



**SELECTED FINANCIAL INFORMATION
ON BANK ZACHODNI WBK GROUP
FOR 2017**

2017



Bank Zachodni WBK

 Grupa Santander

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

The financial information for the quarter and the year ended 31 December 2017 as included in this document covers selected, preliminary and unaudited data prepared for information purposes only, in addition to the statutory interim reporting obligations of Bank Zachodni WBK Group. The scope of disclosures contained herein does not meet the definition of an interim report required by the International Accounting Standard 34 „Interim Financial Reporting” or the Regulation of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities. Some financial data may be subject to revision in the Group’ s Annual Report 2017 to be published on 13 February 2018 along with the independent auditor’s opinion.

In thousands of PLN

Consolidated Income Statement

for reporting period:	01.10.2017 31.12.2017	01.01.2017 31.12.2017	01.10.2016 31.12.2016	01.01.2016 31.12.2016
Interest income	1 684 729	6 529 307	1 592 287	6 060 920
Interest expenses	(305 281)	(1 252 410)	(317 487)	(1 290 548)
Net interest income	1 379 448	5 276 897	1 274 800	4 770 372
Fee and commission income	655 957	2 526 814	621 355	2 388 464
Fee and commission expenses	(140 571)	(513 688)	(137 418)	(473 744)
Net fee and commission income	515 386	2 013 126	483 937	1 914 720
Dividend income	180	76 816	58	96 582
Net gains/(losses) on subordinated entities	-	3 757	-	100
Net trading income and revaluation	47 321	194 974	51 938	280 820
Gains (losses) from other financial securities	15 593	47 502	7 661	402 774
Other operating income	52 372	150 587	41 856	140 764
Impairment losses on loans and advances	(212 942)	(690 473)	(219 338)	(784 590)
Operating expenses incl.:	(870 166)	(3 372 414)	(840 311)	(3 367 721)
<i>Bank's staff, operating expenses and management costs</i>	<i>(755 269)</i>	<i>(2 939 432)</i>	<i>(720 201)</i>	<i>(2 935 229)</i>
<i>Depreciation/amortisation</i>	<i>(84 657)</i>	<i>(318 933)</i>	<i>(74 710)</i>	<i>(277 220)</i>
<i>Other operating expenses</i>	<i>(30 240)</i>	<i>(114 049)</i>	<i>(45 400)</i>	<i>(155 272)</i>
Operating profit	927 192	3 700 772	800 601	3 453 821
Share in net profits (loss) of entities accounted for by the equity method	19 718	58 264	19 300	55 439
Tax on financial institutions	(106 991)	(423 815)	(108 865)	(387 206)
Profit before tax	839 919	3 335 221	711 036	3 122 054
Corporate income tax	(215 548)	(816 707)	(201 776)	(737 962)
Consolidated profit for the period	624 371	2 518 514	509 260	2 384 092
of which:				
<i>attributable to owners of BZ WBK S.A.</i>	<i>548 991</i>	<i>2 213 054</i>	<i>460 949</i>	<i>2 166 847</i>
<i>attributable to non-controlling interests</i>	<i>75 380</i>	<i>305 460</i>	<i>48 311</i>	<i>217 245</i>
Net earnings per share (PLN/share)				
Basic earnings per share	5,65	22,29	4,65	21,84
Diluted earnings per share	5,62	22,25	4,63	21,80

Consolidated Statement of Comprehensive Income

for reporting period:	01.10.2017 31.12.2017	01.01.2017 31.12.2017	01.10.2016 31.12.2016	01.01.2016 31.12.2016
Consolidated profit for the period	624 371	2 518 514	509 260	2 384 092
Other comprehensive income which can be transferred to the profit and loss account:	76 179	452 578	(344 597)	(510 064)
Available-for sale financial assets valuation, gross	118 816	533 774	(406 727)	(738 327)
Deferred tax	(22 575)	(101 417)	77 278	140 282
Cash flow hedges valuation, gross	(24 768)	24 964	(18 702)	108 618
Deferred tax	4 706	(4 743)	3 554	(20 637)
Other comprehensive income which can't be transferred to the profit and loss account	(7 618)	(7 622)	5 125	5 556
Provision for retirement allowances – actuarial gains/losses, gross	(9 405)	(9 410)	6 327	6 859
Deferred tax	1 787	1 788	(1 202)	(1 303)
Other comprehensive income for the period, net of income tax	68 561	444 956	(339 472)	(504 508)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	692 932	2 963 470	169 788	1 879 584
Attributable to:				
<i>owners of BZ WBK S.A.</i>	<i>618 348</i>	<i>2 651 427</i>	<i>122 178</i>	<i>1 666 087</i>
<i>non-controlling interests</i>	<i>74 584</i>	<i>312 043</i>	<i>47 610</i>	<i>213 497</i>

