

**REPORT OF  
BANK ZACHODNI WBK GROUP  
FOR QUARTER 1 2016**

2016



Bank Zachodni WBK

 Grupa Santander

FINANCIAL HIGHLIGHTS	PLN k		EUR k		
	for reporting period ended:		31.03.2016	31.03.2015	31.03.2016
Consolidated financial statements of Bank Zachodni WBK Group					
I Net interest income	1 124 666	1 050 213	258 194	253 130	
II Net fee and commission income	472 728	459 180	108 526	110 675	
III Operating profit	829 166	1 353 589	190 355	326 253	
IV Profit before tax	769 225	1 354 270	176 594	326 417	
V Net profit attributable to owners of BZ WBK S.A.	556 473	1 035 766	127 752	249 648	
VI Total net cash flow	(6 565 575)	(3 233 495)	(1 507 283)	(779 362)	
VII Total assets	137 785 835	131 422 610	32 280 441	32 140 526	
VIII Deposits from banks	3 271 098	7 719 169	766 352	1 887 789	
IX Deposits from customers	102 198 247	92 476 789	23 942 987	22 615 991	
X Total liabilities	116 492 064	112 284 966	27 291 740	27 460 251	
XI Total equity	21 293 771	19 137 644	4 988 701	4 680 275	
XII Non-controlling interests in equity	1 221 092	1 019 542	286 077	249 338	
XIII Profit of the period attributable to non-controlling interests	64 929	54 929	14 906	13 239	
XIV Number of shares	99 234 534	99 234 534			
XV Net book value per share in PLN/EUR	214,58	192,85	50,27	47,16	
XVI Capital ratio	14,06%	12,80%			
XVII Profit per share in PLN/EUR	5,61	10,44	1,29	2,52	
XVIII Diluted earnings per share in PLN/EUR	5,61	10,43	1,29	2,51	
XIX Declared or paid dividend per share in PLN/EUR *	13,00	-	3,05	-	
Stand alone financial statements of Bank Zachodni WBK S.A.					
I Net interest income	822 361	763 424	188 792	184 006	
II Net fee and commission income	383 842	385 628	88 120	92 947	
III Operating profit	619 450	869 923	142 209	209 676	
IV Profit before tax	557 457	869 923	127 977	209 676	
V Profit for the period	458 258	709 858	105 204	171 095	
VI Total net cash flow	(5 864 732)	(3 109 992)	(1 346 388)	(749 594)	
VII Total assets	122 836 586	118 117 293	28 778 134	28 886 596	
VIII Deposits from banks	1 605 701	5 164 075	376 183	1 262 919	
IX Deposits from customers	94 027 658	86 091 498	22 028 783	21 054 414	
X Total liabilities	103 549 267	100 434 704	24 259 504	24 562 168	
XI Total equity	19 287 319	17 682 589	4 518 630	4 324 429	
XII Number of shares	99 234 534	99 234 534			
XIII Net book value per share in PLN/EUR	194,36	178,19	45,53	43,58	
XIV Capital ratio	15,26%	13,63%			
XV Profit per share in PLN/EUR	4,62	7,15	1,06	1,72	
XVI Diluted earnings per share in PLN/EUR	4,62	7,15	1,06	1,72	
XVII Declared or paid dividend per share in PLN/EUR *	13,00	-	3,05	-	
FINANCIAL HIGHLIGHTS for the period ended 31.12.2015		Consolidated statement of financial position		Statement of financial position	
		PLN k	EUR k	PLN k	EUR k
I Total assets		139 708 700	32 783 926	125 477 589	29 444 465
II Deposits from banks		5 704 604	1 338 638	3 935 893	923 593
III Deposits from customers		101 865 376	23 903 643	94 641 472	22 208 488
IV Total liabilities		119 140 570	27 957 426	106 768 460	25 054 197
V Total equity		20 568 130	4 826 500	18 709 129	4 390 268
VI Non-controlling interests in equity		1 176 101	275 983	-	-

\* Detailed information are described in Note 43.

The following rates were applied to determine the key EUR amounts for selected financials:

- for balance sheet items – 4.2684 PLN rate to EUR as at 31.03.2016 stated by National Bank of Poland (NBP), 4.2615 PLN rate to EUR as at 31.12.2015; 4.0890 PLN rate to EUR as at 31.03.2015
- for profit and loss items – as at 31.03.2016: 4.3559 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2016), as at 31.03.2015: 4.1489 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2015)

As at 31.03.2016, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 062/A/NBP/2016 dd. 31.03.2016.



**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS OF  
BANK ZACHODNI WBK GROUP  
FOR THE 3-MONTH PERIOD  
ENDED 31 MARCH 2016**

2016



Bank Zachodni WBK

 Grupa Santander

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In thousands of PLN

## Consolidated income statement

	for reporting period:	01.01.2016 31.03.2016	01.01.2015 31.03.2015
Interest income		1 461 977	1 453 759
Interest expense		( 337 311)	( 403 546)
<b>Net interest income</b>	Note 4	<b>1 124 666</b>	<b>1 050 213</b>
Fee and commission income		577 347	557 141
Fee and commission expense		( 104 619)	( 97 961)
<b>Net fee and commission income</b>	Note 5	<b>472 728</b>	<b>459 180</b>
Dividend income		79 569	3
Net gains/(losses) on subordinated entities		100	522 995
Net trading income and revaluation	Note 6	82 793	80 629
Gains (losses) from other financial securities	Note 7	38 986	187 561
Other operating income	Note 8	29 121	72 856
Impairment losses on loans and advances	Note 9	( 134 144)	( 190 702)
Operating expenses incl.:		( 864 653)	( 829 146)
<i>Bank's staff, operating expenses and management costs</i>	Notes 10, 11	( 739 825)	( 741 723)
<i>Depreciation/amortisation</i>		( 65 313)	( 66 682)
<i>Other operating expenses</i>	Note 12	( 59 515)	( 20 741)
<b>Operating profit</b>		<b>829 166</b>	<b>1 353 589</b>
Share in net profits (loss) of entities accounted for by the equity method		7 638	681
Tax on financial institutions		( 67 579)	-
<b>Profit before tax</b>		<b>769 225</b>	<b>1 354 270</b>
Corporate income tax	Note 13	( 147 823)	( 263 575)
<b>Consolidated profit for the period</b>		<b>621 402</b>	<b>1 090 695</b>
of which:			
<i>attributable to owners of BZ WBK S.A.</i>		556 473	1 035 766
<i>attributable to non-controlling interests</i>		64 929	54 929
<b>Net earnings per share (PLN/share)</b>			
Basic earnings per share		5,61	10,44
Diluted earnings per share		5,61	10,43

## Consolidated statement of comprehensive income

	for reporting period:	01.01.2016 31.03.2016	01.01.2015 31.03.2015
<b>Consolidated profit for the period</b>		<b>621 402</b>	<b>1 090 695</b>
<b>Other comprehensive income which can be transferred to the profit and loss account:</b>		<b>122 134</b>	<b>(141 829)</b>
Available-for sale financial assets valuation		55 657	(49 579)
<i>including deferred tax</i>		(10 575)	9 420
Cash flow hedges valuation		95 126	(125 518)
<i>including deferred tax</i>		(18 074)	23 848
<b>Other comprehensive income for the period, net of income tax</b>		<b>122 134</b>	<b>(141 829)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>743 536</b>	<b>948 866</b>
Attributable to:			
<i>owners of BZ WBK S.A.</i>		676 201	892 677
<i>non-controlling interests</i>		67 335	56 189

In thousands of PLN

## Consolidated statement of financial position

as at:		31.03.2016	31.12.2015	31.03.2015
<b>Assets</b>				
Cash and balances with central banks	Note 14	2 064 088	6 229 853	4 675 812
Loans and advances to banks	Note 15	2 853 130	3 853 257	3 209 297
Financial assets held for trading	Note 16	3 963 255	4 165 511	5 492 518
Hedging derivatives		178 655	164 777	242 341
Loans and advances to customers	Note 17	97 467 955	94 930 844	88 022 427
Investment securities	Note 18	25 529 462	24 622 078	24 064 364
Investments in associates	Note 19	838 780	831 142	809 833
Intangible assets		444 700	465 687	414 748
Goodwill		1 688 516	1 688 516	1 688 516
Property, plant and equipment		811 052	830 493	744 870
Current income tax assets		2 979	-	-
Net deferred tax assets	Note 20	1 223 576	1 251 808	1 249 300
Assets classified as held for sale	Note 21	704	1 569	682
Other assets	Note 22	718 983	673 165	807 902
<b>Total assets</b>		<b>137 785 835</b>	<b>139 708 700</b>	<b>131 422 610</b>
<b>Liabilities</b>				
Deposits from banks	Note 23	3 271 098	5 704 604	7 719 169
Hedging derivatives		1 963 748	2 079 805	2 051 107
Financial liabilities held for trading	Note 16	2 092 948	2 535 684	3 209 041
Deposits from customers	Note 24	102 198 247	101 865 376	92 476 789
Subordinated liabilities	Note 25	527 838	526 634	1 620 155
Debt securities in issue	Note 26	4 348 075	4 320 891	3 189 461
Current income tax liabilities		-	228 488	213 098
Other liabilities	Note 27	2 090 110	1 879 088	1 806 146
<b>Total liabilities</b>		<b>116 492 064</b>	<b>119 140 570</b>	<b>112 284 966</b>
<b>Equity</b>				
<b>Equity attributable to owners of BZ WBK S.A.</b>		<b>20 072 679</b>	<b>19 392 029</b>	<b>18 118 102</b>
Share capital		992 345	992 345	992 345
Other reserve funds		14 705 263	14 685 919	13 394 677
Revaluation reserve		896 642	776 914	808 457
Retained earnings		2 921 956	609 578	1 886 857
Profit of the current period		556 473	2 327 273	1 035 766
<b>Non-controlling interests in equity</b>		<b>1 221 092</b>	<b>1 176 101</b>	<b>1 019 542</b>
<b>Total equity</b>		<b>21 293 771</b>	<b>20 568 130</b>	<b>19 137 644</b>
<b>Total equity and liabilities</b>		<b>137 785 835</b>	<b>139 708 700</b>	<b>131 422 610</b>

