



Independent Registered Auditor's Report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Bank Zachodni WBK S.A. Group (hereinafter called "the Group"), having Bank Zachodni WBK S.A., Rynek 9/11 Street, Wrocław, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated statement of cash flows for the year from 1 January to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility

The Parent Company's Management Board is responsible for the preparation of these consolidated financial statements, on the basis of correctly maintained consolidation documentation, and their fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union and in accordance with other applicable regulations. The Parent Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board members are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047 as amended).

Auditor's Responsibility

Our responsibility was to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warsaw, Poland, T: +48 (22) 746 4000,
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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.



Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Bank Zachodni WBK S.A. (cont.)

relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements in all material respects:

- a. give a true and fair view of the Group's financial position as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards as adopted by the European Union and the applicable accounting policies;
- b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133);
- c. have been prepared on the basis of correctly maintained consolidation documentation.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Group's operations

Our opinion on the audit of the consolidated financial statements does not cover the Report on the Group's operations.

Management Board of the Parent Company is responsible for preparation of the Report on the Group's operations in accordance with the Accounting Act, the Decree and the Banking Law of 29 August 1997 ("the Banking Law" – Journal of Laws of 2016, item 1988 as amended). In addition, the Management Board and Supervisory Board are obliged to ensure that the Report on the Group's operations meets the requirements of the Accounting Act.

With respect to our audit of the consolidated financial statements, our responsibility was to read the Report on the Group's operations and consider whether the information included in this Report complies with the regulations of article 49 of the Accounting Act and the Decree and is consistent with the information in the related consolidated financial statements. Our responsibility was also to consider, based on the knowledge of the Group and its environment obtained during our audit, whether the Report on the Group's operations does not contain any material misstatements. Further, in accordance with article 111 a paragraph 3 of the Banking Law, our responsibility was to audit the consolidated financial information contained in Section VIII of the Management Board Report on Group Performance. We carried out the audit in accordance with the scope described in the paragraph *Auditor's Responsibility* above.

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Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Bank Zachodni WBK S.A. (cont.)

In our opinion the information contained in the Report on the Group's operations for the year from 1 January to 31 December 2016 comply with the requirements of article 49 of the Accounting Act, the Decree and the Banking Law and is consistent with the information in the audited consolidated financial statements. Further, based on the knowledge of the Group and its environment obtained during our audit we have not identified any material misstatements in the Report on the Group's operations.

With respect to our audit of the consolidated financial statements, our responsibility was also to read the Group's Statement of Corporate Governance, which is a separate part of the Report on the Group's operation. In our opinion, the Group included the information in accordance with the scope defined in the Decree, and information as indicated in the Decree, complies with the applicable regulations and is consistent with the information contained in the consolidated financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Anna Bączyk

Key Registered Auditor
No. 11810

Warsaw, 16 February 2017

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Bank Zachodni WBK S.A. Group

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016



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Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

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

This report contains 18 consecutively numbered pages and consists of:

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial
statements for the year from 1 January to 31 December 2016

I. General information about the Group

- a. Bank Zachodni WBK S.A. ("the Parent Company") with its seat in Wrocław, Rynek 9/11 Street is the parent company of the Bank Zachodni WBK S.A. Group ("the Group").
- b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 8 October 1991 at the State Notary Public's Office in Warsaw and registered with Rep. A No. III- 16967/91. On 27 April 2001, the Parent Company was entered in the Register of Businesses maintained by the District Court for Wrocław-Fabryczna, VI Business Department of the National Court Register, with the reference number KRS 0000008723.
- c. The Parent Company was assigned a tax identification number (NIP) 896-000-56-73 for the purpose of making tax settlements and a REGON number 930041341 for statistical purposes.
- d. As at 31 December 2016 the Parent Company's share capital amounted to PLN 992,345 thousand and consisted of 99,234,534 shares, with a nominal value of PLN 10.00 each.
- e. As at 31 December 2016, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000)	Type of shares held	Votes (%)
Banco Santander S.A.	68,880,774	688,808	ordinary	69.41
Nationale Nederlanden OFE (previously ING OFE)	5,110,586	51,106	ordinary	5.15
Other shareholders	25,243,174	252,432	ordinary	25.44
	99,234,534	992,345		100.00

- f. During the year the Group's operations comprised banking services for individual and business customers and operates in domestic and interbank foreign markets. Additionally, the Group offers the following services:
 - intermediation in trading securities,
 - leasing,
 - factoring,
 - asset/fund management,
 - insurance services,
 - brokerage activity.



