

**MANAGEMENT BOARD REPORT  
ON BANK ZACHODNI WBK GROUP  
PERFORMANCE  
IN THE FIRST HALF OF 2017**

2017



Bank Zachodni WBK

 Grupa Santander

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# I. Overview of Bank Zachodni WBK Group Performance in H1 2017

This section provides an overview of the activity of Bank Zachodni WBK Group (BZ WBK Group) in H1 2017. It presents the financial and business performance compared with the previous year, and reports on the internal and external factors affecting the Group's activities.

## Financial and Business Highlights of Bank Zachodni WBK Group

Key financial and business highlights of Bank Zachodni WBK Group for H1 2017	
<b>Total Income</b>	<ul style="list-style-type: none"> <li>Total income of Bank Zachodni WBK Group for H1 2017 decreased by 3.6% YoY to PLN 3,801.6m.</li> <li>Excluding the last year's impact of settlement of the acquisition of Visa Europe Int. by Visa Inc., the underlying total income increased by 4.8% YoY.</li> </ul>
<b>Total Costs</b>	<ul style="list-style-type: none"> <li>Total costs amounted to PLN 1,694.6m and were stable YoY.</li> <li>Assuming non-occurrence of changes to the calculation and settlement of BFG contributions, and stable asset base (i.e. by eliminating a YoY increase in BFG charges of PLN 42.8m), the underlying cost base decreased by 3.1% YoY.</li> </ul>
<b>Profit</b>	<ul style="list-style-type: none"> <li>Profit before tax amounted to PLN 1,674.0m, down 5.6% YoY. Adjusting income and costs as above, the underlying profit before tax increased by 17.8% YoY.</li> <li>Profit attributable to the shareholders of Bank Zachodni WBK was PLN 1,104.2m and 13.7% lower YoY (12.0% higher YoY on a comparable basis).</li> </ul>
<b>Capital Ratio</b>	<ul style="list-style-type: none"> <li>Capital ratio stood at 16.51% (15.05% as at 31 December 2016 and 14.44% as at 30 June 2016), ensuring security of operations and a stable growth.</li> </ul>
<b>ROE</b>	<ul style="list-style-type: none"> <li>Return on Equity (ROE) was 11.0% (12.8% as at 31 December 2016 and 11.9% as at 30 June 2016).</li> </ul>
<b>Costs/Income</b>	<ul style="list-style-type: none"> <li>Cost to income ratio (C/I) was 44.6%, and adjusting income and costs as above it was further reduced to 43.4% (47.0% in H1 2016).</li> </ul>
<b>Net Impairment Losses</b>	<ul style="list-style-type: none"> <li>Net impairment losses on loans and advances amounted to PLN 245.9m compared with PLN 311.1m in H1 2016.</li> </ul>
<b>Credit Quality</b>	<ul style="list-style-type: none"> <li>NPL ratio was 5.9% (6.6% as at 31 December 2016 and 6.8% as at 30 June 2016), while the ratio of impairment losses to the average gross credit volumes was 0.66% (0.75% as at 31 December 2016 and 0.75% as at 30 June 2016).</li> </ul>
<b>Loans to Customers</b>	<ul style="list-style-type: none"> <li>Gross loans to customers increased by 3.9% YoY to PLN 109,809.2m due to the growth of 4.5% YoY in personal loans and 0.6% YoY in loans to enterprises and the public sector to PLN 56,782.1m and PLN 46,431.7m, respectively.</li> </ul>
<b>Deposits from Customers</b>	<ul style="list-style-type: none"> <li>Deposits from customers increased by 3.2% YoY to PLN 109,111.2m as a result of the expansion of personal deposits by 5.5% YoY to PLN 64,704.5m and stabilisation of the value of deposits from enterprises and the public sector.</li> </ul>
<b>Loans/Deposits</b>	<ul style="list-style-type: none"> <li>Net customer loans to deposit ratio was 96.3% as at 30 June 2017 compared with 91.6% as at 31 December 2016 and 95.0% as at 30 June 2016.</li> </ul>
<b>Net Assets under Management</b>	<ul style="list-style-type: none"> <li>Net value of assets in mutual funds and private portfolios totalled PLN 15.2bn, up 14.5% YoY and 10.8% Ytd.</li> </ul>
<b>Electronic Banking</b>	<ul style="list-style-type: none"> <li>The number of customers using BZWKB24 electronic banking services totalled 3.3m (+1.4% YoY), including nearly 1m customers with access to mobile services (+25.1% YoY).</li> <li>The BZ WBK payment card base (excluding prepaid cards) included 3.5m debit cards (+4.1% YoY) and more than 1.2m credit cards of BZ WBK and SCB (+4.6% YoY).</li> </ul>
<b>Customer Base</b>	<ul style="list-style-type: none"> <li>The total customer base was more than 6.4m customers, including 4.4m BZ WBK customers.</li> </ul>

## Impact of Macroeconomic Developments

Key macroeconomic factors impacting financial and business performance of the Group in H1 2017	
Economic growth	<ul style="list-style-type: none"> <li>Stabilisation of economic growth in Poland and abroad.</li> </ul>
Labour market	<ul style="list-style-type: none"> <li>Favourable conditions in the labour market – increase in employment, decline in unemployment and relatively fast wage growth supporting private consumption.</li> </ul>
Monetary policy	<ul style="list-style-type: none"> <li>NBP official rates kept at the lowest level ever.</li> </ul>
Credit market	<ul style="list-style-type: none"> <li>Stabilisation of credit growth in the banking sector.</li> </ul>
Financial markets	<ul style="list-style-type: none"> <li>Changes of moods 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.</li> <li>Interest rate hike in the USA.</li> <li>Appreciation of the zloty exchange rate versus the main currencies; changes in Polish bond yields.</li> </ul>

## Key Developments and Achievements

Major Corporate Events in H1 2017	
January	<ul style="list-style-type: none"> <li>Implementation of a new objectives management process in BZ WBK.</li> </ul>
February	<ul style="list-style-type: none"> <li>Execution of a guarantee agreement with the European Investment Bank providing security for lending up to EUR 300m to be granted by BZ WBK (10 February 2017).</li> <li>Resignation of Mr Eamonn Crowley as a Management Board member (16 February 2017).</li> <li>Appointment of Mr Maciej Reluga as a Management Board member in charge of the Financial Management Division (16 February 2017).</li> <li>Issuance of 6-month series D certificates of deposit for the total amount of PLN 420m as part of the Issuance Programme of 18 March 2015 (17 February 2017).</li> <li>Receipt of consent from the Polish Financial Supervision Authority (KNF) to allocate 10-year bonds with the total nominal value of EUR 120m issued by Bank Zachodni WBK on 2 December 2016 to subordinated debt (24 February 2017).</li> </ul>
March	<ul style="list-style-type: none"> <li>Appointment of Mr Arkadiusz Przybył as a new Management Board member and nomination of the existing Management Board members as Vice Presidents of the Management Board: Mr Andrzej Burliga, Mr Michael McCarthy, Mr Juan de Porras Aguirre, Mr Mirosław Skiba and Mr Feliks Szyszkowski (10 March 2017).</li> <li>Issuance of series E certificates of deposit for the total amount of PLN 250m, maturing on 17 October 2017, as part of the Issuance Programme (17 March 2017).</li> <li>Approval of the liquidation statements of AKB Marketing Services as at 27 March 2017 by the company's Extraordinary General Meeting of Shareholders (28 March 2017).</li> </ul>
April	<ul style="list-style-type: none"> <li>Take-up of the position of the bank's Management Board member by Ms Dorota Strojowska based on the nomination of 14 December 2016, following the expiry of her previous employment commitments (1 April 2017).</li> <li>Execution of an agreement between SCB and PSA Finance re sale of 10% of shares in the latter company for the purpose of their cancellation (5 April 2017). No impact on the ownership structure of PSA Finance due to the cancellation of an equal number of shares purchased from both shareholders (SCB and Banque PSA Finance).</li> </ul>
May	<ul style="list-style-type: none"> <li>Convening of the Annual General Meeting of Shareholders of Bank Zachodni WBK (AGM) which approved the distribution of the bank's profit for 2016 and pay-out of dividend of PLN 5.40 per share from the undivided earnings for 2014 and 2015, appointed the Supervisory Board for a new term of office, agreed the remuneration for the Supervisory Board members and a higher maximum ratio of variable and fixed remuneration for persons holding managerial positions, and decided to increase share capital and launch the 6th Incentive Programme (17 May 2017).</li> <li>Issuance of subordinated debt in the form of green bonds for the total amount of EUR 137.1m (equivalent of USD 150m), which were taken up in full by International Finance Corporation (IFC) (22 May 2017).</li> </ul>
June	<ul style="list-style-type: none"> <li>Submission of an application to the KNF for a consent to allocate the green bonds for 137.1m to the BZ WBK Tier 2 capital (1 June 2017).</li> <li>Execution of an agreement between BZ WBK Leasing S.A. and the Council of Europe Development Bank providing for EUR 100m worth of financing for the investment and growth of small and micro companies (1 June 2017).</li> <li>Private subscription of series M shares of BZ WBK as part of the 5th Incentive Programme, under which 98,947 shares of the nominal value of PLN 10 were allocated to 426 eligible participants (19 May – 20 June 2017).</li> </ul>

## II. Basic Information about Bank Zachodni WBK Group

### 1. History, Ownership Structure and Profile

#### History and Profile of Bank Zachodni WBK as a Parent Entity

**2001**

Set-up of BZ WBK  
by way of merger

Bank Zachodni WBK S.A. (Bank Zachodni WBK, BZ WBK) was established following the merger of Bank Zachodni with Wielkopolski Bank Kredytowy. The Wrocław-based entity was entered into the register of entrepreneurs in the National Court Register on 13 June 2001 and on 25 June 2001 it debuted on the Warsaw Stock Exchange (WSE).

**2011**

Change of the majority  
shareholder to Banco  
Santander

Bank Zachodni WBK was originally a member of AIB Group together with the majority shareholder – AIB European Investments Ltd. – which on 1 April 2011 sold its entire stake in the bank (70.36% of share capital and voting power) to Banco Santander with its registered office in Santander, Spain.

Banco Santander finalised the purchase of Bank Zachodni WBK in the tender for 100% of the bank's shares. As a result, Banco Santander acquired an interest representing 95.67% of share capital and voting power in the bank.

**2013**

Merger with  
Kredyt Bank

On 4 January 2013, Bank Zachodni WBK merged with Kredyt Bank pursuant to the Investment Agreement of 27 February 2012 between Banco Santander and KBC Bank NV. The merger by acquisition was completed by way of a transfer of all assets and liabilities of Kredyt Bank to Bank Zachodni WBK in exchange for newly issued J series shares with a nominal value of PLN 189.1m allotted to all of the existing shareholders of Kredyt Bank at the agreed exchange ratio.

**2014**

Acquisition of a  
controlling stake in  
SCB

Pursuant to the Investment Agreement of 27 November 2013 between Bank Zachodni WBK, Santander Consumer Finance and Banco Santander, on 1 July 2014 Bank Zachodni WBK acquired ordinary and preference shares in Santander Consumer Bank with its registered office in Wrocław (SCB), representing 60% of the share capital of SCB and 67% of votes at the General Meeting of SCB. In exchange for an in-kind contribution of SCB shares, the bank issued L series shares with the total nominal value of PLN 53.8m.

**2014**

Incorporation of Dom  
Maklerski BZ WBK

On 31 October 2014, the organised part of the enterprise of Dom Maklerski BZ WBK specialising in the provision of brokerage services was incorporated into the bank's structures.

## Structure of Share Capital of Bank Zachodni WBK

The table below presents the entities with significant holdings of Bank Zachodni WBK shares as at 30 June 2017 and 30 June 2016.

Shareholder	Number of Shares Held		% in the Share Capital & Voting Power at AGM	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Banco Santander S.A.	68 880 774	68 880 774	69,41%	69,41%
Nationale Nederlanden OFE	5 110 586	5 110 586	5,15%	5,15%
Others	25 243 174	25 243 174	25,44%	25,44%
<b>Total</b>	<b>99 234 534</b>	<b>99 234 534</b>	<b>100,0%</b>	<b>100,0%</b>

In a 12-month period ended 30 June 2017, no changes were noted in the structure of shareholders having more than a 5% stake in the registered capital of Bank Zachodni WBK and in the total number of votes at the BZ WBK General Meeting of Shareholders. The shareholders holding at least 5% share were Banco Santander and Nationale Nederlanden OFE with shareholdings of 69.41% and 5.15%, respectively.

Based on information available to the Management Board of Bank Zachodni WBK, as at the date of release of the 2017 Interim Report of Bank Zachodni WBK Group (28 July 2017), the shareholder structure remained unchanged compared with the end of the reporting period, i.e. 30 June 2017.

As the criteria for granting awards under the three-year 5th Incentive Programme had been satisfied, the Annual General Meeting of Shareholders of Bank Zachodni WBK held on 17 May 2017 decided to increase the bank's share capital by way of issuing M series shares without pre-emptive rights. As a result of private subscription made between 19 May 2017 and 20 June 2017, 98,947 M series shares of BZ WBK with the nominal value of PLN 10 were allocated to the eligible programme participants. The increase of PLN 989,470 in the share capital (up to PLN 993,334,810) will be effective once a relevant entry is made in the court register.

## Scope of Activities of Bank Zachodni WBK Group

Bank Zachodni WBK is a universal bank which provides a full range of services for personal customers, SMEs, large companies and institutions. The bank's offering is modern, comprehensive and satisfies diverse customer needs with regard to current/personal accounts, credit, savings, investment, settlement, insurance and card products. The financial services of Bank Zachodni WBK include cash management, payments, trade finance and transactions in the capital, money, FX and derivative markets, as well as underwriting, brokerage and custody services.

The bank's own product range is complemented by specialist products offered by its group of related companies, including: BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI), BZ WBK Leasing, BZ WBK Faktor, BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych (BZ WBK-Aviva TUO) and BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie (BZ WBK-Aviva TUnŻ). Through all these companies, the bank offers its customers access to mutual fund units and asset portfolios as well as insurance, leasing and factoring products.

Santander Consumer Bank, which was incorporated into the structure of Bank Zachodni WBK Group on 1 July 2014, specialises in consumer finance and term deposit accounts for personal and business customers.

As at 30 June 2017, Bank Zachodni WBK Group provided services to 6.4m customers, including 2.0m customers of Santander Consumer Bank.

## Business Model of Bank Zachodni WBK Group

### Operating Structure

#### **Bank Zachodni WBK**

Bank Zachodni WBK together with its non-banking subsidiaries carries on its operations through the following central units: Retail Banking Division, SME Banking Division, Business and Corporate Banking Division and Global Corporate Banking Division.

#### *Retail Banking Division*

The Retail Banking Division offers services to personal customers who are divided into Standard, Premium, VIP or Private Banking customer segments, taking into account their diverse needs and expectations. Retail customers interact with the bank via an extensive network of branches and partner outlets or via remote channels using telephone banking, internet banking and mobile banking services (BZWBK24 e-banking platform, Multichannel Communication Centre).

Private Banking and VIP customers benefit from a personalised service model under which they may use the support of a specialised advisor and the Affluent Customer Centre operating as part of the Multichannel Communication Centre, which offers support via telephone. Premium customers are serviced by dedicated advisors as part of their individual portfolios, based on a personalised approach and regular contacts aimed at strengthening the relationship and customer loyalty. Other customers are also contacted on an ongoing basis in order to build the relationship, sell products and services or provide after-sales support.

#### *SME Banking Division*

The SME Banking Division is focused on services for small and medium enterprises, which are assigned to three customer segments based on turnover and personalised service criteria. Entrepreneurs that form the Digital SME segment are mainly serviced in the remote channels (BZWBK24, Moja Firma Plus, iBiznes24) or by the Multichannel Communication Centre. The relationships with active companies with relatively lower turnover are managed by SME advisors in branches and partner outlets, while SMEs with higher turnover and more complex requirements are handled by mobile advisors from the SME Banking Division. The support for SME customers is also provided by the SME Service Centre (part of the Central Banking Operations Area), which delivers a wide range of operational processes.

#### *Business and Corporate Banking Division and Global Corporate Banking Division*

Services to large business customers, local administration units and the public sector are supervised by the Business and Corporate Banking Division and are provided through 12 Corporate Business Centres operating nationwide, the Large Corporate Department and the Corporate Property Department (central units operating across Poland) in accordance with customer segmentation (corporate, large corporate or property finance).

The Global Corporate Banking Division is responsible for a banking relationship with the Group's largest clients who are offered investment, credit, transactional and treasury products and services as part of the global Customer Relationship Management Model of Santander Group. It also provides treasury and securities services to customers handled by other Divisions.

All business customers, regardless of their segmental allocation and relationship units in the Business and Corporate Banking Division or the Global Corporate Banking Division, are serviced by dedicated advisors responsible for the overall relationship. They are also provided with access to the bank's products and services via remote channels, including internet and mobile iBiznes24 platform as well as phone services of the Business Service Centre. The markedly improving iBiznes24 electronic banking system for businesses and corporations performs a wide range of transactions (e.g. FX and trade finance transactions) and effectively manages companies' finances.

#### **Santander Consumer Bank**

Santander Consumer Bank Group, which specialises in consumer finance, forms a separate business segment with its own customer base, offering and distribution channels.

The bank's business model is based on a multi-product and multi-channel approach to a diverse customer base, as well as regular cross-selling and up-selling. The bank offers car finance through lease and factoring, credit facilities for car dealers, retail and business deposits and insurance products.

## Basic Distribution Channels

As at 30 June 2017, Bank Zachodni WBK operated country-wide through 598 branches divided into and managed by 65 regions and 8 macroregions. The bank's distribution network also included 112 partner outlets, 1,741 self-service units (ATMs, CDMs and deposit ATMs).

In addition to direct banking via branches, partner outlets and Corporate Business Centres, Bank Zachodni WBK executes a wide range of bank operations via call centres (Multichannel Communication Centre and specialised units: Affluent Customers Centre, Business Service Centre, SME Service Centre) and offers 24-hour access to banking products and services by means of internet and mobile channels (BZWBK24, Moja Firma Plus and iBiznes 24 electronic banking platforms). The bank has been steadily developing an integrated CRM system and multi-channel banking solutions to ensure consistent service levels and continuity of communication with customers in all the distribution channels. Strong focus has been placed on security of remote banking, which involves regular upgrades to security mechanisms.

Santander Consumer Bank delivers its products through a network of own branches and franchise outlets, structures for mobile sales of car loans and corporate deposits, remote channels (call centre and the Internet) and a network of partners selling the bank's car loans and instalment loans.

Basic Distribution Channels of BZ WBK		
Bank Zachodni WBK	30.06.2017	30.06.2016
Branches (location)	598	666
Partner Outlets	112	112
Business and Corporate Banking Centres	12	12
ATMs	964	1 143
CDMs	14	153
Dual Function Machines	763	421
BZWBK24 - registered users (in thousands) <sup>1)</sup>	3 253	3 207
Moja Firma Plus - software packages in use (in thousands)	18	20
iBiznes24 and Moja Firma Plus - companies (in thousands)	15	15

Basic Distribution Channels of SCB S.A.		
Santander Consumer Bank	30.06.2017	30.06.2016
Branches	161	164
Partner Outlets	153	143
Registered Electronic Banking Users (in thousands) <sup>2)</sup>	56	-

1) The BZWBK24 customer base includes the users of BZWBK24 mobile application, i.e. 962.8k as at 30.06.2017 and 769.4k as at 30.06.2016. There were 2m BZWBK24 customers who at least once logged into the system in June 2017.

2) Users who signed an agreement with SCB and at least once logged into the bank's electronic banking system.

## Business Model Framework

The fundamental element of the strategy and business model of Bank Zachodni WBK Group is customer-centricity, an approach whereby each initiative and banking process is judged from the customer's viewpoint, with a concentration on the customer's needs and experience in order to build lasting mutual relationships underpinned by an attractive, simple and innovative products portfolio and high service quality. The Group creates value for customers focusing on modern technologies, digitisation and multichannel banking. The Group also gives priority to developing a friendly work environment and corporate culture by promoting cooperation and increasing the motivation, engagement and professionalism of employees. It conducts its business activity taking into consideration the interests of all stakeholders, including shareholders and communities it operates in.

The Group focuses on diversification of income, expansion in high-margin market segments, maintenance of a solid capital position and effective risk management. This translates into balanced growth in business volumes, an increasing presence in the most profitable market segments and strong and recurring financial performance.

In view of the strategic Transformation Programme launched in 2016, the bank's business model will be subject to further improvement going forward in terms of operational efficiency, customer needs, digitisation and integration of distribution channels, among other things.



## 2. Market Position, Rating and Share Price

### Position of BZ WBK Group in the Polish Banking Sector

Bank Zachodni WBK Group has stable sources of funding, solid capital and liquidity position and a diversified asset portfolio. The Group’s competitive position has been supported by a clear, coherent and consistent strategic vision, an efficient and straightforward business model, a broad and diversified scope of business as well as benefits and synergies achieved by the bank as a member of Santander Group. The business scale, quality of products and services and strong focus on building lasting relationships with customers allow the Group to compete successfully with the largest players in the Polish banking market. At the same time, a wide array of complementary services for respective customer segments, a large Poland-wide branch network, modern banking technologies and rapidly expanding functionality and integration of remote distribution channels give opportunity for further market penetration.

#### Competitive Strengths of Bank Zachodni WBK and BZ WBK Group



According to the financial statements for the three months ended 31 March 2017, which at the date of approval of this Management Board report (25 July 2017) were the most up-to-date source of comparable data on the performance of banks listed on the Warsaw Stock Exchange (WSE), Bank Zachodni WBK – including its subsidiaries and associates – was Poland’s third largest banking group in terms of total assets, equity, deposits and loans.

According to NBP statistics, as at the end of June 2017 the Group’s share of the market was 9.7% for loans and 9.5% for deposits.

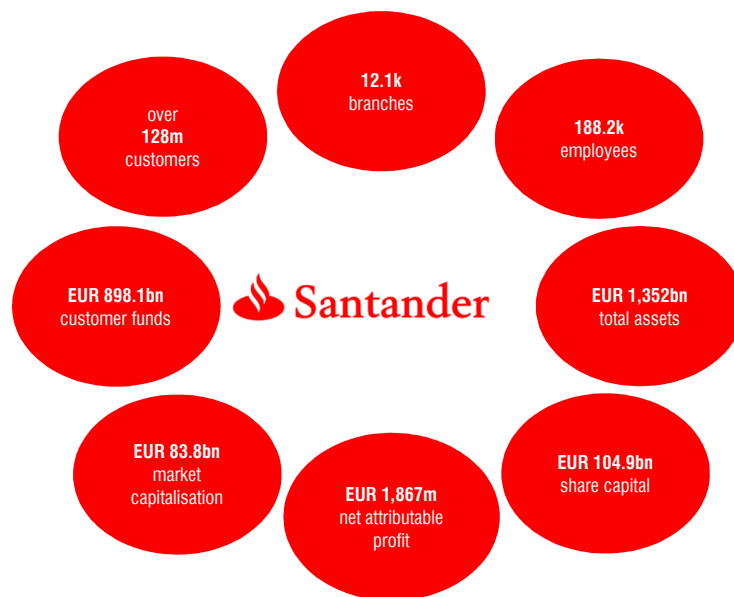
The Group continued to strengthen its presence in the factoring and leasing markets via its subsidiaries, holding a market share of 12.8% and 5.9%, respectively (according to the Polish Factors Association and the Polish Leasing Association as at the end of March 2017). At the same time, the Group’s share in the retail mutual funds market was 10.2% according to Anality Online (10.4% as at 30 June 2017) while in the equity and futures markets it held 5.5% and 11.7%, respectively, according to the Warsaw Stock Exchange (4.7% and 10.4% as at 30 June 2017).

## Majority Shareholder

Banco Santander – a parent entity of Bank Zachodni WBK – is a commercial bank with a history of 160 years, having its registered office in Santander and operational headquarters in Madrid (Spain). While it specialises in retail banking services, the bank is also very active in the private banking, business and corporate banking, asset management and insurance markets. Banco Santander, which is characterised by the significant geographic diversification of its business, currently focuses on its 10 core markets – both developed and emerging. It has a strong market position in Spain, Argentina, Brazil, Chile, Mexico, the USA, Poland, Portugal and the UK. It is also present in consumer finance markets in Europe (Germany, France, Italy, Poland and the Scandinavian countries).