In thousands of PLN

Consolidated Statement of Financial Position

as at:	31.12.2017	30.09.2017	31.12.2016
Assets			
Cash and balances with central banks	4 146 222	5 117 186	4 775 660
Loans and advances to banks	2 136 474	2 179 043	3 513 278
Financial assets held for trading	3 416 108	2 359 802	3 180 985
Hedging derivatives	218 061	115 143	67 645
Loans and advances to customers	107 839 897	106 475 429	103 068 538
Financial assets available for sale	28 415 812	27 586 847	29 307 878
Investments in associates	889 372	868 482	871 491
Intangible assets	490 327	430 607	486 762
Goodwill	1 712 056	1 712 056	1 688 516
Property, plant and equipment	930 717	857 240	878 298
Net deferred tax assets	1 414 227	1 430 858	1 534 322
Assets classified as held for sale	103	733	629
Other assets	1 065 068	1 290 942	725 714
Total assets	152 674 444	150 424 368	150 099 716
Liabilities			
Deposits from banks	2 783 083	2 730 481	2 561 281
Hedging derivatives	578 798	992 306	2 023 344
Financial liabilities held for trading	1 237 704	1 487 405	1 809 060
Deposits from customers	111 481 135	111 022 779	112 522 457
Sell-buy-back transactions	2 650 846	1 861 557	1 632 613
Subordinated liabilities	1 488 602	951 054	440 457
Debt securities in issue	5 895 814	5 895 475	5 529 187
Current income tax liabilities	192 925	143 726	84 151
Provisions	153 134	160 755	130 128
Other liabilities	2 868 774	2 522 888	2 348 562
Total liabilities	129 330 815	127 768 426	129 081 240
Equity			
Equity attributable to owners of BZ WBK S.A.	21 907 220	21 294 117	19 780 827
Share capital	993 335	993 335	992 345
Other reserve funds	16 920 129	16 920 093	15 791 555
Revaluation reserve	714 466	645 109	276 093
Retained earnings	1 066 236	1 071 517	553 987
Profit of the current period	2 213 054	1 664 063	2 166 847
Non-controlling interests in equity	1 436 409	1 361 825	1 237 649
Total equity	23 343 629	22 655 942	21 018 476
Total equity and liabilities	152 674 444	150 424 368	150 099 716

In thousands of PLN

Consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	Total equity
	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total		
Opening balance as at 31.12.2016	992 345	15 791 555	276 093	2 720 834	19 780 827	1 237 649	21 018 476
Total comprehensive income	-	-	438 373	2 213 054	2 651 427	312 043	2 963 470
Consolidated profit for the period	-	-	-	2 213 054	2 213 054	305 460	2 518 514
Other comprehensive income	-	-	438 373	-	438 373	6 583	444 956
Issue of shares	990	-	-	-	990	-	990
Distributions of profits and losses	-	1 123 497	-	(1 123 497)	-	-	-
Share scheme charge	-	(2 512)	-	-	(2 512)	-	(2 512)
Dividends	-	-	-	(535 866)	(535 866)	(110 962)	(646 828)
Equity adjustment due to merger and liquidation of subsidiaries and controlling stake at the subsidiaries	-	7 589	-	4 765	12 354	(2 321)	10 033
As at 31.12.2017	993 335	16 920 129	714 466	3 279 290	21 907 220	1 436 409	23 343 629

As at the end of the period revaluation reserve in the amount of PLN 714,466 k comprises of debt securities and equity shares classified as available for sale of PLN 245,104 k and PLN 557,499 k respectively and additionally cash flow hedge activities of PLN (88,574) k and accumulated actuarial gains - provision for retirement allowances of PLN 437 k.

Consolidated statement of changes in equity	Equity attributable to equity holders of BZ WBK SA					Non-controlling interests in equity	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total		
Opening balance as at 31.12.2016	992 345	15 791 555	276 093	2 720 834	19 780 827	1 237 649	21 018 476
Total comprehensive income	-	-	369 016	1 664 063	2 033 079	237 459	2 270 538
Consolidated profit for the period	-	-	-	1 664 063	1 664 063	230 080	1 894 143
Other comprehensive income	-	-	369 016	-	369 016	7 379	376 395
Issue of shares*	990	-	-	-	990	-	990
Distributions of profits and losses	-	1 117 265	-	(1 117 265)	-	-	-
Share scheme charge	-	3 684	-	-	3 684	-	3 684
Dividends	-	-	-	(535 866)	(535 866)	(110 962)	(646 828)
Equity adjustment due to merger and liquidation of subsidiaries and controlling stake at the subsidiaries	-	7 589	-	3 814	11 403	(2 321)	9 082
As at 30.09.2017	993 335	16 920 093	645 109	2 735 580	21 294 117	1 361 825	22 655 942

As at the end of the period revaluation reserve in the amount of PLN 645,109 k comprises of debt securities and equity shares classified as available for sale of PLN 153,314 k and PLN 553,356 k respectively and additionally cash flow hedge activities of PLN (69,579) k and accumulated actuarial gains - provision for retirement allowances of PLN 8,018 k.

* On 3 August 2017, Bank Zachodni WBK was informed that on 3 August 2017, the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, entered into the National Court Register the changes to the Bank's statute adopted by the Annual General Meeting of the shareholders of the Bank held on 17 May 2017. Given the above, the Bank's share capital was increased from PLN 992,345,340 to PLN 993,334,810, i.e. by PLN 989,470. The shares acquired in the increased share capital were paid up in full.