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

g. During the year and up to the date of signing this report, the Management Board of the Parent Company comprised:

- Gerry Byrne Acting President of the Management Board to 29 November 2016
- Michał Gajewski President of the Management Board from 29 November 2016
- Feliks Szyszkowiak Member of the Management Board
- Marcin Prell Member of the Management Board
- Andrzej Burliga Member of the Management Board
- Mirosław Skiba Member of the Management Board
- Juan de Porras Aguirre Member of the Management Board
- Michael McCarthy Member of the Management Board
- Eamonn Crowley Member of the Management Board
- Carlos Polaino Izquierdo Member of the Management Board
- Artur Chodacki Member of the Management Board from 22 June 2016
- Beata Daszyńska-Muzyczka Member of the Management Board to 31 October 2016
- Paweł Wieczorek Member of the Management Board to 20 June 2016



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

h. As at 31 December 2016, the Bank Zachodni WBK S.A. Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Bank Zachodni WBK S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
BZ WBK Finanse Sp. z o.o.	Subsidiary (100,00%)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
BZ WBK Faktor Sp. z o.o.	Subsidiary (100,00% BZ WBK Finanse Sp. z o.o.)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
BZ WBK Leasing S.A.	Subsidiary (100,00% BZ WBK Finanse Sp. z o.o.)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
BZ WBK Lease S.A.	Subsidiary (100,00% BZ WBK Finanse Sp. z o.o.)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
BZ WBK Inwestycje Sp. z o.o.	Subsidiary (100,00%)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
Gieldokracja Sp. z o.o. in liquidation	Subsidiary (100,00%)	Full	Out of scope of engagement		
BZ WBK Nieruchomości S.A.	Subsidiary (99,99%)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	Subsidiary (50,00%)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
Santander Consumer Bank S.A.	Subsidiary (60,00%)	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
Santander Consumer Finanse Sp. z o.o.	Subsidiary (100,00% Santander Consumer Bank S.A.)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
PSA Finance Sp. z o.o.	Subsidiary (50,00% Santander Consumer Bank S.A.; 50,00% Banque PSA Finance S.A.)	Full	Mazars Audyt Sp. z o.o.	In progress	31 December 2016
PSA Consumer Finance Sp. z o.o.	Subsidiary (100,00% PSA Finance Sp. z o.o.)	Full	Mazars Audyt Sp. z o.o.	In progress	31 December 2016

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Santander Consumer Multirent Sp. z o.o.	Subsidiary (100,00% Santander Consumer Bank S.A.)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
AKB Marketing Services Sp. z o.o. in liquidation	Subsidiary (100,00% Santander Consumer Bank S.A.)	Full	Out of scope of engagement		
SC Poland Consumer 15-1 Sp. z o.o.	Subsidiary (Santander Consumer Bank S.A.)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016
SC Poland Consumer 16-1 Sp. z o.o.	Subsidiary (Santander Consumer Bank S.A.)	Full	PricewaterhouseCoopers Sp. z o.o.	In progress	31 December 2016

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

- i. During the financial year, the following changes took place in the scope of consolidation:
 - 1. Ceasure of consolidation of merger of BZ WBK Asset Management S.A. as a result of acquisition by BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.;
 - 2. Ceasure of consolidation of SC Poland Auto 2014-1 Limited due to loss of control over the entity;
 - 3. Begin of consolidation of PSA Finance Sp. z o.o. and PSA Consumer Finance Sp. z o.o. as a result of acquisition performed;
 - 4. Begin of consolidation of SC Poland Consumer 16-1 Sp. z o.o. as a result of securitization transaction performed.

- j. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, starting with 2005 the Parent Company has decided to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Anna Bączyk (no. 11810).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 24/2016 of the Supervisory Board of Bank Zachodni WBK S.A. dated 28 October 2015 in accordance with paragraph 32 of the Parent Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).
- d. The audit was conducted in accordance with an agreement dated 23 July 2016, in the period:
 - Interim audit from 1 November 2016 to 23 December 2016
 - Final audit from 4 January 2017 to 16 February 2017
- e. We conducted our audit in accordance with International Standards on Auditing adopted as the National Standards on Auditing by the resolution of the National Council of Statutory Auditors, with a resolution dated 10 February 2015. The scope of our audit was under influence of materiality level. According to the above audit standards, the concept of materiality is applied by the auditor both in planning and audit conducting, as well as during evaluation of the impact of the identified misstatements and corrected misstatements, if they occur, on the consolidated financial statements, and during preparation of an opinion in the Independent Registered Auditor's Report.