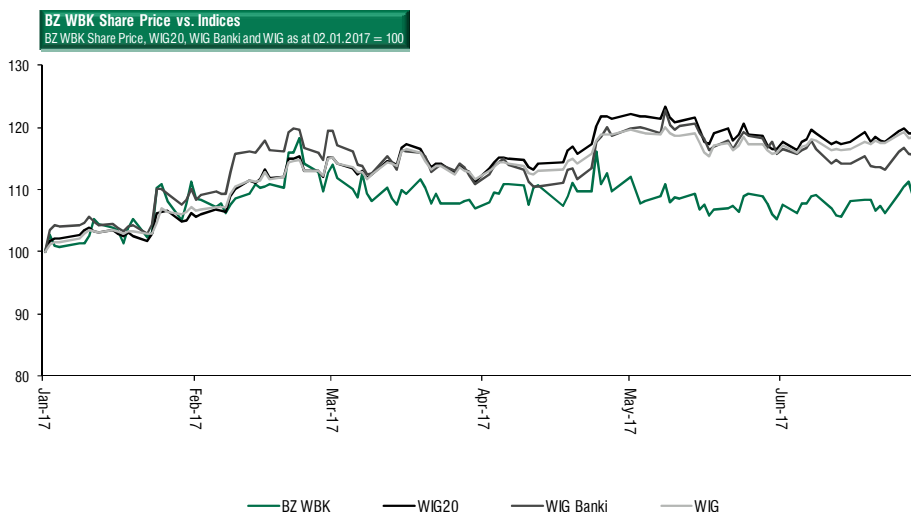
According to data as at 27 April 2017, Banco Santander was among the top 15 world's largest banks and the second largest in Europe in terms of market capitalisation.

### *Key figures presenting the scale of consolidated activity of Banco Santander Group as at 31.03.2017*



Banco Santander has been listed on the Warsaw Stock Exchange since 3 December 2014. A total of 12,840.5m ordinary shares of the bank with a nominal value of EUR 0.50 each are traded there. In addition to the WSE, Banco Santander shares are quoted on stock exchanges in Madrid, Milan, Lisbon, London, New York, Buenos Aires and in other cities.

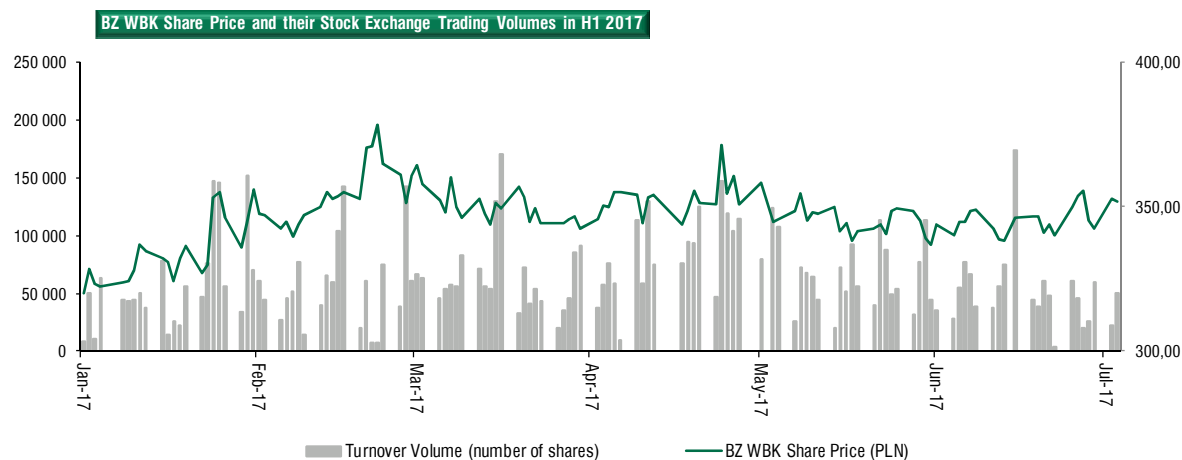
## Share Price of Bank Zachodni WBK vs. Indices



Since the beginning of 2017, the share price of Bank Zachodni WBK has followed an upward trend of the main WSE indices. After strong performance over the first two months (a share price increase of 21%), it subdued and moved sideways thereafter. As a result, it gained moderately at 8.3%, closing the first half of the year at PLN 342.30 vs. PLN 316 as at 30 December 2016. During the first six months, BZ WBK closing price ranged from PLN 319.90 on 2 January to PLN 378.50 on 23 February. Total return per share was enhanced by dividend of PLN 5.40 paid out in mid-June from the undistributed profit for 2014 and 2015. The bank's share price benefited from, among other things, gradual depreciation of the Swiss franc, which used to place moderate pressure on the performance of the stock. At the beginning of June 2017, Bank Zachodni WBK became the largest private commercial bank in Poland after Bank Pekao had been taken over by entities related to PZU and the State Treasury.

As at 30 June 2017, market capitalisation of Bank Zachodni WBK was PLN 33,968.0m compared to PLN 31,358.1m as at 31 December 2016 and PLN 26,073.9m as at 30 June 2016.

Due to strong liquidity and high market capitalisation, BZ WBK shares are included in a number of stock market indices, such as WIG-Banks (industry index), WIG20 (blue chip companies) and RESPECT, which gained 14.1%, 18.1% and 18.2% in H1 2017, respectively.



### 3. Bank Zachodni WBK Rating

#### Bank Zachodni WBK Rating

Bank Zachodni WBK has bilateral credit rating agreements with Fitch Ratings Ltd. and Moody's Investors Service.

#### Rating Actions by Fitch Ratings

Fitch Rating	Ratings confirmed as at 9.11.2016 <sup>1)</sup>	Ratings updated as at 4.08.2016	Ratings confirmed as at 29.02.2016 <sup>2)</sup>
	International Ratings		
Long-term Issuer Default Rating (long-term IDR)	BBB+	BBB+	BBB+
Outlook for the long-term IDR rating	stable	stable	stable
Short-term Issuer Default Rating (short-term IDR)	F2	F2	F2
Viability rating (VR)	bbb+	bbb+	bbb+
Support rating	2	2	2
National Ratings			
National long-term rating	AA(pol)	AA(pol)	AA-(pol)
Outlook for the national long-term rating	stable	stable	stable
Senior unsecured debt national long-term rating	AA(pol)	AA(pol)	AA-(pol)

1) BZ WBK Ratings as at 30 June 2017

2) BZ WBK Ratings as at 30 June 2016

Ratings of Bank Zachodni WBK as at 30 June 2017 were affirmed by Fitch Ratings on 9 November 2016.

Fitch believes that Bank Zachodni WBK is a strategically important subsidiary for Banco Santander and there is a high probability of support from the parent entity if need be. This view is reflected in the long-term IDR assigned to the bank, which was one notch below the rating of the majority shareholder. The rating is also justified by the individual VR assigned to Bank Zachodni WBK, which reflects the bank's strong capitalisation, solid internal capital generation and sound financial liquidity profile based on diversified funding with a dominant share of own funds in the form of retail customer deposits.

The individual VR of BZ WBK is additionally underpinned by its fundamentally sound credit quality (despite a relatively high share of foreign currency mortgages and an above-average impaired loans ratio), conservative risk management as part of the underwriting process and the absence of any major changes in its financial metrics.

The national long-term rating and senior unsecured debt rating of Bank Zachodni WBK of AA (pol) reflects the calibration of the national rating scale for long-term ratings assigned on the basis of sovereign's long-term local currency IDR rating of Poland.

## Rating Actions by Moody's Investors Service

Ratings of Bank Zachodni WBK as at 30 June 2017 were affirmed by Moody's Investors Service in the credit opinion of 1 March 2017.

Category of Moody's Ratings	Ratings confirmed as at 1.03.2017 <sup>1)</sup>	Ratings confirmed as at 9.09.2016	Ratings confirmed as at 18.04.2016 <sup>2)</sup>
Bank Deposit	A3/P-2	A3/P-2	A3/P-2
Baseline Credit Assessment	baa3	baa3	baa3
Adjusted Baseline Credit Assessment	baa2	baa2	baa2
Outlook	stable	stable	stable
Counterparty Risk Assessment	A2 (cr)/ P-1 (cr)	A2 (cr)/ P-1 (cr)	A2 (cr)/ P-1 (cr)

1) BZ WBK Ratings as at 30 June 2017

2) BZ WBK Ratings as at 30 June 2016

Bank Zachodni WBK A3/Prime-2 deposit ratings incorporate the bank's standalone credit assessment (BCA) of baa3, the results of the Advanced Loss Given Failure (LGF) analysis and the assumption of moderate parental support from Banco Santander and low likelihood of support from the Polish Government in case of need.

BZ WBK BCA of baa3 is supported by Poland's Macro Profile of Strong-, and reflects the bank's expanding franchise in the Polish market, improved asset quality and strong profitability and good liquidity profile. At the same time, the bank's capitalisation, although at a good level, may come under pressure from faster lending growth and potential government initiatives on CHF mortgages.

## 4. Entities Related with Bank Zachodni WBK

### Subsidiaries

As at 30 June 2017, Bank Zachodni WBK Group comprised the following subsidiaries:

1. Santander Consumer Bank S.A. (SCB S.A.)
2. Santander Consumer Finanse Sp. z o.o. – a subsidiary of SCB S.A.
3. AKB Marketing Services Sp. z o.o. in liquidation – a subsidiary of SCB S.A.
4. Santander Consumer Multirent Sp. z o.o. – a subsidiary of SCB S.A.
5. SC Poland Consumer 15-1 Sp. z o.o. – a subsidiary of SCB S.A.
6. SC Poland Consumer 16-1 Sp. z o.o. – a subsidiary of SCB S.A.
7. PSA Finance Polska Sp. z o.o. – a subsidiary of SCB S.A.
8. PSA Consumer Finance Polska Sp. z o.o. – a subsidiary of PSA Finance Polska Sp. z o.o.
9. BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.
10. BZ WBK Finanse Sp. z o.o.
11. BZ WBK Faktor Sp. z o.o. – a subsidiary of BZ WBK Finanse Sp. z o.o.
12. BZ WBK Leasing S.A. – a subsidiary of BZ WBK Finanse Sp. z o.o.
13. BZ WBK Inwestycje Sp. z o.o.
14. BZ WBK Nieruchomości S.A.
15. Gieldokracja Sp. z o.o. in liquidation.

Compared with 30 June 2016, the list of Bank Zachodni WBK subsidiaries changed as a result of the following developments:

- **Formation of SC Poland Consumer 16-1**

SC Poland Consumer 16-1 is a subsidiary of SCB established for the purpose of securitisation of cash loans of SCB. The company was entered into the National Court Register on 10 November 2015. Its shares are held by a Polish entity which is not connected with the Group. However, since 1 August 2016 the company has been controlled by SCB due to fulfilment of the control conditions laid down in IFRS 10.7.

- **Acquisition of a 50% stake in PSA Finance Polska and PSA Consumer Finance Polska**

On 30 September 2016, Santander Consumer Bank (a subsidiary of Bank Zachodni WBK) and Banque PSA Finance entered into an agreement establishing strategic cooperation. Pursuant to the agreement, on 1 October 2016, SCB purchased 50% shares of PSA Finance Polska (a wholly owned subsidiary of Banque PSA Finance) and, indirectly, 50% stake in PSA Consumer Finance (100%-owned by PSA Finance Polska). The new companies support the sale of vehicles manufactured by Peugeot and Citroën, providing financial services including lease facilities and consumer loans.

- **Merger of BZ WBK Leasing and BZ WBK Lease**

On 28 February 2017, BZ WBK Lease and BZ WBK Leasing were merged through the transfer of the total assets of the former company to the latter one. Accordingly, BZ WBK Leasing, an acquiring company, assumed all rights and obligations of BZ WBK Lease, an acquired company, which was removed from the National Court Register without formal liquidation.

The Extraordinary General Meeting of AKB Marketing Services in liquidation held on 28 March 2017 approved the liquidation statements of the company as at 27 March 2017. The funds left after the liquidation of AKB Marketing Services in liquidation on 28 March 2017 were transferred to an account of Santander Consumer Bank, the sole shareholder. The liquidation will become effective when the company is deleted from the commercial register.

All the entities within Bank Zachodni WBK Group are consolidated with the bank in accordance with IFRS 10 as at 30 June 2017.

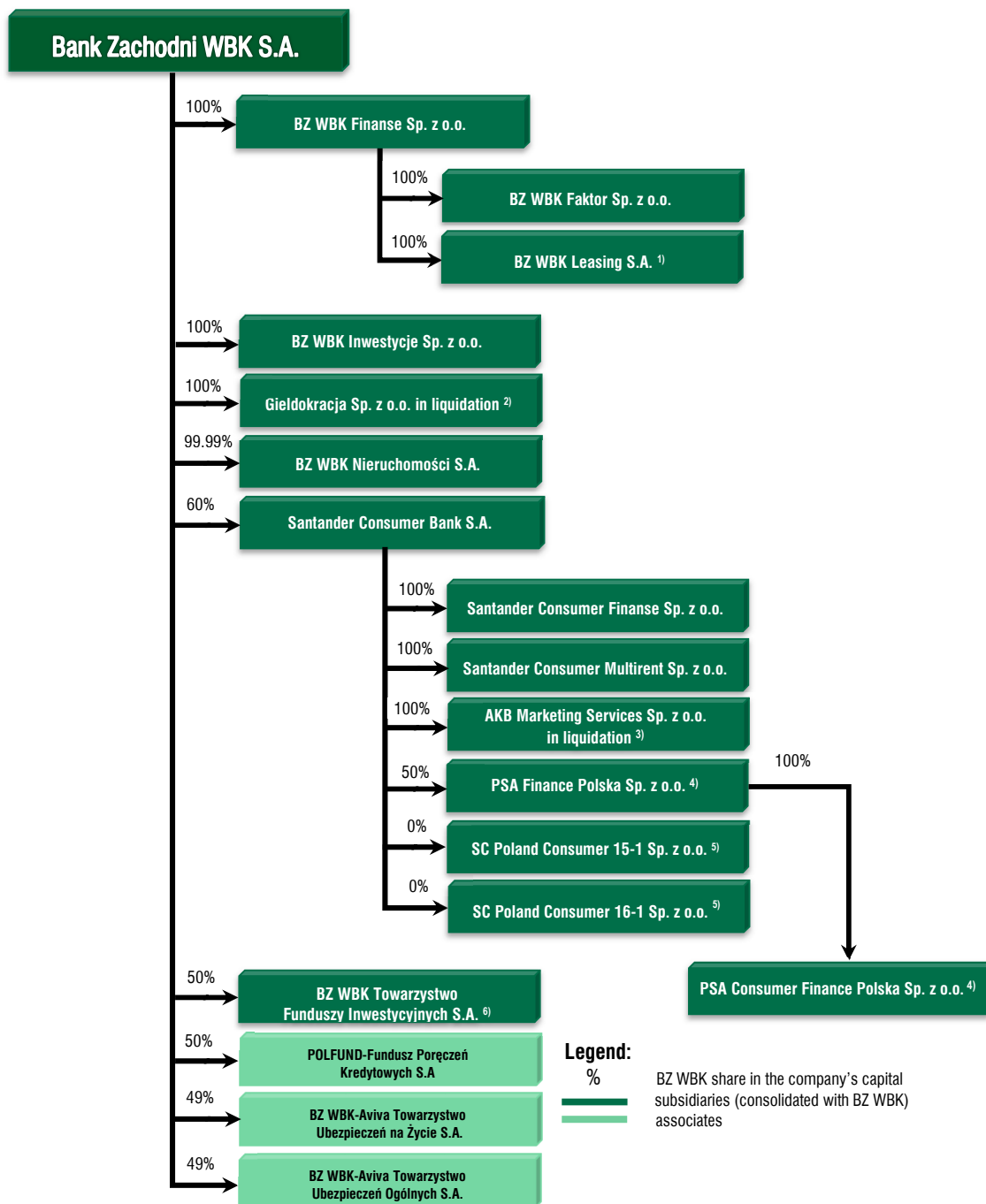
## Associates

In the consolidated financial statements of Bank Zachodni WBK Group for the 6 months ended 30 June 2017, the following companies are accounted for using the equity method in accordance with IAS 28:

1. BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. (BZ WBK-Aviva TUO S.A.)
2. BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. (BZ WBK-Aviva TUnŻ S.A.)
3. POLFUND – Fundusz Poręczeń Kredytowych S.A.

Compared with 30 June 2016, the list of associates did not change.

### Organisational Chart of Entities Related with Bank Zachodni WBK Group as at 30.06.2017



1) On 28 February 2017, BZ WBK Leasing acquired BZ WBK Lease. The acquired company was removed from the National Court Register without formal liquidation.

2) On 28 April 2016, the Annual General Meeting adopted a resolution to dissolve Gieldokracja and to start its liquidation as of 1 May 2016.

3) The Extraordinary General Meeting of AKB Marketing Services in liquidation of 28 March 2017 approved the liquidation statements of the company as at 27 March 2017. The liquidation was settled on 28 March 2017. The company's dissolution will become effective upon its deregistration.

4) On 1 October 2016, SCB acquired 50% shares of PSA Finance Polska and, indirectly, 50% stake in PSA Consumer Finance Polska. Both companies are controlled by SCB as they meet the conditions set out in IFRS 10.7.

5) SC Poland Consumer 15-1 and SC Poland Consumer 16-1 are SPVs set up for the purpose of securitisation of part of SCB credit portfolio. Shares in the companies are held by an entity that is not connected with the Group. The companies are controlled by SCB as they meet the conditions laid down in IFRS 10.7 as of 23 September 2015 and 1 August 2016, respectively.

6) On 31 March 2016, BZ WBK TFI merged with BZ WBK AM, whereby the parent (BZ WBK AM) was taken over by its subsidiary (BZ WBK TFI). Both owners of the acquiring company, i.e. Bank Zachodni WBK and Banco Santander S.A. are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK exercises control over BZ WBK TFI because Banco Santander pursues its policy in Poland through the bank.

# III. Macroeconomic Situation in H1 2017

## Economic Growth

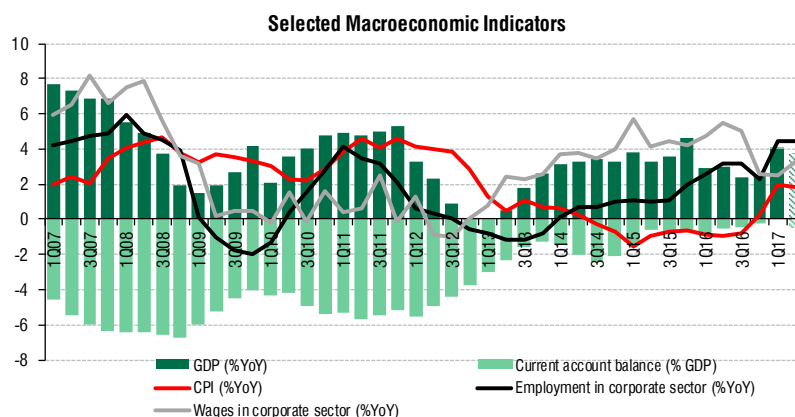
Available data suggest that Poland's economic growth accelerated markedly at the beginning of 2017. In Q1 2017, Polish GDP rose 4.0% YoY versus 2.5% YoY in Q4 2016. Almost all important constituents surprised to the upside: consumption, exports and inventories. Only investments continued to decline (-0.4% YoY), yet at a clearly slower pace than in the previous quarters. The most recent monthly data (such as industrial and construction output as well as retail sales) suggest that economic growth decelerated slightly in Q2 2017 and investment activity remained subdued. Investments are expected to revive in the coming quarters thanks to, among other things, growing utilisation of the EU funds. The bank predicts that GDP growth will stabilise this year at nearly 4%.

## Labour Market

Labour market remained strong in Q2 2017. Average employment in the corporate sector increased by approx. 4.5% YoY in this period. The unemployment rate continued to fall, reaching its lowest levels since the 1990s, both in terms of registered unemployment (7.1% in June) and Labour Force Survey (LFS) unemployment (4.7% in May). Nominal wage growth in the corporate sector reached in Q2 an average of 5.2% YoY. This, together with an increase in employment, caused a significant rise in the real wage bill (by approx. 7.9% YoY). Despite the rise in employment and the shrinking labour force, wage pressure remained moderate.

## Inflation

Q1 2017 brought significant changes to inflation indices: CPI index reached 2.0% YoY on average versus 0.2% YoY in Q4 2016. The inflation growth was mainly triggered by rising fuel and food prices, though core inflation also noted an increase from -0.1% YoY to 0.3% YoY on average in Q4 2016. In Q2, the growth trend in inflation halted and the annual CPI fell to 1.5% in June, mainly due to the decline in world oil prices resulting in lower transport costs. This was also the case of the Producer Price Index (PPI) which decreased to approx. 2.5% YoY in June vs 4.8% at the end of Q1 2017.





## Monetary Policy

In H1 2017, the Monetary Policy Council (MPC) kept interest rates unchanged with the base rate still at 1.50%. According to the MPC, inflation will stabilise in the quarters to come, which will support Poland's economic growth. July forecasts of CPI and GDP presented by the central bank changed only marginally vs March estimates. According to the MPC, if the tendencies from the newest projections persist, there will be no reason for monetary policy tightening in 2017. The NBP Governor Adam Glapiński stated that in such scenario rate hikes might not be needed even in 2018. At the same time, discussion on monetary policy tightening may become more heated at the turn of 2017/2018. Still, we assume that the main interest rates in Poland will remain unchanged until Q4 2018.

## Credit and Deposit Markets

Slowdown of deposit growth observed in Q1 2017 continued into Q2 2017. In June, deposits were approx. 5% higher than a year ago, though back in Q1 the growth rate was still close to 8% YoY. Demand deposits grew in Q2 at a slower pace than in the previous quarter, i.e. at less than 14% YoY, down from 15% YoY, while the decline in term deposits accelerated to more than -7% YoY in June from -3.5% YoY in March. Record-low interest rates might have discouraged deposit holders from choosing term deposits. Trends in the credit market observed in Q1 continued in Q2, with the total market rising by approx. 4.3% YoY. Consumer loans were still growing at a solid rate of 7% YoY reported in Q1 while PLN-denominated mortgage loan growth rate remained stable at around 10% YoY. In the case of corporate loans, PLN-denominated investment loans accelerated to approx. 17% YoY in June from 10% YoY in Q1. Working capital loans also increased compared to the first three months of the year, reaching 3% YoY in June vs slightly above zero in Q1.

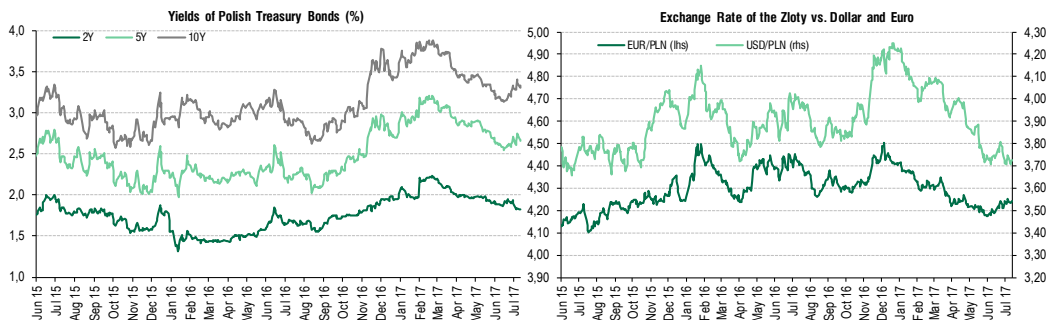
## Financial Market Situation

The first half of 2017 was characterised by elevated volatility in financial markets, but the moods were rather optimistic. Investors' sentiment was driven by the following factors:

- actions taken by the central banks, including the Federal Reserve, which increased interest rates by 50 bps in total in March and June (the federal funds rate rose from 0.50%-0.75% to 1.00%-1.25%), and the European Central Bank is about to launch a discussion on constraints on the asset purchase programme;
- geopolitical factors such as the victory of Emmanuel Macron in the French presidential election and the success of the center-right party in the parliamentary elections in the Netherlands, which added some optimism to the markets;
- improving economic outlook in the euro area and a stronger rebound of domestic economy in Q1;
- improving fiscal situation in Poland as a result of higher tax collection, budget surplus in the first half of 2017, and lower borrowing needs.

These factors determined the developments in the financial markets, in particular movements in the zloty exchange rate and in government bonds. In the first half of 2017, domestic debt market, after weakening in January, began to appreciate notably. The belly and the long end of the bond yield curve were supported by the actions of the main central banks and by the solid demand from foreign investors whose holdings of Polish debt reached an all-time high. Yields at the short end of the curve fell by 15 bps due to the dovish rhetoric of the Monetary Policy Council. A downward movement was observed in the belly and at the long end (where bond yields decreased by about 10-20 bps), following strengthening of the debt markets abroad. IRS rates fell less than bond yields (IRS curve moved down by 1-8 bps, with the biggest decline in 10Y sector), which resulted in narrowing of asset swap spreads to approx. 50 bps for 10Y. Poland's risk premium significantly dropped in H1 2017, as reflected by narrowing of spread versus German government bonds by nearly 55 bps to almost 280 bps for 10Y, the lowest level since August 2016.