In thousands of PLN

## Movements in consolidated equity

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
<b>Opening balance as at 31.12.2015</b>	<b>992 345</b>	<b>14 685 919</b>	<b>776 914</b>	<b>2 936 851</b>	<b>1 176 101</b>	<b>20 568 130</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	119 728	556 473	67 335	743 536
Transfer to other capital	-	14 895	-	(14 895)	-	-
Share scheme charge	-	4 449	-	-	-	4 449
Dividends	-	-	-	-	(22 344)	(22 344)
<b>As at 31.03.2016</b>	<b>992 345</b>	<b>14 705 263</b>	<b>896 642</b>	<b>3 478 429</b>	<b>1 221 092</b>	<b>21 293 771</b>

As at the end of the period revaluation reserve in the amount of PLN 896 642 k comprises of debt securities and equity shares classified as available for sale of PLN 226 160 k and PLN 786 331 k respectively and additionally cash flow hedge activities of PLN (118 449) k and accumulated actuarial gains -provision for retirement allowances of PLN 2 600 k.

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
<b>Opening balance as at 31.12.2014</b>	<b>992 345</b>	<b>12 309 424</b>	<b>951 546</b>	<b>2 277 580</b>	<b>1 520 799</b>	<b>18 051 694</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	(182 687)	2 327 273	212 749	2 357 335
Other comprehensive income which can't be transferred to the profit and loss account:	-	-	8 055	-	-	8 055
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies	-	1 032 206	-	(342 467)	(540 854)	148 885
Transfer to other capital	-	1 329 746	-	(1 329 746)	-	-
Share scheme charge	-	18 754	-	-	-	18 754
Dividends	-	-	-	-	(16 593)	(16 593)
Other	-	(4 211)	-	4 211	-	-
<b>As at 31.12.2015</b>	<b>992 345</b>	<b>14 685 919</b>	<b>776 914</b>	<b>2 936 851</b>	<b>1 176 101</b>	<b>20 568 130</b>

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

Consolidated statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
<b>Opening balance as at 31.12.2014</b>	<b>992 345</b>	<b>12 309 424</b>	<b>951 546</b>	<b>2 277 580</b>	<b>1 520 799</b>	<b>18 051 694</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	(143 089)	1 035 766	56 189	948 866
Equity adjustment due to loss of control over BZ WBK-Aviva insurance companies.	-	1 032 206	-	(342 469)	(540 854)	148 883
Transfer to other capital	-	48 254	-	(48 254)	-	-
Share scheme charge	-	4 793	-	-	-	4 793
Dividends	-	-	-	-	(16 592)	(16 592)
<b>As at 31.03.2015</b>	<b>992 345</b>	<b>13 394 677</b>	<b>808 457</b>	<b>2 922 623</b>	<b>1 019 542</b>	<b>19 137 644</b>

As at the end of the period revaluation reserve in the amount of PLN 808 457 k comprises of debt securities and equity shares classified as available for sale of PLN 447 786 k and PLN 575 997 k respectively and additionally cash flow hedge activities of PLN (209 871) k and accumulated actuarial losses -provision for retirement allowances of PLN (5 455) k.



In thousands of PLN

**Consolidated statement of cash flows**

	for the period	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Profit before tax</b>		<b>769 225</b>	<b>1 354 270</b>
<b>Total adjustments:</b>			
Share in net profits (losses) of entities accounted for by the equity method		( 7 638)	( 681)
Depreciation/amortisation		65 313	66 682
Impairment losses		447	234
(Profit) loss from investing activities		( 41 252)	( 718 460)
		<b>786 095</b>	<b>702 045</b>
<b>Changes:</b>			
Provisions		( 100 350)	( 1 158 727)
Trading portfolio financial instruments		( 370 415)	963 015
Loans and advances to banks		( 440)	20 940
Loans and advances to customers		( 2 537 111)	( 2 201 856)
Deposits from banks		( 3 355 198)	( 743 536)
Deposits from customers		53 296	( 2 033 883)
Other assets and liabilities		351 074	1 080 043
		<b>( 5 959 144)</b>	<b>( 4 074 004)</b>
Interests and similar charges		( 55 727)	( 31 899)
Dividend received		( 79 569)	( 3)
Paid income tax		( 379 706)	( 709 089)
<b>Net cash flow from operating activities</b>		<b>( 5 688 051)</b>	<b>( 4 112 950)</b>
<b>Inflows</b>		<b>29 255 581</b>	<b>37 009 657</b>
Sale of subordinated entities		100	244 316
Sale/maturity of investment securities		29 173 634	36 754 801
Sale of intangible assets and property, plant and equipment		2 278	10 537
Dividend received		79 569	3
<b>Outflows</b>		<b>( 31 302 330)</b>	<b>( 35 686 975)</b>
Purchase of investment securities		( 31 284 980)	( 35 663 951)
Purchase of intangible assets and property, plant and equipment		( 17 350)	( 23 024)
<b>Net cash flow from investing activities</b>		<b>( 2 046 749)</b>	<b>1 322 682</b>
<b>Inflows</b>		<b>1 788 518</b>	<b>289 291</b>
Debt securities in issue		545 000	100 000
Drawing of loans		1 243 518	189 291
<b>Outflows</b>		<b>( 619 293)</b>	<b>( 732 518)</b>
Debt securities buy out		( 514 700)	( 107 200)
Repayment of loans		( 43 072)	( 557 791)
Dividends and other payments to shareholders		( 22 344)	( 16 592)
Other financing outflows		( 39 177)	( 50 935)
<b>Net cash flow from financing activities</b>		<b>1 169 225</b>	<b>( 443 227)</b>
<b>Total net cash flow</b>		<b>( 6 565 575)</b>	<b>( 3 233 495)</b>
<b>Cash at the beginning of the accounting period</b>		<b>12 677 692</b>	<b>13 268 425</b>
<b>Cash at the end of the accounting period</b>		<b>6 112 117</b>	<b>10 034 930</b>

In thousands of PLN

## Income statement of Bank Zachodni WBK

	for reporting period:	
	01.01.2016 31.03.2016	01.01.2015 31.03.2015
Interest income	1 087 530	1 090 670
Interest expenses	( 265 169)	( 327 246)
<b>Net interest income</b>	<b>822 361</b>	<b>763 424</b>
Fee and commission income	455 846	450 521
Fee and commission expenses	( 72 004)	( 64 893)
<b>Net fee and commission income</b>	<b>383 842</b>	<b>385 628</b>
Dividend income	101 913	16 592
Net gains/(losses) on subordinated entities	-	234 391
Net trading income and revaluation	76 026	58 317
Gains (losses) from other financial securities	38 542	187 377
Other operating income	24 558	42 629
Impairment losses on loans and advances	( 132 111)	( 161 250)
Operating expenses incl.:	( 695 681)	( 657 185)
<i>Bank's staff, operating expenses and management costs</i>	( 596 991)	( 599 468)
<i>Depreciation/amortisation</i>	( 54 468)	( 48 823)
<i>Other operating expenses</i>	( 44 222)	( 8 894)
<b>Operating profit</b>	<b>619 450</b>	<b>869 923</b>
Tax on financial institutions	( 61 993)	-
<b>Profit before tax</b>	<b>557 457</b>	<b>869 923</b>
Corporate income tax	( 99 199)	( 160 065)
<b>Profit for the period</b>	<b>458 258</b>	<b>709 858</b>
<b>Net earnings per share (PLN/share)</b>		
Basic earnings per share	4,62	7,15
Diluted earnings per share	4,62	7,15

