



**SELECTED FINANCIAL INFORMATION
ON BANK ZACHODNI WBK GROUP
FOR 2016**

2016



Bank Zachodni WBK

 Grupa Santander

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The content of this report represents insider information as defined in Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse. The legal basis of this notification is article 17 (1) of the market abuse regulation (MAR).

The financial information for the quarter and the year ended 31 December 2016 as included in this document covers selected, preliminary and unaudited data prepared for information purposes only, in addition to the statutory interim reporting obligations of Bank Zachodni WBK Group. The scope of disclosures contained herein does not meet the definition of an interim report required by the International Accounting Standard 34 „Interim Financial Reporting” or the Regulation of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities. Some financial data may be subject to revision in the Group’ s Annual Report 2016 to be published on 17 February 2017 along with the independent auditor’s opinion.

In thousands of PLN

Consolidated Income Statement

for reporting period:	01.10.2016 31.12.2016	01.01.2016 31.12.2016	01.10.2015 31.12.2015	01.01.2015 31.12.2015
Interest income	1 592 287	6 060 920	1 458 617	5 708 829
Interest expense	(317 487)	(1 290 548)	(322 336)	(1 399 678)
Net interest income	1 274 800	4 770 372	1 136 281	4 309 151
Fee and commission income	621 355	2 388 464	618 690	2 358 072
Fee and commission expense	(137 418)	(473 744)	(124 460)	(419 972)
Net fee and commission income	483 937	1 914 720	494 230	1 938 100
Dividend income	58	96 582	14 539	105 278
Net gains/(losses) on subordinated entities	-	100	-	522 995
Net trading income and revaluation	51 938	280 820	56 061	223 642
Gains (losses) from other financial securities	7 661	402 774	13 103	277 350
Other operating income	41 856	140 764	28 470	163 607
Impairment losses on loans and advances	(219 338)	(784 590)	(256 405)	(810 692)
Operating expenses incl.:	(840 311)	(3 367 721)	(1 095 576)	(3 578 850)
<i>Bank's staff, operating expenses and management costs</i>	(720 201)	(2 935 229)	(982 068)	(3 208 701)
<i>Depreciation/amortisation</i>	(74 710)	(277 220)	(66 149)	(256 561)
<i>Other operating expenses</i>	(45 400)	(155 272)	(47 359)	(113 588)
Operating profit	800 601	3 453 821	390 703	3 150 581
Share in net profits (loss) of entities accounted for by the equity method	19 300	55 439	13 878	27 711
Tax on financial institution	(108 865)	(387 206)	-	-
Profit before tax	711 036	3 122 054	404 581	3 178 292
Corporate income tax	(201 776)	(737 962)	(99 624)	(643 741)
Consolidated profit for the period	509 260	2 384 092	304 957	2 534 551
of which:				
<i>attributable to owners of BZ WBK S.A.</i>	460 949	2 166 847	277 142	2 327 273
<i>attributable to non-controlling interests</i>	48 311	217 245	27 815	207 278
Net earnings per share (PLN/share)				
Basic earnings per share	4,65	21,84	2,79	23,45
Diluted earnings per share	4,63	21,80	2,78	23,41

Consolidated Statement of Comprehensive Income

for reporting period:	01.10.2016 31.12.2016	01.01.2016 31.12.2016	01.10.2015 31.12.2015	01.01.2015 31.12.2015
Consolidated profit for the period	509 260	2 384 092	304 957	2 534 551
Other comprehensive income which can be transferred to the profit and loss account:	(344 597)	(510 064)	336 864	(177 216)
Available-for sale financial assets valuation	(406 727)	(738 327)	261 270	(112 746)
<i>including deferred tax</i>	77 278	140 282	(49 641)	21 422
Cash flow hedges valuation	(18 702)	108 618	154 611	(106 040)
<i>including deferred tax</i>	3 554	(20 637)	(29 376)	20 148
Other comprehensive income which can't be transferred to the profit and loss account	5 125	5 556	8 055	8 055
Provision for retirement allowances – actuarial gains/losses	6 328	6 860	9 944	9 944
<i>including deferred tax</i>	(1 203)	(1 304)	(1 889)	(1 889)
Other comprehensive income for the period, net of income tax	(339 472)	(504 508)	344 919	(169 161)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	169 788	1 879 584	649 876	2 365 390
Attributable to:				
<i>owners of BZ WBK S.A.</i>	122 178	1 666 087	615 417	2 152 641
<i>non-controlling interests</i>	47 610	213 497	34 459	212 749