In H1 2017, the zloty was the second fastest appreciating currency in the world against the euro and the US dollar, following the Mexican peso. EUR/PLN set the new year's low at 4.17 thanks to positive global market sentiment after the French elections and favourable macroeconomic data from the Polish and global economies. During the first six months of 2017, the zloty gained more than 13% against the US dollar, 7.1% against the British pound, 6.3% against the Swiss franc and approx. 4% against the euro.



## Stock Market

The signs of improved investor sentiment observed on the Warsaw Stock Exchange since late 2016 turned into a bull market that continued for almost six months. The WSE indices saw strong gains and partly caught up with the global leaders as the stock market rallied until May. In effect, WIG (broad market index) and WIG20 (blue chip index) closed up 17.9% and 18.1%, respectively. At the same time, the indices for small (sWIG80) and medium-sized enterprises (mWIG40), which had been rather resilient so far, grew a little less quickly at 12.7% and 16.4%, respectively. The long-awaited change of sentiment on the Warsaw floor was driven by the gradual economic upturn in Poland and, more importantly, by the sustained increases in the global stock markets caused by hopes for stimulus measures hinted by the new US president. The European indices, in turn, benefited from the failure of nationalist candidates in the presidential elections in Austria and France. Unlike global markets, the WSE, though joining the rally relatively late, lost steam already in May. The consolidation and the tug-of-war lasted nearly two months, with neither the bears nor the bulls taking control of prices. Going forward, both global and domestic stock markets may be impacted by further decisions of the leading central banks which have already taken measures in response to inflationary pressure in some of the world’s largest economies.

## Regulatory Environment of Banking Sector

The table below presents legal acts affecting the banking sector in Poland which came into force in H1 2017. All of them transpose relevant directives and regulations of the European Parliament and of the Council to the Polish legal system.

Legal act	Selected regulations affecting the banking sector
<b>Act of 23 September 2016 on out-of-court resolution of consumer disputes (effective as of 10 January 2017)</b>	<ul style="list-style-type: none"> <li>The act provides an option for a trader and a consumer to resolve disputes out of court, through the intervention of authorised entities which offer independent, impartial, transparent, effective and fast alternative dispute resolution procedures. Out-of-court settlement is voluntary and initiated at the consumer’s request. The authorised entities impose a solution or bring the parties together with the aim of facilitating an amicable solution.</li> </ul>
<b>Act of 30 November 2016 amending the Payment Services Act and certain other acts (most provisions effective as of 8 February 2017)</b>	<ul style="list-style-type: none"> <li>The act deals with the consumer access to a basic payment account, payment accounts switching, domestic transactions with payment cards, websites comparing fees on payment accounts, payment schemes and their supervision.</li> </ul>
<b>Act of 9 March 2017 on exchange of tax information (most provisions effective as of 4 April 2017)</b>	<ul style="list-style-type: none"> <li>The act discusses the exchange of tax information with other member states, including information about the reported accounts, individual interpretations and decisions regarding transaction prices. It defines the responsibilities of reporting financial institutions and the control framework.</li> </ul>

Legal act	Selected regulations affecting the banking sector (contd.)
<p><b>Act of 23 March 2017 on mortgage loans and supervision over mortgage brokers and agents (effective as of 22 July 2017)</b></p>	<ul style="list-style-type: none"> <li>The act deals in detail with mortgage lending to ensure better comparability and transparency of mortgage loans. It sets out the entry criteria for prospective mortgage providers such as non-credit institutions or credit agents and specifies how they are supervised. In accordance with Recommendation S, the act prohibits FX lending except where the major part of the borrower's income is denominated in the loan currency.</li> </ul>
<p><b>Act of 21 April 2017 on claims in respect of a loss or damage arising from competition law infringements (effective as of 27 June 2017)</b></p>	<ul style="list-style-type: none"> <li>The act deals with the liability for a loss or damage arising from the infringement of competition law and claims for damages as part of civil law proceedings. A final decision of the Competition and Consumer Protection Office (UOKiK) or the court rendering a practice as restricting competition is binding upon the court in a civil law action for damages.</li> <li>The act generally applies to claims in respect of competition infringement committed after the date the legislation entered into force, however, it will also apply, to a limited extent, to actions taken after the effective date and relating to anti-competitive practices from before the effective date.</li> </ul>

## IV. Development Strategy

### 1. Mission, Vision, Values and Strategic Objectives for 2017-2019

#### Strategy of Bank Zachodni WBK and Non-Banking Subsidiaries

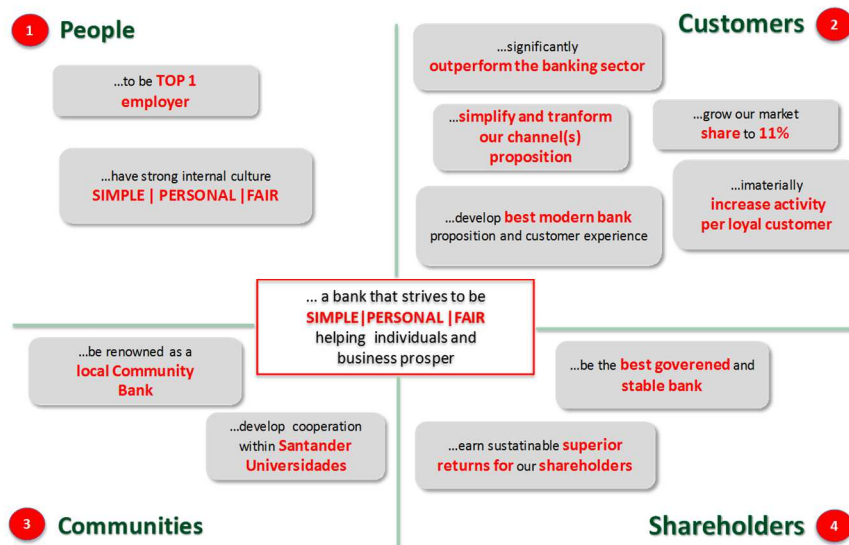
In view of dynamic and complex changes in the macroeconomic environment, the strategy of Bank Zachodni WBK Group is regularly verified, which helps to take prompt action in response to emerging market trends. The updated (in 2016) three-year strategy for 2017-2019 is focused on the bank's transformation, in particular: commercial transformation, business model transformation, digital transformation, CRM content management and centralised data management. Most importantly, the new strategy is a continuation of the previous course of action, based on the same values and assumptions. It promotes customer-centric culture in business management, excellent customer service and product range, operational effectiveness, simple, clear and innovative solutions, and corporate culture that reinforces employees' engagement and motivation. The above measures are expected to help the bank achieve the position of the best financial institution for retail and corporate customers and the best employer in the banking market.



As part of its strategic vision, Bank Zachodni WBK intends to:

- Become a leading bank in terms of service quality, focusing on customer needs and expectations;
- Build long-term relationships with customers based on trust, loyalty and enhanced customer experience;
- Create an engaging work environment through collaboration, communication and bottom-up initiatives raised in all the bank's units;
- Grow faster than peers;
- Become the best retail and commercial bank earning the lasting loyalty of people, customers, shareholders and communities.

The bank’s mission and vision are reflected in specific measures taken with respect to the key stakeholder groups. Below are the objectives of Bank Zachodni WBK Group for 2017-2019 which are focused on employees, customers, communities and shareholders.



The corporate culture of Bank Zachodni WBK Group and Banco Santander Group is enshrined in the Simple, Personal and Fair values.



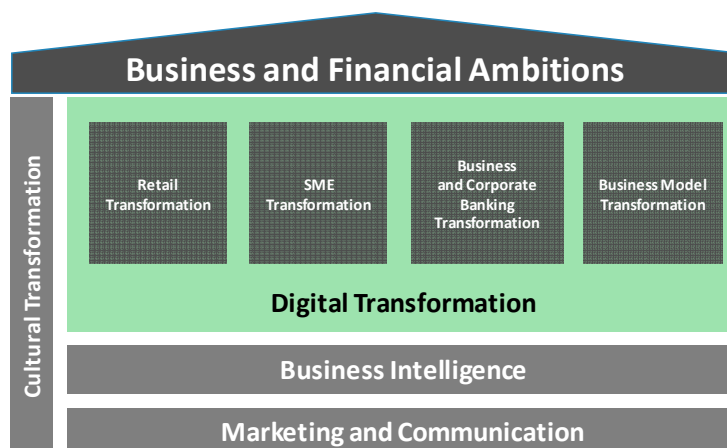
General assumptions of the financial plan for 2017-2019:

- Increase in recurring net profit;
- Positive growth trends in interest and fee income;
- Cost management discipline resulting in reduction of the cost to income ratio;
- Improving quality of credit portfolio;
- Slower increase in the average risk weighted assets compared with loans and advances.

## 2. Key Strategic Programmes of Bank Zachodni WBK

### Scope of Transformation

Our ambition is to be the best bank in Poland which is renowned for customer excellence and operational effectiveness and is always one step ahead of competitors.



The strategic transformation covers a number of strategic programmes, including:

- **Commercial Transformation**

Commercial transformation covers the area of Retail, SME, and Business and Corporate Banking. It is focused on the development of a business model that will ensure positive customer experience, help simplify products and support optimisation of processes and pricing policies.

- **Business Model Transformation**

Business model transformation is primarily focused on increasing the effectiveness of the organisation. To that end, the bank controls investments and expenses, optimises property and branch network management, streamlines the organisational structure, eliminates duplicated functions, leverages synergies between different areas, and estimates and monitors the benefits of transformation.

- **Digital Transformation**

The digital transformation programme covers the initiatives taken to improve customer service and develop end-to-end solutions which will be available to customers in all channels anytime and anywhere. As part of the programme, the bank streamlines the processes to suit customers' needs, offers remote solutions for new products, extends the scope of after-sales services and develops new tools for customer advisors.

- **Business Intelligence**

Business intelligence is used by the bank to create business opportunities, e.g. to offer personalised products and services or implement effective on-line campaigns.

- **Communication and Marketing**

Marketing and communication are expected to strengthen the bank's brand through new messages based on values and emotions.

- **Cultural Transformation**

The cultural transformation that is currently taking place in the organisation is fundamental to the success of all changes introduced by the bank. It covers such aspects as:

- Enhancement of leadership skills and development of staff and teams;
- Delivery of strategic goals and performance of day-to-day tasks in line with the Simple, Personal and Fair values;
- Increase in employee engagement and delivery of employer branding initiatives.

The implementation of particular change programmes is supervised by the Strategic Transformation Office which reports to the President of the Management Board and the Chairman of the Supervisory Board.

## **Digital Transformation Programme**

One of the pillars of the bank's strategy for 2017-2019 which is fundamental to the quality of customer service is the Digital Transformation Programme launched to redesign and digitise the key sales and after-sales processes and to provide them in the remote contact channels.

### **Digitisation of Processes**

The key projects under the programme are scheduled to be implemented in 2017-2019.

In Q2 2017, an IT system was put in place to manage the workflow between the participants of the corporate credit process. The system was designed to automate the process, right from its initiation to credit decision-making. Ultimately, it will be used to prepare agreements and disburse funds. The system helps to reduce turnaround times and minimise the risk of manual errors.

Work was under way to develop a system that would store all customer analytical data in one place. The system is expected to facilitate digitisation and simplification of processes such as credit delivery, preparation of cash loan proposition for retail customers, and customer identification/verification in external databases using their PESEL number.

Efforts are taken to design a new credit process for several customer segments and develop current account offering for retail customers.

### **Development of Internet, Mobile and Telephone Banking**

In H1 2017, the bank introduced a number of solutions in the area of internet, mobile and telephone banking to improve customer experience.

The users of the mobile application were offered an opportunity to sign up for new credit facilities such as a credit card, ratio service or credit card limit increase. The quick view of accounts was extended, the functionality of alerts was expanded, and an upgraded version of BLIK was introduced, featuring a mechanism for payments via trusted websites without the use of a code. Customers were provided with a more user-friendly application and new features such as an option to log in with a fingerprint. Finally, payment card management functionality was introduced, including push alerts and an option to stop the card.

The scope of products available online was extended to include a consolidation loan and an insurance package. A new mailbox was set up in the internet banking platform, and dedicated forms were made available to provide after-sales support for credit facilities. Furthermore, online sales of personal and business accounts were optimised to improve customer experience, as was the process of setting up an account for retail and SME customers and website navigation. The bank completed the first stage of integration between internet banking and CRM, as a result of which customers can now receive messages in an e-banking mailbox. The next stages of the ongoing projects were implemented, including application of additional anti-fraud mechanisms in the online platform.

### **CRM Development Programme**

As part of the CRM development programme, a new functionality was implemented to enable direct dispatch of pre-defined text messages and e-mails from the CRM system to customers to ensure they are kept up-to-date and provided with tailored products and services. The features of the customer advisor's calendar in NEOCRM+ were upgraded to ensure even more effective organisation of work. Customer advisors were provided with a wide range of offers for customers which are generated daily, monthly or on-line. Advanced analytical models used by the bank help to tailor the products and services to particular customers' needs.

Work is well under way to provide customers with personalised solutions and first-class end-to-end support.

### Development of iBiznes24 Platform

The purpose of the above programme is to transform the iBiznes24 platform into a leading platform for corporate customers. To that end, three applications are being currently developed: iBiznes24 internet, iBiznes24 mobile and iBiznes24 connect.

In Q2 2017, changes were introduced to enhance security and improve the layout of e-requests available in the internet banking platform.

### Development of Insurance (4SURE)

The strategic programme called 4Sure was launched to support the development of insurance products in line with the Insurance Strategy 2016+. The objective of the programme is to:

- Increase penetration of insurance products among retail and SME customers;
- Increase the share of sales via digital channels;
- Improve customer satisfaction with insurance solutions;
- Increase income within a three-year horizon.

## Strategy of Santander Consumer Bank

The key strategic goal of Santander Consumer Bank for 2017-2019 is to strengthen the position and image of the bank as an innovative, secure and customer-friendly financial institution with a strong capital base, structure and corporate culture harmonised with Santander Group and a leading position in the consumer finance market. The strategy of SCB can be summarised as follows:

#### Car finance

- Improve the range of products and services and achieve a dynamic growth of the lease business
- Ensure a stable growth in the volume of new car finance by increasing the number of active dealers
- Achieve a dynamic growth in the volume of second hand car finance through remote distribution channels and a dedicated sales network
- Acquire new partners and continue the cooperation with PSA companies

#### Consumer finance

- Maintain high volume of cash loans and expand the range of products and services for new profile customers
- Ensure a stable volume of instalment loans, while reducing the share of sales in lower profitability channels
- Develop online sales of cash loans and instalment loans
- Increase sales of co-branded cards to new customers
- Develop mobile payments and e-commerce solutions
- Enter the DIY sector with the instalment loan proposition
- Develop digital business

#### Funding sources

- Ensure a stable deposit base
- Finance working capital requirements through the issue of own securities and securitisation
- Ensure a diversified structure of funding
- Maintain LCR > 100%

#### IT and operations

- Provide IT support for development of distribution channels, in particular remote ones
- Develop infrastructure and mobile technologies
- Optimise and streamline processes

#### Risk, cost and financial management and other areas

- Maintain stable risk level, including steady non-performing loans ratio and high provision coverage ratio
- Achieve operational excellence: optimise branch structure, relocate the Contact Centre, review the scope of control
- Deliver the digitisation project in the following areas: DIGI business, DIGI process, DIGI support
- Monitor key profitability and growth indicators
- Maintain secure capital position in line with the CRR and regulatory requirements



# V. Human Resources

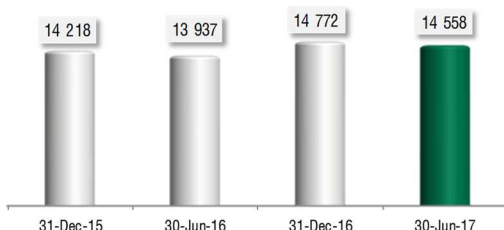
## 1. Human Resources Management

### Human Resources

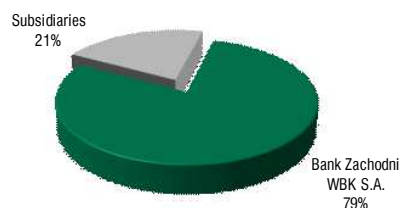
As at 30 June 2017, the number of FTEs in Bank Zachodni WBK Group was 14,558 vs. 14,772 as at 31 December 2016. These headcount figures include 11,516 FTEs of Bank Zachodni WBK (11,733 as at 31 December 2016) and 2,631 FTEs of SCB Group (2,637 as at 31 December 2016).

The decrease in employment levels in H1 2017 is attributable mainly to the ongoing transformation of Bank Zachodni WBK business model with a view to increasing the share of new technologies and remote customer contact channels in order to better suit customer needs. All changes were based on natural staff turnover to the largest possible extent and took account of business needs and prevailing market conditions.

Employment in BZ WBK Group in Years 2015-2017 (in FTEs)



Employment Structure in BZ WBK Group as at 30.06.2017



### Human Resources Management Strategy

The key focus of the Human Resources Management Strategy adopted by Bank Zachodni WBK and updated in early 2017 is the cultural transformation led by the Business Partnership Division, which is the foundation for each and every change that takes place across the bank. The aim of the strategic measures is to position Bank Zachodni WBK as the best commercial bank in Poland.

BZ WBK Human Resources Management Strategy is based on four pillars:

Leadership through values and behaviours	Employer branding	Engagement	Development
<ul style="list-style-type: none"> <li>Team leaders actively collaborate, support people, talk straight, truly listen, show respect, keep promises, embrace change and bring passion.</li> <li>They build up their skills in line with the bank's Management Competency Model so as to lead and develop their teams and deliver on the business objectives in an even more effective way.</li> </ul>	<ul style="list-style-type: none"> <li>The employer branding initiatives are aimed at ensuring a steady inflow of talented people to Bank Zachodni WBK.</li> <li>The model for recruitment and induction of new employees will be adapted to the changing environment.</li> </ul>	<ul style="list-style-type: none"> <li>The bank is committed to increasing the engagement of its employees by catering to their needs on each stage of their professional life.</li> <li>The processes connected with recruitment, induction, development, training and termination of employment are improved on an ongoing basis.</li> <li>An engagement survey is held each year to examine the level of employee engagement, identify trends and accelerate improvements.</li> </ul>	<ul style="list-style-type: none"> <li>The bank focuses on training and development initiatives for experts and managers (such as management by objectives, 270° and 360° surveys, development options ('cafeteria scheme'), talent management programmes and training activities).</li> </ul>

## **New Approach to Performance Management**

### **Objectives Management**

In January 2017, a new objectives management process was put in place to support staff development and promote behaviours in accordance with the Simple | Personal | Fair values. The new model requires active involvement from the staff, right at the time of setting the annual objectives and actions to deliver them. At the same time, it allows for greater flexibility as the objectives can be modified along the way. The process is fully supported by the new integrated HRup! system and facilitates the communication between employees and their line managers owing to more frequent meetings and regular feedback. The launch of the new process and the IT tool was preceded by extensive preparations, as part of which workshops were held for all the bank's executives.

### **Feedback Gathering Tool**

In Q1 2017, the 360° feedback survey was carried out to analyse the management skills of all the bank's executives and the behaviours related to the Simple | Personal | Fair values. The process was delivered in the HRup! talent management system. In H2 2017, a 270° feedback survey is planned to be launched for specialists and experts.

## **New BZ WBK Group Remuneration Policy**

Pursuant to the Resolutions of the bank's Management Board (74/2017 of 20 April 2017) and the Supervisory Board (41/2017 of 17 May 2017), a new BZ WBK Group Remuneration Policy was introduced. The policy covers all employees of the bank and its subsidiaries, inclusive of executives and members of the Management Board. The policy is consistent with the remuneration policy of Santander Group, the EBA guidelines on sound remuneration policies (EBA/GL/2015/22) and the Regulation of the Minister of Economic Development and Finance of 6 March 2017 on the risk management system and the internal control system, remuneration policy and detailed method of internal capital estimation in banks (Journal of Laws of 6 March 2017, item 637).

The new policy covers bonus regulations for sales staff, identification and bonus regulations for material risk takers, remuneration for employees of control units, and the application of malus clauses (identification, assessment and ex-post risk adjustment to variable remuneration payable to material risk takers).

## **"Performance Shares" Incentive Programme**

### **End of the 5th "Performance Shares" Incentive Programme**

As the criteria for granting awards under the three-year 5th Incentive Programme for 2014-2016 had been satisfied, the Annual General Meeting of Shareholders of Bank Zachodni WBK held on 17 May 2017 decided to increase the bank's share capital by way of issuing M series bearer shares without pre-emptive rights. Between 19 May and 20 June 2017, the bank made a private subscription of M series shares and allotted 98,947 shares to eligible programme participants.

### **Start of the 6th "Performance Shares" Incentive Programme**

The Annual General Meeting of 17 May 2017 launched the sixth edition of the three-year incentive programme for the employees of the bank and the subsidiaries that have a key contribution to the value of the organisation. The main objective of the programme is to strengthen the relationship with and motivate the top-performing executives.

The Incentive Programme covers no more than 250 key employees of Bank Zachodni WBK Group indicated by the Management Board and approved by the Supervisory Board, inclusive of all the Management Board members. The participants include a specific group of material risk takers (identified participants) to whom separate vesting criteria apply. For the purpose of the programme, the bank will issue up to 250,000 performance shares.

Having executed an agreement with the bank and satisfied the vesting criteria set out therein, the participants will be eligible to subscribe for and acquire a definite number of the bank's shares at the nominal value of PLN 10 each. The award and its amount depends on the satisfaction of the economic criteria, i.e. the level of the compound annual growth rate of PAT and the annual average RoRWA in 2017-2019. The award for the identified participants is granted at the time of execution of an agreement and is either retained or reduced on the basis of the analysis of the economic (PAT growth rate, RoRWA) and qualitative criteria (customer satisfaction, employee engagement) in the consecutive years of the programme.

## 2. Development and Training

The Business Partnership Division provides development programmes and business training to support the development of employees and executives and contribute to the delivery of the bank's strategic goals and key business projects.

### Induction, Development and Talent Management Programmes

#### Induction Programme

On 15 February 2017, the bank launched a revised induction programme for new employees of the branch network. New recruits are now inducted into their roles with the support of managers from branches/regions and a team of dedicated coordinators.

#### Development Programmes

##### *“Directions of SME Advisor Development” Programme*

The objective of the “Directions of SME Advisor Development” Programme is to offer development opportunities to branch staff. As part of the programme, the employees are trained to take up the role of a business advisor, SME advisor or senior SME advisor.

##### *Programme for the Newly Appointed Managers*

In March 2017, the bank launched another edition of the programme for the newly appointed managers. The programme was delivered through standard and remote workshops as well as e-learning sessions. The process of induction into the manager's role involves the HR Business Partners, line managers and local professional mentors.

#### Talent Management Programmes

Bank Zachodni WBK continues its talent management programmes:

- “Become a Branch Director” – a programme aimed at specialists with experience in sales (customer advisors) and the potential for team management;
- “Leaders Team Management in Branch Network” – a programme targeted at managers with experience in sales staff management and the potential for management of dispersed sales teams.

“Become an Advisor with a Customer Portfolio”, a programme addressed to personal customer advisors, is planned to be launched in October 2017.

### Training Activity

In H1 2017, the number of registered attendees totalled 80k across the bank with 11.5% participating in workshops and the remainder in remote training.

Training activities for the branch network were focused on development of staff knowledge and skills in the following areas: insurance, deposit and investment products, trade finance, lending to farmers, credit facilities, sales (including sales by phone and business negotiations), quality of customer service, first aid, prevention of money laundering, and job interviews supporting employer branding (e.g. adopted to the profile of the candidates' generation).

Training initiatives for the Business Support Centre were delivered in two streams, i.e.

- Training required by law and supporting the strategic initiatives of the bank, including safety at work, first aid, security, changes in the Civil Code, prevention of money laundering, Personal Data Protection Act and Payment Services Act.
- Training supporting individual needs of particular divisions, including communication, use of professional tools, risk analysis, audit, expertise and interpersonal skills development.

The bank's top performing employees (based on the 2016 evaluation process) were the target of special development initiatives as a reward for their work input and commitment. In H1 2017, they participated in meetings with heads of their Divisions and were presented with individual development schemes to be executed in H2 2017.