## Statement of comprehensive income of Bank Zachodni WBK

	for reporting period:	
	01.01.2016 31.03.2016	01.01.2015 31.03.2015
<b>Profit for the period</b>	<b>458 258</b>	<b>709 858</b>
<b>Other comprehensive income which can be transferred to the profit and loss account:</b>	<b>115 483</b>	<b>(144 075)</b>
Available-for sale financial assets valuation	49 142	(52 857)
<i>including deferred tax</i>	(9 337)	10 043
Cash flow hedges valuation	93 430	(125 014)
<i>including deferred tax</i>	(17 752)	23 753
<b>Other comprehensive income for the period, net of income tax</b>	<b>115 483</b>	<b>(144 075)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>573 741</b>	<b>565 783</b>

In thousands of PLN

## Statement of financial position of Bank Zachodni WBK

as at:	31.03.2016	31.12.2015	31.03.2015
<b>ASSETS</b>			
Cash and balances with central banks	2 038 301	6 129 543	4 623 904
Loans and advances to banks	2 845 594	4 756 502	4 370 714
Financial assets held for trading	3 972 275	4 174 634	5 561 175
Hedging derivatives	171 498	162 823	242 341
Loans and advances to customers	83 858 174	81 142 310	74 896 165
Investment securities	23 428 559	22 576 246	21 819 382
Investments in subsidiaries and associates	2 377 325	2 377 325	2 377 325
Intangible assets	425 675	443 603	376 400
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	724 679	742 245	668 279
Current income tax assets	45 599	-	-
Net deferred tax assets	802 385	842 763	886 116
Assets classified as held for sale	637	637	637
Other assets	457 369	440 442	606 339
<b>Total assets</b>	<b>122 836 586</b>	<b>125 477 589</b>	<b>118 117 293</b>
<b>LIABILITIES</b>			
Deposits from banks	1 605 701	3 935 893	5 164 075
Hedging derivatives	1 913 491	2 024 012	1 961 609
Financial liabilities held for trading	2 108 053	2 535 708	3 209 243
Deposits from customers	94 027 658	94 641 472	86 091 498
Subordinated liabilities	427 071	426 507	1 519 319
Debt securities in issue	1 902 168	1 698 619	982 426
Current income tax liabilities	-	165 537	182 313
Other liabilities	1 565 125	1 340 712	1 324 221
<b>Total liabilities</b>	<b>103 549 267</b>	<b>106 768 460</b>	<b>100 434 704</b>
<b>Equity</b>			
Share capital	992 345	992 345	992 345
Other reserve funds	14 243 124	14 238 675	13 182 734
Revaluation reserve	884 730	769 247	803 020
Retained earnings	2 708 862	952 652	1 994 632
Profit of the current period	458 258	1 756 210	709 858
<b>Total equity</b>	<b>19 287 319</b>	<b>18 709 129</b>	<b>17 682 589</b>
<b>Total equity and liabilities</b>	<b>122 836 586</b>	<b>125 477 589</b>	<b>118 117 293</b>

In thousands of PLN

## Movements 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
<b>Opening balance as at 31.12.2015</b>	<b>992 345</b>	<b>14 238 675</b>	<b>769 247</b>	<b>2 708 862</b>	<b>18 709 129</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	115 483	458 258	573 741
Share scheme charge	-	4 449	-	-	4 449
<b>As at 31.03.2016</b>	<b>992 345</b>	<b>14 243 124</b>	<b>884 730</b>	<b>3 167 120</b>	<b>19 287 319</b>

As at the end of the period revaluation reserve in the amount of PLN 884 730 k comprises of debt securities and equity shares classified as available for sale of PLN 221 936 k and PLN 780 940 k respectively and additionally cash flow hedge activities of PLN (120 764) k and accumulated actuarial gains - provision for retirement allowances of PLN 2 618 k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2014</b>	<b>992 345</b>	<b>13 177 940</b>	<b>947 095</b>	<b>1 994 632</b>	<b>17 112 012</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	(185 890)	1 756 210	1 570 320
Other comprehensive income which can't be transferred to the profit and loss account	-	-	8 042	-	8 042
Transfer to other capital	-	1 041 980	-	(1 041 980)	-
Share scheme charge	-	18 755	-	-	18 755
<b>As at 31.12.2015</b>	<b>992 345</b>	<b>14 238 675</b>	<b>769 247</b>	<b>2 708 862</b>	<b>18 709 129</b>

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

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2014</b>	<b>992 345</b>	<b>13 177 940</b>	<b>947 095</b>	<b>1 994 632</b>	<b>17 112 012</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	(144 075)	709 858	565 783
Share scheme charge	-	4 794	-	-	4 794
<b>As at 31.03.2015</b>	<b>992 345</b>	<b>13 182 734</b>	<b>803 020</b>	<b>2 704 490</b>	<b>17 682 589</b>

As at the end of the period revaluation reserve in the amount of PLN 803 020 k comprises of debt securities and equity shares classified as available for sale of PLN 446 067 k and PLN 570 673 k respectively and additionally cash flow hedge activities of PLN (208 295) k and accumulated actuarial losses - provision for retirement allowances of PLN (5 425) k.

In thousands of PLN

## Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Profit before tax</b>		<b>557 457</b>	<b>869 923</b>
<b>Total adjustments:</b>			
Depreciation/amortisation		54 468	48 823
(Profit) loss from investing activities		( 41 702)	( 429 829)
Impairment losses		447	234
		<b>570 670</b>	<b>489 151</b>
<b>Changes in:</b>			
Provisions		( 98 431)	( 79 262)
Trading portfolio financial instruments		( 344 492)	811 647
Loans and advances to banks		786 879	( 64 050)
Loans and advances to customers		(2 715 864)	( 250 285)
Deposits from banks		(2 979 232)	(1 196 634)
Deposits from customers		( 817 387)	(3 596 200)
Other assets and liabilities		384 187	337 929
		<b>(5 784 340)</b>	<b>(4 036 855)</b>
Interests and similar charges		( 77 657)	( 59 364)
Dividend received		( 101 913)	( 16 592)
Paid income tax		( 297 046)	( 511 428)
<b>Net cash flow from operating activities</b>		<b>(5 690 286)</b>	<b>(4 135 088)</b>
<b>Inflows</b>		<b>25 929 822</b>	<b>28 711 820</b>
Sale of investments in subsidiaries		-	244 316
Sale/maturity of investment securities		25 827 294	28 457 964
Sale of intangible assets and property, plant and equipment		615	9 540
Dividend received		101 913	-
<b>Outflows</b>		<b>(27 144 949)</b>	<b>(27 384 718)</b>
Purchase of investment securities		(27 134 378)	(27 366 271)
Purchase of intangible assets and property, plant and equipment		( 10 571)	( 18 447)
<b>Net cash flow from investing activities</b>		<b>(1 215 127)</b>	<b>1 327 102</b>
<b>Inflows</b>		<b>1 293 259</b>	<b>189 290</b>
Debt securities in issue		435 000	-
Drawing of loans		858 259	189 290
<b>Outflows</b>		<b>( 252 578)</b>	<b>( 491 296)</b>
Debt securities buy out		( 230 000)	-
Repayment of loans		( 6 148)	( 461 172)
Other financing outflows		( 16 430)	( 30 124)
<b>Net cash flow from financing activities</b>		<b>1 040 681</b>	<b>( 302 006)</b>
<b>Total net cash flow</b>		<b>(5 864 732)</b>	<b>(3 109 992)</b>
<b>Cash at the beginning of the accounting period</b>		<b>11 729 903</b>	<b>12 113 526</b>
<b>Cash at the end of the accounting period</b>		<b>5 865 171</b>	<b>9 003 534</b>

In thousands of PLN

# Additional notes to interim consolidated financial statements

## 1. Basis of preparation of interim financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK Group for the year 2015.

The consolidated financial statements of the Group for the year 2015 are available at the Bank's official website: [www.bzwbk.pl](http://www.bzwbk.pl).

### Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2016 to 31 March 2016 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" implemented by a regulation of the European Commission.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 as amended), the Bank has an obligation to publish its results for Q1 2016, which is deemed to be the current interim reporting period.

### Accounting policies

The condensed interim consolidated financial statements are presented in PLN, rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments measured at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.

The accounting policies have been applied consistently by Group entities.

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

### Comparability with results of previous periods

No major changes were introduced in respect of presentation of financial data for comparable periods of time.

The tax imposed under the act on tax on certain financial institutions that became effective on 1 February 2016 was disclosed in a separate item in the income statement as "Tax on financial institutions".

The financial statements of Bank Zachodni WBK Group for the first quarter of 2015 were the first financial statements prepared after closing of the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited. As a result of the transaction, BZ WBK lost control over and ceased to consolidate the two insurance companies. The transaction is described in detail in Note 35.

### Changes in judgments and estimates

Compared with the consolidated financial statements for 2015, in Q1 2016 there were no material changes in Bank Zachodni WBK Group's accounting estimates or judgments.