In thousands of PLN

Consolidated Statement of Financial Position

as at:	31.12.2016	30.09.2016	31.12.2015	30.09.2015
Assets				
Cash and balances with central banks	4 775 660	3 259 318	6 229 853	3 480 147
Loans and advances to banks	3 513 278	2 836 355	3 580 957	3 094 696
Financial assets held for trading	3 180 985	3 254 695	4 165 511	4 621 166
Hedging derivatives	67 645	121 004	164 777	153 198
Loans and advances to customers	103 068 538	101 154 367	94 913 884	91 902 093
Buy-sell-back transactions	-	-	289 260	305 330
Financial assets available for sale	29 307 878	25 479 557	24 622 078	25 827 142
Investments in associates	871 491	856 454	831 142	817 264
Intangible assets	486 762	433 359	465 687	409 115
Goodwill	1 688 516	1 688 516	1 688 516	1 688 516
Property, plant and equipment	878 298	813 694	830 493	732 416
Net deferred tax assets	1 534 322	1 412 828	1 251 808	1 332 314
Assets classified as held for sale	629	782	1 569	983
Other assets	725 714	727 990	673 165	697 969
Total assets	150 099 716	142 038 919	139 708 700	135 062 349
Liabilities				
Deposits from banks	2 561 281	1 574 087	1 066 763	1 970 432
Hedging derivatives	2 023 344	1 893 371	2 079 805	2 208 813
Financial liabilities held for trading	1 809 060	2 147 713	2 535 684	2 194 603
Deposits from customers	112 522 457	106 650 707	101 245 186	95 206 378
Sell-buy-back transactions	1 632 613	1 238 351	5 258 031	6 411 343
Subordinated liabilities	440 457	529 976	526 634	524 885
Debt securities in issue	5 529 187	5 234 569	4 320 891	4 388 201
Current income tax liabilities	84 151	83 485	228 488	250 827
Provisions	130 128	120 124	132 570	142 951
Other liabilities	2 348 562	1 792 569	1 746 518	1 850 028
Total liabilities	129 081 240	121 264 952	119 140 570	115 148 461
Equity				
Equity attributable to owners of BZ WBK S.A.	19 780 827	19 658 004	19 392 029	18 772 246
Share capital	992 345	992 345	992 345	992 345
Other reserve funds	15 791 555	15 787 457	14 685 919	14 681 553
Revaluation reserve	276 093	614 864	776 914	438 639
Retained earnings	553 987	557 440	609 578	609 578
Profit of the current period	2 166 847	1 705 898	2 327 273	2 050 131
Non-controlling interests in equity	1 237 649	1 115 963	1 176 101	1 141 642
Total equity	21 018 476	20 773 967	20 568 130	19 913 888
Total equity and liabilities	150 099 716	142 038 919	139 708 700	135 062 349

In thousands of PLN

Statement of changes in consolidated equity

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	Total equity
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total		
Opening balance as at 31.12.2015	992 345	14 685 919	776 914	2 936 851	19 392 029	1 176 101	20 568 130
Total comprehensive income	-	-	(500 760)	2 166 847	1 666 087	213 497	1 879 584
Consolidated profit for the period	-	-	-	2 166 847	2 166 847	217 245	2 384 092
Other comprehensive income	-	-	(500 760)	-	(500 760)	(3 748)	(504 508)
Distributions of profits and losses	-	1 177 730	-	(1 177 730)	-	-	-
Share scheme charge	-	16 213	-	-	16 213	-	16 213
Dividends	-	-	-	(1 290 049)	(1 290 049)	(226 025)	(1 516 074)
Equity from acquisition of controlling interest in PSA Finanse and PSA Consumer Finanse	-	-	-	-	-	74 076	74 076
Other	-	(88 307)	(61)	84 915	(3 453)	-	(3 453)
As at 31.12.2016	992 345	15 791 555	276 093	2 720 834	19 780 827	1 237 649	21 018 476

As at the end of the period revaluation reserve in the amount of PLN 276,093 k comprises of debt securities and equity shares classified as available for sale of PLN (145,039) k and PLN 521,877 k respectively and additionally cash flow hedge activities of PLN (108,768) k and accumulated actuarial gains - provision for retirement allowances of PLN 8,023 k.

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	Total equity
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total		
Opening balance as at 31.12.2015	992 345	14 685 919	776 914	2 936 851	19 392 029	1 176 101	20 568 130
Total comprehensive income	-	-	(161 989)	1 705 898	1 543 909	165 887	1 709 796
Consolidated profit for the period	-	-	-	1 705 898	1 705 898	168 934	1 874 832
Other comprehensive income	-	-	(161 989)	-	(161 989)	(3 047)	(165 036)
Distributions of profits and losses	-	1 177 730	-	(1 177 730)	-	-	-
Share scheme charge	-	12 115	-	-	12 115	-	12 115
Dividends	-	-	-	(1 290 049)	(1 290 049)	(226 025)	(1 516 074)
Other	-	(88 307)	(61)	88 368	-	-	-
As at 30.09.2016	992 345	15 787 457	614 864	2 263 338	19 658 004	1 115 963	20 773 967

As at the end of the period revaluation reserve in the amount of PLN 614,864 k comprises of debt securities and equity shares classified as available for sale of PLN 136,481 k and PLN 567,793 k respectively and additionally cash flow hedge activities of PLN (92,267) k and accumulated actuarial gains - provision for retirement allowances of PLN 2,857 k.