## VI. Business Development

### 1. Bank Zachodni WBK and Selected Subsidiaries

#### 1.1. Retail Banking Division

##### Key Activities

BZ WBK Retail Banking provides services to more than four million personal customers who are assigned to Standard, Premium, VIP and Private Banking segments, which differ in terms of personalisation of products and services.

The main strategic objectives of Retail Banking development in 2017 were as follows: to increase customer loyalty based on the strength of relationship and satisfaction with banking services, to optimise product range in line with the transparency and profitability criteria, to promote remote channels among personal customers and to increase the value of consumer loans and fee income, particularly from the sales of investment products and services.

As part of the Multichannel CRM Programme, using the analytical and operational and front-end tools implemented in previous periods, in H1 2017, the bank started cross-channel event-based campaigns, managed in near-real time. The tools enable users to identify selected events connected with customers' products and transactions and to respond immediately to them. The mechanisms applied ensure that customers' needs can be satisfied as they emerge. In addition, they increase security of the bank's products and services (on account of, among others, contact scenarios based on unusual customer behaviour).

In the reporting period, the bank continued the New Distribution Model project, which includes creation of new models of the bank's branches as well as development and adaptation of branch employees' skills to modified roles and operating concepts. The key focus of the project was to extend the fully integrated system of branch banking and the Multichannel Communication Centre to include ATMs, online banking and SMS-banking.

##### Personal Accounts and Bundled Products

###### Personal Accounts

In H1 2017, a range of special offers were launched to encourage customers to open an account with Bank Zachodni WBK (a special offer for students, a promotional campaign "Active 50+ Account with Nordic Walking" ("Konto Aktywni 50+ z Nordic Walking"), a sales campaign of Account Worth Recommending (Konto Godne Polecenia) and 1|2|3 Current Account (Konto 1|2|3) with a debit card available via electronic banking). A referral programme was launched – "Recommend the Bank" ("Polecaj Bank"), whose scope covers the bank's key products (a card, a personal account and a business account), and which awards both the recommender and the customer acquired.

The personal accounts portfolio in PLN increased by 3.7% YoY to 3.2 million accounts. Together with FX accounts, the personal accounts base stands at nearly 4 million accounts, up 3.2% YoY. The key sales driver was the Account Worth Recommending, which paid interest on the deposited funds, the Account<20 (Konto<20) for young customers, the 1|2|3 Current Account, which allowed its holders to obtain refund of a part of the bills paid, and the FX Account24 (Konto24) in EUR.

###### Debit Cards

The transparent offer of the bank's debit cards allows customers to manage card parameters on their own using remote channels. On 3 June 2017, self-service options available to the users of BZWBK24 Internet and BZWBK24 mobile were extended to include the functionality of blocking and activating debit and credit cards of Bank Zachodni WBK.

As at the end of June 2017, the personal debit card portfolio of Bank Zachodni WBK (excluding 500k prepaid cards which are being gradually withdrawn from the offer) comprised nearly 3.3m cards and increased by 4.0% YoY. Taking business cards into account, the total number of debit cards reached 3.5m, up 4.1% YoY.

## Accompanying Services

In view of a growing share of non-residents in the BZ WBK customer base, in particular customers from Ukraine, the bank prepared marketing materials and regulations in the Ukrainian language. Customer advisors were provided with a dedicated website with information and materials about services for non-residents. In addition, on 1 June 2017, the Multichannel Communication Centre started phone service in Ukrainian.

## Savings and Investment Products

### Retail Deposits Management

In H1 2017, deposit products management was focused on strengthening the relationships with deposit customers and optimising the Group's investment and deposit base structure to ensure a higher share of current account balances.

Bank Zachodni WBK continued its policy to reward active customers. To this end, the bank launched the third edition of the "Active Deposit" ("Aktywny Depozyt") campaign with interest on savings accounts automatically linked with the volume of online and debit card transactions. The bank also modified the terms of the Bonus Deposit (Lokata Bonusowa), which paid relatively high interest on condition of active use of other banking products (e.g. credit cards or insurance products) and continued to offer the e-Investor Deposit (e-Inwestor) via Internet banking to holders of investment products.

New funds were acquired on the back of a 12-month deposit (available until mid January 2017), and the new Max Savings Account (Konto Max Oszczędnościowe) introduced in March, which paid attractive interest over a defined period.

Deposit retention was facilitated by negotiated deposits and the centralised retention process, using term deposits and savings accounts.

### Structured Products

In H1 2017, the bank continued to sell structured deposits with a wide variety of tenors and underlying instruments to suit customers' needs. The bank offered 12-, 18- and 24-month deposits with yields linked to exchange rates (EUR/PLN, USD/PLN and EUR/USD) or stock indices (SX5E, SXDP, NDX) and quotations of investment funds (SPDR® S&P® Metals and Mining and SPDR® Gold Shares), providing 100% capital protection at maturity. The bank offered 51 products in the total of 26 subscriptions, including 24 subscriptions for standard personal customers and 2 subscriptions for Private Banking customers.

In all, PLN 302.7m worth of funds were collected as a result of the aforementioned subscriptions.

### Brokerage Products

In H1 2017, BZ WBK Brokerage House focused on offering investment advice products and promoting access to foreign financial markets. These actions will be continued as the bank aspires to be a market leader in terms of the offer for customers investing in foreign shares and other investment instruments.

As part of the measures aimed at simplification of the product portfolio and its adaptation to customer expectations certain less attractive products were removed and changes were made to the Schedule of Fees and Charges. The model of product distribution through physical branches was also revised. In subsequent periods, the number of service branches will be right-sized to match customer needs and new technological solutions will be implemented so that the Brokerage House can increase its market share and make its product range more attractive.

In H1 2017, the Brokerage House took part in several IPOs with a share of more than 20%. It fully leveraged the buoyant stock market and generated strong income from brokerage fees. The Brokerage House also received the Warsaw Stock Exchange Award in the category "Stockbroking Customer" for the highest volume of option transactions in 2016 (36% market share).

### Retail Deposit Base

As at 30 June 2017, deposits from retail customers were PLN 64,7bn, up 5.5% YoY as the total balance in current accounts and savings accounts increased by 13.2% YoY. The increase in savings accounts observed since March 2017 is a result of a new edition of the Max Savings Account in PLN, which attracted more than PLN 0.8bn in new money. As regards term deposits, the highest sales were achieved on the back of negotiated deposits from VIP and Private Banking customers, and a deposit (eLokata) available only in BZWBK24 Internet and mobile banking.

## Investment Funds

### *Investment Funds on Offer*

In H1 2017, a number of updates were made to the prospectuses and/or Statutes of Arka investment funds due to changes in e.g. selected elements of the investment policy (e.g. Arka Prestiż Gotówkowy and Arka BZ WBK Gotówkowy sub-funds), service solutions for investors in open-end funds (Arka BZ WBK FIO), calculation of investment value per participant (Arka Prestiż SFIO), asset valuation methods and rules (e.g. for Arka BZ WBK Akcji Środkowej i Wschodniej Europy, Arka Prestiż SFIO), liquidation method (Arka BZ WBK Akcji Środkowej i Wschodniej Europy) and other elements.

The availability of Arka funds was increased as a result of reduced limits for initial payments for participation units in Arka Prestiż SFIO and Arka Platinum subfunds as part of Arka BZ WBK FIO.

### *Investment Funds in Remote Channels*

Since January 2017, Arka investment funds may be purchased via telephone, in line with the strategy to increase sales in remote channels. In H1 2017, net sales of Arka funds via telephone and Internet accounted for 64% of total sales delivered by Bank Zachodni WBK.

Since March 2017, customers may check information about Arka funds in social media.

### *Sales of Investment Funds*

In H1 2017, BZ WBK TFI was one of the sales leaders in the market of mutual funds. Corporate bond subfunds continued to be the most popular products among customers, followed by equity subfunds (particularly Polish equities subfunds), which in turn were ahead of mixed funds. As a result, the highest increase in assets was reported by the following subfunds: Arka Prestiż Obligacji Korporacyjnych, Arka BZ WBK Obligacji Korporacyjnych, Arka Prestiż Akcji Polskich and Arka BZ WBK Akcji Polskich.

The change in the structure of net sales, compared with the previous year, resulted from strong performance of equity subfunds (in particular Arka Prestiż Akcji Polskich) supported by favourable trends in the stock markets.

As at 30 June 2017, the total net assets in mutual funds managed by BZ WBK TFI were PLN 14.9bn and up 15.6% YoY and 11.1% Ytd.

## Lending Proposition

### Cash Loans

In H1 2017, Bank Zachodni WBK increased the attractiveness of its cash loans by introducing the following solutions: a variable interest rate for loans with tenors exceeding 24 months; a minimum fixed interest rate of 4.99% for loans ranging from PLN 4k to PLN 15k; a promotional fee for loans complete with insurance (Spokojny Kredyt) or loans up to PLN 4k obtained via the BZWBK24 electronic banking.

In March 2017, the bank modified the terms of consolidation loans by extending the lending period above 72 months for the bank's customers. In Q2 2017, a marketing campaign was run (with TV spots, posters and the Internet) for a "Zero gravity" ("Zero ciężenia") loan whose purpose was to transfer and consolidate credit obligations. The campaign was supported by a special offer with 0% fee on the value of obligations transferred.

The six-month cash loan sales were more than PLN 2.1bn, growing by 3.1% YoY. In March 2017, the bank reported a record-breaking monthly sales value of more than PLN 407m. The fastest growing distribution channels in terms of sales were the BZWBK24 electronic banking tool (+73% YoY) and the Multichannel Communication Centre (49% YoY). Remote channels accounted for 20% of cash loan sales in H1 2017.

The cash loan portfolio was up 5.8% YoY and totalled PLN 7.4bn.

### Mortgage Loans

Pursuant to Recommendation S issued by KNF, in 2017 the minimum downpayment for mortgage loans was increased to 20%. The bank accepts a lower downpayment (min. 10%) on condition of taking out a payment protection insurance from PZU in relation to home loans with an LTV above 80%.

In response to customers' needs, in February 2017 the terms of self-build mortgage loans were modified to increase their availability and facilitate credit application processing.

Bank Zachodni WBK took further measures to assist mortgage borrowers, including:

- It provided support to customers with CHF mortgage loans by:
  - ✓ applying a negative CHF LIBOR interest rate;
  - ✓ reducing the currency spread to 2% for CHF;
  - ✓ providing an opportunity to reduce loan instalments free of charge through an interest-only option, payment holidays or an extension of maturity;
  - ✓ offering loan conversion to PLN at the mean NBP rate with no additional fees charged;
  - ✓ waiving a fee for annexes made in relation to CHF loans.
- It introduced a solution which made it easier for borrowers to sell a mortgaged property with a swap of collateral into a newly purchased property;
- It accepted requests from home loan borrowers under the Act on supporting borrowers in financial distress providing for a financial support of max. PLN 1,500 per month for up to 18 months.

In H1 2017, the value of new mortgage loans totalled PLN 2.7bn, down 7.3% YoY. Most mortgages were sold via own branch network and via local intermediaries. In the reporting period home loans granted under the "Home for the Young" ("Mieszkanie dla Młodych") declined due to the depletion of the pool of funds for subsidies in 2017.

The gross mortgage portfolio grew by 6.3% YoY, reaching PLN 34.4bn as at 30 June 2017. The value of PLN mortgage loans amounted to PLN 22.6bn, up 18.9% YoY.

### Credit Card Portfolio

In H1 2017, the bank took further measures to grow sales and encourage wider use of credit cards:

- The functionality of remote channels was extended in relation to credit cards:
  - New cards were added to the range of cards sold via the BZWBK24 Internet tool: MC 1|2|3, Visa Platinum and World MC (now a full array of credit cards offered by the bank is available in BZWBK24 Internet).
  - New features were added to the BZWBK24 mobile application, including an option to increase the credit card limit, sign up for the Ratio service or conclude a credit card agreement (for MC 1|2|3, Visa Silver Akcja Pajacyk, MasterCard Silver or Visa Platinum cards).
  - In both channels, i.e. BZWBK24 Internet and BZWBK24 mobile, the bank offered the 1|2|3 card on promotional conditions and a functionality of blocking and activating credit (and debit) cards.
- The bank facilitated access to products and services:
  - The limits of respective credit cards were changed.
  - On 20 February 2017, the Balance Transfer service was offered to customers looking to transfer their credit card debt from other banks on attractive terms.
  - The minimum net income requirement for 1|2|3 card was reduced (in line with Mastercard Silver and Visa Silver Akcja Pajacyk cards) along with the waiver of a requirement for automatic minimum payment.
- The process of applying for an additional credit card, such as Visa Silver Akcja Pajacyk, MC Silver or 1|2|3 card was simplified (the process is initiated by the holder of the main card and the card user does not need to be present).
- The bank introduced a series of promotional initiatives, including:
  - Campaigns launched to grow sales of credit cards: a special offer for mass customers called "A welcome PLN 200" ("200 zł na Dzień Dobry") and an offer for VIP and Private Banking customers called "Suitcase with a credit card" ("Walizka do karty kredytowej"); the second edition of the CashBack offer under which active credit card holders were rewarded with a partial refund of a fee;
  - A new loyalty programme called Priceless Specials launched by Mastercard for holders of World MasterCard cards in January 2017, encouraging active use of the card with partners and online;
  - Promotional campaigns: "Holidays with a Credit Card" ("Wakacje z Kartą Kredytową") for existing and new customers and "Card for the Start" ("Karta na start"), whereby a MasterCard Silver card is offered on special terms to the customers who apply for their first credit card.

As at 30 June 2017, the credit card portfolio of Bank Zachodni WBK comprised 786.8k cards, an increase of 3.4% YoY.

## Bancassurance

### Insurance Offer

Following implementation of Recommendation U in March 2015, Bank Zachodni WBK has offered all insurance products in an individual model, acting as an agent of BZ WBK-Aviva TUO and BZ WBK-Aviva TUŻ.

The bank's insurance offer includes products linked with the bank's credit facilities for retail and business customers and non-linked products such as Family Care (Opiekun Rodziny) life insurance, Locum home insurance, Partner in Business and Partner in Business Plus (Partner w Biznesie, Partner w Biznesie Plus) property and liability insurance and Onkopolisa (cancer insurance). In H1 2017, the catalogue of non-linked products was expanded to include Plan B – unemployment insurance available only via the Multichannel Communication Centre.

In 2017, the bank started a three-year strategic programme 4Sure, which is designed to increase penetration of insurance products among retail and SME customers, increase customer satisfaction and loyalty, stimulate digitisation of insurance processes, grow the share of digital channels in insurance sales and expand the product proposition.

### Insurance Sales

H1 2017 saw a steady increase in insurance sales, both in terms of policies linked with bank products and non-linked policies. As a result of strong credit delivery, in May the sales of insurance linked with the cash loan (CPI cash loan insurance – Spokojny Kredyt) were at their highest level in months. The sales of non-linked insurance policies in H1 2017 were also record-breaking.

In H1 2017, bancassurance income was mainly driven by linked products such as the package of cash loan insurance (Spokojny Kredyt), an insurance package for business borrowers (Biznes Gwarant), a package of debit card insurance Safe Money (Pewne Pieniądze) and non-linked products (Opiekun Rodziny, Locum and Onkopolisa).

## Services to Financial Institutions

Bank Zachodni WBK is a major outsourcing service provider for banks and financial institutions in Poland, mainly with regard to card personalisation, issuance and handling and ATM network management. Drawing on its own experience, the bank continues to adapt its products and functionalities to suit the requirements of its customers and gradually expands its offering, ensuring it is highly innovative. The latest services provided by the bank include, among other things, 3D Secure service, Visa and MasterCard tokenization solutions, Android Pay service and cash deposit machines.

In total, as at the end of June 2017, Bank Zachodni WBK provided outsourcing services to more than ten banks and several other financial institutions operating in Poland and abroad. The cooperation was extended in H1 to include Android Pay services, webservice for mobile and electronic banking, 3D Secure – authorisation of card-not-present transactions and DCC services for five new currencies (CZK, CNY, RUB, TRY and RON). The bank managed a network of 559 third-party ATMs and its systems handled more than 3 million Visa/MasterCard cards for third party institutions.



## 1.2. SME Banking

### Main Directions

The strategy of the SME Banking Division is to support the business expansion of small and medium-sized companies based on the following three pillars: top quality customer services provided through the network of qualified branch advisors and robust remote communication channels, building loyalty and long-term relationships with customers and simple but distinctive products with additional non-financial services.

The SME segment includes 299 thousand business customers with an annual turnover of less than PLN 40m. The SME Banking Division modified the internal segmentation rules and services for SME customers and changed the organisational structure accordingly.

In addition to the existing SME segments, i.e. mass customers (SME I) and customers with a higher turnover and more complex requirements (SME II), a process of setting up a digital segment was initiated in early 2017 (SME Digital). In order to facilitate multichannel access to SME products and services, the SME Digital Customer Office was established to manage remote communication with customers. Furthermore, the scope of operations performed by the SME Service Centre was extended and a project was launched to create a virtual branch for SME customers in the Multichannel Communication Centre. The above measures enable the bank to steadily release the resources that are needed to strengthen the relationships with SME customers and to provide them with products and services that even better suit their needs.

In the analysed period, the SME Banking Division focused on increasing the quality of services provided to customers from the upper-end of the segment, i.e. firms with turnover of PLN 5-40m (SME II). Accordingly, new sales structures were set up in the Division to cater for the needs of the most demanding customers from the above-mentioned group. Previously, such structures were located in macroregions (Branch Banking). The newly created SME Sales Area was divided into four regional departments (central, south, west and north) composed of service centres employing around 160 customer advisors in total. Furthermore, a new operational agenda was introduced to focus on customer relationships and an incentive scheme was implemented to support the delivery of targets on the basis of objective business criteria. On top of that, changes were introduced to simplify and streamline credit delivery to customers from the SME II segment, while maintaining high quality of the portfolio.

The bank defined new CRM activities and tools to support the delivery of the strategy. It launched a number of sales initiatives in relation to non-interest products, based on the sale of POS terminals, cross-selling to lease customers, increase in FX transaction volumes and sale of factoring products. The range of products and services was modified in line with customers' expectations.

The ambition of the bank is to become a partner for SME customers by offering advice and a wide array of non-financial services (e.g. support in networking with prospective counterparties and investors, industry insight, specialist workshops and training).

### Product Range Development

#### Credit Facilities for SME Customers

In June 2017, Bank Zachodni WBK signed a guarantee agreement with the European Investment Bank (EIB), under which a Business Express EIB loan (Biznes Ekspres EBI) will be offered to SME customers at a lower margin. The facility may be used to finance working capital needs and investments up to PLN 500k for the period of 5 years, without the need to state the purpose of the loan.

Bank Zachodni WBK provides comprehensive credit services to SME customers both in branches and remote channels. Starting from 2017, the bank's customers may sign up for a Business Express EIB loan of up to PLN 50k over telephone, with funds disbursed to their account, without the need to provide collateral or leave their office. External customers who apply for a loan of up to PLN 50k online are informed about a credit decision within 15 minutes. Other enhancements to the credit process introduced in H1 2017 included the following:

- ✓ increase in the level of debt (all the existing and sought mortgage-backed loans) requiring a customer to submit a valuation report to PLN 500k (20 February 2017);
- ✓ introduction of a new simplified credit application form for SME customers in relation to all credit facilities (20 March 2017).

In May 2017, the range of products and services was extended to include a multiline which combines credit facilities (overdraft, working capital loan) with credit and settlement services (guarantees and letters of credit) under one agreement. The benefits include fewer formal requirements (one loan agreement for a number of products), one-off cost of collateral establishment and access to a wide array of facilities in various currencies as part of the available limit.

### **Other products and services**

Importers and exporters may benefit from a wider scope of FX transaction services available in electronic banking channels, in particular from a simplified process of opening accounts in non-standard currencies. They were also provided with access to the Santander Trade Network, a unique service which facilitates the international expansion.

On 1 March 2017, the range of products and services was extended to include Visa Business BZ WBK card dedicated to customers who make frequent payments and cash withdrawals abroad and look for comfort and additional benefits such as access to VIP airport lounges or Visa Luxury Hotel Collection programme.

The functionality of iBiznes24 internet was upgraded by implementing a cash module that helps SME customers to manage their cash in a more convenient way under the agreement for sealed cash deposits and withdrawals. Customers can now remotely order or cancel such services as cash transport, bank confirmation of cash deposit, review of cash counting reports and status of cash deposits.

In H1 2017, under the “Business Evolution” project (“Firmowe Ewolucje”), the bank held another series of local training sessions and workshops for small and medium enterprises across Poland. The meetings focus on such issues as: succession planning, foreign trade, EU funds, taxes, recruitment, HR management, funding and financial management. 247 workshops were held across Poland by the end of June.

### **Participation in BGK Guarantee Programmes**

As of the end of January 2017, Bank Gospodarstwa Krajowego (BGK) completed the Guarantee Fund project delivered under the Innovative Economy Operational Programme (FG POIG). Bank Zachodni WBK was ranked first among ten participating banks in terms of sales of de minimis guarantees distributed by BGK under the above government scheme. It also maintained the second position in terms of the number and value of de minimis and COSME guarantees distributed by BGK.

## **Leasing Business**

### **Merger of Leasing Companies**

In order to simplify the business model and provide access to comprehensive finance and lease services with one company, BZ WBK Leasing merged with BZ WBK Lease. A relevant entry to the National Court Register (KRS) was made on 28 February 2017. Accordingly, BZ WBK Leasing, an acquiring company, assumed all rights and obligations of BZ WBK Lease, an acquired company, which was removed from the National Court Register without formal liquidation.

The share capital of BZ WBK Leasing was increased by PLN 41.4m through the issuance of 414,480 ordinary registered merger shares with a nominal value of PLN 100 each.

BZ WBK Leasing is now a universal lessor which offers financing for a wide range of assets to SME, corporate and large corporate customers. The company specialises in the lease of machines and equipment, property and vehicles. The basic products and services are complemented by insurance packages and fuel cards.

### **Lease Products and Services**

In H1 2017, BZ WBK Leasing launched a new product called Truck Assistance – insurance for trucks and trailers, offering a wide coverage for breakdowns, accidents or immobilisation. The parameters of Autoleasing were modified such that customers may apply for financing of max PLN 150k net for new or second-hand cars or vans up to 3.5 tonnes. In June 2017, the company was awarded in the “Portfele Wprost 2017” competition in recognition of “Autoleasing” as the best leasing offer.

Pursuant to a guarantee agreement between Bank Zachodni WBK and the European Investment Bank (EIB), BZ WBK Leasing will provide additional funding for investments in small and medium-sized companies on attractive terms.

Since May 2017, all new and existing customers of BZ WBK Leasing may use the eBOK24 customer service portal which provides 24/7 access to the customers’ agreements, balances and documents.

## Fixed Asset Financing

In H1 2017, BZ WBK Leasing financed fixed assets of more than PLN 2.0bn, achieving record high six-month sales. The company reinforced its leadership position in the market of machines and equipment, financing assets of more than PLN 930m net (up 14% YoY). The sales in the agriculture segment went up by 22% YoY to PLN 350m net.

## 1.3. Business and Corporate Banking Division

### Main Directions

The Business and Corporate Banking Division provides services to business customers with a turnover of more than PLN 40m and a credit exposure exceeding PLN 5m. The customer base was divided into three basic segments by turnover volume: corporate segment, large corporate segment and property finance segment.

As at the end of June 2017, the Business and Corporate Banking Division provided services to a customer base of 8.5 thousand entities from across all business sectors, supporting them in building and growing their business. Corporate bankers together with credit partners and product specialists delivered tailor-made solutions to these customers and comprehensive services in the area of loans, deposits, transactional banking, treasury, leasing, factoring and capital markets.

The development initiatives launched in the previous periods were continued in 2017 with a focus on such areas as: a foreign trade development programme, products and services for the agriculture sector, digital banking, service quality, human resources and efficiency. The bank also gave priority to the development of its electronic banking channels for corporate customers.

### Products and Services for Strategic Sectors

In H1 2017, Bank Zachodni WBK developed comprehensive products and services for sectors identified as strategic, in line with specific needs and profiles of related production chain companies. This approach is based on the bank's experience of servicing the food and agri sector, the first industry of strategic importance to the bank.

The development of the Strategic Sectors Department was further continued to build up the bank's competence in the selected sectors. A team was being formed to improve the bank's position through the participation in industry events in Poland and abroad (Food Show, AutoEvent, Hannover Messe), presence in the industry media (press, Internet, linkedin), preparation of reports and analyses for the bank's customers and specialist training for employees.