In thousands of PLN

## New standards and interpretations or changes to existing standards or interpretations which can be applicable to BZ WBK Group and are not yet effective or have neither been implemented earlier

IFRS	Description of changes	Effective in the European Union from	Impact on the Group
IFRS 14 Regulatory Deferral Accounts	Under IFRS 14, first-time adopters of IFRS are permitted to continue to recognise amounts related to rate regulation in accordance with their previous accounting rules. To enhance comparability with entities that already apply IFRS and that do not recognise such amounts, the effect of rate regulation must be presented separately from other items, both in the statement of financial position and income statement and statement of other comprehensive income.	1 January 2016	The amendment will not have a material impact on financial statements.
Amendments to IAS 7 Statement of Cash Flows	Amendments to IAS 7 are designed to improve the information provided to the users of the entity's financial statements	1 January 2017	The impact analysis has not been completed yet
Amendments to IAS 12 Income Taxes	The amendments to IAS 12 explain method of recognition of deferred tax assets in connection with debt instruments carried at fair value.	1 January 2017	The impact analysis has not been completed yet
Amendments to IFRS 15	Revenue from Contracts with Customers.	1 January 2018	The impact analysis has not been completed yet
IFRS 9 Financial Instruments	Amendment to the classification and measurement – replacement of the existing categories of financial instruments with two measurement categories: amortised cost and fair value. Amendments to hedge accounting.	1 January 2018	The impact analysis has not been completed yet
Amendments to IFRS 16 Leases	In accordance with IFRS 16, the lessee recognises the right to use an asset and a lease liability.	1 January 2019	The impact analysis has not been completed yet.

In thousands of PLN

## Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2016

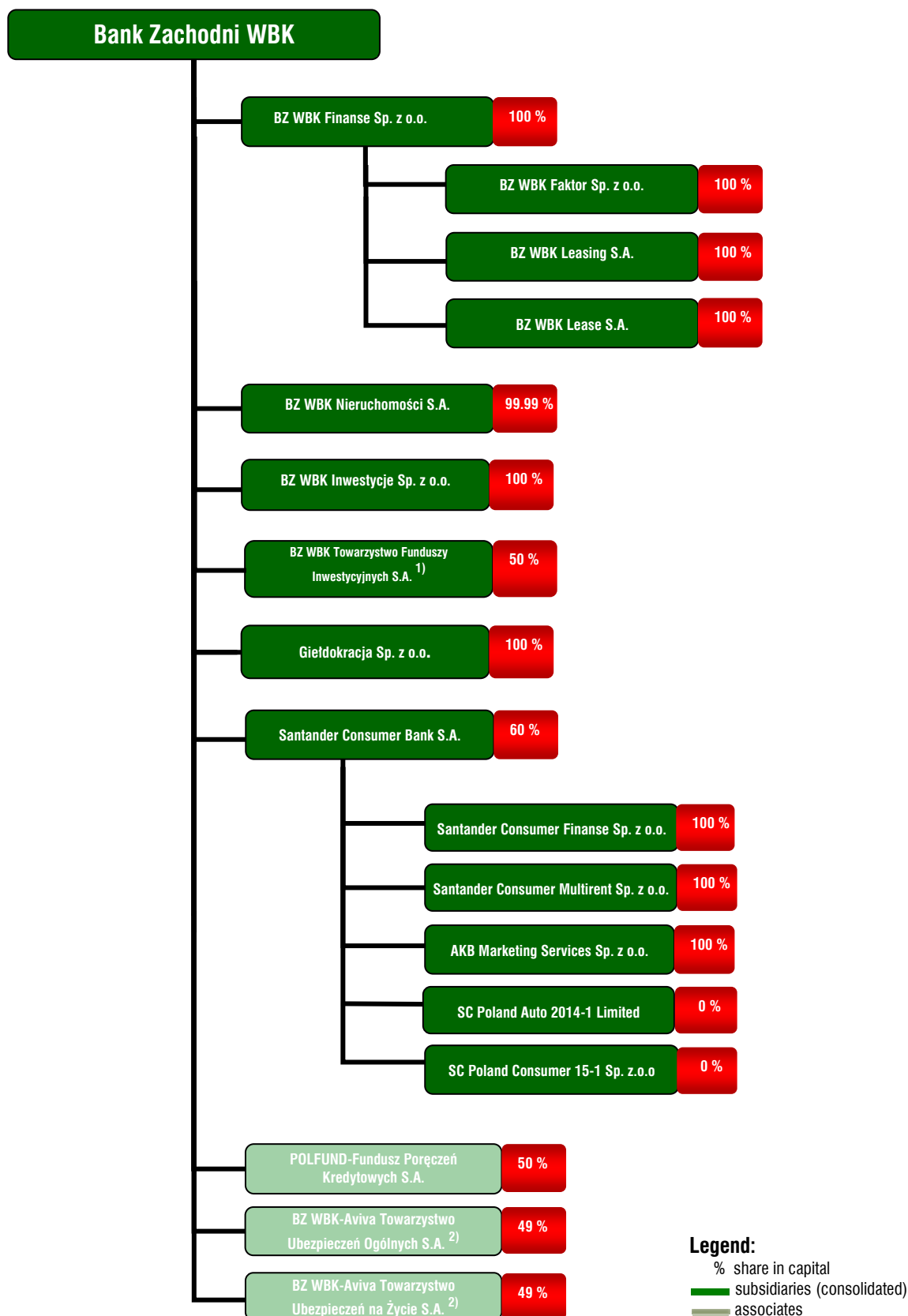
IFRS	Description of changes	Effective in the European Union from	Impact on the Group
Amendment to IAS 19 Employee Benefits	The amendment applies to contributions from employees or third parties. Specifically, it simplifies the accounting principles regarding the contributions which are independent of the number of years of service.	1 February 2016	The amendment did not have any material impact on the financial statements.
Annual improvements cycle 2010-2012	The issues included in this cycle are: <ul style="list-style-type: none"> <li>- IFRS 2 Definition of 'vesting condition';</li> <li>- IFRS 3 Contingent consideration in a business combination;</li> <li>- IFRS 8 Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;</li> <li>- IFRS 13 Short-term receivables and payables;</li> <li>- IAS 16 / IAS 38 Revaluation method – proportionate restatement;</li> <li>- IAS 24 Key management personnel.</li> </ul>	1 February 2016	The amendment did not have any material impact on the financial statements.
Amendment to IAS 27 Equity method in separate financial statements	The amendment will allow entities to account for investments in subsidiaries, associates and joint ventures using the equity method in their separate financial statements.	1 January 2016	The amendment did not have any material impact on the financial statements.
Annual improvements cycle 2012-2014	The issues included in this cycle are: <ul style="list-style-type: none"> <li>• IFRS 5 Changes in methods of disposal;</li> <li>• IFRS 7 Servicing Contracts;</li> <li>• IAS 19 Discount rate: regional market issue;</li> <li>• IAS 34 Disclosure of information 'elsewhere in the interim financial report'.</li> </ul>	1 January 2016	The amendment did not have any material impact on the financial statements.
Amendment to IFRS 11 Joint Arrangements	The purpose of the amendment is to issue new guidance on the disclosure of acquisition of an interest in a joint operation. It specifies the accounting	1 January 2016	The amendment did not have any material impact on the financial statements.
Amendment to IAS 16 and IAS 38	The amendment to IAS 16 and IAS 38 sets out the rule of consumption of the economic benefits with regard to recognition of depreciation and amortisation. IASB explained that the revenue-based method should not be used to calculate depreciation/amortisation.	1 January 2016	The amendment did not have any material impact on the financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 28	The amendments will only apply to the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	The amendment did not have any material impact on the financial statements.
Amendments to IAS 1	Presentation of Financial Statements	1 January 2016	The amendment did not have any material impact on the financial statements.



In thousands of PLN

## 2. Description of organization of Bank Zachodni WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group as at 31.03.2016:



In thousands of PLN

<sup>1)</sup> On 31 March 2016, a merger of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (BZ WBK TFI) and BZ WBK Asset Management S.A. (BZ WBK AM) was completed, as a result of which BZ WBK TFI has acquired AM.

The merger was executed by way of transfer of all assets of BZ WBK AM (the acquired company) to BZ WBK TFI (the acquiring company) in return for shares which BZ WBK TFI has allotted to the shareholders of the acquired company. The merger of the companies took effect on the date of entry of the merger into the register of businesses. Upon recording of the merger, BZ WBK AM has been deleted from the register of businesses. As of the merger date BZ WBK TFI has taken over all rights and obligations of its legal predecessor, i.e. BZ WBK AM. Business combinations under common control have no material impact on the financial statements.

<sup>2)</sup> On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUnŻ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Detailed information are described in Note 35.

In thousands of PLN

### 3. Segment reporting

Operational activity of Bank Zachodni WBK Group has been divided into five segments: Retail Banking, Business and Corporate Banking, Global Corporate Banking (in 3rd quarter of 2015 the name of Global Banking and Markets business segment was changed to Global Corporate Banking, the criteria of customers assignment to this business segment was maintained unchanged), ALM (Assets and Liabilities Management) and Centre, and Santander Consumer. They were identified based on customers and product types.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for the Group and may be assigned to a given segment either directly or based on reasonable assumptions.