In thousands of PLN

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total	equity	Total equity
Opening balance as at 31.12.2014	992 345	12 309 424	951 546	2 277 580	16 530 895	1 520 799	18 051 694
Total comprehensive income	-	-	(174 632)	2 327 273	2 152 641	212 749	2 365 390
<i>Consolidated profit for the period</i>	-	-	-	2 327 273	2 327 273	207 278	2 534 551
<i>Other comprehensive income</i>	-	-	(174 632)	-	(174 632)	5 471	(169 161)
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies	-	1 032 206	-	(342 467)	689 739	(540 854)	148 885
Distributions of profits and losses	-	1 329 746	-	(1 329 746)	-	-	-
Share scheme charge	-	18 754	-	-	18 754	-	18 754
Dividends	-	-	-	-	-	(16 593)	(16 593)
Other	-	(4 211)	-	4 211	-	-	-
As at 31.12.2015	992 345	14 685 919	776 914	2 936 851	19 392 029	1 176 101	20 568 130

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

In thousands of PLN

Consolidated Statement of Cash Flows

	for the period	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Profit before tax		3 122 054	3 178 292
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(55 439)	(27 711)
Depreciation/amortisation		277 220	256 561
Impairment losses		22 077	10 048
(Profit) loss from investing activities		(417 631)	(823 152)
		2 948 281	2 594 038
Changes:			
Provisions		(2 442)	(19 796)
Trading portfolio financial instruments		957 785	827 234
Hedging derivatives		40 671	895 693
Loans and advances to banks		4 589	(246 272)
Loans and advances to customers		(8 154 654)	(9 110 273)
Deposits from banks		164 897	(261 896)
Deposits from customers		10 336 381	6 190 483
Buy-sell/ Sell-buy-back transactions		(3 608 458)	(1 944 591)
Other assets and liabilities		683 114	(97 485)
		421 883	(3 766 903)
Interest accrued excluded from operating activities		(436 651)	(445 117)
Dividend		(96 051)	(103 899)
Paid income tax		(1 016 330)	(1 048 980)
Net cash flow from operating activities		1 821 132	(2 770 861)
Inflows		6 069 162	6 745 190
Sale of subordinated entities		100	244 316
Sale/maturity of financial assets available for sale		5 327 990	5 640 574
Sale of intangible assets and property, plant and equipment		26 800	50 389
Dividend received		95 903	103 899
Interest received		618 369	706 012
Outflows		(10 406 768)	(5 119 400)
Purchase of subordinated entities net of cash acquired		(61 197)	-
Purchase of financial assets available for sale		(9 991 588)	(4 769 279)
Purchase of intangible assets and property, plant and equipment		(353 983)	(350 121)
Net cash flow from investing activities		(4 337 606)	1 625 790
Inflows		6 037 678	3 359 574
Debt securities in issue		2 762 880	2 111 125
Drawing of loans		3 274 798	1 248 449
Outflows		(4 360 097)	(3 067 786)
Debt securities buy out		(1 554 700)	(728 200)
Repayment of loans		(1 108 976)	(2 143 089)
Dividends and other payments to shareholders		(1 516 074)	(16 593)
Interest paid		(180 347)	(179 904)
Net cash flow from financing activities		1 677 581	291 788
Total net cash flow		(838 893)	(853 283)
Cash at the beginning of the accounting period		12 677 692	13 530 975
Cash at the end of the accounting period		11 838 799	12 677 692

In thousands of PLN

Income Statement of Bank Zachodni WBK

	for reporting period:		01.10.2016	01.01.2016	01.10.2015	01.01.2015
			31.12.2016	31.12.2016	31.12.2015	31.12.2015
Interest income			1 158 869	4 469 917	1 076 766	4 243 768
Interest expenses			(234 966)	(989 477)	(250 097)	(1 108 916)
Net interest income			923 903	3 480 440	826 669	3 134 852
Fee and commission income			495 057	1 904 106	498 856	1 887 844
Fee and commission expenses			(84 474)	(299 371)	(77 622)	(274 600)
Net fee and commission income			410 583	1 604 735	421 234	1 613 244
Dividend income			47	439 288	14 539	156 365
Net gains/(losses) on subordinated entities			-	-	-	234 391
Net trading income and revaluation			51 117	266 371	53 280	193 495
Gains (losses) from other financial securities			9 564	401 189	13 103	273 717
Other operating income			32 915	119 465	21 997	119 649
Impairment losses on loans and advances			(142 228)	(583 479)	(184 736)	(667 895)
Operating expenses incl.:			(665 130)	(2 722 683)	(881 098)	(2 881 265)
<i>Bank's staff, operating expenses and management costs</i>			<i>(565 431)</i>	<i>(2 360 209)</i>	<i>(788 830)</i>	<i>(2 589 034)</i>
<i>Depreciation/amortisation</i>			<i>(62 240)</i>	<i>(234 117)</i>	<i>(55 445)</i>	<i>(206 104)</i>
<i>Other operating expenses</i>			<i>(37 459)</i>	<i>(128 357)</i>	<i>(36 823)</i>	<i>(86 127)</i>
Operating profit			620 771	3 005 326	284 988	2 176 553
Tax on financial institution			(99 587)	(356 078)	-	-
Profit before tax			521 184	2 649 248	284 988	2 176 553
Corporate income tax			(158 668)	(567 528)	(74 557)	(420 343)
Profit for the period			362 516	2 081 720	210 431	1 756 210
Net earnings per share (PLN/share)						
Basic earnings per share			3,66	20,98	2,12	17,70
Diluted earnings per share			3,64	20,94	2,11	17,67

