	7 301 929	9 704 591
Commission on credit card services	50 255 932	40 643 533
Commission on bank account services	2 048 112	1 504 139
Banking service package	31 272 993	15 492 083
Commission on cash transactions	7 326 050	7 249 921
Commission on agency agreement with related parties	0	37 072 637
Commission on securitization	1 000 849	0
Other commissions	697 010	520 698
Total	**252 480 487**	**256 519 552**

9 Comission expenses

Comission expenses	2014	2013
Insurance agency commissions	-10 331 937	-15 981 039
Commision on loans granted	-60 987 594	-9 735 187
Commission on credit card servicing	-3 696 224	-3 139 458
Commission on bank acount servicing	-1 282 130	-3 619 429
Commission on securities offering	-2 853 147	-2 336 449
Commission on securitization	-877 882	0
Other commissions	-96 073	-72 369
Total	**-80 124 987**	**-34 883 931**

10 Result on financial operations and FX result

Result on financial operations and FX result	2014	2013 (restated data)*
Dividend income	32 676 784	6 362
Cost of impairment of shares	-39 428 983	-17 666 992
Gain/loss on cash flow hedges	761 320	5 794 940
Gain/loss on foreign exchange transactions	5 597 462	7 190 091
Total	**-393 417**	**-4 675 599**

*Restated data for 2013 is presented in Note 50 *Changes in the presentation of financial data.*

Dividend income presemts data dividend from Visa Europe (PLN 7 709 and PLN 6 362 in 2014 and 2013, respectively) and from subsidiary Santander Consumer Finanse S.A (2014: PLN 32 669 075).
The Bank classifies the shares in Visa Europe as financial assets available for sale.
Impairment losses on shares are descrivbed in Note 22.
The item *Gain/loss on cash flow hedges* is presented as gain/loss on measurement of hedges in the ineffective portion of cash flow hedging relationship.
Gain/loss on foreign exchange transactions includes profit/loss on spots and futures and translated foreign currency assets and liabilities.

11 Other operating income

Other operating income	2014	2013 (restated data)*
Debt collection	6 952 165	0
Revenue from release of provisions and accruals	6 959 328	5 955 232
Revenue from re-invoices of maintenance services	1 649 068	2 418 102
Revenue from overpayments	2 905 116	2 273 247
Revenue from IT services and other support services	2 077 401	9 462 497
Other operating income	3 148 867	2 138 125
	23 691 945	**22 247 203**

*Restated data for 2013 is presented in Note 50 *Changes in the presentation of financial data.*

12 Bank's operating expenses and depreciation and amortization

Bank's operating expenses	2014	2013
Salaries and wages	-178 176 209	-157 029 818
Social insurance and other employee benefits	-34 383 849	-29 197 933
Marketing expenses	-63 177 822	-54 996 503
IT expenses	-33 738 319	-33 819 339
Rent	-46 110 593	-48 968 576
Taxes and charges	-20 788 349	-15 547 246
Credit Information Bureau fee	-11 523 878	-7 701 699
Postal services	-10 972 681	-8 675 099
Maintenance expenses	-14 876 422	-13 091 003
Telecommunications services	-6 628 315	-8 856 409
Advisory services	-5 890 090	-12 074 390
Credit card services	-5 866 530	-4 467 230
Business travel expense	-2 875 305	-2 729 082
Costs of training	-3 231 134	-2 666 429
Documentation services	-1 801 102	-1 582 244
Other expenses	-11 025 487	-12 189 843
Total	**-451 066 085**	**-413 592 843**

In 2014, the Bank incurred costs in respect of rental of fixed assets used under finance lease agreements amounting to PLN 564 856.

In 2013, the Bank incurred costs in respect of rental of fixed assets used under finance lease agreements amounting to PLN 195 956.

In 2013, salaries and wages included the costs of share-based payments of PLN 1 003 664. In 2014, no such costs were incurred.

Amortization/depreciation	2014	2013
Amortization charges – intangible assets	-23 099 955	-25 358 359
Depreciation charges – property, plant and equipment	-19 889 039	-19 831 784
Total	**-42 988 994**	**-45 190 143**

13 Impairment losses on financial assets

Net impairment losses	2014	2013 (restated data)*
Impairment losses on loans and advances	-41 124 154	60 020 834
Total	**-41 124 154**	**60 020 834**

*Restated data for 2013 is presented in Note 50 *Changes in the presentation of financial data.*

Change in provisions in 2014	**Increase in provisions**	**Decrease in provisions**	**Total**
Enterprises loans	3 102 425	-13 930 729	-10 828 304
Car loans	142 426 968	-165 929 875	-23 502 907
Mortgages	113 565 530	-136 495 614	-22 930 084
Loans to purchase goods and services	196 417 272	-157 234 655	39 182 617
Cash loans	492 031 772	-381 437 434	110 594 338
Credit cards	66 124 265	-62 597 771	3 526 494
Other	129 050	-53 189	75 861
Interbank deposits	10 873	-63 646	-52 773
Off-balance sheet liabilities	17 178 477	-22 125 243	-4 946 766
Recovered from impaired receivables	0	-49 994 322	-49 994 322
Total	**1 030 986 632**	**-989 862 478**	**41 124 154**

Change in provisions in 2013 (restated data)*	**Increase in provisions**	**Decrease in provisions**	**Total**
Enterprises loans	11 341 177	-5 677 086	5 664 091
Car loans	204 054 011	-208 251 905	-4 197 894
Mortgages	247 479 453	-239 314 793	8 164 660
Loans to purchase goods and services	79 651 299	-68 710 088	10 941 211
Cash loans	319 649 783	-345 136 962	-25 487 179
Credit cards	66 965 919	-78 456 126	-11 490 207
Other	106 123	0	106 123
Interbank deposits	52 773	0	52 773
Off-balance sheet liabilities	20 913 509	-17 044 354	3 869 155
Recovered from impaired receivables	0	-47 643 567	-47 643 567
Total	**950 214 047**	**-1 010 234 881**	**-60 020 834**

*Restated data for 2013 is presented in Note 50 *Changes in the presentation of financial data.*

The item *Recovered from impaired receivables* presents revenue from receivables sold, among other things. The table presents the gross value of receivables sold.

Receivables sold	**2014**	**2013**
Cash loans	282 328 570	153 315 678
Loans to purchase goods and services	50 833 829	126 898 559
Total	**333 162 399**	**280 214 237**

14 Other operating expenses

Other operating expenses	2014	2013 (restated data)*
Debt collection	0	-5 537 731
Loss on disposal of property, plant and equipment and intangible assets	-856 737	-1 296 233
Expenses related to provisions created	-4 038 015	-468 198
Expenses related to provisions for other liabilities	0	-2 500 000
Expenses related to complaints	-975 985	-103 097
Expenses related to impairment loss recognised on property, plant and equipment and intangible assets	-944 063	-12 394 991
Expenses related to impairment loss recognised on other assets	-7 947 949	-2 166 036
Cost of damages	-1 295 827	-254 538
Expenses related to overpaid and refund of underpaid loans	-781 056	-50 296
Expenses related to cooperation with agents	-998 508	0
Other operating expenses	-539 373	-1 195 086
Total	**-18 377 513**	**-25 966 206**

*Restated data for 2013 is presented in Note 50 *Changes in the presentation of financial data.*

Impairment losses recognised on property, plant and equipment and intangible assets are presented in Notes 23 and 24.

15 Income tax

	2014	2013
Gross profit/loss	**604 932 263**	**544 663 765**
Theoretical tax rate of 19%	**114 937 130**	**103 486 115**
Permanent differences:	**16 626 093**	**-8 174 591**
Permanent differences related to the operating expenses	1 003 976	740 299
National Fund for Rehabilitation of the Disabled	377 256	321 018
Change in provisions for non-tax deductible expenses	1 242 562	1 805 838
Non-tax deductible write-offs of loans and non-taxable revenue	12 032 837	8 056 530
Change in impairment losses on loans in tax permanent difference	-382 430	-21 053 149
Tax relief for new technology	-1 911 905	0
Interest on acquired financial liabilities	3 552 904	2 857 495
BFG charge	851 506	199 544
Other permanent differences	-140 613	-1 102 166
Total tax	**131 563 223**	**95 311 524**

The deferred tax calculation is presented Note 26.

16 Proposed profit distribution

As at 17 February 2015, the Management Board had not made any decision regarding a proposal to be made to the General Shareholders' Meeting in respect of distribution of the profit for 2014.
The profit for 2013 was earmarked for coverage of the previous year loss resulting from business combinbation and changes in the accounting policy; the remaining portion of profit was paid out as dividend.

17 Cash and balances with the Central Bank

The Bank had cash in hand which totalled PLN 21 955 162 and PLN 16 417 810 at 31 December 2014 and 31 December 2013, respectively.
The Bank was obliged to maintain a mandatory provision in the National Bank of Poland. As at 31 December 2014 and 31 December 2013, the Bank deposited PLN 217 453 907 and PLN 237 646 299, respectively.

18 Accounts and deposits in other banks

Accounts and deposits in other banks	**31.12.2014**	**31.12.2013**
Current accounts	9 346 196	5 353 952
Term deposits	0	540 352 029
Margin deposit	58 532 945	0
Gross value	**67 879 141**	**545 705 981**
Impairment losses on the portfolio	0	-52 773
Total net value	**67 879 141**	**545 653 208**

Gross receivables from other banks by maturity	**31.12.2014**	**31.12.2013**
Current receivables	9 346 196	5 353 952
Non-current receivables maturing after the end of the reporting period:	58 532 945	540 352 029
– within 1 month	*58 532 945*	*250 145 017*
– 1–3 months	*0*	*0*
– 3 months–1 year	*0*	*290 207 012*
Total	**67 879 141**	**545 705 981**

19 Financial assets available for sale

Financial assets available for sale	**31.12.2014**	**31.12.2013**
Money bills	959 947 200	64 990 965
Treasury bonds	1 244 226 000	1 239 878 000
Securitization bonds	393 746 775	0
Shares	1 601 965	1 168 422
Total	**2 599 521 940**	**1 306 037 387**

As 31 December 2014 Santander Consumer Bank S.A. held money bills to be used as protection of the guaranteed funds in accordance with the requirements of the Bank Guarantee Fund, with a total carrying amount of PLN 49 997 250 (at 31 December 2013: PLN 49 993 050).
The Bank also held money bills of the National Bank of Poland which did not constitute protection of the guaranteed funds with a total carrying amount of PLN 909 949 950 and PLN 14 997 915 at 31 December 2014 and 31 December 2013, respectively.

The Bank has treasury bonds and securitization bonds constituting security of *repo* transaction receivables. These receivbles are presented in Note 28 *Liabilities to Banks*.

2014 data

Bill type	Purchase date (*)	Maturity	Purchase price	Nominal value	Volume	Market value at 31 Dec. 2014
Money bills	29/12/2014	02/01/2015	959 786 880	960 000 000	96 000	959 947 200
Treasury bonds	23/01/2013	25/01/2015	10 040 000	10 000 000	10 000	10 132 000
Treasury bonds	23/01/2013	25/01/2015	103 722 379	103 268 000	103 268	104 631 138
Treasury bonds	23/01/2013	25/01/2018	100 330 000	100 000 000	100 000	100 980 000
Treasury bonds	23/01/2013	25/01/2017	145 609 000	145 000 000	145 000	146 754 500
Treasury bonds	23/01/2013	25/01/2015	147 362 948	146 732 000	146 732	148 668 862
Treasury bonds	28/01/2013	25/01/2018	260 959 400	260 000 000	260 000	262 548 000
Treasury bonds	28/01/2013	25/01/2018	50 185 000	50 000 000	50 000	50 490 000
Treasury bonds	25/01/2013	25/01/2017	416 743 000	415 000 000	415 000	420 021 500
Securitization bonds Class A	26/06/2014	20/06/2025	347 400 000	184 430 280	184 430	184 573 276
Securitization bonds Class B	26/06/2014	20/06/2025	209 000 000	209 000 000	209 000	209 173 499
Total			**2 751 138 607**	**2 583 430 280**		**2 597 919 975**

(*) transaction currency date specified

2013 data

Bill type	Purchase date (*)	Maturity	Purchase price	Nominal value	Volume	Market value at 31 Dec. 2013
Money bills	27/12/2013	03/01/2014	64 968 410	65 000 000	6 500	64 990 965
Treasury bonds	23/01/2013	25/01/2015	10 040 000	10 000 000	10 000	10 117 000
Treasury bonds	25/01/2013	25/01/2015	103 722 379	103 268 000	103 268	104 476 236
Treasury bonds	25/01/2013	25/01/2018	100 330 000	100 000 000	100 000	100 520 000
Treasury bonds	25/01/2013	25/01/2017	145 609 000	145 000 000	145 000	146 218 000
Treasury bonds	25/01/2013	25/01/2015	147 362 948	146 732 000	146 732	148 448 764
Treasury bonds	29/01/2013	25/01/2017	416 925 600	415 000 000	415 000	418 486 000
Treasury bonds	30/01/2013	25/01/2018	261 102 400	260 000 000	260 000	261 352 000
Treasury bonds	30/01/2013	25/01/2018	50 212 500	50 000 000	50 000	50 260 000
Total			**1 300 273 237**	**1 295 000 000**		**1 304 868 965**

(*) transaction currency date specified

The financial assets available for sale include shares in Visa Europe. As at 31 December 2014 and 31 December 2013 they totalled PLN 1 601 965 and PLN 1 168 422, respectively.

20 Hedge accounting, hedging derivatives

The Bank uses FX Swaps and CIRS to hedge against the currency risk resulting mainly from mortgages and to a lesser extent from car loans denominated in CHF. The FX Swpas change specific payments in CHF to payments in PLN. The FX Swaps which change the streams in CHF to streams in PLN have been classified as hedging instruments for the purposes of hedge accounting as a portfolio cash flow hedge.

Gains and losses on measurement of hedging derivatives are preseted, respectively, under *Heding derivatives* in the assets of the statement of financial position and under *Heding derivatives* in equity and liabilities of the statement of financial position.

The table below presents the basic terms and conditions of the transactions and their fair value in PLN at 31 December 2014 and 31 December 2013.

31.12.2014

Transaction	Purchased currency	Sold currency	Nominal value	CHF/PLN exchange rate	Transaction date		Balance sheet measurement
					Initial exchange	Final exchange	
CIRS	CHF	PLN	50 000 000 CHF	3.4990	17/07/2012	17/07/2015	-2 910 408 PLN
CIRS	CHF	PLN	35 000 000 CHF	3.4090	30/08/2012	31/08/2015	-5 168 527 PLN
CIRS	CHF	PLN	35 000 000 CHF	3.4530	31/08/2012	31/08/2015	-3 633 808 PLN
CIRS	CHF	PLN	25 000 000 CHF	3.4000	20/09/2012	21/09/2015	-4 006 862 PLN
CIRS	CHF	PLN	80 000 000 CHF	3.4540	12/11/2012	12/11/2015	-8 243 392 PLN
CIRS	CHF	PLN	50 000 000 CHF	3.3940	03/06/2014	03/06/2016	-7 759 239 PLN
CIRS	CHF	PLN	50 000 000 CHF	3.3940	03/06/2014	06/06/2017	-8 295 250 PLN
					Total		**-40 017 486 PLN**

31.12.2013

Transaction	Purchased currency	Sold currency	Nominal value	Initial exchange		Final exchange		Balance sheet measurement
				CHF/PLN exchange rate	Transaction date	CHF/PLN exchange rate	Transaction date	
FX Swap	CHF	PLN	50 000 000 CHF	3.4205	13/12/2013	3,4649	13/06/2014	2 247 383 PLN
FX Swap	CHF	PLN	35 000 000 CHF	3.4222	20/12/2013	3,5098	22/12/2014	1 468 998 PLN
FX Swap	CHF	PLN	10 000 000 CHF	3.4222	20/12/2013	3,4436	20/03/2014	438 260 PLN
FX Swap	CHF	PLN	21 000 000 CHF	3.4220	20/12/2013	3,4296	21/01/2014	917 491 PLN
					Total			**5 072 132 PLN**

Transaction	Purchased currency	Sold currency	Nominal value	CHF/PLN exchange rate	Transaction date		Balance sheet measurement
					Initial exchange	Final exchange	
CIRS	CHF	PLN	50 000 000 CHF	3.6145	29/05/2012	03/06/2014	10 954 085 PLN
CIRS	CHF	PLN	50 000 000 CHF	3.6700	04/06/2012	03/06/2014	13 718 543 PLN
CIRS	CHF	PLN	50 000 000 CHF	3.4990	17/07/2012	17/07/2015	4 217 327 PLN
CIRS	CHF	PLN	15 000 000 CHF	3.4385	31/07/2012	31/07/2014	592 072 PLN
CIRS	CHF	PLN	35 000 000 CHF	3.4090	30/08/2012	31/08/2015	185 820 PLN
CIRS	CHF	PLN	35 000 000 CHF	3.4530	31/08/2012	31/08/2015	1 715 901 PLN
CIRS	CHF	PLN	25 000 000 CHF	3.4000	20/09/2012	21/09/2015	-170 082 PLN
CIRS	CHF	PLN	80 000 000 CHF	3.4540	12/11/2012	12/11/2015	4 311 818 PLN
					Total		**35 525 484 PLN**

Prior to concluding a heding transaction, the Bank defines the hedging relationship by indicating the portfolio or assets or liabilities which are to be hedged. In order to ensure high probability of forecast cash flows from the portfolio of loans in CHG which are hedged, the hedged items are designated based on the methods used by the Bank to determine the liquidity gaps realigned to include earlier repayment of loans. Thus estimated future cash flows which are hedged are decreased by 10% (*haircut*). The hedged cash flows mature after the completion of the FX Swap hedging transaction.