This increase of the share capital took place within the private placement with the exclusion of the pre-emptive rights of the present shareholders in respect of the shares of the M series ordinary bearer shares covered by Incentive Scheme V participants.

In thousands of PLN

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

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

In thousands of PLN

Consolidated Statement of Cash Flows

	for the period	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Profit before tax		3 335 221	3 122 054
Total adjustments:			
Share in net profits (losses) of entities accounted for by the equity method		(58 264)	(55 439)
Depreciation/amortisation		318 933	277 220
Impairment losses		8 765	22 077
Profit (loss) from investing activities		(62 297)	(417 631)
		3 542 358	2 948 281
Changes:			
Provisions		23 006	(2 442)
Trading portfolio financial instruments		(1 506 362)	957 785
Hedging derivatives		(1 594 962)	40 671
Loans and advances to banks		(95)	4 589
Loans and advances to customers		(4 771 359)	(8 154 654)
Deposits from banks		110 032	164 897
Deposits from customers		(781 067)	10 336 381
Buy-sell/ Sell-buy-back transactions		1 018 233	(3 608 458)
Other assets and liabilities		277 134	683 114
		(7 225 440)	421 883
Interest accrued excluded from operating activities		(414 692)	(436 651)
Dividend		(76 270)	(96 051)
Paid income tax		(693 049)	(1 016 330)
Net cash flows from operating activities		(4 867 093)	1 821 132
Inflows		4 461 677	6 069 162
Sale of subordinated entities		-	100
Sale/maturity of financial assets available for sale		3 673 594	5 327 990
Sale of intangible assets and property, plant and equipment		45 342	26 800
Dividend received		76 270	95 903
Interest received		666 471	618 369
Outflows		(4 206 618)	(10 406 768)
Purchase of subordinated entities net of cash acquired		-	(61 197)
Purchase of financial assets available for sale		(3 792 409)	(9 991 588)
Purchase of intangible assets and property, plant and equipment		(414 209)	(353 983)
Net cash flows from investing activities		255 059	(4 337 606)
Inflows		4 983 948	6 037 678
Debt securities in issue		3 562 288	2 762 880
Proceeds from issuing/shares		990	-
Drawing of loans		1 420 670	3 274 798
Outflows		(4 548 345)	(4 360 097)
Debt securities buy out		(2 095 000)	(1 554 700)
Repayment of loans		(1 568 408)	(1 108 976)
Dividends and other payments to shareholders		(646 828)	(1 516 074)
Interest paid		(238 109)	(180 347)
Net cash flows from financing activities		435 603	1 677 581
Total net cash flows		(4 176 431)	(838 893)
Cash and cash equivalents at the beginning of the accounting period		11 838 799	12 677 692
Cash and cash equivalents at the end of the accounting period		7 662 368	11 838 799

In thousands of PLN

Income Statement of Bank Zachodni WBK

	for reporting period:		01.10.2017	01.01.2017	01.10.2016	01.01.2016
	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Interest income	1 204 956	4 703 187	1 158 869	4 469 917		
Interest expenses	(219 261)	(917 638)	(234 966)	(989 477)		
Net interest income	985 695	3 785 549	923 903	3 480 440		
Fee and commission income	532 854	2 048 486	495 057	1 904 106		
Fee and commission expenses	(84 242)	(321 838)	(84 474)	(299 371)		
Net fee and commission income	448 612	1 726 648	410 583	1 604 735		
Dividend income	27 276	299 518	47	439 288		
Net gains/(losses) on subordinated entities	(288)	(288)	-	-		
Net trading income and revaluation	43 664	183 229	51 117	266 371		
Gains (losses) from other financial securities	14 813	44 614	9 564	401 189		
Other operating income	22 852	83 763	32 915	119 465		
Impairment losses on loans and advances	(157 294)	(540 375)	(142 228)	(583 479)		
Operating expenses incl.:	(682 267)	(2 679 341)	(665 130)	(2 722 683)		
<i>Bank's staff, operating expenses and management costs</i>	<i>(590 762)</i>	<i>(2 323 197)</i>	<i>(565 431)</i>	<i>(2 360 209)</i>		
<i>Depreciation/amortisation</i>	<i>(71 256)</i>	<i>(274 954)</i>	<i>(62 240)</i>	<i>(234 117)</i>		
<i>Other operating expenses</i>	<i>(20 249)</i>	<i>(81 190)</i>	<i>(37 459)</i>	<i>(128 357)</i>		
Operating profit	703 063	2 903 317	620 771	3 005 326		
Tax on financial institutions	(97 646)	(387 987)	(99 587)	(356 078)		
Profit before tax	605 417	2 515 330	521 184	2 649 248		
Corporate income tax	(156 254)	(599 174)	(158 668)	(567 528)		
Profit for the period	449 163	1 916 156	362 516	2 081 720		
Net earnings per share (PLN/share)						
Basic earnings per share	4,63	19,30	3,66	20,98		
Diluted earnings per share	4,61	19,27	3,64	20,94		