Statement of Comprehensive Income of Bank Zachodni WBK

	for reporting period:		01.10.2016	01.01.2016	01.10.2015	01.01.2015
			31.12.2016	31.12.2016	31.12.2015	31.12.2015
Profit for the period			362 516	2 081 720	210 431	1 756 210
Other comprehensive income which can be transferred to the profit and loss account:			(341 920)	(492 701)	318 988	(185 890)
Available-for sale financial assets valuation			(399 251)	(713 041)	245 662	(119 112)
<i>including deferred tax</i>			<i>75 858</i>	<i>135 478</i>	<i>(46 676)</i>	<i>22 631</i>
Cash flow hedges valuation			(22 874)	104 767	148 151	(110 382)
<i>including deferred tax</i>			<i>4 347</i>	<i>(19 905)</i>	<i>(28 149)</i>	<i>20 973</i>
Other comprehensive income which can't be transferred to the profit and loss account			5 208	5 208	8 042	8 042
Provision for retirement allowances – actuarial gains/losses			6 430	6 430	9 929	9 929
<i>including deferred tax</i>			<i>(1 222)</i>	<i>(1 222)</i>	<i>(1 887)</i>	<i>(1 887)</i>
Other comprehensive income for the period, net of income tax			(336 712)	(487 493)	327 030	(177 848)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			25 804	1 594 227	537 461	1 578 362

In thousands of PLN

Statement of Financial Position of Bank Zachodni WBK

as at:	31.12.2016	30.09.2016	31.12.2015	30.09.2015
ASSETS				
Cash and balances with central banks	4 696 634	3 226 167	6 129 543	3 420 067
Loans and advances to banks	3 308 802	3 246 339	4 484 202	4 197 959
Financial assets held for trading	3 198 187	3 263 854	4 174 634	4 629 485
Hedging derivatives	66 787	112 431	162 823	153 199
Loans and advances to customers	87 102 390	87 119 352	81 125 350	78 770 617
Buy-sell-back transactions	-	-	289 260	305 330
Financial assets available for sale	26 322 361	22 497 803	22 576 246	23 300 579
Investments in subsidiaries and associates	2 377 325	2 377 325	2 377 325	2 377 325
Intangible assets	464 308	413 410	443 603	375 405
Goodwill	1 688 516	1 688 516	1 688 516	1 688 516
Property, plant and equipment	779 866	723 903	742 245	656 234
Net deferred tax assets	950 307	906 903	842 763	945 848
Assets classified as held for sale	608	637	637	637
Other assets	461 897	499 116	440 442	492 371
Total assets	131 417 988	126 075 756	125 477 589	121 313 572
LIABILITIES				
Deposits from banks	1 212 765	1 141 997	548 558	1 224 436
Hedging derivatives	1 961 828	1 859 188	2 024 012	2 125 234
Financial liabilities held for trading	1 809 969	2 147 839	2 535 708	2 194 749
Deposits from customers	103 381 249	97 877 385	94 021 282	88 649 784
Sell-buy-back transactions	-	457 919	4 007 525	5 106 650
Subordinated liabilities	440 457	429 215	426 507	424 124
Debt securities in issue	1 783 303	1 754 030	1 698 619	1 701 320
Current income tax liabilities	12 999	22 705	165 537	192 340
Provisions	66 345	59 574	82 649	94 622
Other liabilities	1 719 553	1 326 286	1 258 063	1 433 012
Total liabilities	112 388 468	107 076 138	106 768 460	103 146 271
Equity				
Share capital	992 345	992 345	992 345	992 345
Other reserve funds	15 132 993	15 128 895	14 238 675	14 234 309
Revaluation reserve	281 754	618 466	769 247	442 216
Retained earnings	540 708	540 708	952 652	952 652
Profit of the current period	2 081 720	1 719 204	1 756 210	1 545 779
Total equity	19 029 520	18 999 618	18 709 129	18 167 301
Total equity and liabilities	131 417 988	126 075 756	125 477 589	121 313 572

In thousands of PLN

Statements of changes in equity of Bank Zachodni WBK

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2015	992 345	14 238 675	769 247	2 708 862	18 709 129
Other comprehensive income	-	-	(487 493)	2 081 720	1 594 227
Profit for the period	-	-	-	2 081 720	2 081 720
Other comprehensive income	-	-	(487 493)	-	(487 493)
Distribution of profits and losses	-	878 105	-	(878 105)	-
Dividends	-	-	-	(1 290 049)	(1 290 049)
Share scheme charge	-	16 213	-	-	16 213
As at 31.12.2016	992 345	15 132 993	281 754	2 622 428	19 029 520

As at the end of the period revaluation reserve in the amount of PLN 281,754 k comprises of debt securities and equity shares classified as available for sale of PLN (143,435) k and PLN 528,944 k respectively and additionally cash flow hedge activities of PLN (111,581) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,826 k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2015	992 345	14 238 675	769 247	2 708 862	18 709 129
Other comprehensive income	-	-	(150 781)	1 719 204	1 568 423
Profit for the period	-	-	-	1 719 204	1 719 204
Other comprehensive income	-	-	(150 781)	-	(150 781)
Distribution of profits and losses	-	878 105	-	(878 105)	-
Dividends	-	-	-	(1 290 049)	(1 290 049)
Share scheme charge	-	12 115	-	-	12 115
As at 30.09.2016	992 345	15 128 895	618 466	2 259 912	18 999 618