The table below presents forecast cash flows from the portfolio of mortgage and car loans in CHF and the amount allocated as hedging instruments to FX Swap at 31 December 2014 and 31 December 20113. (information based on the Bank's liquidity gap):

31.12.2014

Forecast cash flow	Proceeds from loan repayment	Amount allocated to hedging transactions
Up to 1 month	854 434	0
1 to 3 monthss	1 688 786	0
3 to 6 months	2 482 819	0
6 to 12 months	4 790 225	225 000
1 to 2 years	8 928 273	50 000
2 to 3 years	8 139 380	50 000
3 to 4 years	7 408 750	0
4 to 5 years	6 718 964	0
over 5 years	46 388 135	0

31.12.2013

Forecast cash flow	Proceeds from loan repayment	Amount allocated to hedging transactions
up to 1 month	6 815 061	0
1 to 3 months	13 464 726	12 118 253
3 to 6 months	19 798 725	17 918 852
6 to 12 months	38 188 505	34 384 654
1 to 2 years	71 425 694	64 508 125
2 to 3 years	63 640 327	57 276 294
3 to 4 years	58 926 881	53 034 193
4 to 5 years	56 843 530	51 159 177
over 5 years	617 243 270	165 940 451

The Bank measured the effectiveness of the hedges with the linear regression analysis, which proved that hedging instruments and risk were matched correctly.
Statistical tests used has shown high positive correlation between the hedged risks and hedging instruments, which proved high efficiency of hedging relations as defined in IAS 39.

Change in the fair value of cash flow hedges charged to other comprehensive income:

	2014	2013
Opening balance	-5 171 656	-5 591 548
Effective portion of gains/losses on a hedging instrument	2 466 592	419 892
Closing balance	-2 705 064	-5 171 656

The Bank recognized a loss on ineffective cash flow hedge accounting of PLN 761 320 and PLN 5 794 940 in 2014 and 2013, respectively. The loss is presented inNote 10 *Gain/loss on financial transactions and foreign exchange transactions.*

21 Loans and advances granted to clients

The policy adopted by the Bank aims at mitigating the risk of concentration of receivables and liabilities as well as monitoring the portfolio with the view to the risk of irrecoverability of receivables. Santander Consumer Bank S.A. fully complies with the standards concerning concentration of receivables and liabilities defined in the Banking Law (the Banking Law of 29 August 1997 - *Journal of Laws* of 1997, no. 140, item 939).In its credit policy, Santander Consumer Bank S.A. consistently applies the principle of limited involvement in high risk entities, capital groups and market segments and keeps its portfolio highly diversified.

Structure of the portfolio of loans and advances	**31.12.2014**	**31.12.2013**
Enterprises loans	307 764 129	441 008 644
Car loans	1 382 711 185	1 895 600 556
Mortgages	4 922 686 401	5 172 272 865
Loans to purchase goods and services	2 463 355 457	2 095 911 698
Cash loans	3 614 167 670	2 869 672 929
Credit cards	704 062 951	528 747 694
Other loans	214 510 630	238 672 790
Subordinated loan	412 213 379	0
Other receivables	155 025	0
Total gross loans and advances	**14 021 626 827**	**13 241 887 176**
Impairment losses (provisions)	-1 563 275 140	-1 766 617 488
Total net loans	**12 458 351 687**	**11 475 269 688**
Interest accrued on impaired loans included in gross value of loans	991 533	14 869 253

All overdue loans are disclosed at the amount adjusted for impairment. The adjustment is calculated considering e.g. timeliness of payments, and loans which are overdue by more than 90 days are classified as non-performing.
The gross exposure to credit risk is recognized at the amount that represents the maximum exposure to credit risk in line with IFRS 7.36, i.e. without taking account of any collateral held.

Gross portfolio, by maturity	**31.12.2014**	**31.12.2013**
Non-current gross receivables maturing after the end of the reporting period:		
within 1 month	*1 090 903 062*	*876 942 049*
– 1–3 months	*724 602 631*	*701 039 160*
– 3 months–1 year	*2 719 279 706*	*2 511 582 603*
– 1–5 years	*4 355 025 006*	*3 982 069 349*
– 5–10 years	*1 166 326 656*	*1 191 590 433*
– 10–20 years	*2 202 905 549*	*1 859 756 489*
– over 20 years	*563 775 266*	*734 838 422*
– past due	*1 198 808 951*	*1 384 068 671*
Total	**14 021 626 827**	**13 241 887 176**

Changes in impairment allowances on loans, interbank deposits and provisions on off-balance sheet liabilities:

2014	Impairment losses on loans and advances	Impairment loss on interbank deposits	Provisions for off-balance sheet liabilities	Total
Opening balance	**1 766 617 488**	**52 773**	**22 413 595**	**1 789 083 856**
Increase in provisions, recognized in profit or loss	1 013 797 282	10 873	17 178 477	1 030 986 632
Decrease in provisions, recognized in profit or loss	-967 673 589	-63 646	-22 125 243	-989 862 478
Applied provisions	-299 460 363	0	0	-299 460 363
Recovered from impaired receivables	49 994 322	0	0	49 994 322
Closing balance	**1 563 275 140**	**0**	**17 466 829**	**1 580 741 969**

2013 (restated data)*	Impairment losses on loans and advances	Impairment loss on interbank deposits	Provisions for off-balance sheet liabilities	Total
Opening balance	**1 955 069 010**	**0**	**18 544 440**	**1 973 613 450**
Increase in provisions, recognized in profit or loss	929 247 765	52 773	20 913 509	950 214 047
Decrease in provisions, recognized in profit or loss	-993 190 527	0	-17 044 354	-1 010 234 881
Effect of business combination	114 555 052	0	0	114 555 052
Applied provisions	-286 707 379	0	0	-286 707 379
Recovered from impaired receivables	47 643 567	0	0	47 643 567
Closing balance	**1 766 617 488**	**52 773**	**22 413 595**	**1 789 083 856**

*Restated data for 2013 is presented in Note 50 *Changes in the presentation of financial data.*

Portfolio of loans and advances granted to customers, by estimated impairment	31.12.2014	31.12.2013
Loans granted to customers (gross), including:	**14 021 626 827**	**13 241 887 176**
Not impaired	**12 636 669 561**	**11 690 371 434**
Impaired	**1 384 957 266**	**1 551 515 742**
– measured individually	17 211 766	22 358 484
– measured in a portfolio	1 367 745 500	1 529 157 258
Impairment loss	**-1 563 275 140**	**-1 766 617 488**
On losses incurred but not recognized	**-317 037 683**	**-343 087 230**
For impaired receivables	**-1 246 237 457**	**-1 423 530 258**
– measured individually	-10 865 076	-12 074 279
– measured in a portfolio	-1 235 372 381	-1 411 455 979
Loans granted to customers (net)	**12 458 351 687**	**11 475 269 688**

The Bank has concluded loan agreements with renegotiated terms of payments which prevented the loans from being classified to non-performing, in acordance with IFRS 7.36.

In 2014 and 2013 the Bank renegotiated loan agreements with a value of PLN 61 935 034 and PLN 105 245 899, respectively.

The Bank classifies agreements as renegotiated if the Debtor is not able to repay its liabilities due to its adverse financial position.

In such cases, the terms and conditions of loan agreements are changed so that the Debtor is able to service its loan liabilities again, or the agreement is partly refinanced.restructurised.

Renegotiated loan agreements are moniteored on a daily basis. Reports showingdaily changes and qualntitative and qualitative increases are drawn up.

The table below presents renegotiated loan agreements.

Portfolio of renegotiated loans	**31.12.2014**	**31.12.2013**
Gross loans and advances	452 999 521	513 387 917
Impairment losses (provisions)	-230 819 919	-266 281 929
Net loans and advances	222 179 602	247 105 988

					Non-impaired receivables			
Structure of the portfolio	**Gross value**	**Gross value of impaired receivables**	**Impairment allowances on impaired receivables**	**Gross non-impaired receivables**	**Non-overdue loans**	**Past due by up to 30 days**	**Past due by 31 to 90 days**	**Impairment loss IBNR**
As at 31 December 2014								
Enterprises loans	307 764 129	17 211 766	-10 865 076	290 552 363	275 969 855	14 582 508	0	-18 265 820
Car loans	1 382 711 185	235 729 112	-221 238 883	1 146 982 073	973 908 038	146 828 065	26 245 970	-19 684 199
Mortgages	4 922 686 401	402 779 308	-337 248 390	4 519 907 093	4 085 200 779	328 934 905	105 771 409	-88 589 607
Loans to purchase goods and services	2 463 355 457	158 991 276	-148 310 916	2 304 364 181	2 199 852 185	90 365 321	14 146 675	-39 876 191
Cash loans	3 614 167 670	472 105 118	-436 927 340	3 142 062 552	2 891 989 516	198 340 471	51 732 565	-139 197 780
Credit cards	704 062 951	98 140 686	-91 646 852	605 922 265	571 196 546	29 546 984	5 178 735	-11 349 482
Other	626 879 034	0	0	626 879 034	626 879 034	0	0	-74 604
Total	**14 021 626 827**	**1 384 957 266**	**-1 246 237 457**	**12 636 669 561**	**11 624 995 953**	**808 598 254**	**203 075 354**	**-317 037 683**
As at 31 December 2013								
Enterprises loans	441 008 644	22 358 484	-12 074 279	418 650 160	387 095 640	31 554 520	0	-27 778 932
Car loans	1 895 600 556	395 407 798	-372 575 191	1 500 192 758	1 267 195 595	223 299 918	9 697 245	-35 856 794
Mortgages	5 172 272 865	397 524 511	-328 841 279	4 774 748 354	4 272 759 480	457 614 087	44 374 787	-130 796 158
Loans to purchase goods and services	2 095 911 698	124 808 357	-121 728 888	1 971 103 341	1 874 026 365	91 973 271	5 103 705	-40 771 124
Cash loans	2 869 672 929	492 347 857	-474 576 271	2 377 325 072	2 215 962 080	152 476 170	8 886 822	-95 695 916
Credit cards	528 747 694	119 068 735	-113 734 350	409 678 959	386 488 914	22 073 086	1 116 959	-12 293 636
Other	238 672 790	0	0	238 672 790	238 672 790	0	0	105 330
Total	**13 241 887 176**	**1 551 515 742**	**-1 423 530 258**	**11 690 371 434**	**10 642 200 864**	**978 991 052**	**69 179 518**	**-343 087 230**

In June 2014, the Bank securitized the car loan and instalment sale portfolio with a value of PLN 1 751 436 438. The transaction was a traditional one and consisted in transferring the right to securitized receivables to SC Poland Auto 2014-1 Limited (SPV), with its registered office in Ireland.

On the basis of the securitized assets, the said company issued two classesof bonds with a value of PLN 1 367 million, secured on the SPV's assets (registered pledge).

- Class A with a value of PLN 1 158 million with the following rating: AA (Fitch) Aa3 (Moody's);
- Class B with a value of PLN 209 million with the following rating: A (Fitch) Aa3 (Moody's).

Initially, the bonds were taken up by the Bnak in whole; then the A abdB class bonde were sold to third parties in unconditional transactions and under repurchase agreements (*repo*). The bonds bear an interest rate comprising 1M WIBOR andmargin. As a result of the sercuritization, the Bank obtained financing in return of giving up the right to future cash flows from the securitized credit portfolio. The latest redemption date is 20 June 2025, but in the Bank's estmate, the aforedsaid bonds should be redeemed within three years from the transaction date.

The Bank granted the SPV a subordinated loan of PLN 411 776 438 to support the transaction. The loan is subordinated to preference and secured bonds. Loan interest repayment is included in the cascading payments made from SPV's funds, whereas the principal will be repaid after full redemption of bonds. The interest is fixed. The value of securitizing bonds held by the Bank was PLN 393 746 775 at 31 December 2014.

In accordance with IAS 39, the terms and conditions of the securitization transaction do not require the Bank to derecognize the securitized assets from its financial statements. As a result, at 31 December 2014, the Bank recognized securitized assets with a net value of PLN 1 094 736 588 under *Loans granted to customers,* and a liability in respect of securitization cash flows to SPV of PLN 1 236 631 132 under *Liabilities to customers.*

The ransactions with the SPV are described in Note 42 *Related party transactions.* The table presents items of a statement of financial position of the SPV in respect of teransactions concluded with the Bank at 31 December 2014.

	31.12.2014
Assets	
Accounts and deposits in other banks	1 236 631 132
Total assets	**1 236 631 132**
Liabilities	
Liabilities arising from issue of debt securities	393 746 775
Other liabilities	131 933 478
Subordinated debt	412 213 379
Total liabilities	**937 893 632**

The profit earned by the SPV is zero because all revenues and expenses are offset against the settlements made with the Bank.

22 Shares and interests in subsidiaries

Interest in subsidiaries as at the date of approval of the financial statements by the Management Board of the Bank, and as at 31 December 2014 and 31 December 2013. Is presented in the tables below. The Bank controls the following entities and treats them as subsidiaries by having 100% of share capital and vote rights.

31.12.2014

1. Entity	**AKB Marketing Services Sp. z o.o.**
a) registered office	ul. Marcelińska 90, 60-324 Poznań
b) charakter powiązania	subsidiary
c) start date of control	24.03.2006
d) cost of shares in PLN	273 751
e) % interest in the share capital	100%
f) share in total number of votes at the General Shareholders' Meeting	100%
2. Entity	**Santander Consumer Multirent Sp. z o.o.**
a) registered office	ul. Strzegomska 42c, 53-611 Wrocław
b) charakter powiązania	subsidiary
c) start date of control	16.08.2007
d) cost of shares in PLN	26 979 803
e) % interest in the share capital	100%
f) share in total number of votes at the General Shareholders' Meeting	100%
3. Entity	**Santander Consumer Finanse S.A.**
a) registered office	ul. Strzegomska 42c, 53-611 Wrocław
b) relationship	subsidiary
c) start date of control	15.05.2013
d) cost of shares in PLN	172 275 200
e) Impairment loss	-57 095 975
f) % interest in the share capital	100%
g) share in total number of votes at the General Shareholders' Meeting	100%
Net value of shares	**142 432 779**

31.12.2013

1. Entity	**AKB Marketing Services Sp. z o.o.**
a) registered office	ul. Marcelińska 90, 60-324 Poznań
b) relationship	subsidiary
c) start date of control	24.03.2006
d) cost of shares in PLN	273 751
e) % interest in the share capital	100%
f) share in total number of votes at the General Shareholders' Meeting	100%
2. Entity	**Santander Consumer Multirent Sp. z o.o.**
a) registered office	ul. Strzegomska 42c, 53-611 Wrocław
b) relationship	subsidiary
c) start date of control	16.08.2007
d) cost of shares in PLN	26 979 803
e) % interest in the share capital	100%
f) share in total number of votes at the General Shareholders' Meeting	100%

3. Entity	**Santander Consumer Finanse S.A.**
a) registered office	ul. Strzegomska 42c, 53-611 Wrocław
b) relationship	subsidiary
c) start date of control	15.05.2013
d) cost of shares in PLN	172 275 200
e) Impairment loss	-17 666 992
f) % interest in the share capital	100%
g) share in total number of votes at the General Shareholders' Meeting	100%
Net value of shares	**181 861 762**

The Bank's subsidiaries are not consolidated by the Bank in accordance with IAS 10.4 and the consolidation takes place at the level of the Bank's parent.

On 31 December 2014, the General Shareholders' Meeting of AKB Marketing Services Sp. z o.o.decided to put the Company in liquidation effective from 1 January 2015.

As regards investment in the shares in Santander Consumer Finanse S.A., in September 2013 impairment triggers were identified which were due to the fact that since September 2013, this company's business activity had been reduced as a result of the sale of an organized part of the enterprise (the transaction is described in Note 52).
An impairment test was performed by comparing the carrying amount of the investments and the book value of the net assets, which was considered as appropriate representation of the fair value of the company whose operating activities were scant and whose net assets were primarily in the form of cash. The estimated fair value corresponded to level three in the fair value hierarchy used by the Bank.
The same impairment test was carried out in 2014.
As a result of the impairment tests, the fair value of the investment in the books of the Bank was estimated at PLN 115 179 225 and PLN 154 608 208 at 31 December 2014 and 31 December 2013, respectively. Consequently, the Bank recognized impairment losses on the investment in the shares of Santander Consumer Finanse S.A. of PLN 17 666 992 and PLN 39 428 983 at 31 December 2013 and 31 December 2014, respectively.

23 Intangible assets

Net intangible assets	**31.12.2014**	**31.12.2013**
Computer and other software	25 201 852	45 066 182
Expenditures on intangible assets	12 299 267	8 472 671
Total	**37 501 119**	**53 538 853**

As at 31 December 2014 and 31 December 2013 the Bank did not use any intangible assets under finance lease agreements. Expenditures on intangible assets mainly include investments in development and implementation of new banking IT systems.

Material intangible assets as at 31 December 2014	**Carrying amount**	**Remaining amortization period (months)**
System for loan handling (expenditures)	16 193 668	pending
System for loan handling	9 824 480	19
Banking system	4 795 531	12
General ledger system	2 130 619	16

Material intangible assets as at 31 December 2013	**Carrying amount**	**Remaining amortization period (months)**
System for loan handling	11 838 098	31
System for loan handling (expenditures)	6 369 275	pending
Banking system	5 479 059	24
General ledger system	3 794 771	28

In 2014, the Bank recognized impairment losses on two material items of intangible assets:

a) costs of adaptation of modules of the loan handling system of PLN 5 947 833 as a result of discontinuation of development of the module;
b) additional license for a banking system acquired with the enterprise SCF of PLN 6 051 422 due to the licence being uselessness to the Bank.