Our audit was prepared to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to error or fraud. Misstatements are considered significant, if can be reasonably expected that they could individually or collectively influence the economic decisions taken on the basis of the consolidated financial statements.

Quantitative thresholds of materiality, including the overall materiality for Group in relation to the consolidated financial statements as a whole have been determined and documented based on our professional judgment. These thresholds, together with qualitative factors, contributed to determination of the scope of our audit, and the type, time and extent of audit procedures, as well as to the evaluation of the misstatements occurred, both individually and collectively on the consolidated financial statements as a whole. In this connection, all states included in the Independent Registered Auditor's

Report are presented with the level of materiality set in accordance with the audit standards and judgment of the auditor.



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016

	31.12.2016	31.12.2015	Change	Change	31.12.2016	31.12.2015
ASSETS	PLN '000	PLN '000	PLN '000	(%)	Structure (%)	Structure (%)
Cash and balances with central banks	4,775,660	6,229,853	(1,454,193)	(23.3)	3.2	4.5
Loans and advances to banks	3,513,278	3,580,957	(67,679)	(1.9)	2.3	2.6
Financial assets held for trading	3,180,985	4,165,511	(984,526)	(23.6)	2.1	3.0
Hedging derivatives	67,645	164,777	(97,132)	(58.9)	-	0.1
Loans and advances to customers	103,068,538	94,913,884	8,154,654	8.6	68.7	67.9
Buy-sell-back transactions	-	289,260	(289,260)	(100.0)	-	0.2
Financial assets available for sale	29,307,878	24,622,078	4,685,800	19.0	19.6	17.6
Investments in associates	871,491	831,142	40,349	4.9	0.6	0.6
Intangible assets	486,762	465,687	21,075	4.5	0.3	0.3
Goodwill	1,688,516	1,688,516	-	-	1.1	1.2
Property, plant and equipment	878,298	830,493	47,805	5.8	0.6	0.6
Net deferred tax assets	1,534,322	1,251,808	282,514	22.6	1.0	0.9
Assets classified as held for sale	629	1,569	(940)	(59.9)	-	-
Other assets	725,714	673,165	52,549	7.8	0.5	0.5
TOTAL ASSETS	150,099,716	139,708,700	10,391,016	7.4	100.0	100.0

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016 (cont.)

LIABILITIES AND EQUITY	31.12.2016 PLN '000	31.12.2015 PLN '000	Change PLN '000	Change (%)	31.12.2016 Structure (%)	31.12.2015 Structure(%)
Deposits from banks	2,561,281	1,066,763	1,494,518	140.1	1.7	0.8
Hedging derivatives	2,023,344	2,079,805	(56,461)	(2.7)	1.3	1.5
Financial liabilities held for trading	1,809,060	2,535,684	(726,624)	(28.7)	1.2	1.8
Deposits from customers	112,522,457	101,245,186	11,277,271	11.1	74.9	72.4
Sell-buy-back transactions	1,632,613	5,258,031	(3,625,418)	(69.0)	1.1	3.7
Subordinated liabilities	440,457	526,634	(86,177)	(16.4)	0.3	0.4
Debt securities in issue	5,529,187	4,320,891	1,208,296	28.0	3.7	3.1
Current income tax liabilities	84,151	228,488	(144,337)	(63.2)	0.1	0.2
Provisions	130,128	132,570	(2,442)	(1.8)	0.1	0.1
Other liabilities	2,348,562	1,746,518	602,044	34.5	1.6	1.3
TOTAL LIABILITIES	129,081,240	119,140,570	9,940,670	8.3	86.0	85.3
EQUITY	21,018,476	20,568,130	450,346	2.2	14.0	14.7
TOTAL EQUITY AND LIABILITIES	150,099,716	139,708,700	10,391,016	7.4	100.0	100.0