Statement of Comprehensive Income of Bank Zachodni WBK

	for reporting period:		01.10.2017	01.01.2017	01.10.2016	01.01.2016
	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Profit for the period	449 163	1 916 156	362 516	2 081 720		
Other comprehensive income which can be transferred to the profit and loss account:	80 103	438 053	(341 920)	(492 701)		
Available-for sale financial assets valuation, gross	120 365	515 926	(399 251)	(713 041)		
Deferred tax	(22 869)	(98 026)	75 858	135 478		
Cash flow hedges valuation, gross	(21 473)	24 880	(22 874)	104 767		
Deferred tax	4 080	(4 727)	4 347	(19 905)		
Other comprehensive income which can't be transferred to the profit and loss account	(7 504)	(7 504)	5 208	5 208		
Provision for retirement allowances – actuarial gains/losses, gross	(9 264)	(9 264)	6 430	6 430		
Deferred tax	1 760	1 760	(1 222)	(1 222)		
Other comprehensive income for the period, net of income tax	72 599	430 549	(336 712)	(487 493)		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	521 762	2 346 705	25 804	1 594 227		

In thousands of PLN

Statement of Financial Position of Bank Zachodni WBK

as at:	31.12.2017	30.09.2017	31.12.2016
ASSETS			
Cash and balances with central banks	4 114 801	5 015 498	4 696 634
Loans and advances to banks	2 012 118	2 049 775	3 308 802
Financial assets held for trading	3 421 547	2 364 650	3 198 187
Hedging derivatives	146 724	80 883	66 787
Loans and advances to customers	90 537 003	90 254 976	87 102 390
Financial assets available for sale	25 784 029	24 714 502	26 322 361
Investments in subsidiaries and associates	2 377 037	2 377 325	2 377 325
Intangible assets	459 976	409 942	464 308
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	821 532	750 576	779 866
Net deferred tax assets	709 867	752 974	950 307
Assets classified as held for sale	8	608	608
Other assets	790 110	1 020 647	461 897
Total assets	132 863 268	131 480 872	131 417 988
LIABILITIES			
Deposits from banks	1 414 448	1 322 870	1 212 765
Hedging derivatives	578 798	992 284	1 961 828
Financial liabilities held for trading	1 263 859	1 498 012	1 809 969
Deposits from customers	102 155 522	101 737 670	103 381 249
Sell-buy-back transactions	1 479 667	531 773	-
Subordinated liabilities	1 488 602	951 054	440 457
Debt securities in issue	1 240 244	2 078 370	1 783 303
Current income tax liabilities	61 143	39 466	12 999
Provisions	82 600	83 602	66 345
Other liabilities	2 259 548	1 922 502	1 719 553
Total liabilities	112 024 431	111 157 603	112 388 468
Equity			
Share capital	993 335	993 335	992 345
Other reserve funds	16 176 183	16 182 377	15 132 993
Revaluation reserve	712 303	639 704	281 754
Retained earnings	1 040 860	1 040 860	540 708
Profit of the current period	1 916 156	1 466 993	2 081 720
Total equity	20 838 837	20 323 269	19 029 520
Total equity and liabilities	132 863 268	131 480 872	131 417 988

In thousands of PLN

Statements of changes in equity of Bank Zachodni WBK

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2016	992 345	15 132 993	281 754	2 622 428	19 029 520
Other comprehensive income	-	-	430 549	1 916 156	2 346 705
Profit for the period	-	-	-	1 916 156	1 916 156
Other comprehensive income	-	-	430 549	-	430 549
Issue of shares	990	-	-	-	990
Distribution of profits and losses	-	1 045 702	-	(1 045 702)	-
Dividends	-	-	-	(535 866)	(535 866)
Share scheme charge	-	(2 512)	-	-	(2 512)
As at 31.12.2017	993 335	16 176 183	712 303	2 957 016	20 838 837

As at the end of the period revaluation reserve in the amount of PLN 712,303 k comprises of debt securities and equity shares classified as available for sale of PLN 237,275 k and PLN 566,134 k respectively and additionally cash flow hedge activities of PLN (91,429) k and accumulated actuarial gains - provision for retirement allowances of PLN 323 k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2016	992 345	15 132 993	281 754	2 622 428	19 029 520
Other comprehensive income	-	-	357 950	1 466 993	1 824 943
Profit for the period	-	-	-	1 466 993	1 466 993
Other comprehensive income	-	-	357 950	-	357 950
Issue of shares	990	-	-	-	990
Distribution of profits and losses	-	1 045 702	-	(1 045 702)	-
Dividends	-	-	-	(535 866)	(535 866)
Share scheme charge	-	3 682	-	-	3 682
As at 30.09.2017	993 335	16 182 377	639 704	2 507 853	20 323 269

As at the end of the period revaluation reserve in the amount of PLN 639,704 k comprises of debt securities and equity shares classified as available for sale of PLN 145,853 k and PLN 560,061 k respectively and additionally cash flow hedge activities of PLN (74,036) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,826 k.