In 2014, the impairment losses recognized amounted to PLN 944 063.

The aforesaid impairment losses were recognized in the profit/loss and presented in Note 14 *Other operating expenses*.

DESCRIPTION	Computer and other software	Expenditures on intangible assets	Total intangible assets
Gross value as at 31 December 2014	**191 878 566**	**21 323 643**	**213 202 209**
Increases:	3 235 625	8 050 089	11 285 714
- purchase	651 530	8 050 089	8 701 619
– reclassification from expenditures on intangible assets	2 584 095	0	2 584 095
decreases	52 578	3 279 430	3 332 008
– reclassification from expenditures on intangible assets	0	2 584 095	2 584 095
– liquidation	52 578	0	52 578
- other	0	695 335	695 335
Gross value as at 31 December 2014	**195 061 613**	**26 094 302**	**221 155 915**
Accumulated amortization at 1 January 2014	**140 760 962**	**0**	**140 760 962**
Increases:	23 099 955	0	23 099 955
– amortization charges	23 099 955	0	23 099 955
decreases	52 578	0	52 578
– liquidation	52 578	0	52 578
Accumulated amortization at 31 December 2014	**163 808 339**	**0**	**163 808 339**
Impairment loss as at 31 December 2014	**6 051 422**	**12 850 972**	**18 902 394**
Increases:	0	944 063	944 063
decreases	0	0	0
Impairment loss as at 31 December 2014	**6 051 422**	**13 795 035**	**19 846 457**
Net value as at 1 January 2014	**45 066 182**	**8 472 671**	**53 538 853**
Net value as at 31 December 2014	**25 201 852**	**12 299 267**	**37 501 119**

DESCRIPTION	Computer and other software	Expenditures on intangible assets	Total intangible assets
Gross value as at 1 January 2013	**146 786 372**	**41 467 569**	**188 253 941**
Increases:	45 163 760	11 463 786	56 627 546
- purchase	591 481	11 463 786	12 055 267
– reclassification from expenditures on intangible assets	31 323 438	0	31 323 438
- effect of business combination	13 248 841	0	13 248 841
decreases	71 566	31 607 712	31 679 278
– reclassification from expenditures on intangible assets	0	31 323 438	31 323 438
– liquidation	71 566	177 126	248 692
- other	0	107 148	107 148
Gross value as at 31 December 2013	**191 878 566**	**21 323 643**	**213 202 209**
Accumulated amortization as at 1 January 2013	**110 149 044**	**0**	**110 149 044**
Increases:	30 683 484	0	30 683 484
– amortization charges	25 358 359	0	25 358 359
- effect of business combination	5 325 125	0	5 325 125
decreases	71 566	0	71 566
– liquidation	71 566	0	71 566
Accumulated amortization as at 31 December 2013	**140 760 962**	**0**	**140 760 962**
Impairment loss as at 1 January 2013	**484**	**6 903 139**	**6 903 623**
Increases:	6 051 422	5 947 833	11 999 255
decreases	484	0	484
Impairment loss as at 31 December 2013	**6 051 422**	**12 850 972**	**18 902 394**
Net value as at 1 January 2013	**36 636 844**	**34 564 430**	**71 201 274**
Net value as at 31 December 2013	**45 066 182**	**8 472 671**	**53 538 853**

24 Property, plant and equipment

Property, plant and equipment – PLN net	31.12.2014	31.12.2013
Leasehold improvements	33 843 836	42 147 570
Technical equipment	20 032 789	20 027 509
Vehicles	1 737 893	2 850 467
Fittings	1 213 948	1 865 452
Fixed assets under construction	439 733	517 153
Total	**57 268 199**	**67 408 151**

The Bank had property, plant and equipment in the form of vehicles used under finance lease agreements with a net book value of PLN 725 204 and PLN 1 415 247 at 31 December 2014 and 31 December 2013, respectively.

At 31 December 2014 and 31 December 2013, the Bank had property, plant and equipment used under operating lease agreements (see Note 47).

DESCRIPTION	Leasehold improvements	Technical equipment	Vehicles	Fittings	Fixed assets under construction	Total
Gross value as at 1 January 2014	**77 768 195**	**62 174 009**	**7 580 009**	**10 695 328**	**517 153**	**158 734 694**
Increases:	279 241	10 149 736	199 800	900 155	5 535 236	17 064 168
- purchase	22 010	5 196 164	199 800	504 590	5 535 236	11 457 800
– reclassification from fixed assets under construction	257 231	4 949 023	0	384 815	0	5 591 069
- other	0	4 549	0	10 750	0	15 299
decreases	1 932 267	2 361 266	2 241 068	404 674	5 612 656	12 551 931
– liquidation	1 916 446	2 020 287	958 062	363 162	0	5 257 957
– sale	15 821	340 979	1 283 006	41 512	0	1 681 318
– reclassification to fixed assets	0	0	0	0	5 591 069	5 591 069
- other changes	0	0	0	0	21 587	21 587
Gross value as at 31 December 2014	**76 115 169**	**69 962 479**	**5 538 741**	**11 190 809**	**439 733**	**163 246 931**
Accumulated depreciation as at 1 January 2014	**35 327 612**	**41 750 764**	**4 729 542**	**8 829 876**	**0**	**90 637 794**
Increases:	7 627 402	9 965 571	791 687	1 504 379	0	19 889 039
– depreciation charges	7 627 402	9 961 366	791 687	1 508 584	0	19 889 039
- other	0	4 205	0	-4 205	0	0
decreases	937 972	2 166 228	1 720 381	357 394	0	5 181 975
– liquidation	936 522	1 848 412	604 362	338 819	0	3 728 115
– sale	1 450	317 816	1 116 019	18 575	0	1 453 860
Accumulated depreciation as at 31 December 2014	**42 017 042**	**49 550 107**	**3 800 848**	**9 976 861**	**0**	**105 344 858**
Impairment loss as at 1 January 2014	**293 013**	**395 736**	**0**	**0**	**0**	**688 749**
Increases:	0	0	0	0	0	0
decreases	38 722	16 153	0	0	0	54 875
Impairment loss as at 31 December 2014	**254 291**	**379 583**	**0**	**0**	**0**	**633 874**
Net value as at 1 January 2014	**42 147 570**	**20 027 509**	**2 850 467**	**1 865 452**	**517 153**	**67 408 151**
Net value as at 31 December 2014	**33 843 836**	**20 032 789**	**1 737 893**	**1 213 948**	**439 733**	**57 268 199**

DESCRIPTION	Leasehold improvements	Technical equipment	Vehicles	Fittings	Fixed assets under construction	Total
Gross value as at 1 January 2013	**79 212 319**	**51 675 778**	**6 215 447**	**10 543 093**	**226 555**	**147 873 192**
Increases:	885 063	13 341 552	4 807 236	538 326	3 412 345	22 984 522
- purchase	58 499	7 945 481	399 999	248 290	3 234 807	11 887 076
- reclassification from inventory	0	344 278	0	8 323	3 865	356 466
– reclassification from fixed assets under construction	532 449	2 430 923	0	52 278	0	3 015 650
- effect of business combination	294 115	2 620 870	4 407 237	229 435	173 673	7 725 330
decreases	2 329 187	2 843 321	3 442 674	386 091	3 121 747	12 123 020
– liquidation	2 243 689	2 294 704	331 962	274 985	0	5 145 340
– sale	85 498	548 617	3 110 712	111 106	4 370	3 860 303
– reclassification to fixed assets	0	0	0	0	3 015 650	3 015 650
- reclassification from inventory	0	0	0	0	28 782	28 782
- other changes	0	0	0	0	72 945	72 945
Gross value as at 31 December 2013	**77 768 195**	**62 174 009**	**7 580 009**	**10 695 328**	**517 153**	**158 734 694**
Accumulated depreciation as at 1 January 2013	**28 465 736**	**32 930 007**	**3 722 523**	**7 416 196**	**0**	**72 534 462**
Increases:	7 843 409	10 945 467	3 690 711	1 694 918	0	24 174 505
– depreciation charges	7 789 300	9 419 951	1 038 420	1 584 113	0	19 831 784
- effect of business combination	54 109	1 525 516	2 652 291	110 805	0	4 342 721
decreases	981 533	2 124 710	2 683 692	281 238	0	6 071 173
– liquidation	968 652	1 645 461	195 440	221 927	0	3 031 480
– sale	12 881	479 249	2 488 252	59 311	0	3 039 693
Accumulated depreciation as at 31 December 2013	**35 327 612**	**41 750 764**	**4 729 542**	**8 829 876**	**0**	**90 637 794**
Impairment loss as at 1 January 2013	**321 809**	**125 926**	**0**	**0**	**0**	**447 735**
Increases:	0	395 736	0	0	0	395 736
decreases	28 796	125 926	0	0	0	154 722
Impairment loss as at 31 December 2013	**293 013**	**395 736**	**0**	**0**	**0**	**688 749**
Net value as at 1 January 2013	**50 424 774**	**18 619 845**	**2 492 924**	**3 126 897**	**226 555**	**74 890 995**
Net value as at 31 December 2013	**42 147 570**	**20 027 509**	**2 850 467**	**1 865 452**	**517 153**	**67 408 151**

25 Other assets

Other assets	31.12.2014	31.12.2013
Various debtors	2 325 750	3 735 461
Accounts receivable under agency agreements with related parties	0	38 743
Accounts receivable for settlements with partners	26 894 115	20 848 106
Prepayments resulted from incentive plans	0	1 296 960
Insurance receivables	910 004	983 135
Receivables in respect of deposits and bid bonds	1 046 175	1 142 745
Accounts receivable from securitization company	131 933 478	0
Other assets	1 171 468	901 998
Total	**164 280 990**	**28 947 148**
Impairment losses on receivables	-12 775 140	-5 251 572
Total	**151 505 850**	**23 695 576**

26 Net deferred tax assets

	31.12.2014	31.12.2013
Deferred tax asset		
– deferred commissions	-119 358 165	-62 551 995
- impairment losses on loans and advances	-162 603 171	-156 641 632
– impairment losses on other assets	-6 234 083	-4 634 827
– accrued social insurance expenses paid in the next year	0	-417
– accrued interest on liabilities	-52 444 017	-43 395 765
– accruals and deferred income	-19 954 124	-22 462 765
- permanent differences on measurement of acquired assets and liabilities of AIG Bank Polska	0	-361 979
– differences between balance sheet and tax amortization and depreciation	-223 627	-343 589
- temporary differences relating to financial instruments recognized in the revaluation reserve	-812 172	-2 451 627
- other charged to equity	0	-9 613 198
Total deferred tax assets	**-361 629 359**	**-302 457 794**
Deferred tax provisions		
- accrued interest on loans and other income	32 148 176	23 609 264
– temporary difference due to financial instruments charged to profit or loss	2 030 561	-1 016 265
- temporary difference due to acquired entity	2 488 885	12 686 704
- other	17 378 233	1 276 634
Total deferred tax provisions	**54 045 855**	**36 556 337**
Net deferred tax assets	**307 583 504**	**265 901 457**
including charged directly to revaluation reserve – financial instruments	-812 172	-2 451 627
including charged directly to equity - other	0	3 073 506

All deferred tax assets were recognized.

27 Prepayments

Prepayments are determined at the amount of expenses related to future reporting periods. Prepayments are recognized based on the elapsed time and the settlement method depends on the nature of the expenses. Prepayments are recognised at nominal value.

Prepayments	**31.12.2014**	**31.12.2013**
Advance payments	4 260 555	4 270 262
Insurance commission	11 083 321	220 345
Interest in profits of insurers	28 118 814	34 456 631
Other accrued revenue	20 492 817	10 365 911
Total	**63 955 507**	**49 313 149**

Other accrued revenue includes primarily accrued revenue due to payments made by Customers which are settled when the payment is made.

28 Lliabilities to banks

Structure of liabilities towards banks	**31.12.2014**	**31.12.2013**
Current accounts	*6 496 924*	*0*
Liabilties with agreed maturity:	*2 994 569 033*	*2 541 497 526*
– loans	*707 941 583*	*1 179 102 839*
– deposits	*905 833 499*	*320 677 058*
- margin collateral deposits	*726*	*37 257 037*
- liabilities due to repo transactions	*1 380 793 225*	*1 004 460 592*
Total	**3 001 065 957**	**2 541 497 526**

Structure of liabilities by maturity	**31.12.2014**	**31.12.2013**
Liabilties with agreed maturity:	2 994 569 033	2 541 497 526
- within 1 month	*162 021 583*	*139 119 508*
– 1–3 months	*332 124 170*	*238 551 769*
– 3 months–1 year	*426 723 093*	*500 153 425*
– 1–5 years	*2 073 700 187*	*1 663 672 824*
Total	**2 994 569 033**	**2 541 497 526**

Liabilities due to financial institutions arising from loans and deposits include the following types of funding:

- CHF long-term loans from the parent company interbank market. As at 31 December 2014, the nominal value of liabilities in this respect amounted to CHF 200 000 000;
- long-term security-based loans. As at 31 December 2014, the nominal value of the loans amounted to CHF 292 841 078 and PLN 328 487 075;
- short-term and mid-term deposits acquired on the inter-bank market. As at 31 December 2014, the nominal value of liabilities in this respect amounted to PLN 693 000 000, CHF 48 000 000, EUR 9 050 000 and USD 500 000.

Utilization of credit lines:

	31.12.2014		31.12.2013	
	Available credit line in PLN	Utilization in PLN	Available credit line in PLN	Utilization in PLN
Santander Benelux S.A.	2 770 495 000	0	4 043 520 000	0
Total	**2 770 495 000**	**0**	**4 043 520 000**	**0**

29 Liabilities to customers

Structure of liabilities towards customers	**31.12.2014**	**31.12.2013**
Deposits	6 962 345 187	6 937 264 142
- retail	*5 295 198 226*	*5 031 020 676*
- corporate	*1 612 667 513*	*1 797 781 122*
- state-owned entities	*54 479 448*	*108 462 344*
Current accounts	1 498 481	723 765
Repayments and overpayments of loans and advances	65 689 482	56 001 641
Liabilities due to cash flows from securitization	1 236 631 132	0
Total	**8 266 164 282**	**6 993 989 548**

Structure of liabilities by maturity	**31.12.2014**	**31.12.2013**
Liabilties with agreed maturity:	8 266 164 282	6 993 989 548
- without specified maturity	*187 753 865*	*142 061 864*
- within 1 month	*1 098 813 964*	*1 510 024 962*
– 1–3 months	*1 204 222 476*	*1 173 234 034*
– 3 months–1 year	*2 829 893 738*	*2 000 145 915*
– 1–5 years	*1 709 907 951*	*2 168 441 556*
– 5–10 years	*28 251*	*81 217*
– over 10 years	*1 235 544 037*	*0*
Total	**8 266 164 282**	**6 993 989 548**

30 Liabilities arising from issue of debt securities

Structure of gross liabilities arising from issue of debt securities	**31.12.2014**	**31.12.2013**
Certificates of deposit	195 857 226	381 372 087
Bonds	1 763 200 568	1 606 998 375
Total	**1 959 057 794**	**1 988 370 462**

The Bank was never late with payment of the principal, interest and redemption of own debt securities.