Settlements among business segments relate to rewarding for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by agreements between segments, which are based on single rates for specific services or breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for the operational activity and may be assigned to the segment directly or on a reasonable basis.

In 2016 introduced the following changes:

- change of the methodology of capital and income from capital allocation between business segments;
- customer resegmentation between business segments;
- in 3rd quarter of 2015 the name of Global Banking and Markets business segment was changed to Global Corporate Banking, the criteria of customers assignment to this business segment was maintained unchanged;
- share in net profits of entities accounted for by the equity method is presented in ALM and Centre segment.

In all cases comparable data are adjusted accordingly.

The principles of income and cost identification, as well as assets and liabilities for segmental reporting purposes are consistent with the accounting policy applied in Bank Zachodni WBK Group.

Result on the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. oraz BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited (described in Note 35) is presented in comparable figures for 2015 in ALM and Centre segment.

#### Retail Banking

Retail Banking generates income from the sale of products and services to personal customers and small and medium companies. In the offer for customers of this segment there are a wide range of savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, GSM phones top-ups, foreign payments and Western Union and private-banking services. For small and medium companies, the segment provides, among others, lending and deposit taking services, cash management services, leasing, factoring, letters of credit and guarantees. Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios. It also covers insourcing services provided to retail customers based on mutual agreements with other banks and financial institutions.

In thousands of PLN

## **Business and Corporate Banking**

Business and Corporate Banking segment covers products and activities targeted at business entities, local governments and the public sector. In addition to banking services covering lending and deposit activities, the segment provides services in the areas of cash management, leasing, factoring, trade financing and guarantees.

## **Global Corporate Banking**

In the Global Corporate Banking segment, the Group derives income from the sale of products and services to the largest international and local corporations, including:

- transactional banking with such products as cash management, deposits, leasing, factoring, letters of credit, guarantees, bilateral lending and trade finance;
- lending, including project finance, syndicated facilities and bond issues;
- FX and interest rate risk management products provided to all the Bank's customers (segment allocates revenues and costs from this activity to other segments, the allocation level may be subject to changes in consecutive years);
- underwriting and financing of securities issues, financial advice and brokerage services.

Through its presence in the wholesale market, Global Corporate Banking also generates revenues from interest rate and FX risk positioning activity.

## **ALM and Centre**

The segment covers central operations such as financing of other Group's segments, including liquidity, interest rate risk and FX risk management. It also includes managing the Bank's strategic investments and transactions generating income and/or costs that cannot be directly or reasonably assigned to a given segment.

## **Santander Consumer**

Santander Consumer business segment includes activities of the Santander Consumer Group, which was consolidated to the BZ WBK Group from 01.07.2014.

Activities of this segment focus on selling products and services addressed to both individual and business customers. This segment focuses mainly on loans products, i.e. car loans, credit cards, cash loans, installment loans and lease products. In addition, Santander Consumer segment includes term deposits and insurance products (mainly related to loans products).

In thousands of PLN

**Consolidated income statement (by business segments)**

01.01.2016-31.03.2016	Segment Business					Total
	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	
<b>Net interest income</b>	<b>515 720</b>	<b>138 420</b>	<b>30 352</b>	<b>170 665</b>	<b>269 509</b>	<b>1 124 666</b>
incl. internal transactions	(21 871)	(8 131)	14	29 914	74	-
<b>Other income</b>	<b>340 927</b>	<b>74 931</b>	<b>75 928</b>	<b>66 063</b>	<b>65 879</b>	<b>623 728</b>
incl. internal transactions	18 739	25 988	(41 613)	(33 081)	29 967	-
<b>Dividend income</b>	-	-	-	<b>79 569</b>	-	<b>79 569</b>
<b>Operating costs</b>	<b>(494 297)</b>	<b>(83 020)</b>	<b>(54 773)</b>	<b>(33 581)</b>	<b>(133 669)</b>	<b>(799 340)</b>
incl. internal transactions	(3 670)	(394)	(1)	4 377	(312)	-
<b>Depreciation/amortisation</b>	<b>(41 472)</b>	<b>(4 861)</b>	<b>(5 391)</b>	<b>(4 577)</b>	<b>(9 012)</b>	<b>(65 313)</b>
<b>Impairment losses on loans and advances</b>	<b>(125 788)</b>	<b>(9 166)</b>	<b>(3 889)</b>	<b>1 022</b>	<b>3 677</b>	<b>(134 144)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	-	-	-	<b>7 638</b>	-	<b>7 638</b>
<b>Tax on financial institutions</b>	-	-	-	<b>(61 993)</b>	<b>(5 586)</b>	<b>(67 579)</b>
<b>Profit before tax</b>	<b>195 090</b>	<b>116 304</b>	<b>42 227</b>	<b>224 806</b>	<b>190 798</b>	<b>769 225</b>
Corporate income tax						(147 823)
Non-controlling interests						(64 929)
<b>Profit for the period</b>						<b>556 473</b>

**Consolidated statement of financial position (by business segment)**

31.03.2016	Segment Business					Total
	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	
Loans and advances to customers	50 648 327	25 846 801	8 218 400	26 079	12 728 348	97 467 955
Investments in associates	-	-	-	838 780	-	838 780
Other assets	3 817 864	739 427	4 150 488	27 807 424	2 963 897	39 479 100
<b>Total assets</b>	<b>54 466 191</b>	<b>26 586 228</b>	<b>12 368 888</b>	<b>28 672 283</b>	<b>15 692 245</b>	<b>137 785 835</b>
Deposits from customers	66 524 042	17 347 041	6 739 700	3 731 095	7 856 369	102 198 247
Other liabilities and equity	4 050 906	3 149 494	3 307 991	17 243 321	7 835 876	35 587 588
<b>Total equity and liabilities</b>	<b>70 574 948</b>	<b>20 496 535</b>	<b>10 047 691</b>	<b>20 974 416</b>	<b>15 692 245</b>	<b>137 785 835</b>

\* Includes individual customers and small and medium companies

In thousands of PLN

**Consolidated income statement (by business segments)**

01.01.2015-31.03.2015	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>Net interest income</b>	<b>484 902</b>	<b>137 533</b>	<b>34 879</b>	<b>139 852</b>	<b>253 047</b>	<b>1 050 213</b>
incl. internal transactions	(20 412)	(8 547)	46	31 663	(2 750)	-
<b>Other income</b>	<b>356 613</b>	<b>79 063</b>	<b>67 504</b>	<b>768 593</b>	<b>51 448</b>	<b>1 323 221</b>
incl. internal transactions	18 562	18 728	(25 406)	38 149	(50 033)	-
<b>Dividend income</b>	-	-	-	-	<b>3</b>	<b>3</b>
<b>Operating costs</b>	<b>(475 508)</b>	<b>(76 719)</b>	<b>(58 023)</b>	<b>(28 005)</b>	<b>(124 209)</b>	<b>(762 464)</b>
incl. internal transactions	(2 450)	(259)	(1)	2 998	(288)	-
<b>Depreciation/amortisation</b>	<b>(28 066)</b>	<b>(3 668)</b>	<b>(3 960)</b>	<b>(20 952)</b>	<b>(10 036)</b>	<b>(66 682)</b>
<b>Impairment losses on loans and advances</b>	<b>(127 092)</b>	<b>(37 491)</b>	<b>467</b>	<b>(1 598)</b>	<b>(24 988)</b>	<b>(190 702)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	-	-	-	<b>681</b>	-	<b>681</b>
<b>Profit before tax</b>	<b>210 849</b>	<b>98 718</b>	<b>40 867</b>	<b>858 571</b>	<b>145 265</b>	<b>1 354 270</b>
Corporate income tax						(263 575)
Non-controlling interests						(54 929)
<b>Profit for the period</b>						<b>1 035 766</b>

**Consolidated statement of financial position (by business segment)**

31.03.2015	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Global Corporate Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	46 302 860	22 304 520	6 925 370	75 192	12 414 485	88 022 427
Investments in associates	-	-	-	809 833	-	809 833
Other assets	5 649 685	1 207 466	7 343 489	25 237 774	3 151 936	42 590 350
<b>Total assets</b>	<b>51 952 545</b>	<b>23 511 986</b>	<b>14 268 859</b>	<b>26 122 799</b>	<b>15 566 421</b>	<b>131 422 610</b>
Deposits from customers	60 894 932	15 702 010	7 526 205	1 884 633	6 469 009	92 476 789
Other liabilities and equity	3 848 171	2 670 810	5 945 855	17 383 573	9 097 412	38 945 821
<b>Total equity and liabilities</b>	<b>64 743 103</b>	<b>18 372 820</b>	<b>13 472 060</b>	<b>19 268 206</b>	<b>15 566 421</b>	<b>131 422 610</b>