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

CONSOLIDATED INCOME STATEMENT for the year from 1 January to 31 December 2016

	2016 PLN '000	2015 PLN '000	Change PLN '000	Change (%)	2016 Structure (%)	2015 Structure (%)
Interest income	6,060,920	5,708,829	352,091	6.2	64.7	61.0
Interest expenses	(1,290,548)	(1,399,678)	109,130	(7.8)	21.8	22.5
Net interest income	4,770,372	4,309,151	461,221	10.7		
Fee and commission income	2,388,464	2,358,072	30,392	1.3	25.5	25.2
Fee and commission expense	(473,744)	(419,972)	(53,772)	12.8	8.0	6.8
Net fee and commission income	1,914,720	1,938,100	(23,380)	(1.2)		
Dividend income	96,582	105,278	(8,696)	(8.3)	1.0	1.1
Net gains/(losses) on subordinated entities	100	522,995	(522,895)	(100.0)	-	5.6
Net trading income and revaluation	280,820	223,642	57,178	25.6	3.0	2.4
Gains (losses) from other financial securities	402,774	277,350	125,424	45.2	4.3	3.0
Other operating income	140,764	163,607	(22,843)	(14.0)	1.5	1.7
Impairment losses on loans and advances	(784,590)	(810,692)	26,102	(3.2)	13.3	13.1
Operating expenses incl.:	(3,367,721)	(3,578,850)	211,129	(5.9)	56.9	57.6
Operating profit	3,453,821	3,150,581	303,240	9.6		
Tax on financial institutions	(387,206)	-	(387,206)	-		
Share in losses of entities accounted for using the equity method	55,439	27,711	27,728	100.1		
Profit before tax	3,122,054	3,178,292	(56,238)	(1.8)		
Corporate income tax	(737,962)	(643,741)	(94,221)	14.6		
Consolidated profit for the period	2,384,092	2,534,551	(150,459)	(5.9)		
Within:						
Profit to Shareholders of BZ WBK S.A.	2,166,847	2,357,273	(160,426)	(6.9)		
Profit to non-controlling Shareholders	217,245	207,278	9,967	4.8		

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial
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III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January to 31 December 2016

	Change			
	2016 PLN '000	2015 PLN '000	PLN '000	(%)
Consolidated profit for the period	2,384,092	2,534,551	(150,459)	(5.9)
Other comprehensive income which can be transferred to the income statement:	(510,064)	(177,216)	(332,848)	187.8
Available-for sale financial assets valuation	(738,327)	(112,746)	(625,581)	554.9
deferred tax	140,282	21,422	118,860	554.9
Cash flow hedges valuation	108,618	(106,040)	214,658	(202.4)
deferred tax	(20,637)	20,148	(40,785)	(202.4)
Other comprehensive income which can't be transferred to the income statement:	5,556	8,055	(2,499)	(31.0)
Provision for retirement allowances-actuarial gains/losses	6,859	9,944	(3,085)	(31.0)
deferred tax	(1,303)	(1,889)	586	(31.0)
Other comprehensive income for the period, net of income tax	(504,508)	(169,161)	(335,347)	198.2
Total comprehensive income for the period	1,879,584	2,365,390	(485,806)	(20.5)
Total income to:				
Shareholders of BZ WBK S.A.	1,666,087	2,152,641	(486,554)	(22.6)
Non-controlling Shareholders	213,497	212,749	748	0.4

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

Selected ratios characterising the Group's financial position and results

The following ratios characterise the Group's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous year:

	2016	2015
Profitability ratios		
Return on equity (profit for the period/average net assets) (1)	11.5%	13.1%
Return from equity (profit for the period/average net assets excluding profit for the period) (1)	13.0%	14.9%
Return on assets (profit for the period/average assets) (1)	1.6%	1.8%
Interest income on interest-bearing assets (interest income/average interest-bearing assets) (1), (3)	4.3%	4.3%
Interest margin (interest income/average interest-bearing assets)-(interest expense/average interest-bearing liabilities)	3.3%	3.1%
Costs to income ratio (Bank's staff, operating expenses, management costs and depreciation/amortisation/profit on banking activities) (2)	43.1%	46.7%
Cost of borrowings (interest expense/average interest-bearing liabilities) (1)	1.1%	1.2%
Earnings per share (PLN)	24.02	25.54
	31.12.2016	31.12.2015
Asset quality ratios		
Interest-bearing assets to total assets (3)	96.5%	96.5%
Impaired loans and advances to customers to gross loans and advances to customers	6.6%	7.3%
Provision coverage of not impaired loans and advances	0.7%	0.7%
Provision coverage of impaired loans and advances	59.0%	61.5%
	31.12.2016	31.12.2015
Other ratios		
Total Capital Ratio (TCR)	15.05%	14.62%
Common Equity Tier 1 Capital ratio (CET1 ratio)	14.56%	14.10%
Own funds after reductions (PLN '000)	16,584,814	15,980,363
Total capital requirement (PLN '000)	8,816,625	8,745,248