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

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

In thousands of PLN

Statement of Cash Flows of Bank Zachodni WBK

	for reporting period:	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Profit before tax		2 515 330	2 649 248
Total adjustments:			
Depreciation/amortisation		274 954	234 117
Profit (loss) from investing activities		(58 698)	(407 305)
Impairment losses		8 342	13 767
		2 739 928	2 489 827
Changes in:			
Provisions		16 255	(16 304)
Trading portfolio financial instruments		(1 469 353)	950 591
Hedging derivatives		(1 462 967)	33 852
Loans and advances to banks		(273)	1 005 145
Loans and advances to customers		(3 434 613)	(5 977 040)
Deposits from banks		201 824	225 942
Deposits from customers		(636 987)	9 079 395
Buy-sell/ Sell-buy-back transactions		1 479 667	(3 990 565)
Other assets and liabilities		278 379	460 547
		(5 028 068)	1 771 563
Interest accrued excluded from operating activities		(522 528)	(508 586)
Dividend		(298 972)	(438 757)
Paid income tax		(411 583)	(713 260)
Net cash flows from operating activities		(3 521 223)	2 600 787
Inflows		3 934 371	6 237 656
Sale/maturity of financial assets available for sale		3 012 773	5 179 272
Sale of intangible assets and property, plant and equipment		22 226	19 534
Dividend received		298 972	438 609
Interest received		600 400	600 241
Outflows		(3 818 079)	(8 451 780)
Purchase of financial assets available for sale		(3 491 908)	(8 155 389)
Purchase of intangible assets and property, plant and equipment		(326 171)	(296 391)
Net cash flows from investing activities		116 292	(2 214 124)
Inflows		2 031 978	2 454 500
Debt securities in issue		1 988 788	1 065 880
Proceeds from issuing/shares		990	-
Drawing of loans		42 200	1 388 620
Outflows		(2 675 575)	(3 016 511)
Debt securities buy out		(1 430 000)	(980 000)
Repayment of loans		(630 728)	(670 906)
Dividends and other payments to shareholders		(535 866)	(1 290 049)
Interest paid		(78 981)	(75 556)
Net cash flows from financing activities		(643 597)	(562 011)
Total net cash flows		(4 048 528)	(175 348)
Cash and cash equivalents at the beginning of the accounting period		11 554 555	11 729 903
Cash and cash equivalents at the end of the accounting period		7 506 027	11 554 555

In thousands of PLN

I. IFRS 9 Financial Instruments

Impact of IFRS 9 on financial position

The table below presents the impact of IFRS 9 implementation on financial assets as at 1 January 2018 (PLN k):

Item	Measurement category – IAS 39	Measurement category – IFRS 9	Carrying amount – IAS 39	IFRS 9 implementation impact * Classification and measurement impact	IFRS 9 implementation impact * Impairment impact	Carrying amount – IFRS 9
ASSETS						
Loans and advances to customers	Amortised cost	Amortised cost	107 715 574	(23 787)	(240 638)	107 451 150
Loans and advances to customers	Amortised cost	Fair value through profit or loss	124 323	(80 728)	61 807	105 401
Financial assets available for sale	Historic cost/purchase price less impairment charges	Fair value through OCI	894 550	(17 079)	1 984	879 456
Financial assets available for sale	Fair value through OCI	Fair value through OCI	27 521 262	-	-	27 521 262
Total assets			136 255 709	(121 594)	(176 846)	135 957 269

* without deferred tax effect

The value of other financial assets presented in the consolidated statement of financial position did not change as a result of implementation of IFRS 9.

The table below presents the impact of IFRS 9 implementation on liabilities as at 1 January 2018 (PLN k):

Item	Measurement category – IAS 39	Measurement category – IFRS 9	Carrying amount – IAS 39	IFRS 9 implementation impact * Classification and measurement impact	IFRS 9 implementation impact * Impairment impact	Carrying amount – IFRS 9
LIABILITIES						
Provisions	Amortised cost	Amortised cost	50 652	-	15 034	65 686
Provisions	Not applicable	Not applicable	102 482	-	-	102 482
Total assets			153 134	-	15 034	168 168

* without deferred tax effect

The value of other liabilities presented in the consolidated statement of financial position did not change as a result of implementation of IFRS 9.

As at 1 January 2018, the total value of the impact of IFRS 9 implementation (PLN 313.474 k), and the deferred tax effect in the form of deferred net tax asset increase (PLN 59.020 k) decreased retained earnings.

The impact of changes in the classification and measurement rules is presented for information only. As at the date of this report, there are different opinions as to the potential impact of a multiplier higher than 1 on the classification and measurement of financial assets other than held-for-trading instruments. For financial asset portfolios which include such a multiplier, the total impact might differ from the impact presented above.

Impact of IFRS 9 on capital adequacy assessment

BZ WBK Group intends, for capital adequacy assessment, to take into account the phase-in impact of the introduction of IFRS 9. As a result of the adjustment of the regulatory capital requirements calculation, which include transitional arrangements for mitigating the impact of the introduction of IFRS 9 referred in the Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017, the Tier 1 capital ratio and total capital ratio on BZ WBK Group level decreased by 2 bps.