Structure of gross liabilities by maturity	**31.12.2014**	**31.12.2013**
Liabilities arising from issuance of debt securities:		
- commission and discount (without specified maturity)	*-1 735 990*	*-2 198 348*
- within 1 month	*30 726 820*	*2 342 790*
– 1–3 months	*88 976 101*	*188 858 381*
– 3 months–1 year	*541 390 863*	*661 467 639*
– 1–5 years	*1 299 700 000*	*1 137 900 000*
Total	**1 959 057 794**	**1 988 370 462**

Liabilities arising from issue of debt securities by issue as at 31 December 2014

Security	Number	Issue currency	Nominal value in PLN	Maturity	Quotation market
Floating rate certificate of deposit	SCBP00340050	PLN	50 000 000	12/02/2016	not quoted
Floating rate certificate of deposit	SCBP00310038	PLN	38 000 000	29/01/2016	not quoted
Floating rate certificate of deposit	SCBP00300111	PLN	106 000 000	15/12/2015	not quoted
Fixed rate bond	SCB00020	PLN	10 000 000	05/06/2015	not quoted
Fixed rate bond	SCB00020	PLN	7 500 000	05/06/2015	not quoted
Fixed rate bond	SCB00020	PLN	27 500 000	05/06/2015	not quoted
Fixed rate bond	SCB00020	PLN	10 000 000	05/06/2015	not quoted
Fixed rate bond	SCB00020	PLN	7 500 000	05/06/2015	not quoted
Fixed rate bond	SCB00020	PLN	27 500 000	05/06/2015	not quoted
Fixed rate bond	SCB00020	PLN	150 000 000	05/06/2015	not quoted
Floating rate bond	SCBP00350592	PLN	59 200 000	12/02/2015	not quoted
Floating rate bond	SCBP00360217	PLN	21 700 000	12/02/2016	not quoted
Floating rate bond	SCBB00120050	PLN	5 000 000	04/02/2015	not quoted
Floating rate bond	SCB00001	PLN	60 000 000	29/04/2016	not quoted
Floating rate bond	SCB00002	PLN	10 000 000	29/04/2016	not quoted
Floating rate bond	SCB00013	PLN	25 000 000	27/01/2016	not quoted
Floating rate bond	SCB00017	PLN	50 000 000	18/06/2018	not quoted
Floating rate bond	SCB00018	PLN	170 000 000	12/08/2019	not quoted
Floating rate bond	SCB00005	PLN	100 000 000	08/08/2016	not quoted
Floating rate bond	SCB00006	PLN	100 000 000	07/08/2017	not quoted
Floating rate bond	SCB00014	PLN	10 000 000	03/02/2016	not quoted
Floating rate bond	SCB00008	PLN	110 000 000	30/08/2017	not quoted
Floating rate bond	SCB00010	PLN	20 000 000	30/08/2017	not quoted
Floating rate bond	SCB00019	PLN	220 000 000	30/10/2017	not quoted
Floating rate bond	SCB00012	PLN	204 000 000	04/10/2017	not quoted
Floating rate bond	SCB00012	PLN	11 000 000	04/10/2017	not quoted
Floating rate bond	SCBP00320280	PLN	28 000 000	29/01/2015	not quoted
Floating rate bond	SCB00021	PLN	40 000 000	24/12/2015	not quoted
Floating rate bond	SCBP00330500	PLN	50 000 000	29/01/2016	not quoted
Floating rate bond	SCBB00110150	PLN	15 000 000	04/02/2015	not quoted
Floating rate bond	SCB00016	PLN	50 000 000	24/02/2016	not quoted
Floating rate bond	SCBX00021500	PLN	150 000 000	13/04/2015	not quoted
		Total	**1 942 900 000**		

Liabilities arising from issue of debt securities by issue as at 31 December 2013					
Security	**Number**	**Issue currency**	**Nominal value in PLN**	**Maturity**	**Quotation market**
Floating rate bond	SCBB00110150	PLN	15 000 000	04/02/2015	not quoted
Floating rate bond	SCBB00120050	PLN	5 000 000	04/02/2015	not quoted
Floating rate bond	SCB00002	PLN	10 000 000	29/04/2016	not quoted
Floating rate bond	SCBB00100050	PLN	5 000 000	19/12/2014	not quoted
Floating rate bond	SCBB00090140	PLN	14 000 000	19/12/2014	not quoted
Floating rate bond	SCB00008	PLN	110 000 000	30/08/2017	not quoted
Floating rate bond	SCB00010	PLN	20 000 000	30/08/2017	not quoted
Floating rate bond	SCBX00021500	PLN	150 000 000	13/04/2015	not quoted
Floating rate bond	SCBX00013000	PLN	300 000 000	04/11/2014	not quoted
Floating rate bond	SCBP00271466	PLN	146 600 000	14/11/2014	not quoted
Floating rate bond	SCB00012	PLN	204 000 000	04/10/2017	not quoted
Floating rate certificate of deposit	SCBP00260170	PLN	144 000 000	20/10/2014	not quoted
Floating rate bond	SCBP00360217	PLN	21 700 000	12/02/2016	not quoted
Floating rate bond	SCB00001	PLN	60 000 000	29/04/2016	not quoted
Floating rate bond	SCBP00350592	PLN	59 200 000	12/02/2015	not quoted
Floating rate certificate of deposit	SCBP00340050	PLN	50 000 000	12/02/2016	not quoted
Floating rate bond	SCB00005	PLN	100 000 000	08/08/2016	not quoted
Floating rate bond	SCB00006	PLN	100 000 000	07/08/2017	not quoted
Floating rate certificate of deposit	SCBP00300111	PLN	106 000 000	15/12/2015	not quoted
Floating rate bond	SCBP00320280	PLN	28 000 000	29/01/2015	not quoted
Floating rate bond	SCBP00280400	PLN	40 000 000	19/12/2014	not quoted
Floating rate bond	SCB00012	PLN	11 000 000	04/10/2017	not quoted
Floating rate bond	SCBP00330500	PLN	50 000 000	29/01/2016	not quoted
Floating rate certificate of deposit	SCBP00310038	PLN	38 000 000	29/01/2016	not quoted
Zerocoupon certificate of deposit	SCB00011	PLN	40 000 000	18/03/2014	not quoted
Zerocoupon bond	SCB00004	PLN	50 000 000	03/02/2014	not quoted
Zerocoupon bond	SCB00007	PLN	50 000 000	20/02/2014	not quoted
Zerocoupon bond	SCB00009	PLN	40 000 000	11/03/2014	not quoted
Fixed rate bond	SCB00003	PLN	3 000 000	29/07/2014	not quoted
		Total	**1 970 500 000**		

Change in liabilities arising from issue of debt securities	2014	2013
Opening balance	**1 988 370 462**	**1 110 945 241**
Increases (issue)	845 000 000	1 064 900 000
Decreases (redemption)	-872 600 000	-195 000 000
Other changes	-1 712 668	7 525 221
Closing balance	**1 959 057 794**	**1 988 370 462**

31 Other liabilities

Other liabilities	31.12.2014	31.12.2013
Provisions for off-balance sheet liabilities	17 466 829	22 413 595
Liabilities to insurance institutions	18 636 750	17 256 440
Liabilities related to early repayment	13 240 975	13 241 057
Various creditors	14 788 166	5 329 439
Public receivables and liabilities	8 454 188	10 959 443
Current tax liabilities	105 299 375	59 490 542
Total	**177 886 283**	**128 690 516**

Change in the balance of provisions for off-balance liabilities are presented in Note 21 *Loans granted to customers.*

32 Accrued expenses and deferred income

Accrued expenses and deferred income	31.12.2014	31.12.2013
Salaries, wages and bonuses	27 173 431	26 855 160
Costs of other employee benefits	15 087 915	13 923 345
Fee and commission expense	167 089 654	94 408 168
Marketing expenses	28 295 219	30 686 745
IT expenses	6 230 285	5 470 892
Costs of debt collection	2 822 340	2 822 340
Costs of consultation and advisory services	8 674 611	13 225 996
Maintenance expenses	5 445 344	5 057 041
Postal services costs	1 851 312	1 905 340
Costs of telecommunication services	1 148 322	1 651 211
Business travel costs	365 327	290 327
Service of documentation	440 615	235 615
Other costs	2 966 591	5 010 868
Interest received in advance	14 355 848	12 344 660
Revenreceived in advance due to distribution of insurance products	13 703 313	62 581 003
Other deferred income	9 870 825	3 161 171
Total	**305 520 952**	**279 629 882**

Under *Salaries, wages and bonuses* the Bank discloses mainly deferred expenses related to remuneration due under civil law agreements, bonuses and awards, overtime payments and share-based payments.As at 31 December 2013, the provision for share-based plans amounted to PLN 1 974 463. The Bank did not recognized any provisions in this respect as at 31 December 2014.

The provision for retirement benefits recognized under other employee benefits amounted to PLN 3 698 637 and PLN 3 526 182 as at 31 December 2014 and 31 December 2013, respectively.

33 Restructuring and other provisions

As at 31 December 2014, the item comprised a provision for restructuring of PLN 11 720 668 and other provisions amounting to PLN 12 178 370.

The restructuring provision of PLN 11 720 668 is related to the business restructuring plan of the Santander Consumer Finance (SCF) Group in Poland adopted by the Group in 2010. The plan was introduced after the SCF Group took control over AIG Bank Polska S.A., and subsequent restructuring in 2013-2014 (including Restructuring of business transferred from Santander Consumer Finanse S.A.). Key assumptions of the restructuring plan:

- liquidation of some bank branches (including those transferred form Santander Consumer Finanse S.A.);
- employment restructuring in the Bank (including group redundancies).

In 2010-2014, the Bank incurred expenses as a result of that.
In 2010-2014, the Bank incurred costs and expenditures related to the restructuring plan and the merger of PLN 91 547 383.

The provision recognized at the end of the reporting period of PLN 11 720 668 is in sepsect of the following:

- staff restructuring at the bank (PLN 2 691 840);
- liquidation of branches, reclassification (PLN 9 028 828).

According to the forecast, a majority of the cash flows arising from the restructuring provision are likely to occur in 2014-2018.

The provision recognized at the end of the comparable period of PLN 19 103 412 was in respect of the following:

- staff restructuring at the bank (PLN 3 085 757);
- liquidation of branches, reclassification (PLN 13 932 704);
- vacating the premises in Lublin (PLN 2 084 951).

Under *Other provisons* the Bank recognizes provisions for potential customers' claims related to the risk of recognition of certain clauses included in some templates of loan agreements deemed as violating the interests of consumers. Such provisions amounted to PLN 12 178 370 and PLN 8 140 355 as at 31 December 2014 and 31 December 2013, respectively.
Estimated amounts and dates of future claims resulting in possible cash outflows are highly uncertain.

Change in provisions	**2014**	**2013**
Change in the balance of the restructuring provision		
Opening balance	19 103 412	20 168 686
Increases (recognized)	4 875 891	2 258 872
Increases (effect of business combination)	0	4 846 188
Decreases (reversed)	882 355	150 000
Decreases (applied)	11 376 280	8 020 334
Closing balance	11 720 668	19 103 412
Change in the balance of other provisions		
Opening balance	8 140 355	7 672 157
Increases (recognized)	4 038 015	468 198
Decreases (reversed)	0	0
Decreases (applied)	0	0
Closing balance	12 178 370	8 140 355

34 Subordinated debt

At 31 December 2014 the Bank had a subordinated loan with a value of PLN 100 000 000 under the agreement of 14 December 2006 concluded with Santander Benelux S.A./NV Rue de La Loi, 227, B-1040 Brussels. Pursuant to Article 137 of the Banking Law and resolutions of the Banking Supervision Commission, the loan was classified as supplementing funds of the Bank (approval of BSC of 29 December 2006). Pursuant to the loan agreement, the Bank is obliged to make a single repayment of the loan on 14 December 2016. In addition, regardless of other contractual provisions, the Bank was entitled to repay the loan on 14 December 2012 subject to the approval of the Polish Financial Supervision Authority. The Bank did not exercise the said right. The lender is not entitled to demand early repayment of the loan. If the loan had been repaid on 14 December 2012 or later, the Bank would have not incurred any costs of early repayment. The loan has a floating interest rate of 6M WIBOR plus 0.8% margin.

In addition, at 31 December 2013, the Bank had a subordinated loan with a value of PLN 50 000 000 with the right of its early repayment in Q1 2014. The Bank exercised the right and repaid the loan on 31 March 2014.

35 Share capital and share premium

	31.12.2014	**31.12.2013**
Shares issued as at 1 January	5 200 000	5 200 000
Shares issued as at 31 December	5 200 000	5 200 000
Share capital	**520 000 000**	**520 000 000**
Share premium	**768 047 473**	**768 047 473**

Series/Issue	Shares type	Number of shares	Value of series/issue at nominal value	Capital coverage	Date of registration
A	Preference shares	322 000	32 200 000	cash	07/09/2001
B	preference shares	178 000	17 800 000	cash	31/01/2003
C1	preference shares	540 001	54 000 100	cash	28/07/2005
C2	non-preference shares	59 999	5 999 900	cash	28/07/2005
D	non-preference shares	600 000	60 000 000	cash	02/01/2006
E	non-preference shares	500 000	50 000 000	cash	11/08/2006
F	non-preference shares	775 000	77 500 000	cash	26/10/2006
G	non-preference shares	225 000	22 500 000	cash	28/05/2008
H	non-preference shares	200 000	20 000 000	cash	14/10/2008
I	non-preference shares	112 000	11 200 000	cash	22/06/2009
J	non-preference shares	128 000	12 800 000	cash	09/09/2009
K	non-preference shares	1 560 000	156 000 000	aport	07/07/2010
Total number of shares		**5 200 000**			
Total share capital			**520 000 000**		
Nominal value of share: 100.00					

Share capital is disclosed at nominal value of issued and registered shares. As at 31 December 2014, the Bank's share capital totalled PLN 520 000 000.00 and was divided into 5 200 000 shares of equal nominal value, each of PLN 100.00. The shares of the Bank are ordinary registered shares with various degrees of preference. As at 31 December 2014, the Bank did not have any treasury shares.

Series A, B and C1 are preference shares, i.e. each share gives the holder two votes at the Bank's General Shareholders' Meeting.

36 Other reserves

Other reserves	31.12.2014	31.12.2013
Other supplementary capital	493 842 908	493 842 908
Revaluation reserve	-3 462 418	-10 451 672
Total	**490 380 490**	**483 391 236**

Other supplementary capital	2014	2013
Opening balance	**493 842 908**	**361 369 709**
Increases due to reclassification from the profit for the year	0	132 473 199
Closing balance	**493 842 908**	**493 842 908**

Other supplementary capital comprises the portion of the statutory supplementary capital which was created by means other than share premium.
The item is made up of profits generated in prior periods.
The increase recognized in 2013 resulted from reclassification of a portion of the net profit for the previous year to the supplementary capital.

Revaluation reserve	**2014**	**2013**
Opening balance	**-10 451 672**	**-5 094 031**
Changes due to:		
– measurement of financial assets available for sale	5 583 533	-7 132 757
– recognition of the effective portion of hedging relationship in cash flow hedges	3 045 175	518 385
– recognition of deferred tax	-1 639 454	1 256 731
Closing balance	**-3 462 418**	**-10 451 672**

The revaluation reserve refers to the measurement of financial assets available for sale and derivatives designated as hedging instruments in the cash flow hedge accounting.
The changes in the value of the revaluation reserve in 2014 and 2013 were the effect of changes in the measurement of those instruments as well as new transations concluded and closing of open transactions.

37 Retained earnings and dividends

	2014	**2013**
Retained earnings	**473 368 470**	**382 480 546**

	2014	**2013**
Opening balance after changes in accounting policy	**382 480 546**	**768 433 936**
Net profit attributable to sharesholders	473 368 470	449 352 241
Dividend payment	-382 480 546	-662 442 788
Effect of business combination	0	-40 389 644
Reclassification of profit to supplementary capital	0	-132 473 199
Closing balance	**473 368 470**	**382 480 546**

On 9 July 2014, the Bank paid its shareholders a dividend of PLN 382 480 546 (PLN 73.55 per share) from the profit for 2013 after coverage of previous year losses.

On 28 June 2013 and 26 July 2014, the Bank paid its shareholders, respectively, a dividend of PLN 397 419 598 (PLN 76.43 per share) from the profit for 2012, and a dividend of PLN 265 023 190 (PLN 50.97 per share) from the profit for 2010 recognized after the combination between the Bank and AIG Bank Polska S.A.

Until 17 February 2015, the Management Board had not made any decision regarding a proposal to be made to the General Shareholders' Meeting in respect of distribution of the profit for 2014.

38 Contingent liabilities

The Bank's contingent liabilities are obligations to grant loans. These obligations consist of approved but unused credit lines and mortgage loans as well as unused credit card limits. The Bank also extended guarantees to borrowers using operating loans.

Granted off-balance sheet financial liabilities	**31.12.2014**	**31.12.2013**
Open but unused credit lines	166 987 442	244 044 017
Credit card limits	317 041 477	172 295 906
Granted guarantees	278 340 960	223 186 800

In 2013, the Bank granted a guarantee of credit receivables repayment of PLN 215 000 000 to Santander Consumer Multirent Sp. z o.o. At the end of 2014, the guarantee amounted to PLN 270 000 000.
The information about liabilities due to credit lines are presented in Note 28.
As regards its contingent liabilities, the Bank has been received a guarantee of the issue of debt securities from Santander Consumer Finance S.A. As at 31 December 2014 and 31 December 2013, the guarantee amount was PLN 2 000 000 000.
In 2013, the Bank was granted a guarantee of credit receivables repayment of PLN 160 000 000. In 2014, the Bank was not granted any guarantees in this respect.

39 Assets put up as collateral

The Bank has no assets put up as collateral for liabilities or contingent liabilities, except treasury bills covering the Bank Guarantee Fund and treasury bonds and securitization bonds covering liabilities in respect of *repo* transactions (Note 19).

40 Remuneration of Members of the Management Board and Supervisory Board

	2014	**2013**
Remuneration of the Management Board		
– basis remuneration	5 494 800	5 485 766
– bonus paid	1 540 266	2 104 547
– shares	0	146 799
– employee benefits	92 865	70 742
– holiday equivalent	0	26 268
– sick leave	30 312	3 387
– other	474 447	926 084
Total remuneration	**7 632 690**	**8 763 593**
Social insurance - health allowance	**0**	**0**
Total	**7 632 690**	**8 763 593**
Charges	**403 131**	**352 263**
Remuneration of the Supervisory Board	**491 717**	**443 404**

The item *Shares* includes the costs of share-based payments under the long-term incentive plan.

	31.12.2014	**31.12.2013**
Receivables due to loans granted to Members of the Management Board	621 609	633 018

41 Additional explanations to the cash flow statement

The Bank classified the following financial assets with maturity up to three months as cash and cash equivalents for the purpose of the cash flow statement:

	31.12.2014	31.12.2013
Cash and balances with the Central Bank	239 409 069	254 064 109
Checking accounts	9 346 196	5 353 952
Term deposits and margin deposits (without interest)	58 518 075	250 000 000
Total	**307 273 340**	**509 418 061**

For the purpose of the cash flow statement, the following business activity classification was applied:

- operating activity – the core business activity related to providing services by the Bank, comprising activities aimed at profit generation, not classified as investing or financing activities. A change in the balance of other assets is recognized under *Other adjustments* in the cash flows from operating activities;
- investing activity – related to acquisition and disposal of non-current assets, in particular financial assets not classified as held for trade, shares in controlled entities, as well as property, plant and equipment and intangible assets;
- financing activity – includes activities related to obtaining funds in the form of capital or liabilities, as well as servicing the funding sources.