As at the end of the period revaluation reserve in the amount of PLN 618,466 k comprises of debt securities and equity shares classified as available for sale of PLN 135,131 k and PLN 573,770 k respectively and additionally cash flow hedge activities of PLN (93,053) k and accumulated actuarial gains - provision for retirement allowances of PLN 2,618 k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2014	992 345	13 177 940	947 095	1 994 632	17 112 012
Other comprehensive income	-	-	(177 848)	1 756 210	1 578 362
Profit for the period	-	-	-	1 756 210	1 756 210
Other comprehensive income	-	-	(177 848)	-	(177 848)
Distribution of profits and losses	-	1 041 980	-	(1 041 980)	-
Share scheme charge	-	18 755	-	-	18 755
As at 31.12.2015	992 345	14 238 675	769 247	2 708 862	18 709 129

As at the end of the period revaluation reserve in the amount of PLN 769,247 k comprises of debt securities and equity shares classified as available for sale of PLN 181,310 k and PLN 781,761 k respectively and additionally cash flow hedge activities of PLN (196,442) k and accumulated actuarial gains - provision for retirement allowances of PLN 2,618 k.

In thousands of PLN

Statement of Cash Flows of Bank Zachodni WBK

	for reporting period:	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Profit before tax		2 649 248	2 176 553
Total adjustments:			
Depreciation/amortisation		234 117	206 104
(Profit) loss from investing activities		(407 305)	(531 489)
Impairment losses		13 767	322
		2 489 827	1 851 490
Changes in:			
Provisions		(16 304)	(27 867)
Trading portfolio financial instruments		950 591	800 422
Hedging derivatives		33 852	866 152
Loans and advances to banks		1 005 145	121 331
Loans and advances to customers		(5 977 040)	(6 479 470)
Deposits from banks		225 942	(143 276)
Deposits from customers		9 079 395	4 081 973
Buy-sell/ Sell-buy-back transactions		(3 990 565)	(1 831 263)
Other assets and liabilities		460 547	449 873
		1 771 563	(2 162 125)
Interest accrued excluded from operating activities		(508 586)	(473 784)
Dividend		(438 757)	(154 986)
Paid income tax		(713 260)	(737 207)
Net cash flow from operating activities		2 600 787	(1 676 612)
Inflows		6 237 656	6 498 340
Sale of investments in subsidiaries		-	244 316
Sale/maturity of financial assets available for sale		5 179 272	5 378 212
Sale of intangible assets and property, plant and equipment		19 534	77 002
Dividend received		438 609	154 986
Interest received		600 241	643 824
Outflows		(8 451 780)	(4 823 050)
Purchase of financial assets available for sale		(8 155 389)	(4 516 952)
Purchase of intangible assets and property, plant and equipment		(296 391)	(306 098)
Net cash flow from investing activities		(2 214 124)	1 675 290
Inflows		2 454 500	1 327 019
Debt securities in issue		1 065 880	715 000
Drawing of loans		1 388 620	612 019
Outflows		(3 016 511)	(1 709 320)
Debt securities buy out		(980 000)	-
Repayment of loans		(670 906)	(1 618 109)
Dividends and other payments to shareholders		(1 290 049)	-
Interest paid		(75 556)	(91 211)
Net cash flow from financing activities		(562 011)	(382 301)
Total net cash flow		(175 348)	(383 623)
Cash at the beginning of the accounting period		11 729 903	12 113 526
Cash at the end of the accounting period		11 554 555	11 729 903