### Export Development Programme

In June 2017, the bank completed the 5th edition of the Export Development Programme, which has been run in cooperation with partners (KUKE, Bisnode, KPMG) for several years now. The purpose of the programme is to help Polish importers and exporters to expand internationally. The participants may benefit from the know-how and international experience of institutions cooperating with the bank, business professionals and local entrepreneurs and get to know the solutions and tools that facilitate the search for prospective business partners in foreign markets. With an active involvement of the public administration, including the Ministry of Economic Development, companies can learn about the government support schemes and solutions offered by foreign trade organisations (e.g. the newly established Foreign Trade Offices).

The 5th edition of the programme included 12 meetings across Poland which were attended by 200 companies interested in business expansion to new markets. The meetings focused on the selected markets such as Spain, the UK, Germany and China. The speakers included representatives of banks from Santander Group and experts from various countries (e.g. KPMG UK) who shared information about the business environment and prospects for the Polish exports and investments.

As part of the programme, the bank organised trade missions in cooperation with Santander Group banks. In H1 2017, a trade mission to Mexico took place, which provided good networking opportunities for Polish companies.

In the last edition of the programme, Bank Zachodni WBK presented an innovative solution, i.e. the Santander Trade Network platform, which facilitates the arrangement of meetings with prospective trade partners from six markets in which Santander Group operates (Germany, the UK, Spain, Mexico, Chile and China). By the end of 2017, the platform will cover 14 markets. BZ WBK customers sent their first RFPs and arranged meetings with their potential counterparties operating in the Santander Group's markets.

## Product Range Development

In H1 2017, the range of products and services was expanded to include guarantees issued for an indefinite period, where the expiry of the guarantor's liability is hard or impossible to define. Since June 2017, corporate customers may also opt for financing on attractive terms under a EUR 600m worth of guarantee agreement with the European Investment Bank. Furthermore, as part of the global initiative of Santander Group, the bank launched charge cards for International Desk customers with formalities kept to a minimum.

The bank also continued to implement new product and functional solution in electronic and telephone channels, while ensuring the security of banking.

- In June 2017, new forms of customer identification over telephone were introduced in the Business Service Centre in Wrocław. Bank Zachodni WBK is the first bank in Poland to offer innovative solutions to corporate customers such as identification by phone number or voice biometrics.
- As part of digitalisation of distribution channels, new services were provided to users of the iBiznes24 internet platform (such as new features in the cards and trade finance modules and an opportunity to draw down and repay an FX revolving loan).
- The functionality of the iBiznes24 mobile application was improved in terms of operations related to several companies, and new features were introduced such as an option to log in via Touch ID on iOS devices. New solutions were also introduced to enhance the security of operations with Android devices.
- The scope of urgent and express FX payments available in iBiznes24 was extended to include 10 new currencies: CAD, CHF, CZK, DKK, HUF, MXN, NOK, RON, SEK, TRY.
- In April 2017, users of iBiznes24 were provided with an option to define best EU programmes in the 2014-2020 perspective, a first solution of this kind available in the banking market. The "Subsidy for Your Company" ("Dotacja dla Twojej Firmy") was designed in cooperation with Crido Taxand, a company specialising in EU subsidies. It is yet another solution offered to iBiznes24 users as part of development of an unparalleled electronic banking system.

## Factoring Business

The range of products and services offered by BZ WBK Faktor includes recourse and non-recourse factoring, domestic and foreign reverse factoring and confirming. The company provides services to customers from the SME, Business and Corporate Banking and Global Corporate Banking segments.

In H1 2017, the turnover of BZ WBK Faktor came in at PLN 11.1bn, up 26.9% YoY. This gave the company a market share of 13% and second position in the ranking of members of the Polish Association of Factoring Companies. As at the end of June 2017, the company's credit exposure was PLN 3.6bn, higher by 16.3% YoY.

## 1.4. Global Corporate Banking Division

### Main Development Directions

The ambition of Bank Zachodni WBK is to become a bank of choice for the largest corporate customers with an unparalleled investment offering. To that end, the Global Corporate Banking Division puts the customer at the heart of the business, trying to suit their needs and enhance their experience with the bank, while focusing on service quality, market position and staff development. Customer excellence is to be achieved through the customisation, digitisation and diversification of products and services. The market position will be strengthened through an above-average business growth, whereas staff development will be supported by the recruitment and talent management system in accordance with the Group's values.

In H1 2017, the Global Corporate Banking Division provided an end-to-end support to the largest corporate customers of Bank Zachodni WBK and rendered services to corporations under the global GCB framework of Santander Group. As at 30 June 2017, the active GCB customer base included nearly 250 of the largest companies and groups (allocated to that segment based on the turnover) representing all economic sectors in Poland.

The GCB Division has a comprehensive proposal covering a wide range of products and services, including transactional banking, working capital, short-, mid- and long-term financing, guarantees, M&A solutions, liquidity management and custodian services. It also conducted the bank's activity on financial markets and provided specialist financial products (including treasury and capital market offers) to retail and corporate customers.

The GCB Division used the opportunities from the global presence of Santander Group and rendered services to corporations within international GCB structures and cooperated with several Santander Group units (Santander UK, Santander Chile, Santander USA, Santander Mexico and Santander Madrid) on large financing projects for groups of companies. One such undertaking was the bank's participation in the issue of eurobonds for one of the major financial institutions in Poland.

The GCB Division consisted of the following business lines: Global Transactional Banking, Credit Markets, Capital Markets and Financial Markets.

## Global Transactional Banking

Global Transactional Banking (GTB) provided support to customers with respect to their day-to-day business, from financing working capital needs to managing cash. The offer also included trade finance, guarantees, factoring, leasing, custodian services and correspondent banking.

As part of cash management, in H1 2017, the host-to-host service was extended, providing an opportunity for effective exchange of information between the bank and the ERP systems of several dozens companies in total. At the same time, the bank expanded the innovative BLIK electronic cheques for corporate customers of the Global Corporate Banking Division, Business and Corporate Banking Division and SME Banking Division.

As at 30 June 2017, the volume of supply chain finance which supports the core business of GTB customers increased by around one-third compared to the last year as the number of programmes and suppliers went up.

In the reporting period, Global Transactional Banking closed a number of deals in relation to financing, guarantees and trade finance with companies from the automotive, construction, clothing, retail and media sectors.

## Capital and Credit Markets

### Capital Markets

In H1 2017, Capital Markets provided analytical and advisory services to customers and were engaged as a financial/transactional advisor for companies from the property, production, infrastructure, telecommunications, pharmaceutical and services sectors.

Capital Markets also sold shares of companies from the automotive and tourist sectors and raised capital for customers from the property and production sectors in liaison with the bank's Brokerage Office.

The unit managed the JESSICA Programme (Urban Regeneration Fund for Greater Szczecin) under the agreement with the Zachodniopomorskie province.

### Credit Markets

Credit Markets provided funding towards medium and long-term investment projects delivered by GCB customers through loans and debt issue, including in cooperation with other units, both within its Division (e.g. with Global Transactional Banking and Financial Markets) and outside it (e.g. with the Business and Corporate Banking Division).

In the reporting period, Credit Markets closed several financing deals with companies from economically-important sectors such as telecommunications, services, cosmetics and agriculture.

The largest deals completed by Credit Markets in H1 2017 include:

- Participation in the largest financing deal of 2017 with a customer from the telecommunications sector, with the bank acting as the Facility Agent in the transaction;
- Significant loan agreements signed with customers from such sectors as agriculture and services;
- Financing the takeover of a cosmetics manufacturer;
- Issuance of bonds in the Polish market for customers from the services and finance sectors;
- Issuance of eurobonds in the Polish market for a customer from the finance and media sectors.

## Financial Markets

In H1 2017, the Financial Market Transactions Department focused on further development of products and services using the global know-how of Santander Group. The Department joined the global foreign exchange platform and became one of the leaders of the global electronic trading platforms in terms of Polish treasury bonds. The bank climbed up in the ranking of Dealers in Treasury Securities, taking the fourth place.

The Institutional Sales Office acts as an intermediary in the sales of the Group's products in the domestic financial market, in particular government bonds issued by European and South American countries, while developing this business line as complementary services.

In H1 2017, the Treasury Services Department continued an income diversification strategy based on the development of electronic distribution channels. The range of interest rate hedging instruments offered by the bank was extended to include new solutions for lease and factoring customers. The Department also focused on the promotion of foreign exchange instruments to enable customers to hedge currency risk in the long term and thus stabilise their balance sheet positions. It continued to develop distribution channels for treasury products and e-commerce tools in order to increase sales opportunities and customer service quality.

## Institutional Sales

The Institutional Sales Department provided services in relation to trading in securities and derivatives on the WSE and foreign markets. In cooperation with the Capital Markets Department, it offered support to companies with respect to public offerings and private placements and took part in the largest IPO transactions in the local stock market.

In the reporting period, the Stock Market Analysis Department held a conference for entities from the construction sector and organised a number of smaller events for investors, such as the Investor Days.

## 2. Santander Consumer Bank Group

### Profile

Santander Consumer Bank (SCB) is a financial institution with many years of experience and a strong position in the consumer finance sector, which specialises in providing credit facilities to households and businesses, mainly car dealers and importers.

The lending business of SCB is based on the following product groups: car loans, instalment loans, cash loans, consolidation loans, business loans and credit cards. Retail and business deposits and insurance products are also important elements of the bank's product range.

The bank's offer is supplemented with car finance through lease facilities provided by Santander Consumer Multirent, a wholly-owned subsidiary of Santander Consumer Bank, and through lease and factoring solutions offered by PSA Finance Polska, in which Santander Consumer Bank holds a 50% stake. In addition, PSA Consumer Finance Polska, a subsidiary of PSA Finance Polska which is 50% owned indirectly by SCB, provides consumer finance solutions to support car sales.

Other entities controlled by Santander Consumer Bank are: Santander Consumer Finance (investment of cash surpluses and cooperation with BZ WBK and Warta in terms of financial advisory services), SC Poland Consumer 15-1 and SC Poland Consumer 16-1 (SPVs set up for the purpose of securitisation transactions).

### Business Development

#### Strategic Objectives Delivered in H1 2017

The main strategic objective of Santander Consumer Bank Group is to build a modern and secure bank with an effective and consistent organisational structure and a management culture based on the extensive experience of Santander Group. In terms of sales objectives, the Group is looking to maintain its strong position in the consumer and car finance markets.

In the pursuit of H1 2017 objectives, SCB Group:

- Strengthened the business position and perception of SCB Group as a leading institution in the consumer finance market, achieving:
  - ✓ 1st place in the hire purchase market;
  - ✓ 2nd place in terms of growth in the number of credit cards;
  - ✓ 3rd place in the cash loans market;
  - ✓ 3rd place in the car finance market;
- Maintained strong sales of high-margin consumer loans (cash loans and credit cards) and increased the volume of car finance with a growing share of lease solutions in line with a shift in customer preferences;
- Diversified and built up stable sources of funding and optimised its cost in an environment of low interest rates and a changing regulatory regime owing to a steady share of the most stable sources (long-term deposits and securitisation bonds), strong activity on the corporate deposit market and an increase in long-term FX funding using repo transactions;
- Maintained a stable risk level, high provision coverage ratio and steady non-performing loans sales ratio compared with the same period of 2016;
- Ensured a stable level of operating costs (excluding obligatory costs) and improved cost-effectiveness;
- Maintained a solid capital position.

## Development of Products and Services

In the reporting period, SCB expanded its range of products and services by:

- Implementing an instalment loan for farmers and sole traders;
- Launching the sales of a new credit card in partnership with a large chain of DIY stores and extending the cooperation with a key partner from the household appliances sector for another three years;
- Implementing a one-person issuance process for instant credit cards and providing customers with assistance insurance cover linked to credit cards sold in the bank's branches;
- Pursuing the cash loan policy aimed at maximisation of customer relationships and optimisation of product range.
- Launching the sales of cash loans in the customer service points of the selected household appliance stores and DIY chains;
- Offering a banking services package available in three options (services bundled with the loan taken out with the bank);
- Launching a new channel to attract retail deposits, providing customers with an opportunity to manage their term deposits online.

## Core Business Volumes

### *Loans to Customers*

As at 30 June 2017, gross loans and advances granted by Santander Consumer Bank Group amounted to PLN 15.4 bn (excluding intercompany transactions) and were 6% higher YoY due to growth in leases, working capital loans, cash loans and credit card loans. The increase in working capital loans and lease facilities was attributed to the acquisition of shares in PSA Finance Polska – a company offering lease and factoring solutions to car dealers. The growth in the balance of cash loans was achieved due to higher sales supported by an extensive marketing campaign and cross-selling among existing customers.

### *Deposits from Customers*

One of the main funding sources of SCB Group are deposits from customers, which totalled PLN 8.0bn at the end of June 2017 (excluding intercompany transactions) and were broadly flat YoY despite the measures taken to optimise its cost.

Retail deposits are the bulk of the Group's deposit base, and mainly include term deposits with a fixed capitalisation rate at maturity. The remaining portion of the Group's deposit base is made up of business deposits. The bank focuses on the sale of deposits for tenors of one year or more, by offering attractive pricing, particularly on 24-month and 36-month deposits.

In H1 2017, liabilities of SCB Group in respect of debt securities did not change as no securities matured and no issuances were made in this period.

## Key Developments

### *Cooperation with Business Partners*

On 1 March 2017, SCB entered into partnership with one of the largest chains of DIY stores in Poland, as part of which customers are offered instalment loans, credit cards and cash loans. The credit facilities offer is complemented with insurance products.

In April 2017, SCB extended the cooperation with three key partners from the household appliances sector, reinforcing its leadership position in the consumer loans market. As part of the agreement, customers of SCB partners may buy goods and services with instalment loans and credit cards offered by the bank.

### *Sale of Credit Portfolio*

In H1 2017, Santander Consumer Bank sold the written-off portfolio of cash loans, instalment loans, car loans and credit cards of PLN 371.7m.

### *Extension and Amendment of the Securitisation Agreement*

In March 2017, an agreement was signed whereby the current balance of loan agreements securitised by SC Poland Consumer 15-1 was extended by another two years.



### **Liquidation of AKB Marketing Services**

The Extraordinary General Meeting of AKB Marketing Services held on 28 March 2017 approved the liquidation statements of the company as at 27 March 2017. The funds left after the liquidation of AKB Marketing Services were transferred on 28 March 2017 to an account of Santander Consumer Bank, the sole shareholder. The liquidation of the company will become effective once it is struck off the National Court Register (KRS).

### **Reduction of Share Capital of PSA Finance Polska**

Pursuant to the resolution of the General Meeting of PSA Finance Polska of 7 December 2016 re decrease in the company's share capital and voluntary cancellation of shares, on 5 April 2017 SCB sold 30 thousand shares of PSA Finance Polska (representing 10% of share capital) to the latter company for the purpose of cancellation.

The Management Board of PSA Finance Polska acquired own shares, with the intention of their cancellation, from both shareholders (SCB and Banque PSA Finance) in equal proportions, as a result of which the company's ownership structure remained the same.

## **Distribution Network of Santander Consumer Bank**

In H1 2017, Santander Consumer Bank continued the measures taken to optimise the sales network. To that end, the structure of branches and franchise outlets was reviewed, taking into account customers' needs and development of remote and mobile services implemented in 2016.

As at 30 June 2017, Santander Consumer Bank sold its products through the following distribution channels:

- an own network of 161 branches and 153 franchise outlets (164 and 143 at the end of June 2016, respectively) which offered consumer loans and retail deposits;
- a mobile sales channel for car loans;
- a mobile sales channel for corporate deposits;
- remote channels, including a call centre and the Internet used to sell consumer loans and retail deposits;
- a network of 714 partners offering the bank's car loans plus 11,931 active partners offering the bank's instalment loans (509 and 12,669 at the end of June 2016, respectively);
- a remote channel for car loans.

The number of SCB customers using electronic and mobile banking services was 56.4k as at 30 June 2017.

## VII. Financial Situation of Bank Zachodni WBK Group

### 1. Income Statement of Bank Zachodni WBK Group

#### Bank Zachodni WBK Group Profit for 6 Months of 2017

The table below illustrates changes in the key items of the Group's consolidated income statement in H1 2017 compared with the corresponding period of the previous year.

PLN m						
Condensed Consolidated Income Statement of BZ WBK Group (for analytical purposes)	H1 2017	H1 2016	YoY Change	Q2 2017	Q1 2017	QoQ Change
<b>Total income</b>	<b>3 801,6</b>	<b>3 942,9</b>	<b>-3,6%</b>	<b>1 952,9</b>	<b>1 848,7</b>	<b>5,6%</b>
- Net interest income	2 556,5	2 277,2	12,3%	1 302,5	1 254,0	3,9%
- Net fee & commission income	970,8	943,6	2,9%	495,6	475,2	4,3%
- Other income <sup>1)</sup>	274,3	722,1	-62,0%	154,8	119,5	29,5%
<b>Total costs</b>	<b>(1 694,6)</b>	<b>(1 705,3)</b>	<b>-0,6%</b>	<b>(828,6)</b>	<b>(866,0)</b>	<b>-4,3%</b>
- Staff, general and administrative expenses	(1 497,8)	(1 472,7)	1,7%	(734,1)	(763,7)	-3,9%
- Depreciation/amortisation	(152,1)	(134,2)	13,3%	(77,8)	(74,3)	4,7%
- Other operating expenses	(44,7)	(98,4)	-54,6%	(16,7)	(28,0)	-40,4%
<b>Impairment losses on loans and advances</b>	<b>(245,9)</b>	<b>(311,1)</b>	<b>-21,0%</b>	<b>(100,4)</b>	<b>(145,5)</b>	<b>-31,0%</b>
Profit/loss attributable to the entities accounted for using the equity method	23,8	20,7	15,0%	15,2	8,6	76,7%
Tax on financial institutions <sup>2)</sup>	(210,9)	(173,3)	21,7%	(105,1)	(105,8)	-0,7%
<b>Consolidated profit before tax</b>	<b>1 674,0</b>	<b>1 773,9</b>	<b>-5,6%</b>	<b>934,0</b>	<b>740,0</b>	<b>26,2%</b>
Tax charges	(412,5)	(379,2)	8,8%	(199,7)	(212,8)	-6,2%
<b>Net profit for the period</b>	<b>1 261,5</b>	<b>1 394,7</b>	<b>-9,6%</b>	<b>734,3</b>	<b>527,2</b>	<b>39,3%</b>
- Net profit attributable to BZ WBK shareholders	1 104,2	1 280,0	-13,7%	651,1	453,1	43,7%
- Net profit attributable to non-controlling shareholders	157,3	114,7	37,1%	83,2	74,1	12,3%

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.

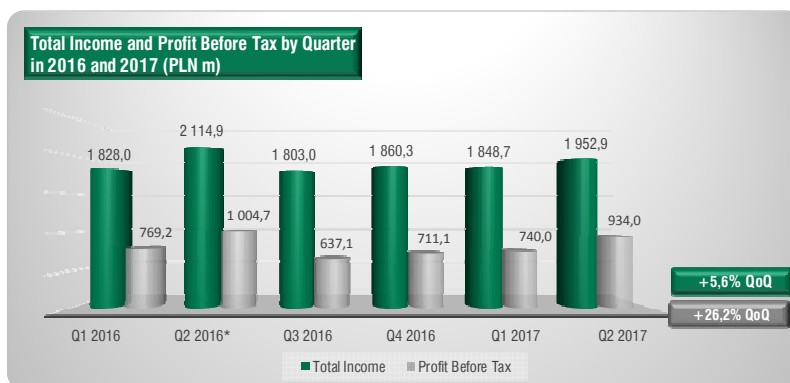
2) The banking tax is calculated in accordance with the Act on tax imposed on certain financial institutions that became effective on 1 February 2016.

In H1 2017, Bank Zachodni WBK Group posted a profit before tax of PLN 1,674.0m, a decrease of 5.6% YoY caused by a high base effect from recognition of PLN 316.1m in Q2 2016 in relation to the settlement of the acquisition of Visa Europe Ltd. by Visa Inc. Also, pursuant to the new Act on Bank Guarantee Fund (BFG), redefining BFG charges and their settlement method, in H1 2017 the Group recognised higher total contribution to the bank resolution fund and the bank guarantee fund (+ PLN 42.8m). Excluding higher BFG charges from the reporting period and one-off gains on equity instruments from the corresponding period, the underlying profit before tax increased by 17.8% YoY driven by improved net interest income (+12.3% YoY) and net fee and commission income (+2.9% YoY) as well as reduced impairment charges (-21% YoY). Increased financial results from the Group's core business easily offset a decline in other income items (gains on available-for-sale debt instruments, gains on derivative and interbank transactions, dividend income) as well as higher tax charges on financial institutions (as the taxable period in the current reporting period was one month longer).

Profit attributable to the shareholders of Bank Zachodni WBK was PLN 1,104.2m and decreased by 13.7% YoY due to a considerably higher effective tax rate attributed to the sale of a significant debt portfolio and changes in the regulations regarding the tax treatment of contributions made to the Bank Guarantee Fund (BFG). Adjusting for the above items, the underlying attributable profit went up by 12.0% YoY.

### Comparability of Periods

Comparability of periods in the income statement of BZ WBK Group for H1 2017		
Key income statement items	H1 2017	H1 2016
Gains on available-for-sale equity instruments	<ul style="list-style-type: none"> <li>PLN 10.8m on account of the sale of all shares of Polimex-Mostostal from the bank's portfolio of equity investments</li> </ul>	<ul style="list-style-type: none"> <li>PLN 318.0m, including remuneration of PLN 316.1m for BZ WBK and SCB in respect of the settlement of the acquisition of Visa Europe Ltd. by Visa Inc. on 21 June 2016.</li> </ul>
New contributions to BFG introduced on 1 January 2017 (change in the amount, collection and calculation basis)	<ul style="list-style-type: none"> <li>PLN 169m, including an annual contribution to the bank resolution fund and a quarterly contribution to the bank guarantee fund</li> </ul>	<ul style="list-style-type: none"> <li>PLN 126.2m, including an annual contribution and a prudential fee for BFG settled on a quarterly basis</li> </ul>
Tax on financial institutions introduced on 1 February 2016	<ul style="list-style-type: none"> <li>PLN 210.9m for six months of 2017</li> </ul>	<ul style="list-style-type: none"> <li>PLN 173.2m for five months of 2016</li> </ul>
Dividend income	<ul style="list-style-type: none"> <li>PLN 75.9m, including a dividend of PLN 68.6m paid by Aviva Group companies from the bank's portfolio of equity investments</li> </ul>	<ul style="list-style-type: none"> <li>PLN 94.8m, including a dividend of PLN 88.6m paid by Aviva Group companies from the bank's portfolio of equity investments.</li> </ul>



\* As a result of the settlement of the acquisition of Visa Europe Ltd. by Visa Inc. on 21 June 2016, BZ WBK and SCB recognised a total gain of PLN 316.1m on their shareholdings in the acquired entity.

## Structure of Profit Before Tax Earned by BZ WBK Group by Contributing Entities

PLN m

Components of Bank Zachodni WBK Group Profit Before Tax by contributing entities	H1 2017	H1 2016	YoY Change
<b>Bank Zachodni WBK S.A.</b>	<b>1 348,7</b>	<b>1 668,1</b>	<b>-19,1%</b>
<b>Existing subsidiary undertakings:</b>	<b>497,2</b>	<b>428,9</b>	<b>15,9%</b>
Santander Consumer Bank and its subsidiaries <sup>1)</sup>	421,6	358,2	17,7%
BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. <sup>2)</sup>	37,1	31,9	16,3%
BZ WBK Finanse Sp. z o.o., BZ WBK Leasing S.A. and BZ WBK Faktor Sp. z o.o. <sup>3)</sup>	38,6	46,0	-16,1%
Other subsidiary undertakings <sup>4)</sup>	(0,1)	(7,2)	-
<b>Equity method valuation</b>	<b>23,8</b>	<b>20,7</b>	<b>15,0%</b>
<b>Elimination of dividends received by BZ WBK</b>	<b>(195,7)</b>	<b>(343,8)</b>	<b>-43,1%</b>
<b>Profit before tax</b>	<b>1 674,0</b>	<b>1 773,9</b>	<b>-5,6%</b>

1) As at 30 June 2017, SCB Group comprised Santander Consumer Bank and the following entities: Santander Consumer Multirent, Santander Consumer Finanse, SC Poland Consumer 15-1 and SC Poland Consumer Finance 16-1, PSA Finance Polska and PSA Consumer Finance Polska. AKB Marketing Services has been liquidated and is about to be removed from the court register. As at 30 June 2016, SCB Group did not include PSA companies and SC Poland Consumer Finance 16-1, which have been controlled by SCB since H2 2016. The amounts provided above represent profit before tax (after intercompany and consolidation adjustments) of SCB Group for the periods indicated.