\* Includes individual customers and small and medium companies

In thousands of PLN

## 4. Net interest income

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Interest income</b>		
Loans and advances to enterprises	399 567	407 718
Loans and advances to individuals, of which:	764 655	743 045
<i>Home mortgage loans</i>	217 493	225 225
Debt securities incl.:	153 641	167 547
<i>Investment portfolio available for sale</i>	145 858	159 288
<i>Trading portfolio</i>	7 783	8 259
Leasing agreements	42 714	41 812
Loans and advances to banks	15 493	18 107
Public sector	2 002	2 275
Reverse repo transactions	866	3 631
Interest recorded on hedging IRS	83 039	69 624
<b>Total</b>	<b>1 461 977</b>	<b>1 453 759</b>
<b>Interest expenses</b>		
Deposits from individuals	( 179 930)	( 217 270)
Deposits from enterprises	( 94 760)	( 103 555)
Repo transactions	( 10 260)	( 14 289)
Deposits from public sector	( 10 962)	( 16 067)
Deposits from banks	( 7 011)	( 7 795)
Subordinated liabilities and issue of securities	( 34 388)	( 44 570)
<b>Total</b>	<b>( 337 311)</b>	<b>( 403 546)</b>
<b>Net interest income</b>	<b>1 124 666</b>	<b>1 050 213</b>

In thousands of PLN

## 5. Net fee and commission income

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Fee and commission income</b>		
eBusiness & payments	140 634	130 043
Current accounts and money transfer	80 752	87 472
Asset management fees	61 703	68 759
Foreign exchange commissions	73 793	74 083
Credit commissions	65 137	62 959
Insurance commissions	81 730	64 079
Brokerage commissions	16 562	16 988
Credit cards	37 078	34 449
Off-balance sheet guarantee commissions	11 126	9 952
Finance lease commissions	3 596	3 096
Issue arrangement fees	2 171	1 968
Distribution fees	1 501	2 247
Other commissions	1 564	1 046
<b>Total</b>	<b>577 347</b>	<b>557 141</b>
<b>Fee and commission expenses</b>		
eBusiness & payments	( 52 810)	( 44 127)
Distribution fees	( 5 961)	( 7 095)
Brokerage commissions	( 2 326)	( 3 459)
Credit cards	( 11 043)	( 8 621)
Credit commissions paid	( 6 710)	( 9 492)
Insurance commissions	( 5 924)	( 5 289)
Finance lease commissions	( 6 140)	( 6 253)
Asset management fees and other costs	( 1 785)	( 2 035)
Other	( 11 920)	( 11 590)
<b>Total</b>	<b>( 104 619)</b>	<b>( 97 961)</b>
<b>Net fee and commission income</b>	<b>472 728</b>	<b>459 180</b>

## 6. Net trading income and revaluation

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Net trading income and revaluation</b>		
Derivative instruments and interbank fx transactions	63 595	74 617
Other FX related income	11 040	1 313
Profit on equity instruments	1 878	1 884
Profit on debt instruments	6 280	2 815
<b>Total</b>	<b>82 793</b>	<b>80 629</b>

Net trading income and revaluation includes value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (6,983) k for 1Q 2016 and PLN (3,974) k for 1Q 2015.



In thousands of PLN

## 7. Gains (losses) from other financial securities

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Gains (losses) from other financial securities</b>		
Profit on sale of equity shares	1 893	17
Profit on sale of debt securities	40 456	187 974
Charge due to impairment losses	( 447)	( 234)
<b>Total profit (losses) on financial instruments</b>	<b>41 902</b>	<b>187 757</b>
Change in fair value of hedging instruments	( 24 282)	( 7 249)
Change in fair value of underlying hedged positions	21 366	7 053
<b>Total profit (losses) on hedging and hedged instruments</b>	<b>( 2 916)</b>	<b>( 196)</b>
<b>Total</b>	<b>38 986</b>	<b>187 561</b>

## 8. Other operating income

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Other operating income</b>		
Income on sale of services	4 047	2 515
Reimbursements of BGF charges	6 489	22 547
Release of provision for legal cases and other assets	6 427	4 829
Settlements of leasing agreements	1 289	392
Recovery of other receivables	1 438	1 142
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	-	7 492
Income from net insurance activities	-	26 296
Received compensations, penalties and fines	255	165
Other	9 176	7 478
<b>Total</b>	<b>29 121</b>	<b>72 856</b>

Until 27 February 2015 the Bank exercised control over the companies BZ WBK-AVIVA TUO S.A. and BZ WBK-AVIVA TUŻ S.A., and recognized income from insurance activities on a consolidated basis.

	01.01.2015- 27.02.2015*
<b>Income from net insurance activities</b>	
Written premiums	46 050
Reinsurers' share in written premium	( 16 842)
<b>Total premiums written and reinsurers' share in written premium</b>	<b>29 208</b>
Indemnity payments and insurance benefits paid	( 37 036)
Reinsurers' share in indemnity payments and insurance benefits paid	182
Change in the balance of premium provisions and unexpired risks provisions	6 161
Change in the balance of premium provisions - reinsurers' share	15 930
Change in the balance of provisions for life insurance in respect of deductible	( 5 757)
Change in the balance of provisions for life insurance in respect of deductible – reinsurers' share	857
Change in the balance of provisions for life insurance in respect of policyholder's risk	15 859
<b>Net insurance benefits and indemnity payments</b>	<b>( 3 804)</b>
<b>Other net insurance income</b>	<b>892</b>
<b>Net income from insurance operations</b>	<b>26 296</b>

\* On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. following the exercise of a call option by Aviva International Insurance Limited ("Aviva Ltd."). Detailed information are described in Note 35.

In thousands of PLN

## 9. Impairment losses on loans and advances

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Impairment losses on loans and advances</b>		
Collective and individual impairment charge	( 174 083)	( 208 536)
Incurred but not reported losses charge	( 14 449)	3 425
Recoveries of loans previously written off	53 946	17 362
Off-balance sheet credit related facilities	442	( 2 953)
<b>Total</b>	<b>( 134 144)</b>	<b>( 190 702)</b>

## 10. Employee costs

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>Employee costs</b>		
Salaries and bonuses	( 302 958)	( 317 908)
Salary related costs	( 56 360)	( 58 457)
Staff benefits costs	( 8 055)	( 8 248)
Professional trainings	( 2 582)	( 3 052)
Retirement fund, holiday provisions and other employee costs	( 594)	( 577)
Integration costs	-	( 503)
<b>Total</b>	<b>( 370 549)</b>	<b>( 388 745)</b>

## 11. General and administrative expenses

	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
<b>General and administrative expenses</b>		
Maintenance and rentals of premises	( 93 336)	( 91 406)
Marketing and representation	( 32 538)	( 31 469)
IT systems costs	( 50 357)	( 46 062)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	( 79 074)	( 65 306)
Postal and telecommunication costs	( 14 598)	( 16 383)
Consulting fees	( 11 387)	( 12 165)
Cars, transport expenses, carriage of cash	( 17 461)	( 19 367)
Other external services	( 26 016)	( 25 968)
Stationery, cards, cheques etc.	( 7 533)	( 8 107)
Sundry taxes	( 8 877)	( 7 616)
Data transmission	( 4 324)	( 5 311)
KIR, SWIFT settlements	( 6 998)	( 5 723)
Security costs	( 6 120)	( 5 005)
Costs of repairs	( 5 139)	( 1 347)
Integration costs	-	( 6 045)
Other	( 5 518)	( 5 698)
<b>Total</b>	<b>( 369 276)</b>	<b>( 352 978)</b>

In thousands of PLN

## 12. Other operating expenses

Other operating expenses	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
Charge of provisions for legal cases and other assets	( 46 174)	( 11 631)
Costs of purchased services	( 92)	( 367)
Other membership fees	( 184)	( 260)
Paid compensations, penalties and fines	( 785)	( 2 088)
Donation paid	( 1 503)	( 1 320)
Other	( 10 777)	( 5 075)
<b>Total</b>	<b>( 59 515)</b>	<b>( 20 741)</b>

## 13. Corporate income tax

Corporate income tax	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
Current tax charge	( 148 239)	( 297 535)
Deferred tax	416	33 960
<b>Total</b>	<b>( 147 823)</b>	<b>( 263 575)</b>

Corporate total tax charge information	01.01.2016- 31.03.2016	01.01.2015- 31.03.2015
Profit before tax	769 225	1 354 270
Tax rate	19%	19%
Tax calculated at the tax rate	( 146 153)	( 257 311)
Permanent differences	( 9 648)	( 8 207)
Tax on financial institutions	( 11 779)	-
Sale of receivables	( 2 533)	( 3 500)
Non-taxable income (dividends)	15 118	-
Non-tax deductible bad debt provisions	503	( 1 143)
Adjustment of prior year tax	8 385	10 431
Consolidation adjustments	( 1 202)	( 4 177)
Other	( 514)	332
<b>Total income tax expense</b>	<b>( 147 823)</b>	<b>( 263 575)</b>