Following the acquisition of the enterprise Santander Consumer Finanse S.A. in 2013, the Bank acquired cash amounting to PLN 9 682 915.

Additional explanations to the cash flow statement:

Profit (loss) on investing activities	2014	2013
Cost of fixed and intangible assets sold and disposed of	1 757 299	3 111 596
Revenue from sale of fixed and intangible assets	-546 862	-1 674 470
Profit (loss) on investing activities	**1 210 437**	**1 437 126**

Income tax paid	2014	2013
Advence payments for income tax for the current year	-70 382 858	-60 721 067
Adjustments to income tax for the previous year	-58 693 048	-47 742 277
Income tax paid	**-129 075 906**	**-108 463 344**

Change in receivables from banks	2014	2013
Balance-sheet change in the balance of non-cash receivables from other banks	290 284 388	-289 570 761
Interest	-13 562 109	-16 948 717
Change in receivables from banks	**276 722 279**	**-306 519 478**

Change in receivables in respect of loans and advances granted to customers	**2014**	**2013**
Balance-sheet change in receivables from credits and loans granted to customers	-983 081 999	-2 337 625 617
Effect of business combination	0	1 833 482 732
Interest	-1 042 632 078	-789 626 189
Change in receivables in respect of loans and advances granted to customers	**-2 025 714 077**	**-1 293 769 074**

Change in liabilities to banks	**2014**	**2013**
Balance-sheet change in liabilities to banks	459 568 431	1 665 612 632
Effect of business combination	0	-1 879 000 000
Interest	68 513 301	46 714 666
Change in liabilities to banks	**528 081 732**	**-166 672 702**

Change in liabilities to customers	**2014**	**2013**
Balance-sheet change in liabilities to customers	1 272 174 734	181 492 550
Interest	203 967 359	347 779 699
Change in liabilities to customers	**1 476 142 093**	**529 272 249**

Change in liabilities arising from issue of debt securities	**2014**	**2013**
Balance-sheet change in liabilities arising from issue of debt securities	-29 312 668	877 425 221
Issuance of debt securities	-845 000 000	-1 064 900 000
Redemption of debt securities	872 600 000	195 000 000
Interest	80 384 192	78 612 577
Change in liabilities arising from issue of debt securities	**78 671 524**	**86 137 798**

Change in other liabilities	**2014**	**2013**
Balance-sheet change in the balance of other liabilities	49 195 767	25 308 453
Effect of business combination	0	-61 102 051
Change in the balance of other tax liabilities	129 075 906	108 463 344
Change in other liabilities	**178 271 673**	**72 669 746**

Change in prepayments	2014	2013
Balance-sheet change in deferred tax assets	-41 682 047	-22 797 027
Effect of business combination	0	32 756 377
Balance-sheet change in prepayments	-14 642 358	5 225 632
Balance-sheet change in deferred income	25 891 070	124 782 837
Change in prepayments	**-30 433 335**	**139 967 819**

Change in other assets	2014	2013
Balance-sheet change in other assets	-127 810 274	-1 875 613
Effect of business combination	0	12 484 061
Adjustment arising from sale of impaired loan receivables	-36 350 000	-33 514 587
Dividends from subsidiaries	-32 669 075	0
Adjustments resulting from receipt of property, plant and equipment from the warehouse	-15 298	-327 683
Change in other assets	**-196 844 647**	**-23 233 822**

Measurement of derivatives charged to profit/loss	2014	2013
Balance-sheet change in hedging derivatives	80 615 102	33 617 620
Measurement of derivatives charged to revaluation reserve	6 555 711	-5 725 546
Interest	-24 363 581	-37 043 753
Measurement of derivatives charged to profit/loss	**62 807 232**	**-9 151 679**

Other adjustments	2014	2013
Balance-sheet change in impairment losses on intangible assets	944 063	11 998 771
Balance-sheet change in impairment losses on property, plant and equipment	-54 875	241 015
Other balance-sheet changes in property, plant and equipment and intangible assets	0	180 090
Balance-sheet change in impairment losses on shares	39 428 983	17 666 992
Other	-2	0
Other adjustments	**40 318 169**	**30 086 868**

42 Related party transactions

Santander Consumer Bank S.A. is the parent to AKB Marketing Services Sp. z o.o., Santander Consumer Mutirent Sp. z o.o. and Santander Consumer Finanse S.A., whereas Banco Santander S.A. is the ultimate parent. The direct parent to Santander Consumer Bank S.A. is Bank Zachodni WBK S.A.The transactions between the Bank and related parties were standard transactions carried out in ordinary operating activities and were on arm's-length conditions. They include mainly loans, expenditure to implement and service IT systems and other IT services. Value of the transactions with related parties, balances of individual items of the statement of financial position as at the end of the reporting period and related expenses and revenue for the financial year are presented in the tables below. The Bank bought intangible assets from ISBAN Ingenieria de Software Bancario, S.L. In 2014 and 2013 the value of those transactions amounted to PLN 2 672 770 and PLN 8 341 034, respectively. The Bank did not recognize impairment losses on any receivables from related parties except statistical IBNR impairment loss on receivables arising from unsecured loans without any impairment identified.

2014

Related party transactions	Revenue*	Expenses	Receivables	Liabilities
Santander Consumer Finance S.A., with its registered office in Spain	**13 201 794**	**17 899 665**	**0**	**1 052 042 865**
(minority shareholder)				
liabilities due to repo transactions	0	0	0	1 038 033 769
Interest	13 201 794	15 046 518	0	14 009 096
Guarantee of issuance of securities	0	2 853 147	0	0
Santander Consumer Multirent Sp. z o.o.	**4 992 906**	**8 087 366**	**115 550 441**	**190 571**
(subsidiary)				
credit facilities and loans	0	0	115 000 000	0
Interest	2 034 061	13 256	58 981	0
fees and commissions	1 455 086	0	0	180 000
BIK services	14 397	0	0	0
rent and utilities	38 002	0	0	0
advisory/ administrative services	1 420 436	0	491 460	0
car lease	0	7 494 017	0	8 091
network traffice management	22 997	0	0	0
car insurance	0	284 893	0	2 480
SCB fleet management	0	295 200	0	0
other	7 927	0	0	0
AKB Marketing Services Sp. z o.o.	**0**	**732 550**	**0**	**28 811 097**
(subsidiary)				
deposits	0	0	0	28 700 000
interest	0	732 550	0	111 097
Bank Zachodni WBK S.A.	**26 038 604**	**54 677 719**	**29 470 996**	**1 350 569 992**
(parent)				
clearing accounts	0	0	7 955 299	6 496 924
deposits	0	0	21 500 000	615 473 015
loans	0	0	0	708 940 000
interest	65 175	13 294 863	14 721	2 179 792
derivatives	25 708 276	39 921 756	0	15 719 605
FX	257 807	0	0	0
fees and commissions	0	148 718	0	1 760 656
cash handling	7 346	408 936	976	0
credit card services	0	99 592	0	0
rental of server space	0	774 222	0	0
other	0	29 632	0	0

ISBAN Ingenieria de Software Bancario, S.L., with its registered office in Spain (entity in the Santander Capital Group)	**0**	**8 253 676**	**0**	**0**
IT services	0	8 253 676	0	0
Produban Servicios Informáticos Generales, S.L., with its registered office in Spain (entity in the Santander Capital Group)	**0**	**2 805 190**	**0**	**0**
IT services	0	2 721 601	0	0
clearing services	0	83 589	0	0
Santander Benelux S.A., with its registered office in Belgium (entity in the Santander Capital Group)	**0**	**22 962 715**	**0**	**100 132 740**
subordinated loan	0	0	0	100 000 000
interest	0	22 962 715	0	132 740
Santander Consumer Finanse S.A. (subsidiary)	**33 382 893**	**3 431 145**	**44 164**	**133 105 060**
deposits	0	0	0	131 500 000
checking accounts	0	0	0	1 491 276
interest	0	3 384 401	0	113 784
dividend	32 669 075	0	0	0
commissions and charges related to financing operations	0	2 125	0	0
promotion campaigns	470 837	0	43 833	0
rent and utilities	239 294	19 420	331	0
other	3 687	25 199	0	0
GESBAN Servicios Administrativos Globales S.L. Sp. z o.o. Branch in Poland (entity in the Santander Capital Group)	**33 080**	**0**	**0**	**0**
rent of posts	33 080	0	0	0
Santander Operaciones Retail S.A., with its registered office in Spain (entity in the Santander Capital Group)	**0**	**12 345**	**0**	**0**
advisory services	0	4 187	0	0
logistics services	0	8 158	0	0
Banco Santander S.A., with its registered office in Spain (ultimate parent)	**59 035**	**0**	**0**	**0**
personnel expenses	59 035	0	0	0

Geoban S.A.	**0**	**584 333**	**0**	**0**
(entity in the Santander Capital Group)				
IT services	0	584 333	0	0
Isban México, S.A. de C.V.	**0**	**519 883**	**0**	**0**
(entity in the Santander Capital Group)				
purchase of licences	0	519 883	0	0
Santander Consumer Bank AS	**0**	**24 301**	**0**	**0**
(entity in the Santander Capital Group)				
personnel expenses	0	24 301	0	0
SC Poland Auto 2014-1 Limited	**17 741 635**	**26 809 301**	**937 893 632**	**1 236 631 132**
(securitization company)				
securitization liabilities	0	0	0	1 235 544 037
securitization bonds	0	0	393 430 280	0
subordinated loan	0	0	411 776 438	0
securitization settlements	0	0	131 933 478	0
interest	17 741 635	26 809 301	753 436	1 087 095

2013

Related party transactions	**Revenue**	**Expenses**	**Receivables**	**Liabilities**
Santander Consumer Finance S.A., with its registered office in Spain	**12 337 738**	**16 660 462**	**540 352 029**	**1 004 460 591**
(minority shareholder)				
deposits	0	0	540 000 000	0
liabilities due to repo transactions	0	0	0	990 271 389
interest	12 337 738	14 324 013	352 029	14 189 202
guarantee of issuance of securities.	0	2 336 449	0	0
Santander Consumer Multirent Sp. z o.o.	**3 833 528**	**5 725 901**	**88 685 342**	**16 436**
(subsidiary)				
credit facilities and loans	0	0	88 000 000	0
interest	2 410 937	50 656	119 684	0
promotion campaigns	14 850	0	0	0
BIK services	22 932	0	0	0
rent and utilities	37 667	28 280	0	0
financial advisory services	661 484	0	123 984	0
car lease	0	5 029 675	0	16 436
network traffice management	22 792	0	0	0
licence fee	541 630	0	441 674	0
sale of fixed assets	118 188	0	0	0
car insurance	0	351 610	0	0
SCB fleet management	0	265 680	0	0
other	3 048	0	0	0

AKB Marketing Services Sp. z o.o.	**0**	**1 175 947**	**0**	**28 250 216**
(subsidiary)				
deposits	0	0	0	28 100 000
interest	0	997 395	0	150 216
licence fee	0	178 552	0	0
Bank Zachodni WBK S.A.	**58 694 420**	**23 947 479**	**32 551 975**	**707 689 765**
(parent)				
clearing accounts	0	0	250 736	0
deposits	0	0	0	30 554 200
loans	0	0	0	676 320 000
interest	332 863	4 509 575	0	585 175
derivatives	58 084 670	18 355 821	32 301 239	170 082
FX	276 887	0	0	0
fees and commissions for managed accounts	0	2 693	0	0
credit card services	0	151 335	0	60 308
rental of server space	0	817 355	0	0
advisory services	0	110 700	0	0
ISBAN Ingenieria de Software Bancario, S.L., with its registered office in Spain	**0**	**6 721 327**	**0**	**0**
(entity in the Santander Capital Group)				
IT services	0	6 721 327	0	0
Produban Servicios Informáticos Generales, S.L., with its registered office in Spain	**0**	**2 896 243**	**0**	**0**
(entity in the Santander Capital Group)				
IT services	0	2 817 722	0	0
clearing services	0	78 521	0	0
Santander Benelux S.A. with its registered office in Belgium	**0**	**25 803 040**	**0**	**655 162 518**
(entity in the Santander Capital Group)				
credit facilities and loans	0	0	0	500 000 000
subordinated loan	0	0	0	150 000 000
interest	0	25 803 040	0	5 162 518

Santander Consumer Finanse S.A. (subsidiary)	**55 216 208**	**9 780 650**	**106 580**	**169 776 313**
deposits	0	0	0	169 000 000
checking accounts	0	0	0	716 919
interest	681 605	2 533 721	0	55 142
commissions and charges related to financing operations	664 877	0	0	0
promotional campaigns	225 051	138 137	103 235	0
rent and utilities	706 299	4 303	3 345	0
car leases	13 515	25 817	0	0
rent of posts	598 178	0	0	0
licence fees	1 967 518	0	0	0
Microsoft licence	0	251 554	0	0
K2000 sublicence	0	344 400	0	0
IT systems (lease)	2 954 147	0	0	0
Agency agreement and cooperation agreement	44 781 374	5 874 884	0	0
advisory services	2 578 956	352 568	0	0
debt collection	0	76 687	0	0
sale of fixed assets	17 218	0	0	0
purchase of fixed assets	0	5 190	0	0
IT services	0	109 302	0	0
other	27 470	64 087	0	4 252
GESBAN Servicios Administrativos Globales S.L. Sp. z o.o., Branch in Poland (entity in the Santander Capital Group)	**28 621**	**0**	**0**	**0**
rent of posts	28 404	0	0	0
reinvoices	217	0	0	0
Santander Global Facilities S.L. (entity in the Santander Capital Group)	**0**	**268 830**	**0**	**0**
advisory services	0	268 830	0	0
Santander Operaciones Retail S.A., with its registered office in Spain (entity in the Santander Capital Group)	**0**	**292 740**	**0**	**0**
IT services	0	292 740	0	0
Aquanima Ibérica de Compras Corporativas S.L., with its registered office in Spain (entity in the Santander Capital Group)	**0**	**210 117**	**0**	**0**
commission for telecommunications services tender	0	210 117	0	0

Banco Santander S.A., with its registered office in Spain	**4 132**	**2 147 792**	**0**	**0**
(ultimate parent)				
personnel expenses	0	2 147 792	0	0
other	4 132	0	0	0

Transactions with the Management Board and Supervisory Board are presented in note 40.

43 Credit risk

	31.12.2014	31.12.2013
Exposures with triggers of impairment, recognized impairment and impairment loss	**1 384 937 235**	**1 551 478 372**
Exposures with triggers of impairment, but no impairment loss recognized, including:	**20 031**	**37 370**
– exposures in which the discounted future cash flows included the value of hedges	0	0
– past-due repayment of principal and interest	20 031	37 370
Exposures with no impairment triggers /events resulting in a loss	**12 636 669 561**	**11 690 371 434**

Data concerning the value of impaired financial assets assessed individually or collectively as well as data concerning the overdue structure of the portfolio categorized by the period of their being overdue are presented In Note 21.

The main business objective of the Bank in terms of the credit policy is to carry out the Strategy of the Bank and the Risk Management Strategy, which assumes maintaining the same level of risk, so that there is the right balance between the income of the Bank and the expenses related to the materialization of the risk and to ensure the safety of the Bank's deposits.
The detailed objective is to reach the credit risk ratios assumed in the budget.
The Bank carries out the aforementioned objectives by way of:

- implementing procedures which ensure loan granting in line with the safety principles, which will guarantee repayment and management of outstandings;
- adjusting the price and marketing policy of the Bank in order to maintain the assumed sales and profitable allocation of funds in the credit portfolio;
- ensuring that information provided to Applicants and Customers is clear, unambiguous and comprehensible;
- following the principles of professionalism, reliability, due diligence and best knowledge in relationships with Applicants and Customers.

When performing and defining the aforementioned objectives, the Bank follows the rules of acceptable credit risk (risk appetite) defined in the Risk Management Strategy and determined by the Management Board and the Supervisory Board.
Credit policy compliance monitoring is carried out on an ongoing basis and reports are prepared every day and month. The Management Board and the Supervisory Board are provided with information and reports by competent Bank units using management reporting systems, which allows for appropriate management of the Bank's operations. Appropriate information is provided before Meetings of the Management Board.
In launching new credit products and modifying the existing ones or related approval principles, the Bank strives to accurately asses the impact of the changes on the credit risk based on historical data and expertise. If the Bank is unable to assess the impact on the risk it applies limited sample test methods.

The Bank grants loans to the following entities:

- households (loans, car loans, cash loans and credit cards);
- enterprises (loans, cars loans, operational loans).

The aforementioned entities are registered in Poland, their permanent or temporary residence address is in Poland or they have a permanent or temporary residence permit. The Bank may provide credit financing to entities generating revenue abroad in cases stipulated in credit instructions.
The Bank offers business loans for car dealers, the Bank's business partners (revolving and short-term) and financial partners (working capital loan and investment loan).

The Bank offers loans denominated in PLN only. The Bank used to avail FX loans (CHF, USD, EUR), hence now it manages a credit portfolio with such exposures.
The Bank offers long-, mid- and short-term loans. The maximum tenors are specified in the credit instructions.

Risk management system includes:

- portfolio diversification;
- centralized decision process;
- internal debt concentration, operational and approval limits;
- acceptance and monitoring of collateral;
- internal review of receivables;
- strict rules for the recognition of impairment loss;
- monitoring of risk level indicators;
- repayment monitoring and collection and debt restructuring;
- stress testing.