Overview of Bank Zachodni WBK Group Performance in 2016

Key Financial and Business Highlights of Bank Zachodni WBK Group for 2016	
Total income	<ul style="list-style-type: none"> Total income of Bank Zachodni WBK Group (BZ WBK Group) for 2016 increased by 0.9% YoY to PLN 7,606.2m. Excluding one-off gains on equity transactions (PLN 316.1m from settlement of acquisition of Visa Europe Ltd. by Visa Inc. in 2016 and PLN 523m from partial disposal and loss of control over BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO in 2015), the underlying total income increased by 3.9% YoY.
Total costs	<ul style="list-style-type: none"> Total costs decreased by 5.9% YoY to PLN 3,367.7m. Excluding obligatory contributions made under the deposit guarantee scheme to cover reimbursements of guaranteed funds to depositors of insolvent cooperative banks (PLN 13.5m in 2016 and PLN 183.8m in 2015), the underlying cost base was reduced by 1.2% YoY.
Profit	<ul style="list-style-type: none"> Profit before tax amounted to PLN 3,122.1m, down 1.8% YoY. Adjusting income and costs as above and excluding banking tax, the underlying profit before tax increased by 12.9% YoY. Profit attributable to the shareholders of Bank Zachodni WBK was PLN 2,166.8m and 6.9% lower YoY (12.5% higher on a comparable basis).
Capital ratio	<ul style="list-style-type: none"> Capital ratio stood at 15.05% (14.62% as at 31 December 2015), ensuring security of operations and a stable growth.
ROE	<ul style="list-style-type: none"> Return on Equity (ROE) was 12.8% (15.1% as at 31 December 2015), and 11.6% excluding one-off items (13.7% as at 31 December 2015). The marked decrease in the ROE ratio results from the introduction of a tax on financial institutions and increased capital requirements imposed by the banking supervision authorities.
Costs/Income	<ul style="list-style-type: none"> Cost to income ratio was 46.0% (48.4% in 2015), excluding one-off items.
Net impairment losses	<ul style="list-style-type: none"> Net impairment losses on loans and advances amounted to PLN 784.6m compared with PLN 810.7m in 2015.
Credit quality	<ul style="list-style-type: none"> NPL ratio was 6.6% (7.3% as at 31 December 2015), while the ratio of impairment losses to the average gross credit volumes was 0.75% (0.85% as at 31 December 2015).
Loans to customers	<ul style="list-style-type: none"> Gross loans to customers increased by 7.9% YoY to PLN 107,947.4m due to the growth of 8.4% YoY in personal loans and 4.2% YoY in loans to enterprises and the public sector to PLN 56,291.4m and PLN 45,375.7m, respectively.
Deposits from customers	<ul style="list-style-type: none"> Deposits from customers increased by 11.1% YoY to PLN 112,522.5m as a result of the expansion of deposits from enterprises and the public sector by 16.5% YoY to PLN 48,974.6m and increase of 7.3% YoY in personal deposits to PLN 63,547.9m.
Loans/Deposits	<ul style="list-style-type: none"> Customer loans to deposit ratio was 91.6% as at 31 December 2016 compared with 93.7% as at 31 December 2015.
Net assets under management	<ul style="list-style-type: none"> Net value of assets in mutual funds and private portfolios increased by 6.4% YoY to PLN 13.8bn.
Electronic banking	<ul style="list-style-type: none"> The number of customers using BZWBK24 electronic banking services totalled 3.2m (+0.9% YoY), including customers with access to mobile services of 0.9m (+29.7% YoY). The BZ WBK Group payment card base (excluding prepaid cards) included 3.4m debit cards (+4.8% YoY) and more than 1.2m credit cards of BZ WBK and SCB (+8.2% YoY).
Customer base	<ul style="list-style-type: none"> The customer base was more than 6.4m customers, including 4.4m BZ WBK customers.

Comparability of Periods in the Income Statement of BZ WBK Group for 2016	
2016	2015
<p>Remuneration resulting from the merger of Visa Europe Ltd. with Visa Inc.</p> <ul style="list-style-type: none"> As part of settlement of the transaction of take-over of Visa Europe Ltd. by Visa Inc. on 21 June 2016, BZ WBK and SCB, as members and shareholders of the acquired company received a cash payment, preferred series C shares and an earn-out totalling PLN 316.1m, including PLN 305.9m attributable to BZ WBK. 	<p>Loss of control over BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO</p> <ul style="list-style-type: none"> On 27 February 2015, BZ WBK sold part of the shares in BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO, which resulted in a loss of control over the above entities. In effect, gains on the sale and adjustments on account of the loss of control were recognised, totalling PLN 523m. The loss of control resulted in reclassification of the above-mentioned companies from subsidiaries to associated undertakings along with the change of their accounting treatment from full consolidation to equity method.
<p>New statutory charge</p> <ul style="list-style-type: none"> Pursuant to the Act of 1 February 2016 on tax imposed on certain financial institutions, bank assets are subject to tax of 0.0366% per month. Until the end of 2016, the total charge imposed on BZ WBK and SCB in this respect was PLN 387.2m. 	
<p>Performance of obligations arising from the deposit guarantee scheme</p>	
<ul style="list-style-type: none"> Pursuant to the Resolution of the Bank Guarantee Fund (BFG) of 28 October 2016, BZ WBK and SCB were obliged to make a contribution of PLN 12.5m and PLN 1.0m, respectively, from the deposit protection fund to cover the reimbursements of guaranteed funds to depositors of Spółdzielczy Bank in Nadarzyn, as a result of its bankruptcy. 	<ul style="list-style-type: none"> Pursuant to the Resolution of BFG of 26 November 2015, BZ WBK and SCB were obliged to make a contribution of PLN 170.5m and PLN 13.3m, respectively, from the deposit protection fund to cover the reimbursements of guaranteed funds to depositors of Spółdzielczy Bank Rzemiosła i Rolnictwa, Wolomin, as a result of its bankruptcy.

In addition, in the statement of financial position as at 31 December 2016 the presentation of Buy-sell-back transactions and Sell-buy-back transactions has been changed compared with 2015. These are now disclosed as separate line items in the statement of financial position whereas previously were presented as part of Loans and advances to customers or Loans and advances to banks and Deposits from banks or Deposits from customers, respectively.