II. Overview of Bank Zachodni WBK Group Performance in 2017

Key Financial and Business Highlights of BZ WBK Group for 2017	
Total income	<ul style="list-style-type: none"> Total income of Bank Zachodni WBK Group for 2017 increased by 2.1% YoY to PLN 7,763.6m. Excluding the remuneration arising from the settlement of the acquisition of Visa Europe Int. by Visa Inc. from the base period's figure, the underlying total income increased by 6.5% YoY.
Total costs	<ul style="list-style-type: none"> Total costs amounted to PLN 3,372.4m, and remained stable, with a decrease of 3.4% YoY in general and administrative expenses, and an increase of 3.5% YoY in staff expenses.
Profit	<ul style="list-style-type: none"> Profit before tax amounted to PLN 3,335.2m, up 6.8% YoY. Adjusting income as above, the underlying profit before tax increased by 18.9% YoY. Profit attributable to the shareholders of Bank Zachodni WBK was PLN 2,213.1m and 2.1% higher YoY (15.8% YoY higher on a comparable basis).
Capital ratio	<ul style="list-style-type: none"> Capital ratio stood at 16.69% (15.05% as at 31 December 2016), ensuring security of operations and stable growth.
ROE	<ul style="list-style-type: none"> Return on Equity of 12.2% (12.8% as at 31 December 2016).
Costs/Income	<ul style="list-style-type: none"> Cost to income ratio (C/I) was 43.4% (46.2% for 2016, adjusted for the one-off item).
Net impairment losses	<ul style="list-style-type: none"> Net impairment losses on loans and advances amounted to PLN 690.5m compared with PLN 784.6m in 2016.
Credit quality	<ul style="list-style-type: none"> NPL ratio was 5.8% (6.6% as at 31 December 2016), while the ratio of impairment losses to the average gross credit volumes was 0.63% (0.75% as at 31 December 2016).
Loans and advances to customers	<ul style="list-style-type: none"> Gross loans to customers increased by 4.4% YoY to PLN 112,686.0m due to the growth of 2.7% YoY in personal loans and 5.8% YoY in loans to enterprises and the public sector to PLN 57,822.4m and PLN 48,005.2m, respectively.
Deposits from customers	<ul style="list-style-type: none"> Deposits from customers were relatively stable and amounted to PLN 111,481.1m as a result of an increase of 2.3% YoY in personal deposits to PLN 64,987.7m and a decline of 5.1% YoY in deposits from enterprises and the public sector to PLN 46,493.4m.
Loans/Deposits	<ul style="list-style-type: none"> Customer loans to deposit ratio was 96.7% as at 31 December 2017 compared with 91.6% as at 31 December 2016.
Net assets under management	<ul style="list-style-type: none"> Net value of assets in mutual funds and portfolios managed by BZ WBK Towarzystwo Funduszy Inwestycyjnych totalled PLN 16.4bn, up 19.8% YoY.
Electronic banking	<ul style="list-style-type: none"> The number of customers using BZWKB24 electronic banking services totalled 3.4m (+5.2% YoY), including over 1m customers with access to mobile services (+26.7% YoY). The number of "digital" customers (those who use BZWKB24 at least once a month) was 2.1m (+4.5% YoY). The BZ WBK Group payment card base (excluding prepaid cards) included more than 3.6m debit cards (+6.2% YoY) and nearly 1.3m credit cards of BZ WBK and SCB (+4.1% YoY).
Customer base	<ul style="list-style-type: none"> The total customer base was close to 6.5m customers, including 4.4m BZ WBK customers.

Selected Income Statement Figures	Comparability of Periods in the Income Statement of BZ WBK Group for 2017	
	2017	2016
Gains on available-for-sale equity instruments	<ul style="list-style-type: none"> • PLN 26.5m, including PLN 10.8m and PLN 13.5m on account of the sale of all shares of Polimex-Mostostal and PBG from the bank's portfolio of equity investments. 	<ul style="list-style-type: none"> • PLN 317.8m, 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.
Dividend income	<ul style="list-style-type: none"> • PLN 76.8m, including a dividend of PLN 68.6m paid by Aviva Group companies from BZ WBK portfolio of equity investments. 	<ul style="list-style-type: none"> • PLN 96.6m, including a dividend of PLN 88.6m paid by Aviva Group companies from BZ WBK portfolio of equity investments.
Contributions to BFG (change in the amount, collection and calculation basis since January 2017)	<ul style="list-style-type: none"> • PLN 211.0m, including an annual contribution to the bank resolution fund and the bank guarantee fund. 	<ul style="list-style-type: none"> • PLN 252.4m, including an annual contribution and a prudential fee for BFG.
Performance of obligations arising from the deposit guarantee scheme	<ul style="list-style-type: none"> • No obligations. 	<ul style="list-style-type: none"> • PLN 13.5m contributed by the Group to reimburse guaranteed funds to deposit customers of insolvent cooperative banks.
Tax on financial institutions effective as of 1 February 2016	<ul style="list-style-type: none"> • PLN 423.8m for 12 months of 2017. 	<ul style="list-style-type: none"> • PLN 387.2m for 11 months of 2016.