2) On 31 March 2016, BZ WBK TFI merged with BZ WBK AM by taking over its assets in return for merger shares issued to the co-owners, i.e. to Bank Zachodni WBK and Banco Santander.

3) On 28 February 2017 the merger of BZ WBK leasing companies was effected. BZ WBK Leasing, an acquiring company, assumed all rights and obligations of the BZ WBK Lease, an acquired company, which was removed from the National Court Register.

4) Other subsidiaries, i.e. BZ WBK Inwestycje, BZ WBK Nieruchomości and Gieldokracja in liquidation disclosed a total loss of PLN 0.1m in H1 2017 and PLN 7.2m and H1 2016, respectively.

### Bank Zachodni WBK (Parent Entity of Bank Zachodni WBK Group)

In H1 2017, the unconsolidated profit before tax of Bank Zachodni WBK was PLN 1,348.7m and 19.1% lower YoY as an effect of high base caused by the recognition of the following items in the corresponding period: remuneration of PLN 305.9m in respect of the settlement of the merger between Visa Inc. and Visa Euro Ltd. and substantial dividend income including dividend from SCB (PLN 260.8m in H1 2016 vs. PLN 108.4m in H1 2017), dividend from BZ WBK Asset Management, a company taken over by BZ WBK TFI, (PLN 22.3m in H1 2016) and dividend paid by Aviva Group companies from the bank's portfolio of equity investments (PLN 88.6m in H1 2016 vs. PLN 68.6m in H1 2017). This scope of change in the bank's YoY performance was further enhanced by an increase of PLN 35.6m in contributions to BFG, resulting from one-off recognition of an annual contribution to the resolution fund in H1 2017. Excluding dividend income, one-off gain on equity instruments and an increase in BFG fees from the respective current and corresponding periods, the underlying profit before tax of Bank Zachodni WBK increased by 20.5% YoY as a combined effect of the following:

- Major improvement in net interest income (+10.7% YoY to PLN 1,838.9m) driven by robust credit delivery to retail customers and optimisation of the deposit range focused on development of current account balances and long-term relationships with deposit customers;
- Increase in fee and commission income (+7.7% YoY to PLN 831.3m) attributed to higher volumes in the majority of product lines (in particular investment funds, brokerage services, loans and credit and debit cards) which were slightly offset by a decrease in insurance fee income arising from changes in the regulations;
- Lower impairment losses on loans and advances (PLN 210.0m, down 20.4% YoY) as a result of the sale of debt owed by retail and business customers;
- Lower total operating costs (down 5% YoY, excluding higher BFG charges taken to the costs of the current period) resulting from a decrease in general and administrative expenses and other operating costs (including in relation to legal disputes) with a concurrent increase in staff expenses and amortisation/depreciation (on account of development of IT infrastructure);
- Decrease in net trading income (down 45.3% YoY to PLN 88.5m) mainly due to lower profit on derivatives and FX transactions;
- Lower gains on other financial instruments (down 93.8% to PLN 23.9m) amid lower sales of BGK and treasury bonds.

### Subsidiaries

The subsidiaries consolidated by Bank Zachodni WBK reported an increase of 15.9% YoY in their total profit before tax as a result of the higher profitability of SCB Group and BZ WBK TFI.

### SCB Group

The contribution of SCB Group to the consolidated profit before tax of Bank Zachodni WBK Group for H1 2017 was PLN 421.6m (after intercompany transactions and consolidation adjustments) and increased by 17.7% YoY due to the following factors:

- Increase of PLN 102.7m in net interest income to PLN 647.2m, driven by higher net interest margin and lower funding cost, growth of the credit portfolio and favourable changes in its structure (e.g. a bigger share of high-margin products such as cash loans and credit cards);
- Decrease of PLN 42.3m in net fee and commission income to PLN 64.4m on account of lower insurance income and one-off partner commissions incurred by the bank in connection with the development of the sales network and extension of contracts with the key hire purchase partners;
- Lower net impairment charges of PLN 15.9m (down PLN 22.4m) resulting from the extension of the recovery horizon for cash loans from 24 to 36 months and normalisation of the portfolio;
- Increase of PLN 15.2m YoY in other operating income to PLN 21.4m driven mainly by the release of the provision of PLN 10.8m connected with insurance services;
- Rise of PLN 17.8m in operating costs to PLN 287m due to higher contributions to the BFG resolution fund and extension of the scope of consolidation of SCB Group to include PSA Finance Polska and PSA Consumer Finance Polska since October 2016.

### Other Subsidiaries

The 16.3% YoY rise in profit before tax reported by BZ WBK TFI (a legal successor of BZ WBK Asset Management following its merger with BZ WBK TFI) reflects higher fee and commission income from asset management as a result of an increase in the average margin and average net assets. Strong performance of BZ WBK TFI in terms of management results as well as favourable stock market conditions observed throughout most of H1 2017 ensured a consistent flow of assets, mainly to corporate bond and equity funds.

Total profit before tax posted by companies controlled by BZ WBK Finanse decreased by 16.1%.

- With a 16.3% YoY increase in credit exposures, the profit before tax earned by BZ WBK Faktor dropped by PLN 4.1m YoY to PLN 8.6m due to higher impairment losses on factoring receivables and lower net interest income attributed to increasing funding costs.
- The profit before tax of BZ WBK Leasing and BZ WBK Finance declined by PLN 3.3m YoY to PLN 30m. An increase in lease facilities (up 15% YoY in the case of the performing portfolio) translated into higher net interest income and higher net impairment losses, with a sustained high quality of the portfolio. A substantial growth was also reported in net fee and commission income, which was predominantly driven by insurance products.

## Structure of Bank Zachodni WBK Group Profit Before Tax

### Total Income

Total income of Bank Zachodni WBK Group for H1 2017 decreased by 3.6% YoY to PLN 3,801.6m. Excluding the gain of PLN 316.1m arising on the acquisition of Visa Europe Ltd by Visa Inc, the underlying total income increased by 4.8% YoY.

### Net Interest Income

In H1 2017, net interest income amounted to PLN 2,556.5m and increased by 12.3% YoY.

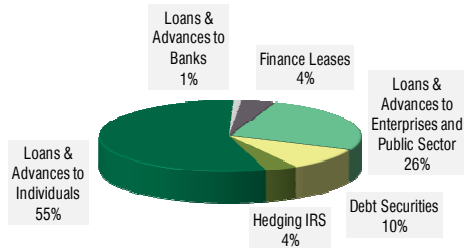


The Group reported increased interest income (up 8.2% YoY to PLN 3,180.8m) alongside a decline in interest expense (down 6.0% YoY to PLN 624.3m).

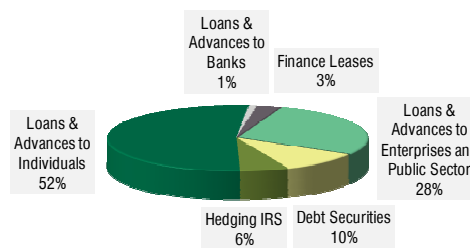
The growth rate of interest income – fueled by loans to personal customers, lease receivables and securities available for sale – was slowed down by CIRS/IRS transactions hedging cash flows.

The rate of decline in interest expense – driven by deposits from retail customers and the enterprise sector – was curtailed by increasing interest expense from debt securities issued, bank deposits and liabilities arising from repo transactions.

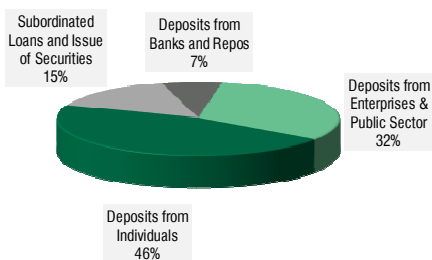
Structure of Interest Revenues of BZ WBK Group in H1 2017



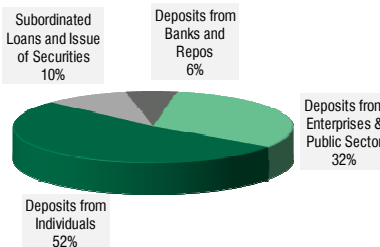
Structure of Interest Revenues of BZ WBK Group in H1 2016



Structure of Interest Expense of BZ WBK Group in H1 2017

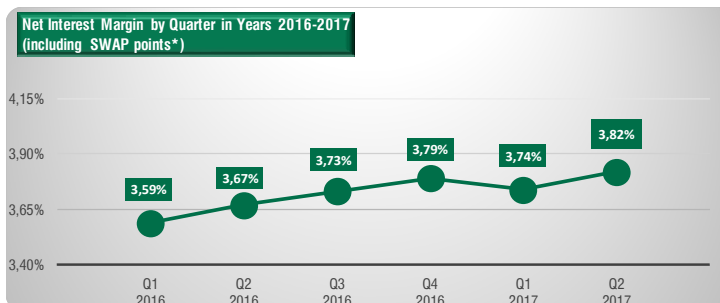


Structure of Interest Expense of BZ WBK Group in H1 2016



The net interest margin of Bank Zachodni WBK Group (annualised on a Ytd basis) went up from 3.62% in H1 2016 to 3.78% in H1 2017 amid a moderate increase in mid-term market interest rates. The growth in the net interest margin was supported by lower costs of funding as a result of optimisation of funding sources and adaptive management of the Group’s offering. Thanks to favourable trends in sales, enhanced by tools designed to improve the quality, accessibility and competitiveness of products and services, the Group reported positive changes (from the perspective of a net interest margin) in core business volumes such as a YoY increase in loans and advances to retail customers (notably cash loans) and a significant rise in low-cost current account balances of individuals and companies as well as a drop in term deposits from personal customers.

In Q1 2017, in the stable interest rate environment, the Group’s quarterly net interest margin (annualised on a quarterly basis) declined by 0.05 p.p. In Q2 2017, net interest margin returned on the growth path, widening by 0.08 p.p. The change was mainly affected by structural factors, mainly an increase in the sales of retail loans and the impact of savings account campaign as offset by optimised retail and business term deposits.



\* 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.

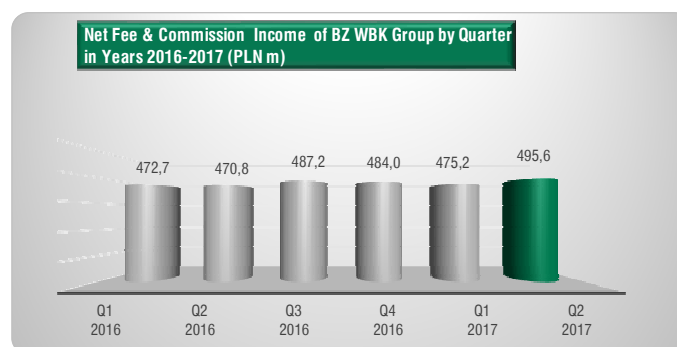
## Net Fee and Commission Income

In H1 2017, net fee and commission income was PLN 970.8m and increased by 2.9% YoY.

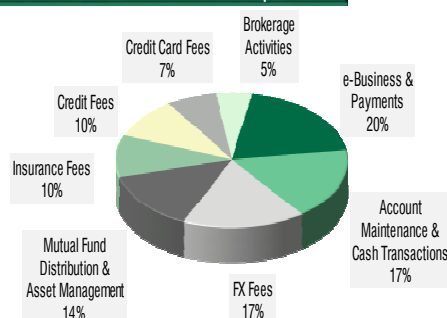
PLN m

Net Fee and Commission Income of BZ WBK Group	H1 2017	H1 2016	YoY Change
E-Business and payments <sup>1)</sup>	194,7	180,8	7,7%
Account maintenance and cash transactions <sup>2)</sup>	168,5	162,2	3,9%
FX fees	163,0	152,1	7,2%
Asset management and distribution	136,0	112,5	20,9%
Insurance fees <sup>3)</sup>	102,3	127,9	-20,0%
Credit fees <sup>4)</sup>	94,8	112,8	-16,0%
Credit cards	63,6	60,2	5,6%
Brokerage activities	38,8	27,0	43,7%
Other <sup>5)</sup>	9,1	8,1	12,3%
<b>Total</b>	<b>970,8</b>	<b>943,6</b>	<b>2,9%</b>

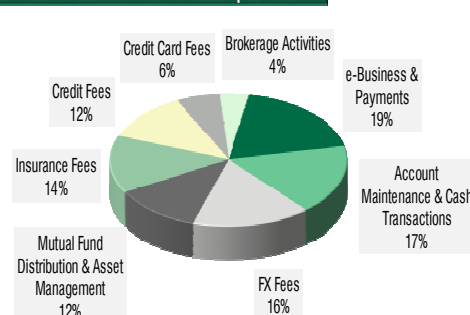
- 1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic and telecommunications services.
- 2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 7 of the "Condensed Interim Consolidated Financial Statement for the period of 6 months ended 30 June 2017" are included in the line item "Other" (PLN 0.4m for H1 2017 vs. PLN 1.5m for H1 2016).
- 3) Pursuant to the Act of 11 September 2015 on insurance and reinsurance activity (effective as of 1 April 2016) banks – acting as insurance parties – must not collect insurance fees in relation to group insurance plans (e.g. linked with payment cards).
- 4) Fee and commission income from lending, factoring and lease activities which is not amortised to interest income. This line item includes, inter alia, the cost of credit agency.
- 5) Guarantees, issue arrangement fees and others.



**Net Commission Income Structure of BZ WBK Group for H1 2017**



**Net Commission Income Structure of BZ WBK Group for H1 2016**



The highest YoY growth in net fee and commission income was reported in relation to brokerage services (+43.7% YoY), which reflected higher volumes of trading in the secondary market and favourable trends in the stock market (highest peaks in WSE indices in a long time) and the management of initial public offerings.

Higher net fee and commission income from fund distribution and asset management (+20.9% YoY) reflects an increase in the average net value of assets managed by BZ WBK TFI (mainly equity and corporate bonds funds), driven by strong management results and a major improvement in investor sentiment compared with the corresponding period last year.

Fee and commission income aggregated under the “eBusiness and payments” line item rose by 7.7% YoY as a result of an increase in income from issuance and management of debit cards driven by the growth of this instrument base (+4.1 YoY) and an increasing number of cash and non-cash transactions made with such cards as well as the revision of fees and charges applicable to card services for individuals and companies (August 2016).

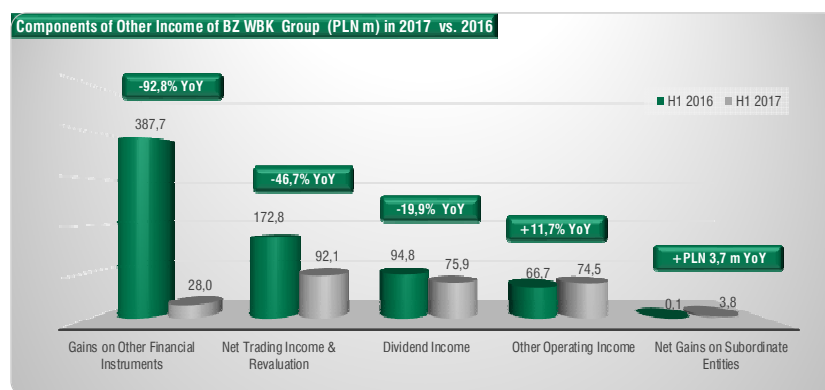
An improvement in FX fee income (+7.2% YoY) is attributed to the Group’s comprehensive measures taken to support foreign trade and develop e-FX services as part of iBiznes24 platform.

Net fee and commission income from issuance and management of credit cards went up by 5.6% YoY on account of a 4.6% YoY increase in the size of the combined credit card portfolio of Bank Zachodni WBK and SCB, a higher volume of credit card transactions and the revision of selected credit card fees and charges of both banks.

Credit fees declined by 16.0% YoY due to an increase in credit intermediation costs connected with the maintenance and development of the SCB sales network. Fee income that is strictly related to lending activities increased by 11.2% YoY.

The decline of 20.0% YoY in net fee and commission income from insurance business was connected with the legal and regulatory regime of the bancassurance market, in particular the statutory ban imposed by the Act of 11 September 2015 on insurance and reinsurance activity (effective from 1 April 2016) on collection of insurance fees by banks acting as insuring parties in relation to group insurance plans (e.g. linked with payment cards).

### Other Income of the Group



Other income indicated above totalled PLN 274.3m and decreased by 62.0% YoY.

### **Net Trading Income and Revaluation (“Net Trading Income”)**

In H1 2017, net trading income and revaluation reported by Bank Zachodni WBK Group was PLN 92.1m, down 46.7% YoY.

In the market of financial derivatives and interbank currency transactions, the Group generated profit of PLN 68.8m vs. PLN 154.0m in H1 2016. The above-mentioned item includes net interest-related income from the non-hedging CIRS/IRS transactions totalling PLN 7m for H1 2017 vs. PLN 8m for H1 2016. It excludes, however, net interest income from the CIRS and IRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 116.7m for H1 2017 vs. PLN 140.3m for H1 2016), which is disclosed under “Interest income”.

Other FX related income was PLN 23m and up PLN 13.8m on a YoY basis.

Debt and equity securities trading brought in a total profit of PLN 0.3m vs. PLN 9.6m in the corresponding period.

### **Gains on Other Financial Instruments**

In H1 2017, the gains on other financial instruments decreased by PLN 92.8% YoY to PLN 28.0m.

Gains on equity instruments available for sale were PLN 10.8m and derived from the disposal of all the shares (2.8m) in Polimex Mostostal S.A. from the bank’s equity investment. In H1 2016, corresponding gains of PLN 318.0m were reported, including PLN 316.1m of a total remuneration for BZ WBK and SCB from the settlement of the acquisition of Visa Europe Ltd. by Visa Inc., comprised of cash payment, preference shares and an earn-out.



Gains on disposal of available-for-sale debt instruments (mainly treasury bonds and BGK bonds) were PLN 15.2m, down PLN 64.7m YoY. The decisions regarding the volume and structure of the available-for-sale portfolio of debt instruments are determined by various internal and external factors, such as availability of securities, expectations of interest rate cycle movements and fluctuations of yield curves. The measures taken as part of duration management were in line with market conditions and took into account the Group's objectives with regard to risk and liquidity management.

### **Gains on Subordinate Entities**

The consolidated income statement for H1 2017 includes a gain of PLN 3.8m on shares in related parties, arising from the settlement of liquidation of AKB Marketing Services, a member of SCB until it is struck off the court register.

### **Dividends**

In H1 2017, the Group disclosed dividend income of PLN 75.9m, i.e. down PLN 18.9m YoY on account of lower dividends from Aviva Group companies from the bank's portfolio of equity investments.

### **Other Operating Income**

Other operating income for H1 2017 increased by 11.7% to PLN 74.5m.

The key item of other operating income are disputed claims of PLN 24.2m, recognised as operating income on the basis of relevant legal decisions. Increases were also noted in revenue from the sale of services (+40.9% YoY) and the release of provisions for legal disputes (+38.4% YoY).

Reimbursement of fees from the Bank Guarantee Fund (BFG) decreased by PLN 24.7m as a result of a change in the accounting treatment of such revenues (which are now recognised as fee income) following ratification of the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and resolution with its new methodology for calculating BFG contributions.

### **Impairment Charges**

	PLN m		
Impairment Losses of BZ WBK Group on Loans and Advances	H1 2017	H1 2016	YoY Change
Collective and individual impairment charge	(248,6)	(378,4)	-34,3%
Impaired but not reported losses charge	(45,4)	(0,9)	4944,4%
Recoveries of loans previously written off	47,0	51,4	-8,6%
Off-balance sheet credit related facilities	1,1	16,8	-93,5%
<b>Total</b>	<b>(245,9)</b>	<b>(311,1)</b>	<b>-21,0%</b>

In H1 2017, the loan impairment charge to the income statement of Bank Zachodni WBK Group was PLN 245.9m, down 21.0% YoY.

The charge for incurred and reported losses (on individual and collective exposures) was PLN 248.6m for H1 2017 and decreased by 34.3% YoY amid stable growth in the Group's credit portfolio: loans to enterprises and the public sector increased by 0.6% YoY (including factoring receivables), personal loans by 4.5% YoY and lease receivables by 22.8% YoY. Compared with the corresponding period of 2016, impairment charges decreased especially on account of collectively assessed exposures towards retail customers.

The impairment charge for incurred but not reported losses was PLN 45.4m vs. PLN 0.9m in H1 2016.

In H1 2017, Bank Zachodni WBK sold non-performing receivables of PLN 726.2m vs. PLN 646.8m in the corresponding period of 2016 (including the principal amount of PLN 662.9m and PLN 622.8m, respectively), which contributed PLN 142.2m and PLN 23.1m to the profit before tax in both periods, respectively. Receivables sold included claims on retail and business customers.

Santander Consumer Bank sold the written-off portfolio of cash loans, instalment loans, credit card loans and car loans of PLN 371.7m, which brought in a profit before tax of PLN 48.9m. Last year, SCB sold the credit portfolio of PLN 326.6m, generating profit before tax of PLN 51.9m.

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

Bank Zachodni WBK Group's NPL ratio decreased considerably from 6.8% as at 30 June 2016 to 5.9% as at 30 June 2017. The cost of credit totalled 0.66% vs. 0.75% twelve months before.

## Total Costs

PLN m			
Total costs of BZ WBK Group	H1 2017	H1 2016	YoY Change
Staff, general and administrative expenses, of which:	(1 497,8)	(1 472,7)	1,7%
- Staff expenses	(771,9)	(745,6)	3,5%
- General and administrative expenses	(725,9)	(727,1)	-0,2%
Depreciation/amortisation	(152,1)	(134,2)	13,3%
Other operating expenses	(44,7)	(98,4)	-54,6%
<b>Total costs</b>	<b>(1 694,6)</b>	<b>(1 705,3)</b>	<b>-0,6%</b>

The total costs of BZ WBK Group for H1 2017 amounted to PLN 1,694.6m, and were relatively stable compared with H1 2016, confirming the Group's strong cost discipline. This result was achieved despite significant costs associated with the maintenance and extension of IT systems, high expenses associated with the Group's transformation projects (including digital and distribution model transformation), higher Bank Guarantee Fund charges recognised in H1 2017 and increased amortisation/depreciation charges connected with extension of IT infrastructure.

Assuming no changes to the calculation and settlement of BFG contributions and stable calculation base (i.e. eliminating PLN 42.8m as an excess of the BFG charges incurred in H1 2017 vs. H1 2016), the underlying cost base decreased by 3.1% YoY.

With an increase in the underlying total income (i.e. after eliminating the profit on the acquisition of Visa Europe Ltd. by Visa Inc. from the income statement for H1 2016) and a stable level of total costs, the Group's cost to income ratio decreased from 47.0% in H1 2016 to 44.6% in H1 2017. If the value of BFG contributions had remained constant, the ratio would be 43.4%.

## Staff Expenses

In H1 2017, Bank Zachodni WBK Group's staff expenses totalled PLN 771.9m and increased by 3.5% YoY. SCB Group's contribution to consolidated staff expenses was PLN 120.1m and up 6.9% YoY following the extension of the scope of consolidation of SCB Group to include PSA Finance Polska and PSA Consumer Finance Polska since 1 October 2016.

The key line items of consolidated staff expense, i.e. "Salaries and bonuses" and "Statutory deductions from salaries" increased by 3.4% YoY to PLN 744.9m in total as a result of increase in headcount and salary review conducted in H2 2016 and higher bonuses.

The number of FTEs in Bank Zachodni Group increased by 621 YoY, as a result of incorporation of the Multichannel Communication Centre into the BZ WBK's structures to ensure seamless centralised omni-channel customer experience, including services via telephone. The above change also includes an increase in SCB Group staff by 110 FTEs resulting from the acquisition of control over PSA Finance Polska and PSA Consumer Finance Polska.

## General and Administrative Expenses

In H1 2017, general and administrative expenses of Bank Zachodni WBK Group were similar YoY and amounted to PLN 725.9m. Costs incurred by SCB Group totalled PLN 137.2m and were 11.1% higher YoY on account of costs of IT usage, maintenance of premises, marketing and entertainment expenses and BFG contributions.

The most pronounced growth of 16.3% YoY was seen in the fees payable by BZ WBK Group to market regulators, which amounted to PLN 175.3m. The Act on Bank Guarantee Fund of 10 June 2016 introduced a quarterly contribution to the bank guarantee fund and an annual contribution to the bank resolution fund in the place of the previous contributions made by banks that were accounted for on an accrual basis. By the end of June 2017, BZ WBK Group made a total contribution of PLN 169m to both funds, up PLN 42.8m YoY.