(1) The average balances of the statement of financial position were calculated on the basis of the balances of the individual items as at the beginning and the end of the current financial year and the previous year.

(2) Profit on banking activities defined as operating profit reduced by impairment losses on loans and advances, Bank's staff, operating expenses and management costs and depreciation/amortisation.

(3) Interest-bearing assets defined as cash and balances with central banks, loans and advances to customers and banks, financial assets held for trading and available for sale, hedging derivatives, buy-sell-back transactions and investments in associates.



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

The above ratios have been calculated on the basis of the consolidated financial statements.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years.

The following comments are based on information obtained during the audit of the consolidated financial statements.

- At the end of the financial year, the Group's total assets amounted to PLN 150,099,716 thousand. During the year total assets increased by PLN 10,391,016 thousand, i.e. by 7.4%.
- As at 31 December 2016, the net balance of loans and advances to customers amounted to PLN 103,068,538 thousand and represented 68.7% of total assets (an increase by PLN 8,154,654 thousand, i.e. by 8.6% compared to the previous year). The gross value of loans and advances to customers amounted to PLN 107,947,419 thousand at the end of 2016 and comprised mainly loans and advances to individuals in the gross amount of PLN 56,291,404 thousand and loans and advances to enterprises in the gross amount of PLN 45,179,803 thousand.
- At the end of 2016 the balance of financial assets available for sale amounted to PLN 29,307,878 thousand and comprised primarily government bonds issued by the State Treasury in the amount of PLN 23,429,089 thousand. The balance of financial assets available for sale increased by PLN 4,685,800 thousand, i.e. by 19.0%, which resulted principally from a growth in government bonds issued by State Treasury of PLN 4,807,334 thousand.
- As at 31 December 2016, financial assets held-for-trading amounted to PLN 3,180,985 thousand and comprised mainly derivative instruments in the amount of PLN 1,859,361 thousand, Central Bank bills in the amount of PLN 699,883 thousand and State Treasury bonds in the amount of PLN 612,223 thousand.
- At the end of 2016 the assets were primarily financed by deposits from customers. As at 31 December 2016 such liabilities amounted to PLN 112,522,457 thousand and represented 74.9% of total equity and liabilities (an increase compared to the previous year by PLN 11,277,271 thousand, i.e. by 11.1%). An increase in the balance of deposits from customers was mainly due to a growth in the balance of deposits from individuals in current accounts by PLN 7,563,608 thousand.

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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

- As at 31 December 2016 total equity amounted to PLN 21,018,476 thousand. An increase of total equity by PLN 450,346 thousand, i.e. by 2.2% compared to the previous year was mainly due to:
 - net profit generated by the Group in the amount of PLN 2,384,092 thousand in the audited financial year;
 - payment of a dividend from the profit 2015 and the retained earnings by the Parent Company in the amount of PLN 1,290,049 thousand;
 - decrease of the revaluation reserve by PLN 500,821 thousand.
- The ratio of impaired loans and advances to customers to gross loans and advances to customers decreased from 7.3% as at the end of 2015 to 6.6% as at the balance sheet date. At the same time, provision coverage of impaired loans and advances went down by 2.5 p.p. and amounted to 59.0%. Coverage of gross amounts due to customers with allowances on incurred but not reported losses (IBNR) amounted to 0.7% and has not changed compared to the prior year.
- In the audited year the operating result amounted to PLN 3,453,821 thousand and increased by PLN 303,240 thousand, i.e. 9.6% year-on-year. This result mostly comprised net interest income in amount of PLN 4,770,372 thousand, net fee and commission income in amount of PLN 1,914,720 thousand, Gains from other financial securities in amount of PLN 402,774 thousand, Net trading income and revaluation in amount of PLN 280,820 thousand and dividend income in amount of PLN 96,582 thousand, compensated mainly by operating expenses in amount of PLN 3,367,721 thousand.
- Net interest income amounted to PLN 4,770,372 thousand and increased by PLN 461,221 thousand, i.e. by 10.7% compared to the previous year. The most significant change in interest income structure was related to retail sector. Interest income from retail clients amounted to PLN 3,221,059 thousand in 2016 and was PLN 262,703 thousand higher compared to the previous year.
- Net fee and commission income amounted to PLN 1,914,720 thousand in the audited year and was PLN 23,380 thousand, i.e. 1.2% lower compared to the previous year. This result comprised fee and commission income in amount of PLN 2,388,464 thousand and fee and commission expense in amount of PLN 473,744 thousand.