	2017/2016	2017	Determinants of BZ WBK Group's Profit for 2017
Increase in net interest income	+10.6%	PLN 5,276.9m	<ul style="list-style-type: none"> • An increase in net interest income in the record low interest rate environment reflects the growth of the net interest margin (up 0.16 p.p. to 3.84%) driven by flexible management of the banking offer parameters, effective credit delivery to high-margin segments (a larger portfolio of retail loans) and optimisation of funding sources (a major increase in low-cost balances of current accounts coupled with a reduction of term deposits base).
Increase in fee and commission income	+5.1%	PLN 2,013.1m	<ul style="list-style-type: none"> • The increase in net fee and commission income is the cumulated effect of the performance of many business lines in the Group. This result is mainly due to electronic products and services (debit and credit cards, currency exchange using the e-FX platform) and business diversification which allows the Group to enhance its fee income from brokerage and fund management activities during favourable stock exchange market conditions. • The growth in net fee and commission income was adjusted by a decrease in insurance fees due to a regulatory change in the insurance sales model.
Decrease in other income ¹⁾	-21.7%	PLN 473.6m	<ul style="list-style-type: none"> • The underlying decrease in other income (i.e. excluding the remuneration of PLN 316.1m posted in 2016 in respect of settlement of the sale of shares in Visa Europe Ltd.) was induced by lower dividends from the portfolio of equity investments and reduced gains on held-for-trading and available-for-sale instruments as a result of the prevailing situation in the financial markets and the goals pursued by the Group in the process of liquidity and balance sheet structure management.
Improvement of credit quality indicators	-12.0%	PLN 690.5m	<ul style="list-style-type: none"> • The lower YoY level of impairment losses is attributed to the Group's conservative approach to credit risk management, effective tools to support decision making processes and the favourable macroeconomic environment in terms of accelerated economic growth and labour market situation. The above decrease occurred in the consolidated gross loan book which is growing at a rate of 4.4% YoY and steadily improving its credit quality ratios.

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

2017/2016		2017	Determinants of BZ WBK Group's Profit for 2017
Effective cost management	+0.1%	PLN 3,372.4m	<ul style="list-style-type: none"> The Group's total cost base was stable as a result of a decrease in general and administrative expenses and other operating costs which counterbalanced the increase in staff expenses and depreciation/amortisation. A significant reduction was noted in the bank's BFG contributions and the cost of marketing campaigns (which are elements of general and administrative expenses) and in provisions for legal disputes (recognised in other operating costs). Growth was driven by development of the IT infrastructure, revision of bonus schemes/salaries and changes in the Group's structure, which translated into increases in amortisation and staff expenses, respectively.

Key Macroeconomic Factors Impacting Financial and Business Performance of the Group in 2017	
Economic growth	<ul style="list-style-type: none"> Surprisingly high economic growth despite a low contribution from investments (in the first three quarters). Private consumption grew by nearly 5% YoY with consumer confidence at record-high levels. Economic growth recovery and the surprisingly high improvement in business moods in eurozone countries gave strong support to Polish exports.
Labour market	<ul style="list-style-type: none"> The exceptionally good situation in the labour market with record-low unemployment and accelerating wage growth in support of private consumption. Shortage of workforce, making it difficult for companies to expand. Growing labour costs.
Monetary policy	<ul style="list-style-type: none"> NBP interest rates remaining at historical lows, with subdued expectations regarding future rate hikes despite the United States and, in our region, the Czech Republic and Romania, already increasing interest rates.
Credit and deposit markets	<ul style="list-style-type: none"> Stabilisation of credit growth in the banking sector. Benefiting from the 500+ programme, households were in a position to pay off their debts faster. A decrease in term deposits, a faster increase in current account balances, the high growth of cash in circulation (suggesting that households seek higher returns than those offered by banking products).
Financial markets	<ul style="list-style-type: none"> Changes of mood in international financial markets influenced by the expected policy orientation of the main central banks (Federal Reserve, ECB), incoming macroeconomic data, worries about the geopolitical situation, including concerns about the results of negotiations between the UK and the EU, and about the outcome of various elections in Europe. Appreciation of the zloty versus the main currencies and a further drop in Polish T-bond yields.

Profit of Bank Zachodni WBK Group for 2017

In 2017, Bank Zachodni WBK Group posted a profit before tax of PLN 3,335.2m, up 6.8% YoY.