2016/2015	2016	Determinants of BZ WBK Group's Profit for 2016
Increase in net interest income	+10,7% PLN 4,770.4m	<ul style="list-style-type: none"> An increase in net interest income (+PLN 461.2m YoY) amid the record low interest rate environment reflects the growing net interest margin (up 0.13 p.p. YoY to 3.68%) resulting from the Group's multidimensional activities, including management of product parameters, customer relationships, marketing campaigns and distribution channels, among other things. The purpose was to optimise the funding sources and stimulate lending, which fuelled positive (from the perspective of net interest margin) development trends in core business volumes (an increase in the portfolios of cash loans, mortgage loans and business loans, and a significant rise in low-cost current and savings accounts along with a reduction in retail term deposits).
Decrease in fee and commission income	-1,2% PLN 1,914.7m	<ul style="list-style-type: none"> A slight YoY decrease in net fee and commission income (-PLN 23.4m YoY) was induced mainly by external developments, in particular regulatory change (insurance fees) and volatility of financial markets (distribution and asset management fees). The above falls were partly offset by higher fee and commission income earned in other areas, the largest increases being driven by customer activation programmes (credit card and guarantee fees). Sustainable generation of net fee and commission income is ensured by diversification of the Group's income sources.
Decrease in other income ¹⁾	-21,4% PLN 605.1m	<ul style="list-style-type: none"> A YoY decrease of PLN 164.8m in the Group's other income (excluding one-off transactions in the capital market) was attributed to lower profit from the portfolio of available-for-sale debt securities and a decline in other operating income due to changes in the presentation of the Group's insurance income following the deconsolidation of BZ WBK-Aviva insurance companies, smaller income from the disposal of fixed assets and lower releases of provisions for legal disputes and other assets.

2016/2015		2016	Determinants of BZ WBK Group's Profit for 2016 (cont.)
Improvement of credit quality indicators	-3,2%	PLN 784.6m	<ul style="list-style-type: none"> Lower level of impairment losses (-PLN 26.1m YoY) is attributed to the sale of significant debt portfolios of BZ WBK and SCB as well as the Group's conservative approach to credit risk management and rather favourable macroeconomic environment. The above decrease was combined with a 7.9% YoY increase in the consolidated gross loan book and further improvement in credit quality ratios.
Effective management of staff and general expenses	-1,2%	PLN 3,354.2m	<ul style="list-style-type: none"> The Group's total underlying cost base (excluding the mandatory contributions of BZ WBK and SCB to the deposit guarantee scheme) was reduced by PLN 40.9m YoY as a result of a higher decrease in "staff and general expenses" compared with a parallel increase in amortisation/depreciation and other operating costs. The lower level of "staff and general expenses" is attributed to effective cost base management under the considerable pressure from regulatory charges, increasing business volumes, steady development of IT infrastructure and continuous transformation of the Group in response to changing business, legal and technological requirements.

1) Other income includes the following items of the full income statement: dividend income; net profit on shares in subordinate entities; net trading income and revaluation; gains on other financial instruments; other operating income.

Key Macroeconomic Factors Impacting Financial and Business Performance of BZ WBK Group in 2016	
Economic growth	<ul style="list-style-type: none"> Slowdown in economic growth to below 3% YoY under the impact of delays in delivery of EU co-financed projects, moderate economic growth rate in the Eurozone and stagnat international trade.
Labour market	<ul style="list-style-type: none"> Favourable situation in the labour market – gradual increase in employment in the enterprise sector, unemployment at a record-low level, relatively fast wage growth supporting private consumption.
Inflation	<ul style="list-style-type: none"> Low inflationary pressure, CPI inflation rate below zero throughout most of the year. Gradual growth in oil prices following their fall at the start of the year.
Monetary policy	<ul style="list-style-type: none"> NBP official rates kept continually at the lowest level ever.
Credit markets	<ul style="list-style-type: none"> Deceleration of credit growth in the banking sector, in particular in the enterprise sector.
Financial markets	<ul style="list-style-type: none"> Changes of mood in international financial markets influenced by the expected policy orientation of the main central banks (Federal Reserve, ECB), incoming macroeconomic data, worries about the geopolitical situation, (including concerns about the results of negotiations between the UK and the EU), the immigration crisis, the economic slowdown in China and concerns about the outcome of the presidential election in the US. Volatility of the zloty exchange rate versus the main currencies; changes in Polish bond yields. Downgrade of Poland's investment rating by S&P in January and downward change in rating prospects by Moody's in May.

Profit of Bank Zachodni WBK Group for 2016

In 2016, Bank Zachodni WBK Group posted a profit before tax of PLN 3,122.1m, down 1.8% YoY. Profit attributable to the shareholders of Bank Zachodni WBK was PLN 2,166.8m and decreased by 6.9% YoY.

Adjusted for:

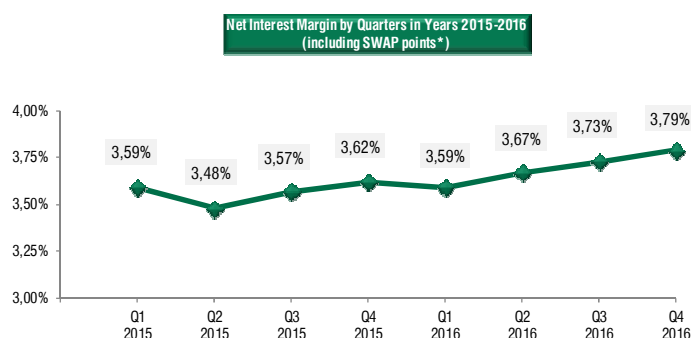
- 1) One-off gains from equity instruments:
 - PLN 316.1m recognized in 2016 from settlement of takeover of Visa Europe Ltd. by Visa Inc.
 - PLN 523m recognized in 2015 from the sale and loss of control over BZ WBK-Aviva companies
- 2) Mandatory contributions made by BZ WBK and SCB under the deposit guarantee scheme:
 - PLN 13.5m in 2016
 - PLN 183.8m in 2015
- 3) New statutory charge:
 - Tax on financial institutions of PLN 387.2m in 2016

the underlying profit before tax increased by 12.9% YoY and the profit attributable to the shareholders of the parent went up by 12.5% YoY.