Deferred tax recognised directly in equity	31.03.2016	31.03.2015
Relating to equity securities available-for-sale	( 184 400)	( 135 072)
Relating to debt securities available-for-sale	( 53 050)	( 105 036)
Relating to cash flow hedging activity	27 784	49 229
Relating to valuation of defined benefit plans	( 609)	1 280
<b>Total</b>	<b>( 210 275)</b>	<b>( 189 599)</b>

## 14. Cash and balances with central banks

Cash and balances with central banks	31.03.2016	31.12.2015	31.03.2015
Cash	1 891 719	2 026 206	1 585 002
Current accounts in central banks	172 369	4 203 647	3 090 810
<b>Total</b>	<b>2 064 088</b>	<b>6 229 853</b>	<b>4 675 812</b>

Bank Zachodni WBK and Santander Consumer Bank hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of the monthly average balance of the customers' deposits, which in all the covered periods was 3.5%. In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

In thousands of PLN

## 15. Loans and advances to banks

Loans and advances to banks	31.03.2016	31.12.2015	31.03.2015
Loans and advances	175 495	603 360	133 124
Current accounts	2 582 753	2 977 598	2 586 054
Buy-sell-back transactions	94 883	272 300	490 153
<b>Gross receivables</b>	<b>2 853 131</b>	<b>3 853 258</b>	<b>3 209 331</b>
Impairment write down	( 1)	( 1)	( 34)
<b>Total</b>	<b>2 853 130</b>	<b>3 853 257</b>	<b>3 209 297</b>

## 16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2016		31.12.2015		31.03.2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Trading derivatives</b>	<b>2 006 766</b>	<b>1 911 812</b>	<b>2 065 688</b>	<b>2 011 486</b>	<b>2 282 033</b>	<b>2 667 202</b>
<b>Interest rate operations</b>	<b>1 213 955</b>	<b>1 186 610</b>	<b>1 296 009</b>	<b>1 261 947</b>	<b>1 309 405</b>	<b>1 650 586</b>
Forward	625	2	-	-	-	22
Options	8 073	8 073	9 638	9 639	11 097	11 097
IRS	1 198 040	1 174 290	1 282 734	1 247 065	1 293 119	1 632 536
FRA	7 217	4 245	3 637	5 243	5 189	6 931
<b>Transactions on equity instruments</b>	<b>10 024</b>	<b>10 024</b>	<b>13 099</b>	<b>13 099</b>	<b>9 230</b>	<b>9 230</b>
Options	10 024	10 024	13 099	13 099	9 230	9 230
<b>FX operations</b>	<b>782 787</b>	<b>715 178</b>	<b>756 580</b>	<b>736 440</b>	<b>963 398</b>	<b>1 007 386</b>
CIRS	133 085	149 998	117 879	171 575	144 111	206 869
Forward	49 698	71 473	35 472	36 408	31 773	105 060
FX Swap	390 208	293 466	392 673	324 068	630 801	547 003
Spot	2 398	1 513	1 913	1 704	3 113	2 893
Options	198 719	198 719	202 503	202 503	145 561	145 561
Other	8 679	9	6 140	182	8 039	-
<b>Debt and equity securities</b>	<b>1 956 489</b>	<b>-</b>	<b>2 099 823</b>	<b>-</b>	<b>3 210 485</b>	<b>-</b>
<b>Debt securities</b>	<b>1 903 073</b>	<b>-</b>	<b>2 074 899</b>	<b>-</b>	<b>3 168 515</b>	<b>-</b>
Government securities:	1 902 409	-	2 073 995	-	3 168 170	-
- bonds	1 902 409	-	2 073 995	-	3 168 170	-
Commercial securities:	664	-	904	-	345	-
- bonds	664	-	904	-	345	-
<b>Equity securities:</b>	<b>53 416</b>	<b>-</b>	<b>24 924</b>	<b>-</b>	<b>41 970</b>	<b>-</b>
- listed	53 416	-	24 924	-	41 970	-
<b>Short sale</b>	<b>-</b>	<b>181 136</b>	<b>-</b>	<b>524 198</b>	<b>-</b>	<b>541 839</b>
<b>Total financial assets/liabilities</b>	<b>3 963 255</b>	<b>2 092 948</b>	<b>4 165 511</b>	<b>2 535 684</b>	<b>5 492 518</b>	<b>3 209 041</b>

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN 7,571 k as at 31.03.2016, PLN 14,214 k as at 31.12.2015, PLN 2,115 k as at 31.03.2015.

In thousands of PLN

## 17. Loans and advances to customers

Loans and advances to customers	31.03.2016	31.12.2015	31.03.2015
Loans and advances to enterprises	45 175 368	43 307 122	39 704 096
Loans and advances to individuals, of which:	52 466 333	51 950 070	49 223 547
<i>Home mortgage loans</i>	34 167 565	33 720 581	32 282 079
Finance lease receivables	4 819 493	4 545 711	3 856 551
Loans and advances to public sector	217 968	235 177	173 540
Buy-sell-back transactions	100	17 060	280 145
Other	9 022	6 867	8 787
<b>Gross receivables</b>	<b>102 688 284</b>	<b>100 062 007</b>	<b>93 246 666</b>
Impairment write down	(5 220 329)	(5 131 163)	(5 224 239)
<b>Total</b>	<b>97 467 955</b>	<b>94 930 844</b>	<b>88 022 427</b>

Movements on impairment losses on loans and advances to customers	31.03.2016	31.12.2015	31.03.2015
<b>Individual and collective impairment</b>			
As at the beginning of the period	(4 471 567)	(4 446 607)	(4 446 607)
Charge/write back of current period	( 174 084)	( 926 317)	( 208 536)
Write off/Sale of receivables	97 745	873 273	104 026
Transfer	( 696)	36 393	31
F/X differences	1 147	( 8 309)	5 730
<b>Balance at the end of the period</b>	<b>(4 547 455)</b>	<b>(4 471 567)</b>	<b>(4 545 356)</b>
<b>IBNR</b>			
As at the beginning of the period	( 659 596)	( 679 903)	( 679 903)
Charge/write back of current period	( 14 448)	22 761	3 407
Transfer	182	193	( 15)
F/X differences	988	( 2 647)	( 2 372)
<b>Balance at the end of the period</b>	<b>( 672 874)</b>	<b>( 659 596)</b>	<b>( 678 883)</b>
<b>Allowance for impairment</b>	<b>(5 220 329)</b>	<b>(5 131 163)</b>	<b>(5 224 239)</b>

In June 2014, Santander Consumer Bank completed the securitisation of a car and hire purchase loan portfolio of PLN 1,751,436 k as at the transaction date. The transaction was executed as a traditional securitisation scheme involving transfer of securitised receivables to SC Poland Auto 2014-1 Limited (SPV1), a special purpose vehicle registered in Ireland.

Based on the securitised assets, SPV1 issued two classes of bonds of PLN 1,367 m in total secured by a registered pledge on SPV1 assets. Interest on bonds consists of 1M WIBOR plus margin. Initially, the bonds were taken up by SCB in full. Subsequently, Class A and Class B bonds were sold to third parties in unconditional and repo transactions. As a result of securitisation, SCB raised funding in exchange for transfer of future cash flows from the securitised credit portfolio. The bonds are planned to be redeemed in full by 20 June 2025, however, SCB expects that it will take place no later than 3 years after the date of transaction.

The transaction was financed from a loan of PLN 391,728 k granted by SCB to SPV1, which is subordinated to senior secured bonds. Interest on the loan is fixed and paid from SPV1 funds, while the principal will be repaid upon the full redemption of bonds. The value of securitisation bonds held by SCB as at 31.03.2016 was PLN 24,696 k.

In September 2015, Santander Consumer Bank completed the securitisation of a hire purchase loan portfolio. The transaction was executed as a traditional and revolving securitisation scheme involving transfer of securitised receivables to SC Poland Consumer 2015-1 sp. z o.o. (SPV2), a special purpose vehicle registered in Poland.

Based on the securitised assets, SPV2 issued bonds of PLN 1,051 m in total secured by a registered pledge on SPV2 assets. Interest on bonds consists of 1M WIBOR plus margin. As a result of securitisation, SCB raised funding in exchange for transfer of future cash flows from the securitised credit portfolio. The bonds are planned to be redeemed in full by 19 August 2025, however, SCB expects that it will take place no later than 2 years after the date of transaction.

The transaction was financed from a loan of PLN 230,834 k granted by SCB to SPV2, which is subordinated to senior secured bonds. Interest on the loan is fixed and paid from SPV2 funds, while the principal will be repaid upon the full redemption of bonds. The contractual terms of securitisation do not satisfy the criteria for derecognition of securitised assets from SCB financial statements pursuant to IAS 39. Consequently, as at 31.03.2016, SCB recognised the securitised assets of PLN 1,510,943 k net under Loans and advances to customers, and liability of PLN 1,699,148 k under Deposits from customers in respect of cash flows on account of securitisation.