The Bank has defined the following concentration limits pursuant to the Banking Law:

- the total exposure of the Bank to its related parties cannot exceed 25% of its equity;
- the total exposure of the Bank in a different domestic bank, credit institution, foreign bank or a group of related entities comprising at least one domestic bank, credit institution or foreign bank cannot exceed 50% of the Bank's equity and cannot exceed EUR 150 million, calculated in PLN at the average exchange rate published by the National Bank of Poland, valid on the last reporting date before the date of verification of the limit;
- the total exposure of the Bank to all related parties form the group of capital or organizational related parties, comprising at least one domestic bank, credit institution or foreign bank cannot exceed 25% of the Bank's equity.

Allowed limits	**2014**	**2013**
Limits concerning large exposures to another domestic bank, credit institution, foreign bank or group of related parties comprising at least one domestic bank, credit institution or foreign bank (50% of EUR 150 million, whichever is lower)	624 135 000	649 380 000
Limits concerning large exposures to related party/parties (25%)	412 600 005	434 377 566

At 31 December 2014 and 31 December 2013 none of above-mentioned limits were exceeded. The maximum exposure due to a group of related parties was, respectively, PLN 28 188 098 and PLN 34 815 167 (sum of balance and off-balance exposures). Other concentration limits concern:

1) involvement in Bank's products;
2) regional division;
3) distribution channel;
4) share of car loans in new production;
5) client's/group of closely related clients involvement;
6) exposure to clients referred to in Article 79a of the Banking Law.

The table below presents the distribution of exposure in particular regions. As at 31 December 2014 and 31 December 2013, there was no significant concentration in any of the regions. The table presents gross values of loans granted to clients.

Region	31.12.2014	%	31.12.2013	%
Central	2 585 918 600	18.45%	2 563 212 117	19.36%
South-West	1 655 739 824	11.81%	1 563 445 014	11.81%
South	2 363 018 793	16.85%	2 317 951 946	17.50%
North	2 291 578 600	16.34%	2 171 995 532	16.40%
North-West	2 773 191 827	19.78%	2 617 306 375	19.77%
East	1 584 828 363	11.30%	1 491 610 771	11.26%
Non-residents	412 213 379	2.94%	0	0.00%
No data	355 137 441	2.53%	516 365 421	3.90%
Total	**14 021 626 827**	**100.00%**	**13 241 887 176**	**100.00%**

Operating limits include:

1) Level of overdue exposures – early delays;
2) Potential maximum level of lost loans;
3) Average level of collateral recovery;
4) Average probability of non-fulfillment of the obligation by debtors.

The loans (except for operational loans) are collateralized with:

- partial transfer of ownership of a vehicle;
- transfer of ownership to a vehicle with a condition precedent and depositing of the vehicle history card;
- insurance (in particular: assignment of real propery insurance, naming the Bank as the first beneficiary in a life insurance and/or employment insurance or temporary inability to work, bridging insurance – insurance against non-payment of the loan until the mortgage lien was established, assignment of a comprehensive insurance of a transferred vehicle);
- mortgage lien on real property;
- blank promissory note;
- bill-of-exchange guarantee;
- civil law guarantee;
- transfer of receivables due to payments to the construction of a facility / single-family house;
- authorization to debit the borrower checking account;
- freeze on the term deposit account;
- other (rarely used), mentioned in credit instructions or accepted by the Management Board of the Bank.

As regards operational loans, collateral includes:

- transfer of ownership of a variable car stock, in particular a car stock financed by the Bank;
- transfer of ownership of a variable car stock with a rental or lease option with transfer of receivables arising from the rental or lease agreements;
- registered pledge on a variable car stock;
- in case of financing/refinancing cars with vehicle history cards, depositing with the Bank vehicle history cards of cars whose purchase is financed/refinanced by the Bank;
- assignment of insurance of a car stock included into the ownership transfer agreement or an agreement regarding establishment of a registered pledge;
- assignment of a comprehensive motor insurance of cars registered as owned by the debtor or their customers, whose purchase is financed/refinanced by a loan granted by the Bank;
- blank promissory note;
- bill-of-exchange guarantee or civil law guarantee, in particular by the owners or members of the management board of the borrower as well as their sposuses (joint marital property);
- real estate mortgage lien and transfer of rights arising from the insurance policy;
- freeze of receivables due to disbursement of instalment loans for business partners;
- blockade on the term deposit account.

Value of collateral granted by the Bank	**31.12.2014**	**31.12.2013**
Mortgage collateral	10 089 530 154	10 929 905 046
Car loans collateral	1 541 060 658	2 043 413 417
Operational loans collateral	362 597 323	36 034 454
Total	**11 993 188 135**	**13 009 352 917**

44 Operational risk

Operational risk is a probability of loss resulting from poor adjustment or low reliability of internal processes, people and systems, or from external events, including legal risk.

Regulations on operational risk adopted in Santander Consumer Bank S.A. are based on:

- Banking Law of 29 August 1997;
- resolution of the Polish Financial Supervision Authority No. 76 of 10 March and No. 383 of 17 December 2008;
- Recommendation M of the PFSA of 8 January 2013;
- corporate policies of the Santander Group concerning operational risk and business continuity policy, including:
    a) Management Framework for Technological and Operational Risk, July 2008;
    b) Corporate Policy Manual for Technological and Operational Risk, March 2010;
    c) Business Continuity Policy for Santander Group, January 2008.

The Bank used the standard method for calculation of the capital adequacy ratio for operating risk, in accordance with PFSA Resolution No. 76 of 10 March 2010. Two business lines and products have been assigned as follows:

1. Retail Banking:
    - Credit cards;
    - Installment loans;
    - Cash loans;
    - Mortgage loans;

- Car loans for retail clients;
- Deposits from retail clients.

2. Commercial banking:
   - Corporate loans;
   - Car loans for corporate clients;
   - Deposits from corporate clients.

At the end of December 2014, the capital requirement for the operational risk was PLN 148 053 984.

The operational risk management and control system in Santander Consumer Bank S.A. covers all organizational units of the Bank and subsidiaries. In relation to operational risk, Bank separated its risk management and risk control functions. This approach allows appropriate combination and development of quality- and quantity-based assessment methods for operational risk in process of controlling this risk, and ensures independent measurement and reporting of operational risk. At the same time, supervision of operational risk lies with the operational risk management function, in particular through the use of means and methods of its mitigation, rejection or transfer.

The Management Board is responsible for supervision of operational risk management in Santander Consumer Bank S.A.
The Operational Risk Management Department Head is in charge of operational risk management in Santander Consumer Bank S.A. His responsibilities include: development of policy, procedures and methodologies, as well as preparation of reports for the Management Board, Supervisory Board of the Bank and Santander Capital Group. Every Bank employee has a duty to register information about all operating events in the Bank, provide information necessary to explain such events and take part in obligatory training in respect of this risk category.

Because of the product and organization characteristics as well as the level of operational losses incurred, the Bank considers the following business areas as those generating operational risk:

1. counteracting external fraud;
2. products and the risk of their impact the relations with supervisory bodies and clients;
3. IT systems and their influence on the Bank's functioning;
4. outsourcers' activity, namely tasks performed by them for of the Bank.

The basic tools for measuring the operational risk level in the Bank include:

- operational events database;
- self-assessment of business areas;
- self-assessment of risks in business sub-processes;
- key operational risk indicators (KRI).

In order to limit the operational risk exposure, the Bank applies recovery proceedings, mitigation plans and risk transfer via insurance.

45 Management of assets and liabilities

Market risk management and liquidity risk management are preformed on the management and operational level. Risk management policy and reporting systems are consistent with Santander Group's practices and recommendations of the Banking Supervision. The Management Board is responsible for introduction and execution of the policies and procedures. The following organizational units of the Bank take part in the process or risk management:

- Management Board;
- Assets and Liabilities Management Committee (ALCO);
- Financial Management Division (Treasury);
- Market Risk Department.

The Financial Management Division performs operating activities connected with risk management. In particular, the Department manages current liquidity of the Bank within the granted limits. Tasks connected with control and monitoring of the risk level are separated and preformed by the Market Risk Division and ALCO. Strategic decisions concerning market and liquidity risks are made by the Management Board, based on the recommendation of ALCO.

The Bank does not conduct trading activities. The financial risk of the Bank stems solely from its banking activities and comprises:

- liquidity risk;
- Interest rate risk;
- currency risk.

Risk is managed using the monitoring system, limits and stress tests. Limits are approved by the Management Board based on the recommendation of ALCO. The key elements of the risk management system include:

- VAR (Value-at-Risk) limit for currency risk and interest rate risk;
- stress tests for interest rate, currency and liquidity risks.

Methodology for estimation of Value-at-Risk for calculation of market risk

The Bank uses the VaR measurement method for measurement of the FX and interest rate risk. VaR, which the Bank defines as a loss in the market value (of a financial instrument, portfolio) whereby the probability that the value is reached or exceeded in an assumed period equals an assumed tolerance level in accordance with the following formula: P(W<<W0-VaR)=α. *W0 W* and *a* represent, respectively, the present value, value at the end of a period in question and tolerance level. The Bank calculates VaR for interest rate assuming a 99 per cent confidence level and a one-month holding period. The Bank calculates VaR for a currency position assuming a 99 per cent confidence level and a 10-day holding period.

Out of many VaR estimation methods available, the Bank chose the Monte Carlo Simulation. On the basis of 10 000 hypothetical scenarios, a given distribution of rates of return is generated. Then a quantile of the generated distribution is determined which allows the Bank to determine the VaR level. The VaR model is based on an assumption that the distribution of probability of the rate of return on financial instrument prices (currency rate and zero-coupon synthetic bonds reflecting remeasured gap) is a multivariate normal distribution with median covariance matrix valuesΣ. Σ represents a positive definite symmetrical matrix:

$$\Sigma_r = \begin{bmatrix} Var(R_1) & CovR_1,R_2 & \cdots & CovR_1,R_N \\ CovR_1,R_2 & \ddots & \ddots & \vdots \\ \vdots & \ddots & \ddots & CovR_{N-1},R_N \\ CovR_1,R_N & \cdots & CovR_{N-1},R_N & Var(R_N) \end{bmatrix}$$

The Management Board of the Bank is in charge of all capital management processes and the Supervisory Board has oversight of estimation of regulatory and internal capital: $w=(w_1,w_2,\ldots w_n)$.

Interest rate risk

Interest rate risk is measured on the basis of reports on revaluation schedule gaps and VAR. Stress tests are performed as well. The Bank applies a highly conservative approach to the management of interest rate risk, which consists in aligning the remeasurement structure of liabilities to the current remeasurement structure of assets. The Bank does not use derivatives in the process of interest rate risk management. Interest rate risk expressed as VAR was as follows (the potential impact on the financial result is presented in million PLN resulting from the observed price volatility in the financial markets with the confidence level of 0.99):

VAR (Value-at-Risk) for the interest rate	**2014**	**2013**
VaR , 1 month horizon – value at 31 December	12.7	6.30
VaR , 1 month horizon – minimal value throughout the year	5.5	4.80
VaR , 1 month horizon – average value in the year	10.4	7.33
VaR , 1 month horizon – maximum value throughout the year	13.2	9.90
Top limit	25.00	25.00

Interest rate gap as at 31 December 2014:

- Upside 100 basis points scenario

	1M	**3M**	**6M**	**12M**	**2 years**
Assets, including:	**5 279 153 961**	**2 609 154 329**	**3 781 460 659**	**1 699 331 986**	**1 618 678 552**
Securities and interbank market	2 859 391 293	0	0	0	0
Loans granted	2 287 829 190	2 609 154 329	3 781 460 659	1 699 331 986	1 618 678 552
Provisions	0	0	0	0	0
Other assets	131 933 478	0	0	0	0
Liabilities, including:	**3 726 191 240**	**3 368 066 308**	**2 036 339 904**	**2 478 610 903**	**1 292 405 026**
Interbank market	2 434 094 827	1 355 383 069	120 000 000	405 000 000	0
Issuance of shares	141 000 000	710 900 000	1 051 000 000	40 000 000	0
Deposits, excluding bank's deposits	1 151 096 413	1 301 783 239	865 339 904	2 033 610 903	1 292 405 026
Equity and other liabilities	0	0	0	0	0
Off-balance sheet items	0	-284	284	0	0
Gap	1 552 962 721	-758 912 263	1 745 121 039	-779 278 917	326 273 526
Accumulated gap	1 552 962 721	794 050 458	2 539 171 497	1 759 892 580	2 086 166 106

	3 years	4 years	5 years	5 years	Non-interest	Total
Assets, including:	**540 793 422**	**215 435 748**	**37 762 889**	**9 484 871**	**334 152 378**	**16 125 408 795**
Securities and interbank market	0	0	0	0	9 346 196	2 868 737 489
Loans granted	540 793 422	215 435 748	37 762 889	9 484 871	1 791 932 527	14 591 864 173
Provisions	0	0	0	0	-1 563 275 140	-1 563 275 140
Other assets	0	0	0	0	96 148 795	228 082 273
Liabilities, including:	**183 986 768**	**6 080 851**	**0**	**20 672**	**3 033 707 123**	**16 125 408 795**
Interbank market	0	0	0	0	0	4 314 477 896
Issuance of shares	0	0	0	0	0	1 942 900 000
Deposits, excluding bank's deposits	183 986 768	6 080 851	0	20 672	64 235	6 834 388 011
Equity and other liabilities	0	0	0	0	3 033 642 888	3 033 642 888
Off-balance sheet items	0	0	0	0	0	0
Gap	356 806 654	209 354 897	37 762 889	9 464 199	-2 699 554 745	0
Accumulated gap	2 442 972 760	2 652 327 657	2 690 090 546	2 699 554 745	0	0

– Downside 100 basis points scenario

	1M	3M	6M	12M	2 years
Assets, including:	**9 989 342 420**	**1 910 992 682**	**2 892 589 701**	**439 886 140**	**357 361 719**
Securities and interbank market	2 859 391 293	0	0	0	0
Loans granted	6 998 017 649	1 910 992 682	2 892 589 701	439 886 140	357 361 719
Provisions	0	0	0	0	0
Other assets	131 933 478	0	0	0	0
Liabilities, including:	**3 314 414 802**	**3 368 066 308**	**2 036 339 904**	**2 478 610 903**	**1 292 405 026**
Interbank market	2 022 318 389	1 355 383 069	120 000 000	405 000 000	0
Issuance of shares	141 000 000	710 900 000	1 051 000 000	40 000 000	0
Deposits, excluding bank's deposits	1 151 096 413	1 301 783 239	865 339 904	2 033 610 903	1 292 405 026
Equity and other liabilities	0	0	0	0	0
Off-balance sheet items	0	0	0	0	0
Gap	6 674 927 618	-1 457 073 626	856 249 797	-2 038 724 763	-935 043 307
Accumulated gap	6 674 927 618	5 217 853 992	6 074 103 789	4 035 379 026	3 100 335 719

	3 years	4 years	5 years	5 years	Non-interest	Total
Assets, including:	**125 276 317**	**49 226 334**	**17 186 406**	**421 171 137**	**-77 624 061**	**16 125 408 795**
Securities and interbank market	0	0	0	0	9 346 196	2 868 737 489
Loans granted	125 276 317	49 226 334	17 186 406	421 171 137	1 380 156 088	14 591 864 173
Provisions	0	0	0	0	-1 563 275 140	-1 563 275 140
Other assets	0	0	0	0	96 148 795	228 082 273
Liabilities, including:	**183 986 768**	**6 080 851**	**0**	**411 797 110**	**3 033 707 123**	**16 125 408 795**
Interbank market	0	0	0	411 776 438	0	4 314 477 896
Issuance of shares	0	0	0	0	0	1 942 900 000
Deposits, excluding bank's deposits	183 986 768	6 080 851	0	20 672	64 235	6 834 388 011
Equity and other liabilities	0	0	0	0	3 033 642 888	3 033 642 888
Off-balance sheet items	0	0	0	0	0	0
Gap	-58 710 451	43 145 483	17 186 406	9 374 027	-3 111 331 184	0
Accumulated gap	3 041 625 268	3 084 770 751	3 101 957 157	3 111 331 184	0	0

Interest rate gap as at 31 December 2013:

- Upside 100 basis points scenario

	1M	3M	6M	12M	2 years
Assets, including:	**3 988 914 798**	**2 345 333 984**	**4 382 172 375**	**1 384 186 423**	**1 296 524 967**
Securities and interbank market	1 782 628 952	0	290 000 000	0	0
Loans granted	2 206 285 846	2 345 333 984	4 092 172 375	1 384 186 423	1 296 524 967
Provisions	0	0	0	0	0
Other assets	0	0	0	0	0
Liabilities, including:	**2 969 635 226**	**3 207 492 507**	**2 335 354 772**	**988 720 641**	**1 953 285 815**
Interbank market	1 302 583 845	1 270 271 389	100 000 000	0	0
Issuance of shares	116 000 000	719 900 000	1 131 600 000	3 000 000	0
Deposits, excluding bank's deposits	1 551 051 381	1 217 321 118	1 103 754 772	985 720 641	1 953 285 815
Equity and other liabilities	0	0	0	0	0
Off-balance sheet items	0	-270 528 000	270 528 000	0	0
Gap	1 019 279 572	-1 132 680 523	2 317 345 603	395 465 782	-656 760 848
Accumulated gap	1 019 279 572	-113 406 951	2 203 938 652	2 599 404 434	1 942 643 586