IT usage costs increased significantly by 12.0% YoY on account of IT projects delivered across Santander Group, and so did consultancy and advisory fees (+8.6% YoY) due to legal and professional services used in connection with the strategic transformation programme of the bank.

Visible decreases were reported in many other line items as an effect of:

- the high base caused by the pace and scale of last year's marketing and communication campaigns, including the mass campaign about changes in the bank offering and the earlier and more extensive campaign relating to BZ WBK consumer loans, which led to a decrease in postal and telecommunications fees (-12.3% YoY), and in marketing and entertainment costs (-12.9% YoY);
- optimisation measures such as the rationalisation of branch network and incorporation of the Multichannel Communication Centre into the structures of the Business Support Centre, which reduced the cost of maintenance and lease of buildings (-5.6% YoY) and the cost of other third party services (-23.4% YoY).

### Tax on Financial Institutions

Pursuant to the Act on tax imposed on certain financial institutions, bank assets above PLN 4bn are subject to tax of 0.0366% per month. As the above regulations became effective on 1 February 2016, the taxable period in H1 2016 covered five rather than six months, as a result of which the ensuing charge in H1 2017 increased by PLN 37.7m to PLN 210.9m.

### Effective Tax Rate

In H1 2017, the effective tax rate was 24.6% vs. 21.4% in H1 2016, due to larger debt sales, higher banking tax charge and contributions to BFG (guarantee fund and resolution fund), which are not tax deductible and do not reduce the tax base of corporate income tax.

## 2. Financial Position of Bank Zachodni WBK Group

### Consolidated Assets

As at 30 June 2017, the total assets of Bank Zachodni WBK Group were PLN 149,766.7m, an increase of 5.3% YoY and a slight decrease of 0.2% vs. 31 December 2016. The value and structure of the Group's financial position is determined by the parent entity, which accounts for 87.7% of the consolidated total assets as at the end of June 2017 vs. 87.6% as at the end of December 2016.



## Structure of Consolidated Assets

Assets of BZ WBK Group (condensed presentation for analytical purposes)	PLN m							
	30.06.2017	Structure 30.06.2017	31.12.2016	Structure 31.12.2016	30.06.2016	Structure 30.06.2016	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers <sup>1)</sup>	105 053,7	70,2%	103 068,5	68,7%	100 480,4	70,7%	1,9%	4,6%
Financial assets available for sale	26 735,3	17,9%	29 307,9	19,5%	22 956,6	16,1%	-8,8%	16,5%
Financial assets held for trading and hedging derivatives	5 715,9	3,8%	3 248,6	2,2%	5 018,5	3,5%	75,9%	13,9%
Cash and operations with Central Banks	4 113,0	2,7%	4 775,7	3,2%	3 139,3	2,2%	-13,9%	31,0%
Fixed assets, intangibles and goodwill	2 983,3	2,0%	3 053,6	2,0%	2 925,0	2,1%	-2,3%	2,0%
Loans and advances to banks <sup>2)</sup>	1 870,8	1,2%	3 513,3	2,3%	4 593,4	3,2%	-46,8%	-59,3%
Other assets <sup>3)</sup>	3 294,7	2,2%	3 132,1	2,1%	3 135,6	2,2%	5,2%	5,1%
<b>Total</b>	<b>149 766,7</b>	<b>100,0%</b>	<b>150 099,7</b>	<b>100,0%</b>	<b>142 248,8</b>	<b>100,0%</b>	<b>-0,2%</b>	<b>5,3%</b>

1) Loans and advances to customers take into account impairment charge and exclude buy-sell-back transactions which are reported under other assets, whereas in the full version of financial statements they are disclosed in a separate line item together with the corresponding loans and advances to banks.

2) Loans and advances to banks do not include receivables from buy-sell-back transactions which are reported under other assets.

3) Other assets include the following: receivables from buy-sell-back transactions, investments in associates, net deferred tax assets, assets classified as held for sale and other assets.

As at 30 June 2017, consolidated net loans and advances to customers totalled PLN 105,053.7m, up 1.9% on 31 December 2016 on account of credit delivery to retail and business customers. SCB Group contributed PLN 13,795.0m to this line (after intercompany and consolidation adjustments), which is similar to the contribution recorded as at 31 December 2016.

Over the first six months of 2017, the bank expanded its trading portfolio of debt securities disclosed under "Financial assets held for trading and hedging derivatives" (+75.9% Ytd).

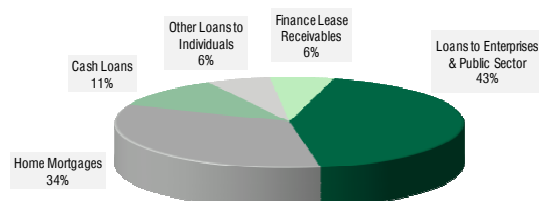
Loans and advances to banks decreased by 46.8% Ytd as a result of a lower placements of current funds in the interbank market. The portfolio of financial assets available for sale decreased by 8.8% Ytd mainly on account of the sale of bonds and redemption of NBP bills at maturity. SCB Group contributed PLN 2,862.0m to this item, which is a decrease of 3.3% from 31 December 2016.

The value of "Cash and operations with central banks" was reduced by 13.9% Ytd along with the balance of funds with NBP.

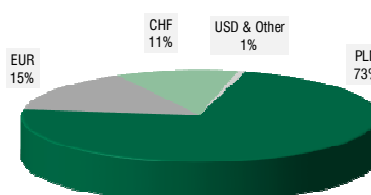
## Credit Portfolio of Bank Zachodni WBK Group

Gross Loans and Advances to Customers of BZ WBK Group	PLN m				
	30.06.2017	31.12.2016	30.06.2016	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to individuals	56 782,1	56 291,4	54 326,4	0,9%	4,5%
Loans and advances to enterprises and public sector customers	46 431,7	45 375,7	46 157,8	2,3%	0,6%
Finance lease receivables	6 393,3	6 098,5	5 204,6	4,8%	22,8%
Other	202,1	181,8	33,0	11,2%	512,4%
<b>Total</b>	<b>109 809,2</b>	<b>107 947,4</b>	<b>105 721,8</b>	<b>1,7%</b>	<b>3,9%</b>

Product Structure of Consolidated Loans & Advances to Customers as at 30.06.2017



FX Structure of Consolidated Loans and Advances to Customers as at 30.06.2017

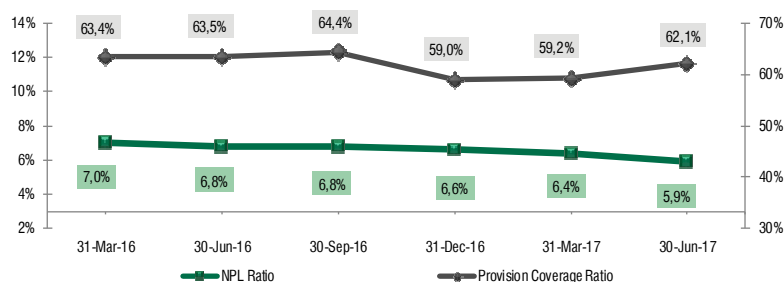


As at 30 June 2017, consolidated gross loans and advances to customers were PLN 109,809.2m and higher by 1.7% Ytd. On a constant currency basis, the figure increased by 3.2% Ytd.

Compared with 31 December 2016, loans and advances to individuals increased by 0.9% to PLN 56,782.1m as at 30 June 2017. Home loans, which represent the major portion of loans and advances to individuals, increased slightly by 0.6% Ytd to PLN 37,213.8m. The second significant constituent item, i.e. cash loans, grew by 4.6% to PLN 12,471.8m.

Loans and advances to enterprises and public sector entities were PLN 46,431.7m and higher by 2.3% Ytd, mainly driven by lending to SME and large corporate customers. Finance leases, which include the portfolios of BZ WBK Leasing, Santander Consumer Multirent and PSA Finance Polska, increased by 4.8% Ytd to PLN 6,393.3m due to a robust growth in the sales of machines and equipment. Loans granted by BZ WBK leasing companies to finance machines and vehicles for business customers, which totalled PLN 1,792.0m as at 30 June 2017 (vs. PLN 1,642.4m as at 31 December 2016), are disclosed outside the lease portfolio, as loans and advances to enterprises.

Credit Quality Ratios by Quarter in 2016 and 2017



As at 30 June 2017, impaired loans to customers accounted for 5.9% of the gross portfolio of Bank Zachodni WBK Group vs. 6.6% six months before and 6.8% twelve months before. The provision coverage ratio for impaired loans was 62.1% vs. 59.0% as at 31 December 2016 and 63.5% as at 30 June 2016.

## Consolidated Equity and Liabilities

PLN m

Liabilities & Equity of BZ WBK Group S.A. (condensed presentation for analytical purposes)	30.06.2017	Structure 30.06.2017	31.12.2016	Structure 31.12.2016	30.06.2016	Structure 30.06.2016	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers <sup>1)</sup>	109 111,2	72,9%	112 522,5	75,0%	105 757,9	74,3%	-3,0%	3,2%
Subordinated liabilities and debt securities in issue	6 891,2	4,6%	5 969,6	4,0%	4 921,7	3,5%	15,4%	40,0%
Sell-buy-back transactions	4 168,3	2,8%	1 632,6	1,1%	1 786,5	1,2%	155,3%	133,3%
Financial liabilities held for trading and hedging derivatives	2 696,3	1,8%	3 832,4	2,5%	4 869,4	3,4%	-29,6%	-44,6%
Deposits from banks <sup>1)</sup>	2 591,6	1,7%	2 561,3	1,7%	2 403,0	1,7%	1,2%	7,8%
Other liabilities <sup>2)</sup>	2 407,6	1,6%	2 562,8	1,7%	2 231,0	1,6%	-6,1%	7,9%
Total equity	21 900,5	14,6%	21 018,5	14,0%	20 279,3	14,3%	4,2%	8,0%
<b>Total</b>	<b>149 766,7</b>	<b>100,0%</b>	<b>150 099,7</b>	<b>100,0%</b>	<b>142 248,8</b>	<b>100,0%</b>	<b>-0,2%</b>	<b>5,3%</b>

1) Deposits from customers and banks do not include liabilities due to sell-buy-back transactions which are reported under a separate line item.

2) Other liabilities include current income tax, provisions and other liabilities.

As at 30 June 2017, compared with 31 December 2016, the key change in the consolidated equity and liabilities of Bank Zachodni WBK Group was noted in sell-buy-back transactions (+155.3% Ytd).

Significant changes were also observed in “Subordinated liabilities and debt securities in issue”, which increased by 15.4% during the first six months of 2017. In the period under review, Bank Zachodni WBK issued two series of certificates of deposit as part of the Issuance Programme for the total nominal value of PLN 670m and subordinated debt in the form of green bonds with a nominal value of EUR 137.1m. The bank also redeemed one series of bonds of PLN 185m and one series of certificates of deposit totalling PLN 100m. SCB did not redeem any bonds and did not issue any new bonds as part of the debt securities issuance programme underwritten by Santander Consumer Finance. Within the above line item, pursuant to KNF decision, bonds of EUR 120.0m with a 10-year maturity issued by Bank Zachodni WBK on 2 December 2016 were transferred from debt securities in issue to subordinated liabilities.

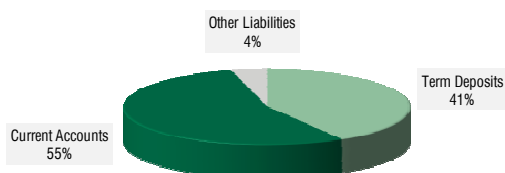
The aggregate line item “Liabilities held for trading and hedging derivatives” fell by 29.6% under the impact of the latter component. Deposits from customers fell by 3.0% due to the cycle of activities of business customers, who gather funds in current accounts and deposits towards the year-end to finance working capital and investment needs.

### Deposit Base of Bank Zachodni WBK Group

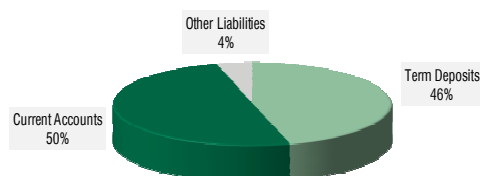
PLN m					
Deposits of BZ WBK Group from Customers	30.06.2017	31.12.2016	30.06.2016	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Deposits from individuals	64 704,5	63 547,9	61 358,9	1,8%	5,5%
Deposits from enterprises and public sector customers	44 406,7	48 974,6	44 399,0	-9,3%	0,0%
<b>Total</b>	<b>109 111,2</b>	<b>112 522,5</b>	<b>105 757,9</b>	<b>-3,0%</b>	<b>3,2%</b>

During the first six months of 2017, consolidated deposits from customers decreased by 3.0% and amounted to PLN 109,111.2m as at 30 June 2017, including PLN 7,969.2m relating to SCB Group after intercompany transactions (vs. PLN 8,224.7m as at the end of December 2016).

Structure of Consolidated Customer Deposits as at 30.06.2017

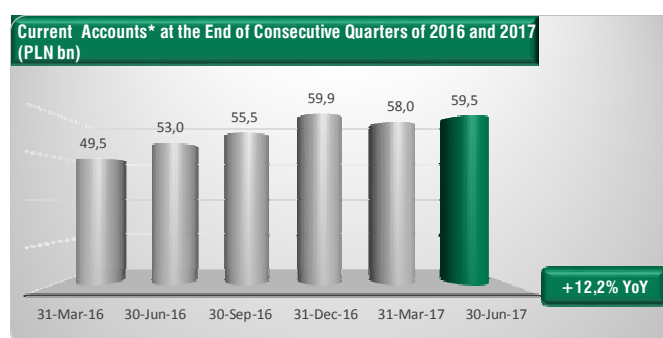
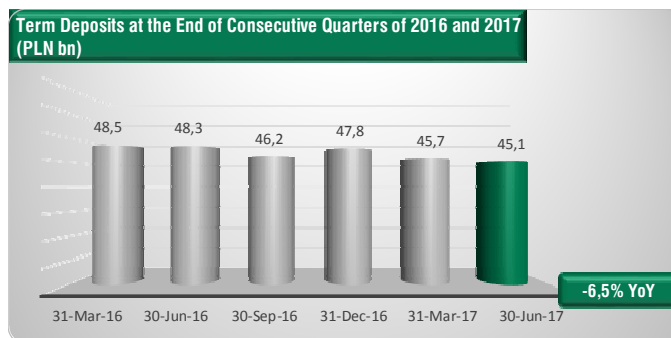


Structure of Consolidated Customer Deposits as at 30.06.2016



In the reporting period, the management of deposit products focused on increasing the strength of relationship with deposit customers and optimising business volumes.

The Group's total term deposits from customers amounted to PLN 45,132.1m and decreased by 5.6% Ytd. Current account balances fell by 0.7% Ytd to PLN 59,464.3m, and other liabilities were PLN 4,514.7m, down 6.6% Ytd. The largest constituent of the last item were “Loans and advances” (PLN 3,576.6m vs. PLN 4,075.9m as at 31 December 2016), reported under “Deposits from enterprises” which included loans granted by international financial organisations (the European Investment Bank, the European Bank for Reconstruction and Development and the Council of Europe Development Bank) to finance the bank's credit delivery and the leasing business of the bank's subsidiaries.



\* Including savings accounts

The retail deposit base stood at PLN 64,704.4m, higher by 1.8% Ytd as a result of an increase in the balance of current accounts, including savings accounts (+4.0% Ytd). Until mid-January, the acquisition of new funds was supported by a 12-month term account, and since March by a new edition of the Max Savings Account (Konto Max Oszczędnościowe).

During the first six months of 2017, deposits from enterprises and the public sector dropped by 9.3% to PLN 44,406.7m at the end of June 2017. The decreases in both current and term accounts were caused by a high base from increased balance of business deposits towards the end of 2016.

## Diversification of Funding Sources for BZ WBK Group

In H1 2017, actions were continued to diversify the funding sources of Bank Zachodni WBK Group.

### Funding from International Financial Institutions

- On 10 February 2017, Bank Zachodni WBK signed a guarantee agreement with the European Investment Bank providing security for lending up to EUR 300m to be granted by BZ WBK. In order to activate the guarantee, the bank undertook to provide financing of up to EUR 600m to SMEs (including lease facilities) and midcaps (as per the EU definition).
- On 1 June 2017, BZ WBK Leasing signed a EUR 100m financing agreement with the Council of Europe Development Bank to promote lending to SMEs for their growth and investments. BZ WBK Leasing received the first tranche of EUR 50m.

### Own Issues of Securities

- On 24 February 2017, the KNF gave its consent to allocate bonds issued by Bank Zachodni WBK on 2 December 2016 to subordinated debt. The bonds have the total nominal value of EUR 120m and mature on 3 December 2026.

- In the reporting period, the bank made two issues of certificates of deposits as part of the Issuance Programme of 18 March 2015, for a total value of PLN 3bn, aimed at financing the bank's general corporate purposes:
  - ✓ On 17 February 2017, D series certificates of deposit were issued for the total amount of PLN 420m, with an interest rate of 1.81%, maturing on 17 August 2017;
  - ✓ On 17 March 2017, E series certificates of deposits were issued for the total amount of PLN 250m, with an interest rate of 1.81%, maturing on 17 October 2017.
- On 22 May 2017, subordinated debt in the form of green bonds of EUR 137.1m (equivalent of USD 150m) was issued. The bonds were taken up in full by International Finance Corporation (IFC). The proceeds are earmarked for financing energy efficiency projects. This is the first transaction of the kind concluded by a commercial bank in the Polish market. The Bank is expecting the KNF's decision regarding its application for a consent to allocate the above-mentioned bonds to the Tier 2 (supplementary) capital.

### Redemption of Securities

- On 17 February 2017, the bank redeemed C series certificates of deposit with a total nominal value of PLN 100m, issued on 17 August 2016.
- On 26 February 2017, the bank redeemed bearer bonds with a total nominal value of PLN 185m, issued in a private placement on 26 February 2016.

## Selected Ratios for Bank Zachodni WBK Group

Selected Financial Ratios of BZ WBK Group	H1 2017	H1 2016 <sup>1)</sup>
Total costs/Total income	44,6%	47,0%
Net interest income/Total income	67,2%	62,8%
Net interest margin <sup>2)</sup>	3,8%	3,6%
Net commission income/Total income	25,5%	26,0%
Customer net loans/Customer deposits	96,3%	95,0%
NPL ratio	5,9%	6,8%
NPL coverage ratio	62,1%	63,5%
Credit risk ratio <sup>3)</sup>	0,66%	0,75%
ROE <sup>4)</sup>	11,0%	11,9%
ROTE <sup>5)</sup>	12,9%	14,3%
ROA <sup>6)</sup>	1,3%	1,4%
Capital ratio <sup>7)</sup>	16,51%	14,44%
Tier I ratio <sup>8)</sup>	15,53%	13,99%
Book value per share (in PLN)	220,7	204,4
Earnings per share (in PLN) <sup>9)</sup>	11,1	10,3

1) The calculations of the following ratios for 2016 use the Group's total income or profit (as the case may be) after adjustment for one-off gains on equity transactions: cost/income, net interest income/total income, net fee and commission income/total income and earnings per share.

2) Net interest income for four consecutive quarters (excluding interest income from the portfolio of trading securities) to average net interest-bearing assets as at the beginning and end of the reporting period (excluding the trading portfolio).

3) Impairment losses (for four consecutive quarters) 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 four consecutive quarters) to average equity (as at the beginning and end of the reporting period), net of non-controlling interests, current period profit and the undistributed portion of the profit.

5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the beginning and end of the reporting period) defined as common equity attributable to the parent's shareholders less revaluation reserve, current period profit, undistributed portion of the profit, intangible assets and goodwill.

6) Profit attributable to the parent's shareholders (for four consecutive quarters) 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) Net profit for the period attributable to shareholders of BZ WBK divided by the number of ordinary shares.



## Capital Ratios

The table below presents calculation of the capital ratio and Tier 1 ratio of Bank Zachodni WBK Group as at 30 June 2017 and 31 December 2016.

BZ WBK Group		30.06.2017	31.12.2016
I	Total capital requirement	9 008,4	8 816,6
II	Own funds after reductions	18 585,6	16 584,8
<b>CAD [II/(I*12.5)]</b>		<b>16,51%</b>	<b>15,05%</b>
<b>Tier 1 Ratio</b>		<b>15,53%</b>	<b>14,56%</b>

The table below shows the capital ratio and Tier 1 ratio of Bank Zachodni WBK and Santander Consumer Bank as at 30 June 2017 and 31 December 2016.

BZ WBK Capital Ratios		30.06.2017	31.12.2016
Total Capital Ratio		18,38%	16,52%
Tier I Ratio		17,35%	16,08%

SCB Capital Ratios		30.06.2017	31.12.2016
Total Capital Ratio		19,57%	16,22%
Tier I Ratio		19,57%	16,22%

## 3. Additional Financial Information on BZ WBK Group

### Selected Transactions with Related Entities

#### Key Intercompany Transactions with Subsidiaries

Transactions between Bank Zachodni WBK and its related entities are banking operations carried out on an arm's length basis as part of their ordinary business and mainly represent loans, bank accounts, deposits, guarantees and leases.

As at 30 June 2017, the bank's total exposure on loans to subsidiaries (e.g. BZ WBK Faktor, BZ WBK Leasing, Santander Consumer Multirent) amounted to PLN 8,463.3m compared with PLN 7,952.3m as at 31 December 2016.

The deposits held with the bank by subsidiaries (e.g. BZ WBK Finanse, BZ WBK Inwestycje, BZ WBK Towarzystwo Funduszy Inwestycyjnych, Santander Consumer Multirent) totalled PLN 111.4m vs. PLN 152.9m as at 31 December 2016.

Contingent financial liabilities totalled PLN 1,273.9m compared with PLN 1,837.6m as at 31 December 2016. Guarantees to subsidiaries amounted to PLN 64.3m vs. PLN 67.0m as at 31 December 2016.

These intercompany items have been eliminated from the consolidated accounts.

#### Leaseback

On 16 April 2015, Bank Zachodni WBK signed an agreement with BZ WBK Leasing regarding finance leaseback of the existing properties (building, land and perpetual usufruct) and the lease of the planned property (office building to be developed within three years) located in Wrocław.

The final total value of the assets arising from the lease agreement (building and land) was estimated at PLN 156.3m as at the start date of the transaction. As at 30 June 2017, the current value of the fixed assets under the finance leaseback agreement was PLN 39.0m, and the value of fixed assets under construction totalled PLN 30.6m.

The basic lease period was set at 153 months. The purchase of the assets and construction of the office building by BZ WBK Leasing is financed with a loan from Bank Zachodni WBK.

## Intercompany Transactions with Parent Entity

The bank's receivables from the parent entity (Banco Santander) were PLN 175.2m compared with PLN 594.0m as at 31 December 2016, while obligations were PLN 137.9m compared with PLN 271.3m as at 31 December 2016.

A full disclosure on related party transactions is available in Note 31 of the "Condensed Interim Consolidated Financial Statement of Bank Zachodni WBK Group for the 6-month period ended 30 June 2017" and in Note 30 of the "Condensed Interim Financial Statement of Bank Zachodni WBK for the 6-month period ended 30 June 2017".

## Guarantees and Court Proceedings

The tables below present the value of guarantees issued by Bank Zachodni WBK Group and pending court proceedings.

### Guarantees

PLN m		
Guarantees and Commitments of BZ WBK Group	30.06.2017	31.12.2016
<b>Financial commitments:</b>	<b>22 426,0</b>	<b>23 243,1</b>
- credit lines	18 244,3	19 134,4
- credit cards debits	3 588,9	3 419,0
- import letters of credit	584,9	655,6
- term deposits with future commencement term	7,9	34,1
<b>Guarantees</b>	<b>4 063,5</b>	<b>4 182,8</b>
<b>Allowance for impairment</b>	<b>(49,2)</b>	<b>(50,8)</b>
<b>Total</b>	<b>26 440,3</b>	<b>27 375,1</b>

### Pending Court Proceedings

PLN m		
Court Proceedings with BZ WBK Group as a Party	30.06.2017	31.12.2016
Amounts claimed by the Group	574,6	518,3
Claims against the Group	270,6	221,6
Receivables due to bankruptcy or arrangement cases	3,5	40,9
<b>Value of all litigation</b>	<b>848,7</b>	<b>780,8</b>
<b>Share [%] of all litigation in equity</b>	<b>3,9%</b>	<b>3,7%</b>
Completed significant court proceedings	138,2	451,7

## 4. Factors Which May Affect Financial Results in H2 2017

The following external developments will have a significant impact on the financial performance and activity of Bank Zachodni WBK Group in 2017:

- Uncertainty regarding the world economic outlook, fuelled by external risk factors.
- Decisions made in the UK regarding its exit from the European Union.
- Election results in Germany.
- Price changes in the raw material markets.
- Stabilisation of Polish economic growth.
- Growth in real disposable income of households on account of the continued employment and wage growth.
- Stabilisation of the inflation rate at 1.5% YoY.