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

- Operating expenses amounted to PLN 3,367,721 thousand in the audited year and decreased by PLN 211,129 thousand i.e. by 5.9% compared to previous year. Bank's employee costs and general and administrative expenses were the largest items of operating expenses and amounted to PLN 1,510,364 thousand and PLN 1,424,865 thousand in 2016, which constituted respectively 44.9% and 42.3% of operating expenses. General and administrative expenses decreased by PLN 239,842 thousand, i.e. by 14.4% compared to the previous year, mainly due to a drop in cost incurred to Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities by PLN 187,616 thousand.
- Impairment losses on loans and advances amounted to PLN 784,590 thousand in 2016 and comprised mainly collective and individual impairment charge. Impairment losses on loans and advances decreased by PLN 26,102 thousand, i.e. by 3.2% in comparison to the previous year.
- Operating profit in amount of PLN 3,453,821 thousand was charged by tax on financial institutions in amount of PLN 387,206 thousand which was compensated by the share in net profits of entities accounted for using the equity method of PLN 55,439 thousand.
- As a result, in the audited year, the Group generated a net profit of PLN 2,384,092 thousand, which was lower by PLN 150,459 thousand, i.e. by 5.9% compared to the previous year.

The financial statements have been prepared on the assumption that the Bank will continue in operation as a going concern.



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

IV. The independent registered auditor's statement

- a. The Management Board of the Parent Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.
- d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- e. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- f. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- g. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- h. The consolidated financial statements of the Group for the year from 1 January to 31 December 2015 were approved by Resolution No. 4 passed by the General Shareholders' Meeting of the Parent Company on 20 April 2016 and filed with the National Court Register in Wrocław on 22 April 2016.
- i. During the audit performed we have not identified any significant instances of Group's non-compliance with banking regulatory norms during the period from 1 January 2016 to the day of issuance of this report. As at 31 December 2016, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland, Resolutions of Polish Financial Supervisory Authority and the Regulation of the European Parliament and the Council (EU) No. 575/2013 from 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR) and other regulations issued by the Commission (EU) pursuant to this Regulation, included banking regulatory norms in relation, among others, to the following:
 - concentration of credit risk,
 - concentration of investments in shares,
 - classification of loans and guarantees to risk groups and creation of provisions for the risk associated with activities of banks,
 - liquidity measures,



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

IV. The independent registered auditor's statements (cont.)

- level of obligatory reserve,
 - capital adequacy.
- j. As at the balance sheet date the capital adequacy ratio of the Group amounted to 15.05% and was correctly determined in accordance with CRR. This statement is based on recalculation of the quotient of own funds amounting PLN 16,584,814 thousand divided by risk weighted assets amounting to PLN 110,207,813 thousand as per COREP reporting prepared by the Group as at the balance sheet date.
- k. The notes to the consolidated financial statements present all significant information required by International Financial Reporting Standards as adopted by the European Union.
- l. The information in the Group's Directors' Report for the year from 1 January to 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the consolidated financial statements.



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Bank Zachodni WBK S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of Bank Zachodni WBK S.A. Group having Bank Zachodni WBK S.A., Rynek 9/11 Street, Wrocław, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 14 February 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report, to the General Shareholders' Meeting and the Supervisory Board of Bank Zachodni WBK S.A. dated 16 February 2017 containing unqualified Opinion concerning the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Anna Bączyk

Key Registered Auditor
No. 11810

Warsaw, 16 February 2017



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