	3 years	4 years	5 years	5 years	Non-interest	Total
Assets, including:	**403 548 574**	**206 748 406**	**35 492 286**	**28 221 969**	**192 367 256**	**14 263 511 038**
Securities and interbank market	0	0	0	0	5 353 951	2 077 982 903
Loans granted	403 548 574	206 748 406	35 492 286	28 221 969	1 580 201 929	13 578 716 759
Provisions	0	0	0	0	-1 766 670 261	-1 766 670 261
Other assets	0	0	0	0	373 481 637	373 481 637
Liabilities, including:	**50 756 025**	**423 813**	**0**	**0**	**2 757 842 239**	**14 263 511 038**
Interbank market	0	0	0	0	0	2 672 855 234
Issuance of shares	0	0	0	0	0	1 970 500 000
Deposits, excluding bank's deposits	50 756 025	423 813	0	0	0	6 862 313 565
Equity and other liabilities	0	0	0	0	2 757 842 239	2 757 842 239
Off-balance sheet items	0	0	0	0	0	0
Gap	352 792 549	206 324 593	35 492 286	28 221 969	-2 565 474 983	0
Accumulated gap	2 295 436 135	2 501 760 728	2 537 253 014	2 565 474 983	0	0

- Downside 100 basis points scenario

	1M	3M	6M	12M	2 years
Assets, including:	**7 462 736 857**	**1 814 948 919**	**3 705 633 141**	**440 907 284**	**386 408 138**
Securities and interbank market	1 782 628 953	0	290 000 000	0	0
Loans granted	5 680 107 904	1 814 948 919	3 415 633 141	440 907 284	386 408 138
Provisions	0	0	0	0	0
Other assets	0	0	0	0	0
Liabilities, including:	**2 969 635 226**	**3 207 492 507**	**2 335 354 772**	**988 720 641**	**1 953 285 815**
Interbank market	1 302 583 845	1 270 271 389	100 000 000	0	0
Issuance of shares	116 000 000	719 900 000	1 131 600 000	3 000 000	0
Deposits, excluding bank's deposits	1 551 051 381	1 217 321 118	1 103 754 772	985 720 641	1 953 285 815
Equity and other liabilities	0	0	0	0	0
Off-balance sheet items	0	-270 528 000	270 528 000	0	0
Gap	4 493 101 631	-1 663 071 588	1 640 806 369	-547 813 357	-1 566 877 677
Accumulated gap	4 493 101 631	2 830 030 043	4 470 836 412	3 923 023 055	2 356 145 378

	3 years	4 years	5 years	5 years	Non-interest	Total
Assets, including:	**138 949 229**	**66 971 712**	**26 405 688**	**28 182 815**	**192 367 255**	**14 263 511 038**
Securities and interbank market	0	0	0	0	5 353 952	2 077 982 905
Loans granted	138 949 229	66 971 712	26 405 688	28 182 815	1 580 201 929	13 578 716 759
Provisions	0	0	0	0	-1 766 670 261	-1 766 670 261
Other assets	0	0	0	0	373 481 635	373 481 635
Liabilities, including:	**50 756 025**	**423 813**	**0**	**0**	**2 757 842 239**	**14 263 511 038**
Interbank market	0	0	0	0	0	2 672 855 234
Issuance of shares	0	0	0	0	0	1 970 500 000
Deposits, excluding bank's deposits	50 756 025	423 813	0	0	0	6 862 313 565
Equity and other liabilities	0	0	0	0	2 757 842 239	2 757 842 239
Off-balance sheet items	0	0	0	0	0	0
Gap	88 193 204	66 547 899	26 405 688	28 182 815	-2 565 474 984	0
Accumulated gap	2 444 338 582	2 510 886 481	2 537 292 169	2 565 474 984	0	0

Currency risk

The Bank is exposed to currency risk as a consequence of granting loans and advances denominated in foreign currencies. Currency risk is managed through daily monitoring and minimizing the Bank's current FX position. The position is closed through matching of assets and liabilites, by FX spots.

Starting from 2011 the Bank hedges the portfolio of CHF loans against the currency risk using FX Swaps.

The currency risk is measured based on daily reports on the Bank's total position as well as VAR reports. The Bank's currency position as at 31 December 2014 and 31 December 2013:

Open currency position and utilisation of limit as at 31 December 2014

	Currency structure in PLN (converted to PLN at average NBP rate)									
	Accounts and deposits in other banks	Loans and advances granted to clients	Financial assets available for sale	Hedging derivatives	Lliabilities to banks	Liabilities to customers	Other liabilities	Off-balance sheet items	Long position	Short position
CHF	455 392	3 094 412 620	0	-5 138	1 931 760 154	14 839 565	0	-1 147 773 860	489 294	0
USD	320 215	91 258	1 601 922	0	1 753 666	66	0	0	259 664	0
EUR	43 877 720	795 976	43	0	45 071 626	7 920	37 468	852 460	409 185	0
Total	**44 653 327**	**3 095 299 854**	**1 601 965**	**-5 138**	**1 978 585 446**	**14 847 551**	**37 468**	**-1 146 921 400**	**1 158 143**	**0**
								Total position	**1 158 143**	**0**

Equity	1 650 400 019
2% equity	33 008 000
Capital requirement	0
Limit utilization	0.07%

Open currency position and utilisation of limit as at 31 December 2013

	Currency structure in PLN (converted to PLN at average NBP rate)									
	Accounts and deposits in other banks	Loans and advances granted to clients	Financial assets available for sale	Hedging derivatives	Lliabilities to banks	Liabilities to customers	Other liabilities	Off-balance sheet items	Long position	Short position
CHF	145 775	3 231 791 697	0	-25 161	1 681 319 478	14 407 191	0	-1 539 135 240	0	2 949 597
USD	9 888	80 846	1 168 381	0	1 054 319	66	0	0	204 731	0
EUR	2 248 312	1 046 445	41	0	7 710 867	4 865	110 154	4 354 560	0	176 527
Total	**2 403 975**	**3 232 918 988**	**1 168 422**	**-25 161**	**1 690 084 664**	**14 412 122**	**110 154**	**-1 534 780 680**	**204 731**	**3 126 124**
								Total position	**0**	**3 126 124**

Equirt (restated data)	1 666 311 324
2% equity	33 326 226
Capital requirement	0
Limit utilization	0.19%

Interest rate risk expressed as VAR was as follows (the potential impact on the financial result is presented in thousand PLN resulting from the observed price volatility on the financial markets with the confidence level of 0.99):

Value at Risk for currency risk	**2014**	**2013**
VaR , 10 days horizon – value at 31 December	41.80	112.50
Top limit	500.00	500.00

Liquidity risk

The main purpose of liquidity management is for the Bank to be able to pay its current and future liabilities. The specific strategy of the Bank assumes obtaining maximum support from the Santander Group in gaining short-term and long-term liabilities. In order to receive funding and decrease operational risk in this area, the Bank has signed loan agreements with entities from the Santander Group.

In 2012 the Bank increased the diversification of the sources of funds with depositis offered to retail and corporate customers.

The Bank's assets are subject to special analyses and stress tests, including in particular the statistics of early repayment and cases of extending credit agreements as well as statistics of credit portfolio quality and the stability of a deposit portfolio.

The Bank monitors its liquidity in PLN and foreign currencies through:

- maturity gap analysis for assets and liabilities (liquidity gap analysis);
- analysis of realized cash flows (realization of liquidity gap).

Based on the documentation of maturity gap analyses, liquidity thresholds are set and monitored on an on-going basis. The objective of the reports is to mitigate the liquidity risk. Liquidity ratios are calculated based on the balance at the end of each business day.

Liquidity measures of the Bank for management purposes:

Liquidity measurement	**31.12.2014**	**31.12.2013**
M1	2 325 250 567	3 163 265 201
M2	2.68	3.71
M3	10.17	7.83
M4	1.12	1.09

Liquidity gap as at 31 December 2014:

	1M	3M	6M	12M	2 years
Assets, including:	**2 976 401 307**	**1 078 783 524**	**1 254 532 636**	**1 905 088 783**	**2 466 036 901**
Securities and interbank market	1 524 503 062	38 852 087	50 317 733	68 975 349	216 089 259
Loans granted	1 298 009 605	1 039 931 437	1 204 214 903	1 836 113 434	2 249 947 642
Provisions	0	0	0	0	0
Other assets	153 888 640	0	0	0	0
Liabilities, including:	**1 118 086 332**	**1 425 284 603**	**1 071 939 938**	**1 672 458 196**	**3 063 352 308**
Interbank market	242 973 500	483 011 911	234 551 331	699 106 117	1 614 907 810
Issuance of shares	28 000 000	79 200 000	390 000 000	146 000 000	414 700 000
Deposits, excluding bank's deposits	847 112 832	863 072 692	447 388 607	827 352 079	1 033 744 498
Equity and other liabilities	0	0	0	0	0
Off-balance sheet items	0	0	0	0	0
Gap	1 858 314 975	-346 501 079	182 592 698	232 630 587	-597 315 407
Accumulated gap	1 858 314 975	1 511 813 896	1 694 406 594	1 927 037 181	1 329 721 774

	3 years	4 years	5 years	5 years	Non-interest	Total
Assets, including:	**1 911 162 351**	**1 108 374 153**	**381 046 150**	**3 152 908 409**	**-108 925 419**	**16 125 408 795**
Securities and interbank market	560 000 000	410 000 000	0	0	0	2 868 737 490
Loans granted	1 351 162 351	698 374 153	381 046 150	3 152 908 409	1 380 156 088	14 591 864 172
Provisions	0	0	0	0	-1 563 275 140	-1 563 275 140
Other assets	0	0	0	0	74 193 633	228 082 273
Liabilities, including:	**1 918 500 031**	**943 700 031**	**591 470 427**	**1 286 909 805**	**3 033 707 124**	**16 125 408 795**
Interbank market	509 217 186	426 445 895	38 318 941	65 945 205	0	4 314 477 896
Issuance of shares	665 000 000	50 000 000	170 000 000	0	0	1 942 900 000
Deposits, excluding bank's deposits	744 282 845	467 254 136	383 151 486	1 220 964 600	64 235	6 834 388 010
Equity and other liabilities	0	0	0	0	3 033 642 889	3 033 642 889
Off-balance sheet items	0	0	0	0	0	0
Gap	-7 337 680	164 674 122	-210 424 277	1 865 998 604	-3 142 632 543	0
Accumulated gap	1 322 384 094	1 487 058 216	1 276 633 939	3 142 632 543	0	0

Liquidity gap as at 31 December 2013:

	1M	3M	6M	12M	2 years
Assets, including:	**1 679 570 927**	**1 058 977 711**	**1 399 817 198**	**1 611 506 950**	**2 335 931 993**
Securities and interbank market	557 982 904	0	290 000 000	0	260 000 000
Loans granted	1 105 170 212	1 058 977 711	1 109 817 198	1 611 506 950	2 075 931 993
Provisions	0	0	0	0	0
Other assets	16 417 811	0	0	0	0
Liabilities, including:	**1 302 193 003**	**1 053 522 455**	**457 640 592**	**2 047 665 123**	**1 727 272 488**
Interbank market	136 263 845	220 000 000	0	500 000 000	0
Issuance of shares	0	180 000 000	0	652 600 000	363 200 000
Deposits, excluding bank's deposits	1 165 929 158	653 522 455	457 640 592	895 065 123	1 364 072 488
Equity and other liabilities	0	0	0	0	0
Off-balance sheet items	0	0	0	0	0
Gap	377 377 924	5 455 256	942 176 606	-436 158 173	608 659 505
Accumulated gap	377 377 924	382 833 180	1 325 009 786	888 851 613	1 497 511 118

	3 years	4 years	5 years	5 years	Non-interest	Total
Assets, including:	**968 524 329**	**1 229 939 510**	**788 773 100**	**3 019 873 827**	**170 595 493**	**14 263 511 038**
Securities and interbank market	0	560 000 000	410 000 000	0	0	2 077 982 904
Loans granted	968 524 329	669 939 510	378 773 100	3 019 873 827	1 580 201 929	13 578 716 759
Provisions	0	0	0	0	-1 766 670 261	-1 766 670 261
Other assets	0	0	0	0	357 063 825	373 481 636
Liabilities, including:	**1 971 609 854**	**1 348 410 742**	**533 950 101**	**1 063 404 440**	**2 757 842 240**	**14 263 511 038**
Interbank market	1 106 468 580	330 124 899	329 997 910	50 000 000	0	2 672 855 234
Issuance of shares	329 700 000	445 000 000	0	0	0	1 970 500 000
Deposits, excluding bank's deposits	535 441 274	573 285 843	203 952 191	1 013 404 440	0	6 862 313 564
Equity and other liabilities	0	0	0	0	2 757 842 240	2 757 842 240
Off-balance sheet items	0	0	0	0	0	0
Gap	-1 003 085 525	-118 471 232	254 822 999	1 956 469 387	-2 587 246 747	0
Accumulated gap	494 425 593	375 954 361	630 777 360	2 587 246 747	0	0

An emergency procedure for obtaining funds has been developed and implemented, along with other activities aimed at eliminating the liquidity risk.

46 Capital management

The Management Board of the Bank is in charge of all capital management processes and the Supervisory Board has oversight of estimation of regulatory and internal capital.

The Management Board has appointed a Capital Committee which is in charge of approval and assessment of matters regarding the Bank's capital and solvency. In particular it supports the Management Board in implementation of the Bank's strategy and adherence to the principles of cautious and sustainable management of the Bank's capital adequacy.

The objective of the Bank's capital policy is to keep the Tier 1 capital ratio over 10% and the overall capital ratio above 12%.
The regulatory level of total capital adequacy ratio is 8%.
Since 1 January 2014, the Bank has been subject to prudential requirements of Regulation of the European Parliament and of the Council (EU) no. 575/2013 of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012.

The capital requirement as 31 December 2014 was determined in accordance with Regulation of the European Parliament and of the Council of the EU for the following risk:

- credit risk: standard method;
- operational risk: standard method (STA);
- Credit valuation adjustments (CVA): standard method;
- market risk (currency exchange risk): standard method;
- concentration of exposure;
- settlement risk.

In addition to the regulatory methods for capital requirement calculation, the Bank uses the Internal Capital Adequacy Assessment Process.
The Bank's internal capital corresponds to the estimated amount of capital that is required to cover all identified material types of risks the Bank is exposed to. The Bank's internal capital comprises a total of the regulatory capital generated under Pillar I and additional capital requirements in respect of coverage of unknown risks or not fully covered under Pillar I. In order to adapt the capital to its level and type of risk exposure, and to the nature, scale and level of complexity of it activities, the Bank has implemented the Internal Capital Adequacy Assessment Process (ICAAP).

The Internal Capital Adequacy Assessment Process consist of the following elements:

1. Identification of materiality of individual risks;
2. Measurement (risk quantification);
3. Allocation of internal capital;
4. Risk and capital checks and monitoring.

ICAAP also involves identification of the Bank's appetite for risk and long-term capital planning.

Internal capital adequacy is reviewed and assessed by the ICAAP Team operating in the Bank. The relevant reports are submitted to the Capital Committee, Management Board and Supervisory Board of the Bank.

The following tables present the calculation of the total capital ratio of Santander Consumer Bank SA at 31 December 2014. The data at 31 December 2013r was restated in accordance with Regulation of the European Parliament and of the Council of the EU.
In its financial statements for 2013, the Bank disclosed a solvency ratio of 14.36% determined in accordance with Resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 (as amended), which remained in force until 31 December 2013.

Tier I capital	**31.12.2014**	**31.12.2013** (restated data)
- paid capital	**1 778 427 962**	**1 704 567 016**
- share premium	520 000 000	520 000 000
- retained earnings	768 047 473	768 047 473
- accumulated other comprehensive income	0	-66 871 693
- reserve capital	-3 462 419	-10 451 672
	493 842 908	493 842 908
Prudence filters		
	3 103 422	**6 384 760**
Decrease in Tier I capital		
- intangible assets	**-371 594 655**	**-346 693 864**
- deferred tax assets based on future profitability	-37 501 119	-53 538 853
- shares in entities in the financial sector	-307 583 504	-265 901 457
- adjustments in interim period	-26 979 803	-27 253 554
	469 771	0
Exclusion form Tier I capital reductions		
- deferred tax assets based on future profitability	**201 382 830**	**192 994 846**
- shares in entities in the financial sector	174 403 027	165 741 292
Tier I capital, including reduction and prudence filters	26 979 803	27 253 554
	1 611 319 559	**1 557 252 758**
Tier II capital		
- subordinated loans	**39 080 460**	**109 058 566**
Total equity for purpose of total capital ratio calculation	39 080 460	109 058 566
Tier I capital	**1 650 400 019**	**1 666 311 324**

	31.12.2014	**31.12.2013** (restated data)
Capital adequacy	**1 006 542 669**	**1 018 400 855**
- due to credit risk	857 904 904	859 852 830
- due to operational risk	148 053 984	157 931 002
- due to credit valuation adjustments (CVA) risk	583 781	617 023

	31.12.2014	**31.12.2013** (restated data)
Solvency ratio	13.12%	13.09%

When planning the structure of its capital, the Bank takes into consideration a view expressed by the Polish Financial Supervision Authority on the dividend policy of financial institutions and their capital base of 5 December 2014. On that basis, the Bank adopted the following conditions for a dividend payment:

- no restructuring proceedings are in progress;
- total capital ratio (TCR) is above 12.5%;
- Tier 1 share capital ratio (CET1) above 9%;
- final assessment of BION based on the valid BION Method on the Financial Supervision Authority's masters scale is 1 or 2;
- BION mark for the level of capital risk is at least 2.

The criteria for individual capital ratios (CEt1 and TCR) should be net for each reporting period from the announcement of the Financial Supervision Authority's view (December 2014) until a resolution on profit distribution is passed.