- Possible rise of labour market tension due to the shortage of qualified workforce; reduction of the retirement age.
- Low financing costs for households and businesses should stimulate demand for bank debt. At the same time, low interest on deposits should encourage bank customers to seek alternative savings/investment options.
- Possible changes in the monetary policy of the ECB and Federal Reserve.
- New capital requirements for FX loans, which may affect credit delivery in the banking sector.
- Changes in asset funding costs dependent on the pace and degree of changes in base rates, movements in the PLN exchange rate, liquidity position of the banking sector and the degree of price competition between banks seeking to attract customer deposits.
- A possible increase in volatility in financial markets in the event of a more negative outlook for global economic growth, growing concerns about potential monetary policy tightening by the Federal Reserve or about outcomes of the elections to be held in European countries.

## VIII. Risk Management

### 1. Risk Management Principles

The main objective of risk management in the bank and BZ WBK Group is to ensure effective and safe operations to support development within approved risk parameters. Risk management practice is in keeping with the industry benchmark, regulatory guidance and recommendations from supervisory authorities, and covers operational risk, credit risk, market risk and liquidity risk.

Risk management in BZ WBK Group is consistent with the risk profile approved by the Risk Management Committee which corresponds to the general risk appetite defined by the Group. Risk appetite is expressed as quantitative limits and captured in the Risk Appetite Statement approved by the Management Board and the Supervisory Board. Limits are set using stress tests and scenario analyses to ensure stability of the bank's position even if adverse circumstances materialise. With global limits in place, watch limits are set and risk management policies are drafted.

The integrated risk management structure contains separate units responsible for identification, measurement, monitoring and mitigation of risks in a way that ensures independence of risk management functions from risk-taking units. The responsibilities of risk management units are defined by the risk management framework that governs the process of identifying, measuring and reporting the risks taken. Furthermore, limits are set on a regular basis to mitigate exposure to individual risks.

### 2. Risk Management Structure

The bank's Supervisory Board is responsible for ongoing supervision of the risk management system in Bank Zachodni WBK, supported by the Audit and Compliance Committee of the Supervisory Board and the Risk Oversight Committee. The Supervisory Board approves the strategy, key risk management policies and risk appetite, and monitors the use of internal limits from the perspective of current business strategy and the macroeconomic environment. It conducts the reviews of the key risk areas, the identification of threats and the process of defining and monitoring remedial actions. The Supervisory Board also assesses the effectiveness of measures taken by the Management Board.

The bank's Management Board is responsible for implementing an effective risk management system compliant with the bank's regulatory obligations and internal regulations. Specifically, the bank's role in this regard is to set up an organisational structure tailored to the size and profile of the risks taken, to segregate responsibilities in order that risk assessment and control functions remain independent of operational functions, to introduce and update a risk management strategy and ensure an adequate information policy.

The Management Board fulfils its risk management role through the following three committees:

- The Risk Management Committee, which is an executive committee responsible for developing a risk management strategy across the Group, including the identification of material risk types, setting the risk appetite and defining the methods of risk measurement, control, monitoring and reporting;
- The Risk Management Sub-Committee set up as part of the Risk Management Committee to approve the key decisions taken by the main lower-level risk committees;
- The Risk Control Committee, which monitors the risk level across different areas of the bank's operations and supervises the activities of lower-level risk management committees set up by the Management Board.

These committees, acting within the respective remits defined by the Management Board, are directly responsible for developing risk management methods and monitoring risk levels in specific areas.

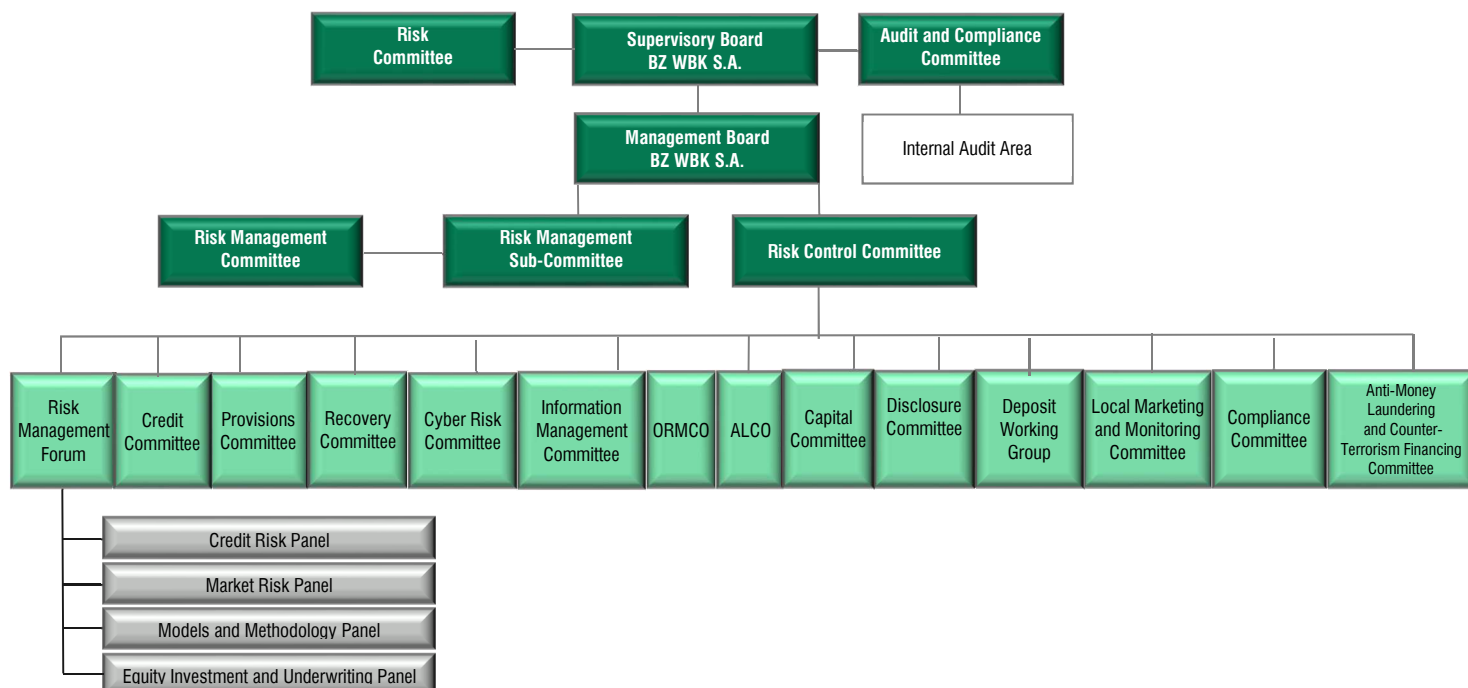
The Risk Control Committee supervises the following committees responsible for risk management in the Group:

- The Risk Management Forum composed of panels dedicated to credit risk, market risk, models and methodology and equity investment and underwriting
- Credit Committee
- Recovery Committee
- Provisions Committee
- Information Management Committee
- Operational Risk Management Committee / ORMCO
- Cyber Risk Committee
- Assets and Liabilities Management Committee / ALCO
- Capital Committee
- Disclosure Committee
- Deposit Working Group
- Local Marketing and Monitoring Committee
- Compliance Committee
- Anti-Money Laundering and Counter-Terrorism Financing Committee.

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

Acting under the applicable law, the bank exercises oversight of risk management in Santander Consumer Bank (SCB) in line with the same oversight rules as applied to other Bank Zachodni WBK Group companies. Bank Zachodni WBK Management Board members in charge of the Risk Management Division and Financial Management Division (respectively) sit on the Supervisory Board of SCB. Pursuant to the BZ WBK strategy of investments in capital market instruments, they are responsible for supervision over SCB and they ensure, together with the SCB Supervisory Board, that the company operates in line with the adopted plans and operational security procedures. The bank monitors the profile and level of SCB risk via BZ WBK risk management committees.

### Corporate Governance Structure for Risk Supervision and Management



### 3. Risk Management Priorities

Stable economic growth, record low interest rates and robust demand for mortgage loans had a positive impact on credit delivery and overall risk of the credit portfolio in H1 2017. In view of the Group's priority to maintain high quality of the loan book, any adverse developments and their potential influence on the customer risk profile were analysed in detail. The bank was actively involved as a member of a working group set up by the Polish Banks Association (ZBP) to address the issue of loans denominated in/indexed to foreign currency.

The bank continuously optimises its processes and products to increase the profitability of business, while ensuring attractive products and services for customers. To that end, in H1 2017, the bank launched a new pricing offer for mortgage loans based on LTV.

The key challenges facing the bank in the near future include the possibility of legislative solutions being introduced with respect to loans indexed to/denominated in foreign currency, which may substantially affect the bank's performance and risk profile. Furthermore, the Directive of the European Parliament and of the Council on payment services in the internal market ("PSD2") may reduce banks' competitive advantage that they enjoy at present as the only institutions that have access to information about customers' income and expense. Under PSD2, non-banking entities will be able to examine behavioural data on customers' accounts while being subject to less stringent legal requirements than those imposed by banks.

Adverse macroeconomic developments (economic slowdown in China, concerns about the global economic outlook, risk of continued depreciation of the zloty as a result of the British exit from the European Union, labour market tension resulting in an increased wage pressure) may have a negative impact on the performance of companies and their investments, which in turn may affect the results of the banking sector.

In response to these emerging challenges, the bank continues the Transformation Programme, which will introduce significant changes in the credit processes and technologies in place. The bank also consistently develops and promotes the remote channels in relationships with customers. It regularly optimises its existing processes and products to remain both competitive and profitable at the same time. Furthermore, it develops innovative risk management solutions to facilitate the safe and stable growth of business volumes while ensuring compliance with regulatory requirements relating to advanced risk management methods.

Work is well under way to implement a centralised system for identifying, measuring, modelling and reporting on interest rate risk and liquidity risk. The system will facilitate balance sheet management and ensure best-in-class standards in data quality assurance.

## IX. Governing Bodies

### General Meeting of Shareholders of Bank Zachodni WBK

On 17 May 2017, the Annual General Meeting of Shareholders of Bank Zachodni WBK (AGM) was held, which approved the 2016 reports presented by the Management Board and the Supervisory Board, and granted discharge to members of the Management Board and the Supervisory Board for the performance of their duties in the previous year. In addition, the AGM agreed on the distribution of the net profit for 2016 and payment of dividend from the undistributed earnings for 2014 and 2015 (see Chapter X "Additional Information"). The AGM appointed the Supervisory Board, including the Supervisory Board Chairman, for a new term of office and set remuneration of the Supervisory Board members. The AGM also approved the application of a higher maximum ratio of variable and fixed components of remuneration for individuals holding managerial positions in Bank Zachodni WBK Group. As the criteria for exercising awards by participants of the 5th Incentive Programme had been satisfied, the AGM adopted a resolution increasing the bank's share capital by way of issuing ordinary M series shares, depriving the existing shareholders of all their pre-emptive rights to those shares and undertaking actions to ensure introduction of the newly issued shares to trading in the regulated market of the Warsaw Stock Exchange. In addition, the AGM approved the 6th Incentive Programme for 2017–2019, providing for a conditional entitlement of its participants to acquire a stated number of shares of a new issue for a price equal to their nominal value. The AGM also approved changes to the bank's Statutes extending the bank's objects (to include trust services and electronic identification), adapting its relevant provisions to the existing Banking Law and reflecting the increased share capital.

### Supervisory Board

Below is the composition of the Bank Zachodni WBK Supervisory Board as at 30 June 2017 vs. 31 December 2016.

Role in the Supervisory Board	Ref.	Composition as at 30.06.2017	Ref.	Composition as at 31.12.2016
Chairman of the Supervisory Board:	1.	Gerry Byrne	1.	Gerry Byrne
	2.	José Manuel Campa	-	-
Members of the Supervisory Board:	3.	José Garcia Cantera	2.	José Garcia Cantera
	4.	Danuta Dąbrowska	3.	Danuta Dąbrowska
	5.	David R. Hexter	4.	David R. Hexter
	6.	Witold Jurcewicz	5.	Witold Jurcewicz
	7.	José Luis de Mora	6.	José Luis de Mora
	8.	John Power	7.	John Power
	9.	Jerzy Surma	8.	Jerzy Surma
	10.	Marynika Woroszyńska-Sapieha	9.	Marynika Woroszyńska-Sapieha
	-	-	10.	José Manuel Varela

The bank's Supervisory Board, in its composition as at 30 June 2017, was appointed for a new term of office by the Annual General Meeting held on 17 May 2017. Compared with the Supervisory Board composition as at 31 December 2016, the Supervisory Board was joined by José Manuel Campa, while José Manuel Varela stepped down as a Supervisory Board member.

Detailed information about the qualifications, academic background and professional experience of the bank's Supervisory Board members can be found at the bank's website: <https://www.bzwbk.pl/investor-relations/company/supervisory-board/supervisory-board.html>.

The Supervisory Board members sit on the following Supervisory Board Committees:

Role in the Supervisory Board	Ref.	Composition as at 30.06.2017	Supervisory Board Committees as at 30.06.2017			
			Audit and Compliance Committee	Risk Committee	Nominations Committee	Remuneration Committee
Chairman of the Supervisory Board:	1.	Gerry Byrne			●	●
	2.	José Manuel Campa		●		
Members of the Supervisory Board:	3.	José Garcia Cantera				
	4.	Danuta Dąbrowska	●		●	●
	5.	David R. Hexter	●	●		
	6.	Witold Jurcewicz	●	●	●	●
	7.	José Luis de Mora			●	●
	8.	John Power		●		
	9.	Jerzy Surma	●	●	●	●
	10.	Marynika Woroszyńska-Sapieha	●		●	●

● Chairman  
● Members

As at 30 June 2017, the following members of the Supervisory Board held independent status: Ms Danuta Dąbrowska, Mr David R. Hexter, Mr Witold Jurcewicz, Mr Jerzy Surma and Ms Marynika Woroszyńska-Sapieha.

## Management Board

The table below presents the composition of the Bank Zachodni WBK Management Board as at 30 June 2017 and 31 December 2016 together with the roles and responsibilities of its members.

Role in the Management Board	Ref.	Composition as at 30.06.2017	Reporting Areas as at 30.06.2017	Role in the Management Board	Ref.	Composition as at 31.12.2016	Reporting Areas as at 31.12.2016
President:	1.	Michał Gajewski	Units reporting directly to the President: Internal Audit Area, Corporate Communications & Marketing Area, Business Model Transformation Area, Board Office, Strategic Transformation Office	President:	1.	Michał Gajewski	Units reporting directly to the President: Internal Audit Area, Corporate Communications & Marketing Area, Business Model Transformation Area, Board Office, Strategic Transformation Office
Vice-Presidents:	2.	Andrzej Burliga	Risk Management Division	Board Members:	2.	Andrzej Burliga	Risk Management Division
	3.	Michael McCarthy	Business & Corporate Banking Division		3.	Michael McCarthy	Business & Corporate Banking Division
	4.	Juan de Porras Aguirre	Global Corporate Banking Division		4.	Juan de Porras Aguirre	Global Corporate Banking Division
	5.	Mirosław Skiba	Retail Banking Division		5.	Mirosław Skiba	Retail Banking Division
	6.	Feliks Szyszowskiak	Digital Transformation Division		6.	Feliks Szyszowskiak	Digital Transformation Division
	Board Members:	7.	Artur Chodacki		Small & Medium Enterprise Banking Division	7.	Artur Chodacki
8.		Maciej Reluga	Financial Management Division	8.	Eamonn Crowley	Financial Management Division	
9.		Carlos Polaino Izquierdo	Financial Accounting & Control Division	9.	Carlos Polaino Izquierdo	Financial Accounting & Control Division	
10.		Marcin Prell	Legal & Compliance Division	10.	Marcin Prell	Legal & Compliance Division	
11.		Arkadiusz Przybył	Retail Distribution Area, Branch Banking	-	-		
12.		Dorota Strojowska	Business Partnership Division	11.	Michał Gajewski	Business Partnership Division	



In the period from 31 December 2016 to 30 June 2017, the following changes took place at the Bank Zachodni WBK Management Board:

- On 16 February 2017, Mr Eamonn Crowley resigned with an immediate effect as a Management Board member. On the same day, the bank's Supervisory Board appointed Mr Maciej Reluga as a Management Board member, effective as of 16 February 2017.
- Following the expiry of her previous employment commitments, on 1 April 2017 Ms Dorota Strojowska took up the position of a member of the bank's Management Board to which she was appointed on 14 December 2016. Until that time, Mr Michał Gajewski, the President of the Management Board, was in charge of the Business Partnership Division.
- On 10 March 2017, the Supervisory Board extended the composition of the Management Board by appointing Mr Arkadiusz Przybył as a Management Board member and appointed the existing Management Board members: Mr Andrzej Burliga, Mr Michael McCarthy, Mr Juan de Porras Aguirre, Mr Mirosław Skiba and Mr Feliks Szyszkowiak as Vice Presidents of the Management Board.

Detailed information about the qualifications, academic background and professional experience of the bank's Management Board members can be found at the bank's website: <https://www.bzwbk.pl/investor-relations/company/management-board/management-board.html>.

## Shares and Conditional Rights Held by Supervisory and Management Board Members

As at the release dates of the H1 2017 Report of Bank Zachodni WBK Group, Q1 2017 Report and Annual Report 2016 none of the members of the Supervisory Board held any Bank Zachodni WBK shares or conditional rights.

The table below represents Bank Zachodni WBK shares and conditional rights held by the Management Board members as at the dates of publication of reports for the periods ended 30 June 2017, 31 March 2017 and 31 December 2016.

Management Board Members	28.07.2017		26.04.2017		17.02.2017	
	No. of BZ WBK shares	Rights <sup>4)</sup> (Incentive Programme V)	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Michał Gajewski	-	-	-	-	-	-
Andrzej Burliga	3 000	1 389	3 000	2 204	3 000	2 204
Artur Chodacki	-	790	-	1 253	-	1 253
Michael McCarthy	-	1 528	-	2 424	-	2 424
Carlos Polaino Izquierdo	-	631	-	1 000	-	1 000
Juan de Porras Aguirre	-	1 397	-	2 217	-	2 217
Marcin Prell	-	1 250	-	1 983	-	1 983
Arkadiusz Przybył <sup>1)</sup>	-	-	-	-	-	-
Maciej Reluga <sup>2)</sup>	-	505	-	800	-	800
Mirosław Skiba	1 057	1 417	1 057	2 248	1 057	2 248
Dorota Strojowska <sup>3)</sup>	418	217	418	-	-	-
Feliks Szyszkowiak	204	1 417	204	2 248	204	2 248
<b>Total</b>	<b>4 679</b>	<b>10 541</b>	<b>4 679</b>	<b>16 377</b>	<b>4 261</b>	<b>16 377</b>

1) Mr Arkadiusz Przybył was appointed as member of the Management Board of the Bank with effect from 10 March 2017.

2) Mr Maciej Reluga was appointed as member of the Management Board of the Bank with effect from 16 February 2017 and replaced Mr Eamonn Crowley who stepped down from this function.

3) Ms Dorota Strojowska was appointed as member of the Management Board of the Bank with effect from 14 December 2016 and took up this position from 1 April 2017.

4) The column includes conditional share rights of BZ WBK Board Members under Incentive Scheme V. It does not include 34 670 share rights assigned to them under Incentive Scheme VI.

On the basis of the Resolution of the AGM of Bank Zachodni WBK of 17 May 2017 increasing the bank's share capital as part of execution of the 5th Incentive Programme, the bank allocated M series shares to eligible participants of the programme in a private subscription. The shares will be registered in the brokerage accounts in H2 2017.

In relation to the launch of the 6th Incentive Programme for the years 2017-2019, as approved by the Annual General Meeting of Shareholders held on 17 May 2017, the Management Board members – as obligatory participants – were awarded 34 670 conditional rights to buy further performance shares out of the maximum number of 250k shares. The rights in question have not been included in the table above.

## X. Additional Information

### Organisational Changes

In order to be the preferred bank for retail and business customers, Bank Zachodni WBK has launched the process of business transformation in accordance with the multi-channel digitisation model. The process is accompanied by organisational adaptation measures, which in H1 2017 were particularly visible in Branch Banking and the Small and Medium Enterprise Banking Division.

The key organisational solutions both in the Retail Banking Division and the Small and Medium Enterprise Banking Division are outlined in their respective sections in Chapter VI. "Business Development". The particular importance of the initiatives connected with integration and effectiveness of distribution channels was additionally emphasised by appointment of Mr Arkadiusz Przybył as a Management Board member and a Head of Retail Distribution Area in charge of Branch Banking, with a reporting line to the Head of the Retail Banking Division.

The ownership changes in Bank Zachodni WBK Group that took place in H1 2017 are described in Section 4 "Entities Related with Bank Zachodni WBK", Chapter II, "Basic Information about BZ WBK Group".

### Selection of Auditor

In accordance with the Statutes of Bank Zachodni WBK and applicable laws, on 19 April 2017, the bank's Supervisory Board passed a resolution appointing PricewaterhouseCoopers as the entity authorised to:

- review the bank's financial statements and the Group's consolidated financial statements for H1 2017 and 2018;
- audit the bank's unconsolidated financial statements and the Group's consolidated financial statements for 2017 and 2018.

The agreements with PricewaterhouseCoopers are signed for the terms required to carry out the specified work.

Bank Zachodni WBK and Banco Santander retain the same auditor, which ensures a consistent approach to the audit process.

The bank used consulting and tax advice services provided by PricewaterhouseCoopers and other entities from the PwC network. In the bank's view, the above services do not affect the impartiality or independence of the auditor.

### Dividend per Share

On the basis of a proposal from the Management Board and the Supervisory Board, and in accordance with the recommendation of the Polish Financial Supervision Authority (KNF) of 21 December 2016 on the principles of banks' dividend policies in 2017, and the individual recommendation for the bank of 9 March 2017, the bank's AGM, at its meeting of 17 May 2017, approved the distribution of the net profit for 2016 without making any dividend allocation.

Taking into account the strong capital position of the bank and its Group, the Management Board and the Supervisory Board made a proposal, subsequently approved by the AGM of 17 May 2017, to allocate to dividend an amount of PLN 535.9m from the retained profit for 2014 and 2015. The dividend of PLN 5.4 per share was paid out on 14 June 2017.

Last year, the AGM of 20 April 2016 decided to allocate PLN 702.5m of the net profit earned by Bank Zachodni WBK in 2015 and PLN 587.6m of the undistributed net profit for 2014 for dividend payment. The dividend of PLN 13 per share was paid out on 16 May 2016.

### Corporate Governance Statement

Bank Zachodni WBK published its "Corporate Governance Statement for 2016" as part of the Annual Report 2016, which is equivalent to submitting the document to the Warsaw Stock Exchange in line with relevant requirement.



# XI. Representations of the Management Board

## True and Fair Presentation of the Financial Statements

According to the Management Board's best knowledge, the financial figures and the comparable data presented in the financial statements incorporated in the 2017 Interim Report of Bank Zachodni WBK Group were prepared in keeping with the applicable accounting policies and give a true and fair view of the state of affairs and earnings of Bank Zachodni WBK Group. The Management Board's Report contained in this document shows a true picture of the development, achievements and position of Bank Zachodni WBK Group (including the underlying risks) in H1 2017.

## Selection of Auditor

The auditing firm responsible for auditing „Condensed Interim Consolidated Financial Statement of Bank Zachodni WBK Group for the period of 6 months ended 30 June 2017” was selected in compliance with the applicable legislation. The auditing firm and its auditors satisfied the necessary conditions to ensure they provide an unbiased and independent report compliant with the Polish law and professional standards.

Signatures of the Management Board Members			
Date	Name	Function	Signature
25.07.2017	Michał Gajewski	President of the Board	
25.07.2017	Andrzej Burliga	Vice-President of the Board	
25.07.2017	Michael McCarthy	Vice-President of the Board	
25.07.2017	Juan de Porras Aguirre	Vice-President of the Board	
25.07.2017	Mirosław Skiba	Vice-President of the Board	
25.07.2017	Feliks Szyszkiwiak	Vice-President of the Board	
25.07.2017	Artur Chodacki	Member of the Board	
25.07.2017	Carlos Polaino Izquierdo	Member of the Board	
25.07.2017	Marcin Prell	Member of the Board	
25.07.2017	Arkadiusz Przybył	Member of the Board	
25.07.2017	Maciej Reluga	Member of the Board	
25.07.2017	Dorota Strojowska	Member of the Board	