Excluding one-off gains on equity instruments from the corresponding period (PLN 316.1m arising from the settlement of the acquisition of Visa Europe Ltd. by Visa Inc. in 2016), the underlying profit before tax increased by 18.9% YoY on account of an improvement in net interest income (+10.6% YoY) and net fee and commission income (+5.1% YoY) as well as a decrease in credit impairment charges (-12.0% YoY), general and administrative expenses (-3.4% YoY) and other operating costs (-26.5% YoY). The positive impact of the above increases in the Group's core activity earnings and decreases in the above costs or write-offs amply covered:

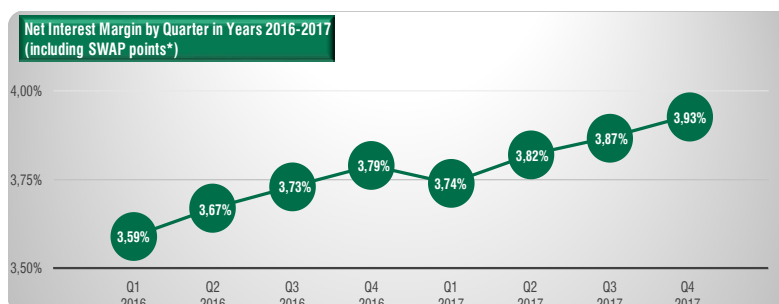
- decreases in other income items (-21.7% YoY), including dividend income (-20.5% YoY), gains on available-for-sale debt instruments (-77.7% YoY) and gains on derivative and interbank FX transactions (-39.9% YoY), and
- an increase in depreciation/amortisation (+15.0% YoY), staff expenses (+3.5% YoY) and the tax on financial institutions (+9.5% YoY as the taxable period in 2017 was one month longer compared with 2016).

Profit attributable to the shareholders of Bank Zachodni WBK was PLN 2,213.1m and increased by 2.1% YoY given a slightly higher effective tax rate attributed to changes in the regulations which govern the tax treatment of BFG costs, a higher loss on the sale of a portion of debt and the longer taxable period in 2017 in relation to the tax on financial institutions. Adjusting the base period for the above one-off gain on the equity transaction, the underlying attributable profit went up by 15.8% YoY.

Selected components of Bank Zachodni WBK Group's profit for 2017

Net Interest Income

In 2017, net interest income amounted to PLN 5,276.9m and increased by 10.6% YoY.



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

After a slight decrease in Q1 2017, the Group's quarterly net interest margin (annualised on a quarterly basis) returned to the growth trend maintained since early 2016. Margin growth in 2017 was supported by the effective management of deposit and credit parameters and such structural factors as the expansion of the loan portfolio (including high-margin retail loans), strong growth of current funds and a decrease in the term deposit base.

Impairment Charges

Impairment Losses of BZ WBK Group on Loans and Advances	In PLN m		
	2017	2016	YoY Change
Collective and individual impairment charge	(668,2)	(828,2)	-19,3%
Impaired but not reported losses charge	(65,4)	(27,0)	142,2%
Recoveries of loans previously written off	43,5	45,2	-3,8%
Off-balance sheet credit related facilities	(0,4)	25,4	-
Total	(690,5)	(784,6)	-12,0%

In 2017, the loan impairment charge to the income statement of Bank Zachodni WBK Group was PLN 690.5m, and decreased by 12.0% YoY driven primarily by a decrease in loan loss provisions on individually assessed business loans and collectively assessed retail loans.

Total Costs

The total costs of BZ WBK Group for 2017 amounted to PLN 3,372.4m, and were stable compared with the previous year (+0.1% YoY), despite the impact of transformation projects resulting from strategic, business and legal/regulatory requirements.

Staff expenses increased by 3.5% YoY in the reporting period due to a review of bonus schemes in 2017 as well as structural changes in the Group and revised salaries introduced in H2 2016. Depreciation and amortisation increased by 15% YoY along with an extension of the IT infrastructure. These increases were fully counterbalanced by a drop in general and administrative expenses (-3.4% YoY) and other operating expenses (-26.5% YoY), which reflects lower regulatory fees and reduced provisions for legal disputes, respectively.

Adjusting the total income for 2016 for one-off gains on the equity transaction, the Group's cost to income ratio decreased from 46.2% in 2016 to 43.4% in 2017.

Selected Ratios

Selected Financial Ratios of BZ WBK Group	2017	2016 ¹⁾
Total costs/Total income	43,4%	46,2%
Net interest income/Total income	68,0%	65,4%
Net interest margin ²⁾	3,84%	3,68%
Net commission income/Total income	25,9%	26,3%
Customer net loans/Customer deposits	96,7%	91,6%
NPL ratio	5,8%	6,6%
NPL coverage ratio	63,1%	59,0%
Credit risk ratio ³⁾	0,63%	0,75%
ROE ⁴⁾	12,2%	12,8%
ROTE ⁵⁾	14,3%	15,3%
ROA ⁶⁾	1,5%	1,5%
Capital ratio ⁷⁾	16,69%	15,05%
Tier I ratio ⁸⁾	15,28%	14,56%
Book value per share (in PLN)	235,0	211,8
Earnings per share (in PLN) ⁹⁾	22,3	19,4

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

4) Profit attributable to the parent's shareholders (for the accounting year) to average equity (as at the beginning and end of the reporting period), net of non-controlling interests, current period profit and the undistributed portion of the profit.

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

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

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

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

9) Net profit for the period attributable to shareholders of BZ WBK divided by the number of ordinary shares.