At 31 December 2014, Santander Consumer Bank S.A. met all the aforesaid criteria.
Furthermore, on the basis of the CET1 and TCR forecasts resulting from the Capital Plan adopted by the Bank, the Bank decided that the dividend for 2015 will amount to 100% of the Bank's net profit for 2014.

47 Operating leases

Bank has concluded an agreement to rent office space for the Bank's head offices, at. pl. Strzegomskiej 42c in Wrocław. The Bank is also party to other agreements to rent office space in Wrocław – ul. Strzegomska 2-4 and ul. Słubicka 18.
In addition, the Bank is party to the following rental agreements:

- 184 agreemetns to rent bank branches;
- 11 agreements to rent mobile structure offices;
- 7 agreements to rent instalment sale structure offices.

Most rental agreements for premises were concluded for a definite period of 3 to 5 years. Rental agreements for offices of mobile entities were concluded for an indefinite period with period of notice of 1 to 3 months.
Amount of future liabilities in the coming year and following years as at 31 December for agreements concluded for an indefinite period of time:

	31.12.2014	31.12.2013
– up to 1 year	38 759 064	41 526 777
– 1–5 years	45 342 210	52 286 329
– over 5 years	0	706 038

As at 31 December 2014, the Bank was a party of 9 sub-lease agreements of office space. As at 31 December 2013, 19 such leases had been signed. The Bank's future liabilities in the coming year and the following years as at 31 December is presented below.

	31.12.2014	31.12.2013
– up to 1 year	371 836	640 860
– 1–5 years	24 600	271 212

As at 31 December 2014 the Bank was a party to 274 operating lease agreements for cars (31 December 2013: 286 leases). The amount of future liabilities in the coming year and following years as at 31 December for operating lease agreements for cars is presented below:

	31.12.2014	31.12.2013
– up to 1 year	3 172 367	3 912 218
– 1–5 years	3 307 880	3 044 940

48 Fair value of financial instruments

The Bank applies the three-level structure for fair value measurement of financial instruments with the following levels:

- Level 1 – the fair value is based on stock prices (unadjusted) offered for the same assets or liabilities in active markets;
- Level 2 – the fair value is determined based on the values in the market, however, not a direct market quotation (e.g. by direct or indirect reference to similar instruments in the market);
- Level 3 - the fair value is determined on the basis of various valuation techniques which are not based on any observable market data.

a) Financial instruments not measured at fair value in the statement of financial position

As at 31 December 2014

ASSETS	**Carrying amount**	**Estimated fair value**	**Difference between estimated fair value and carrying amount**
Cash and balances in the Central Bank	239 409 069	239 409 069	0
Accounts and deposits in other banks	67 879 141	67 879 141	0
Loans and advances granted to clients	12 458 351 687	12 425 426 544	-32 925 143
Enterprises loans	*278 633 233*	*278 189 492*	*-443 741*
Car loans	*1 141 788 103*	*1 161 529 146*	*19 741 043*
Mortgages	*4 496 848 404*	*4 468 851 191*	*-27 997 213*
Loans to purchase goods and services	*2 275 168 350*	*2 282 519 552*	*7 351 202*
Cash loans	*3 038 042 550*	*3 006 155 668*	*-31 886 882*
Credit cards	*601 066 617*	*601 066 617*	*0*
Other	*626 804 430*	*627 114 878*	*310 448*

LIABILITIES	**Carrying amount**	**Estimated fair value**	**Difference between estimated fair value and carrying amount**
Liabilities towards banks (excluding subordinated loan)	3 001 065 957	2 999 410 939	-1 655 018
Liabilities to customers	8 266 164 282	8 250 236 855	-15 927 427
Subordinated debt	100 000 000	98 450 438	-1 549 562
Liabilities arising from issue of debt securities	1 959 057 794	1 993 747 156	34 689 362

As at 31 December 2013

ASSETS	Carrying amount	Estimated fair value	Difference between estimated fair value and carrying amount
Cash and balances in the Central Bank	254 064 109	254 064 109	0
Accounts and deposits in other banks	545 653 208	545 653 208	0
Loans and advances granted to clients	11 475 269 688	11 259 455 822	-215 813 866
Enterprises loans	*401 155 433*	*401 155 433*	*0*
Car loans	*1 487 168 571*	*1 526 853 670*	*39 685 099*
Mortgages	*4 712 635 428*	*4 461 246 364*	*-251 389 064*
Loans to purchase goods and services	*1 933 411 686*	*1 934 758 529*	*1 346 843*
Cash loans	*2 299 400 742*	*2 294 707 750*	*-4 692 992*
Credit cards	*402 719 708*	*402 719 708*	*0*
Other	*238 778 120*	*238 014 368*	*-763 752*

LIABILITIES	Carrying amount	Estimated fair value	Difference between estimated fair value and carrying amount
Liabilities towards banks (excluding subordinated loan)	2 541 497 526	2 658 772 921	117 275 395
Liabilities to customers	6 993 989 548	6 855 841 110	-138 148 438
Subordinated debt	150 000 000	149 377 192	-622 808
Liabilities arising from issue of debt securities	1 988 370 462	1 988 715 434	344 972

The Bank holds financial instruments, which, in line with the adopted IFRS, are not measured at fair value. These instruments include: receivables from banks, loans and advances granted to customers, liabilities to banks and customers as well as subordinated liabilities. According to IFRS, the Bank should disclose estimated fair value of these instruments. For these instruments, market value is the best reflection of their fair value. For products and transactions whose market value is inavailable, fair value must be estimated through use of internal models based on discounted cash flow. Cash flows for measured instruments are defined in line with their individual characteristics, while discount factors include changes over time, both regarding both to market interest rates and margins.

All financial instruments presented above are at level 3 in hierarchy of valuation of financial instruments. In the presented periods, the Bank made no transfers between levels.

Values at the end of 2014 and 2013 were determined using the same model.

Receivables from banks

The Bank holds only cash in bank and short-term depositis and therefore the fair value of the receivables does not differ materially from their carrying amount due to the nature of current accounts.

Loans and advances granted to clients

The fair value of loans granted to customers with defined maturities was estimated by discounting the related cash flows using appropriate discount rates.

Cash flows are based on the contractual cash flows, taking into account early repayments (based on historical data), as well as incurred and future credit losses (based on the credit risk models).

Discount rates are based on current market interest rates of appropriate loan products.

Lliabilities towards banks, customers, subordinated liabilities and liabilities arising from issue of debt securities

The fair value of financial liabilities measured at amortized cost was estimated through discounting related cash flows within deadlines and on terms resulting from the contracts, with application of appropriate market rates and margins regarding credit risk.

b) Financial instruments measured at fair value in the statement of financial position

Valuation at fair value, data as at 31 December 2014

ASSETS	Level 1	Level 2	Level 3
Financial assets available for sale	2 205 775 165	0	393 746 775

LIABILITIES	Level 1	Level 2	Level 3
Hedging derivatives	0	40 017 486	0

Valuation at fair value, data as at 31 December 2013

ASSETS	Level 1	Level 2	Level 3
Financial assets available for sale	1 306 037 387	0	0
Hedging derivatives	0	40 767 698	0

LIABILITIES	Level 1	Level 2	Level 3
Hedging derivatives	0	170 082	0

As at 31 December 2014 and 31 December 2013, in its portfolio of financial instruments measured at fair value the Bank held instruments at Level 1 (financial assets available for sale – money bills, treasury bills and equity instruments), derivatives at Level 2 (hedging derivatives), and Level 3 (securitization bonds).

Bonds are valued on the basis of quotations of BondSpot S.A. fixing. Visa shares are valued based on quotations on the New York Stock Exchange. Valuations are made on the basis of quotations from the last business day of the month; the data are available between 2:00 p.m. and 3:00 p.m. that day.

Valuation of the securitization bonds is based on estimations made by the Bank's Market Risk Department.

In the presented periods, there were no movements between levels 1, 2 and 3.

49 Auditor's fee

Below please find information regarding fees payable to Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. and Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. for services in 2014 and 2013, respectively.

Auditor's gross fee for the financial year	2014	2013
Statutory audit of the annual financial statements	528 900	590 400
Other services	544 890	3 690
Total	**1 073 790**	**594 090**

50 Changes in presentation of financial data

a) Impairment losses on shares in subsidiaries

In 2014, the Bank changed the method for presentation of its impairment losses on shares in subsidiaries.

In the previous periods impairment losses were recognized in the statement of comprehensive income under *Other operating expenses.*

From the beginning of 2014, such items have been recognized under *Gain/loss on financial transactions and foreign exchange transactions.*

In the opinion of the Bank, due to the nature of such costs, the change in the said presentation is more appropriate and makes the financial statements more informative.

Recovered from impaired receivables

In 2014, the Bank changed the method for presentation of items recovered from impaired receivables.

In the previous periods revenues in this respect were recognized in the statement of comprehensive income under *Other operating revenue.*

From the beginning of 2014, such items have been recognized under *Impairment losses on financial assets.*

In the opinion of the Bank, due to the nature of such revenue, the changes in the said presentation are appropriate and make the financial statements more informative.

The aforementioned changes in the accounting policy were introduced retrospectively in 2014; the comparative data (presented below) was adjusted accordingly.

Item	2013	Correction a)	Correction b)	2013 (restated data)
Continuing operations				
Interest income	1 201 099 328			1 201 099 328
Interest expense	-470 914 430			-470 914 430
Net interest income	**730 184 898**			**730 184 898**
Commission income	256 519 552			256 519 552
Comission expenses	-34 883 931			-34 883 931
Net commission income	**221 635 621**			**221 635 621**
Result on financial operations and FX result	12 991 393	-17 666 992		-4 675 599
Result on banking activities	**964 811 912**			**947 144 920**
Other operating income	69 890 770		-47 643 567	22 247 203
Bank's operating expenses	-413 592 843			-413 592 843
Depreciation and amortization	-45 190 143			-45 190 143
Impairment losses on financial assets	12 377 267		47 643 567	60 020 834
Other operating expenses	-43 633 198	17 666 992		-25 966 206
Result on operating activities	**544 663 765**			**544 663 765**
Gross profit	**544 663 765**			**544 663 765**
Income tax	-95 311 524			-95 311 524
Net profit	**449 352 241**	**0**	**0**	**449 352 241**
Other comprehensive income				
Measurement of financial assets available for sale	-7 132 757			-7 132 757
Effective portion of a hedging relationship in cash flow hedge accounting	518 385			518 385
Deferred tax	1 256 731			1 256 731
Total other comprehensive income	**-5 357 641**			**-5 357 641**
Total comprehensive income	**443 994 600**	**0**	**0**	**443 994 600**

51 Events after the end of the reporting period

Impact of stronger CHF on PLN

As a result of the decision of the Swiss Central Bank to scrap the 1.2 cap on the CHF/EUR exchange rate, the Polish zloty lost its value significantly between the date of these financial statements and 31 December 2014:
average PLN/CHF rate in NBP on 31 December 2014: 3.5447;
average PLN/CHF rate in NBP on 17 February 2015: 3.9369

The aforementioned 11.06 percent change in the PLN/CHF rate had an effect on the value and risk profile of assets, liabilities and off-balance sheet financial instruments denominated in CHF. The table presents the estimated effect of the change in the PLN/CHF rate on the PLN equivalent of loans denominated in CHF:

Structure of portfolio of loans denominated in CHF gross value at 31 December 2014	**31 December 2014**	**17 February 2015**
Real estate loans	2 960 688 754	3 288 271 379
Other loans, including:	129 949 956	144 328 146
Mortgages and other loans	*101 037 630*	*112 216 844*
Car loans	*28 912 326*	*32 111 303*
Total gross loans and advances	**3 090 638 710**	**3 432 599 525**

The aforesaid change resulted in a 37bp drop in the Bank's solvency ratio.
The currency risk in related to loans denominated in CHF is monitored on an ongoing basis; a detailed description of monitoring that risk is described in Note 45 *Management of assets and liabilities.*
The table presents the structure of portfolio of real estate loans denominated in CHF at 31 December 2014:

Structure of portfolio of real estate loans denominated in CHF	**Gross value**			**Impairment**			
						Coverage	
	Non-impaired loans	**Impaired loans**	**Share of Impaired loans**	**IBNR impairment**	**Impairment losses**	**IBNR impairment**	**Impairment losses**
Real estate loans	2 928 267 443	32 421 311	1.11%	47 430 389	14 589 224	1.62%	45.00%

As at 31 December 2014, 97.30% of the real estate portfolio of real estate loans denominated in CHF had been granted before 2009. At end of the year, the average LTV for the aforesaid portfolio was 84.59%.

The aforesaid increase in the CHF/PLN exchange rate has been positively verified for its potential threat to the financial position of the Bank and fulfilment of its capital requirement adequacy as a result of sensitivity tests under specific scenarios.

52 Business combination

The Polish Financial Supervision Authority authorized the merger of Bank Zachodni WBK and Kredyt Bank on 4 December 2012. The combination of the institutions resulted in a significant increase in the share of Santander Group in the Polish market. Therefore, one of the conditions of the transaction, agreed on with the Polish Financial Supervision Authority, was to reorganize the structure and activity of Santander Group in Poland. As a result of the agreed actions, the reorganization of Santander Consumer Group in Poland was performed as described below.

a) Purchase of shares of Santander Consumer Finanse S.A.

On 15 May 2013 the Bank took control over Santander Consumer Finanse S.A. (hereinafter referred to "the SCF") by acquiring 140 001 shares (70% of the share capital) for the price of PLN 120 594,000 from its parent company, Santander Consumer Finance S.A. with its registered office in Madrid. On 28 June 2013 Bank acquired the remaining 59 999 shares of the SCF (30% of the share capital) for the price of PLN 51 682 000 from AIG Consumer Finance Group. As a result of the transactions, the Bank took control over the SCF by acquisition of 100% shares for a total of PLN 172 276 000. Investment in the SCF was recognized in the financial statements at cost reduced by impairment loss on the investment.
The subsequent impairment loss on the investment is described in Note 22.

b) Transfer of Santander Consumer Finanse from SCF to the Bank

On 1 September 2013 an organized part of enterprise of Santander Consumer Finanse (hereinafter referred to "SCF Enterprise") was transferred from the SCF to the Bank. The transaction was considered as giving in payment (datio in solutum) from the legal perspective, what means that the SCF transferred ownership of SCF Enterprise in exchange for repayment of liabilities due to the Bank.

The transaction was classified as a business combination under common control. Such a transaction model was not regulated by any of IFRS standards. According to regulations of paragraphs IAS 8.10-12 in the absence of standards or interpretation directly applicable to a transaction, the Bank used its judgment while choosing accounting policy adequate to settle transaction. Requirements and recommendations described in standards, interpretations, conceptual frameworks of IFRS, local Polish accounting policies and publications were taken into consideration. The assessment of economic substance of transaction was performed. As a consequence of the analysis carried out, the Bank decided to settle the transaction using the book value method described below:
Choosing settlement method for the transactions, the following matters were considered:

a) Nature of the transaction (restructuring of the group, not factual acquisition of enterprise on the market);
b) No intentions to gain economic profits from transaction (primary objective was to meet the expectations of the regulator regarding structure of the group).

For the purpose of transaction settlement according to book value method, the purchase price of the enterprise was determined as PLN 157 600 000, i.e. amount equal to the liabilities of the SCF due to the Bank. Transfer of SCF Enterprise took place in exchange for these liabilities.
The net book value of SCF Enterprise's assets acquired by the Bank amounted to PLN 165 362 000.

In accordance with book value method, valuation of assets at fair value was not performed. The assets acquired were recognized in the Bank's balance sheet at book value from the SCF accounts at the date of the transaction.
The surplus of the book value of net assets acquired over the purchase price amounted to PLN 7 920 000 and was recognized as an increase in the Bank's equity (in retained earnings).
Additionally, in the same position the following items were recognized:

- a decrease in the Bank's equity of PLN 42 631 thousand due to compensation of deferred commissions between the Bank and SCF Enterprise before 1 September 2013 in the valuation of the Bank's assets and the enterprise acquired;
- a decrease in the Bank's equity of PLN 5 679 thousand as a result of the adjustment of accounting policies of SCF Enterprise in the area of revenues from the distribution of insurance products to the Bank's accounting policies (as described in Note 4.c. *Accounting estimates*).

The total effect of the above adjustments on the Bank's equity amounting to PLN 40 390 thousand was presented in the statement of changes in equity for 2013 under *Effect of the business combination.*

Acquired assets and liabilities of SCF Enterprise as at 1 September 2013:

	Book value
Assets	
Cash	9 682 915
Credit facilities and loans	2 033 556 444
Intangible assets	7 923 716
Property, plant and equipment	3 382 609
Other assets	50 918 844
Total assets	**2 105 464 528**
Liabilities	
Lliabilities towards the financial sector	1 879 000 000
Other liabilities	61 102 051
Total liabilities	**1 940 102 051**
Net assets	**165 362 477**

Cash spent on acquisition of Enterprise	-
Cash acquired from SCF Enterprise	9 682 915
Net cash flows from acquisition	**9 682 915**

Wrocław, 17 February 2015

....
Arkadiusz Wiktor Przybył
President of the Management Board

....
Piotr Żabski
Vice-President of the Management Board

....
Mariusz Klepacz
Member of the Management Board

....
Przemysław Kończal
Member of the Management Board

....
Oleksandr Krupchenko
Member of the Management Board

....
Rafał Szmuc
Member of the Management Board

....
Sebastian Ślanda
Member of the Management Board

....
Katarzyna Beuch
Accounting Department Director
Chief Accountant