Selected Components of Bank Zachodni WBK Group's Profit for 2016

Net interest income

In 2016, net interest income amounted to PLN 4,770.4m and increased by 10.7% YoY.



* The calculation of the net interest margin of Bank Zachodni WBK takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the debt trading portfolio.

The annualized quarterly net interest margin increased from 3.59% in Q1 2016 to 3.79% in Q4 2016 on the back of consistent measures taken by the Group as part of deposit and credit base management. These included, among other things, acquisition, relationship building, promotion and management of product offer parameters, factoring in strategic objectives, market conditions, customer expectations and the policy for liquidity, capital and balance sheet management.

Impairment Charges

Impairment Losses on Loans and Advances	PLN m		
	2016	2015	YoY Change
Collective and individual impairment charge	(828,2)	(926,3)	-10,6%
Impaired but not reported losses charge	(27,0)	22,8	-
Recoveries of loans previously written off	45,2	80,4	-43,8%
Off-balance sheet credit related facilities	25,4	12,4	104,8%
Total	(784,6)	(810,7)	-3,2%

In 2016, the loan impairment charge to the income statement of Bank Zachodni WBK Group was PLN 784.6m, down 3.2% YoY.

Total costs

The total costs of BZ WBK Group for 2016 were PLN 3,367.7m and 5.9% lower YoY. Excluding additional charges imposed by BFG under the deposit guarantee scheme, the underlying cost base was reduced by 1.2% YoY.

Adjusting for the contributions made under the deposit guarantee scheme and one-off gains on equity instruments, the Group's cost to income ratio totalled 46.0% for 2016 vs. 48.4% for 2015.

The cost base was additionally affected by the following statutory charges:

- annual and prudential fee of PLN 252.4m in total (PLN 230.9m in 2015) payable by BZ WBK and SCB to BFG;
- obligatory contributions of PLN 8.5m (PLN 40.8m in 2015) made by both banks to the Borrowers' Support Fund.

Selected Financial Ratios

Selected Financial Ratios	2016 ¹⁾	2015 ¹⁾
Total costs/Total income	46,0%	48,4%
Net interest income/Total income	65,4%	61,4%
Net interest margin ²⁾	3,7%	3,6%
Net commission income/Total income	26,3%	27,6%
Customer net loans/Customer deposits	91,6%	93,7%
NPL ratio	6,6%	7,3%
NPL coverage ratio	59,0%	61,5%
Credit risk ratio ³⁾	0,75%	0,85%
ROE ⁴⁾	12,8%	15,1%
ROTE ⁵⁾	15,3%	19,6%
ROA ⁶⁾	1,5%	1,7%
Capital ratio ⁷⁾	15,05%	14,62%
Tier I ratio ⁸⁾	14,56%	14,10%
Book value per share (in PLN)	211,8	207,3
Earnings per share (in PLN) ⁹⁾	19,4	20,7

1) The calculations of the following ratios for 2016 and 2015: cost/income, net interest income/total income, net fee and commission income/total income and earnings per share use the Group's total income, total costs or profit (as the case may be) after adjustment for one-off events (equity gains and contributions resulting from the membership in the deposit guarantee scheme).

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

3) Impairment losses (for the accounting year) to average gross loans and advances to customers (as at the beginning and end of the reporting period).

4) Profit attributable to the parent's shareholders (for the accounting year) to average equity (as at the beginning and end of the reporting period), net of non-controlling interests, current period profit and the undistributed portion of the profit. Adjusted for one-off items, ROE was 11.6% as at 31 December 2016 vs. 13.7% as at 31 December 2015. The decrease in the ROE ratio results from the introduction of a tax on financial institutions and increased capital requirements imposed by the banking supervision authorities.

5) Profit attributable to the parent's shareholders (for the accounting year) to average tangible equity (as at the beginning and end of the reporting period) defined as common equity attributable to the parent's shareholders less revaluation reserve, current period profit, undistributed portion of the profit, intangible assets and goodwill. Adjusted for one-off items, ROTe was 13.9% as at 31 December 2016 vs. 17.1% as at 31 December 2015.

6) Profit attributable to BZ WBK shareholders (for the accounting year) to average total assets (as at the beginning and end of the reporting period).

7) The capital adequacy ratio was calculated on the basis of own funds and the total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package.

8) Tier 1 ratio is Tier 1 capital expressed as a percentage of risk weighted assets for credit, market and operational risk.

9) Profit for the period attributable to shareholders of the parent entity (excluding one-off items) divided by the number of ordinary shares. A YoY decrease in the ratio results from introduction of a tax on financial institutions.