### *The impact of the Swiss National Bank decision on the FX mortgage loans*

Pursuant to the decision of the Swiss National Bank as a result of the decision of the Swiss National Bank to abandon the cap on the franc's value against the euro, in January 2015, there occurred a material depreciation of the zloty against the Swiss franc. The

In thousands of PLN

official NBP PLN/CHF exchange rate as at 31 March 2016 was 3,9040, as at 31 December 2015 was 3,9394, as at 31 March 2015 was 3,9110, vs 3,5447 as at 31 December 2014. The exchange rate movement affected the value and the risk profile of assets, liabilities and off-balance sheet financial instruments denominated in the currency under review in 1 Q 2015.

The table below presents the impact of the change in the CHF/PLN exchange rate on the PLN equivalent of the mortgage loan-book value of Bank Zachodni WBK Group as at 31 March 2016, December 2015, 31 March 2015

Gross mortgage loans by currency	31.03.2016	31.12.2015	31.03.2015
CHF denominated mortgage loans, of which:	13 483 027	13 853 060	14 544 182
<i>Bank Zachodni WBK</i>	10 520 641	10 809 116	11 341 348
<i>Santander Consumer Bank</i>	2 962 386	3 043 944	3 202 834
Mortgage loans denominated in other currencies, of which:	20 684 538	19 867 521	17 737 897
<i>in PLN</i>	18 391 050	17 536 095	15 377 601
<b>Total</b>	<b>34 167 565</b>	<b>33 720 581</b>	<b>32 282 079</b>

Bank Zachodni WBK Group actively manages the CHF position using derivative instruments (swaps) and direct financing including loans and repo transactions. As at the end of March 2016, the volume of the above instruments added up to CHF 3.05 bn and CHF 0.49 bn, respectively.

#### Risk profile of CHF-indexed/denominated loans

CHF gross mortgage loans as at 31.03.2016	Gross amount	Impairment losses	Coverage ratio
Performing loans	13 282 906	97 151	0,73%
Non-performing loans	200 121	90 964	45,45%
<b>Total</b>	<b>13 483 027</b>	<b>188 115</b>	
CHF gross mortgage loans as at 31.12.2015	Gross amount	Impairment losses	Coverage ratio
Performing loans	13 648 460	98 587	0,72%
Non-performing loans	204 600	92 173	45,05%
<b>Total</b>	<b>13 853 060</b>	<b>190 760</b>	

Average LTV ratio and NPL ratio amounted to 116% and 1.6%, respectively. As at 31 March 2016, 99% of CHF loans were sanctioned before 2009.

## 18. Investment securities available for sale

Investment securities available for sale	31.03.2016	31.12.2015	31.03.2015
<b>Available for sale investments - measured at fair value</b>			
<b>Debt securities</b>	<b>24 375 992</b>	<b>23 463 634</b>	<b>23 153 777</b>
Government securities:	20 891 600	18 621 755	18 715 879
- bonds	20 891 600	18 621 755	18 715 879
Central Bank securities:	1 200 000	2 599 243	2 149 821
- bills	1 200 000	2 599 243	2 149 821
Commercial securities:	2 284 392	2 242 636	2 288 077
- bonds	2 284 392	2 242 636	2 288 077
<b>Equity securities</b>	<b>1 149 015</b>	<b>1 149 147</b>	<b>892 748</b>
- listed	42 636	43 232	53 357
- unlisted	1 106 379	1 105 915	839 391
<b>Investment certificates</b>	<b>4 455</b>	<b>9 297</b>	<b>17 839</b>
<b>Total</b>	<b>25 529 462</b>	<b>24 622 078</b>	<b>24 064 364</b>

In thousands of PLN

## 19. Investments in associates

Movements on investments in associates	31.03.2016	31.12.2015	31.03.2015
<b>Balance as at 1 January</b>	<b>831 142</b>	<b>42 792</b>	<b>42 792</b>
Share of profits/(losses)	7 638	27 711	681
Dividends	-	(5 721)	-
Reclassification *	-	766 360	766 360
<b>Balance at the end of the period</b>	<b>838 780</b>	<b>831 142</b>	<b>809 833</b>

Balance sheet value of associates	31.03.2016	31.12.2015	31.03.2015
Polfund - Fundusz Poręczeń Kredytowych S.A.	42 728	42 803	42 322
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. oraz BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A. *	796 052	788 339	767 511
<b>Total</b>	<b>838 780</b>	<b>831 142</b>	<b>809 833</b>

\* On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŃ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). Details have been described in Note 35.

## 20. Net deferred tax assets

Deferred tax assets	31.03.2016	31.12.2015	31.03.2015
Provisions for loans	633 508	608 733	638 039
Unrealized liabilities due to derivatives	744 725	767 844	869 209
Other provisions which are not taxable costs	124 161	142 925	105 645
Deferred income	407 103	406 727	364 570
Difference between balance sheet and taxable value of leasing portfolio	211 744	190 921	159 392
Unrealised interest expense on loans, deposits and securities	89 213	89 897	154 949
Other	12 847	14 647	19 566
<b>Total</b>	<b>2 223 301</b>	<b>2 221 694</b>	<b>2 311 370</b>

Deferred tax liabilities	31.03.2016	31.12.2015	31.03.2015
Revaluation of financial instruments available for sale*	(207 816)	(180 535)	(189 500)
Unrealised receivables on derivatives	(413 270)	(423 608)	(491 177)
Unrealised interest income on loans, securities and interbank deposits	(196 609)	(182 660)	(185 850)
Provision due to application of investment relief	(2 173)	(2 203)	(3 189)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(8 344)	(8 492)	(6 312)
Difference between balance sheet and taxable value of unfinancial value assets	(651)	212	382
Valuation of shares/interests in subsidiaries	(149 548)	(152 664)	(148 306)
Other	(21 314)	(19 936)	(38 118)
<b>Total</b>	<b>(999 725)</b>	<b>(969 886)</b>	<b>(1 062 070)</b>

Net deferred tax assets	31.03.2016	31.12.2015	31.03.2015
	<b>1 223 576</b>	<b>1 251 808</b>	<b>1 249 300</b>

\*Changes in deferred tax liabilities were recognised in the consolidated statement of comprehensive income.

As at 31 March 2016 the calculation of deferred tax assets did not include purchased receivables of PLN 10 321 k and loans that will not be realised of PLN 44 965 k.

As at 31 March 2015 the calculation of deferred tax assets did not include purchased receivables of PLN 11 874 k and loans that will not be realised of PLN 115 303 k.

In thousands of PLN

## 21. Assets classified as held for sale

Assets classified as held for sale	31.03.2016	31.12.2015	31.03.2015
Land and buildings	638	638	638
Other fixed assets	66	931	44
<b>Total</b>	<b>704</b>	<b>1 569</b>	<b>682</b>

## 22. Other assets

Other assets	31.03.2016	31.12.2015	31.03.2015
Interbank and interbranch settlements	117 315	120 024	68 131
Sundry debtors	404 041	353 994	348 690
Prepayments *	123 428	133 667	322 459
Repossessed assets	37 577	37 364	33 095
Settlements of stock exchange transactions	32 460	23 508	28 574
Other	4 162	4 608	6 953
<b>Total</b>	<b>718 983</b>	<b>673 165</b>	<b>807 902</b>

\* Due to changes in the Act on Bank Guarantee Fund (Journal of Laws of 2016), in March 2016, the mandatory and prudential BGF fee started to be calculated on an annual rather than quarterly basis.

Accordingly, at the end of March 2016, the Bank paid the fee for Q1 2016 and now no BGF payments are posted under "Prepayments". Due to the above amendment to the Act, the basis for calculation of the fee will also change in the following quarters.

In Q2, the fee will be calculated on the basis of the total risk exposure estimated as at 31.03.2016.

In the corresponding period, "Prepayments" included the fees to the Bank Guarantee Fund that are settled over time. As at 31.03.2015 they amounted to PLN 150,642 k for the bank and PLN 22,552 k for Santander Consumer Bank.

## 23. Deposits from banks

Deposits from banks	31.03.2016	31.12.2015	31.03.2015
Repo/sell-buy-back transactions	990 276	4 637 841	5 710 140
Term deposits	412 715	179 260	889 096
Loans from other banks	1 478 769	574 693	652 255
Current accounts	389 338	312 810	467 678
<b>Total</b>	<b>3 271 098</b>	<b>5 704 604</b>	<b>7 719 169</b>



In thousands of PLN

## 24. Deposits from customers

Deposits from customers	31.03.2016	31.12.2015	31.03.2015
<b>Deposits from individuals</b>	<b>61 004 135</b>	<b>59 200 715</b>	<b>55 719 778</b>
Term deposits	26 516 627	26 967 411	26 625 008
Current accounts	34 335 676	32 087 123	28 972 240
Other	151 832	146 181	122 530
<b>Deposits from enterprises</b>	<b>37 436 599</b>	<b>39 306 710</b>	<b>32 720 159</b>
Term deposits	19 814 459	20 119 828	16 632 417
Current accounts	13 577 777	14 957 442	13 005 690
Sell-buy-back transactions	-	519 052	271 228
Loans	3 282 401	3 002 047	2 236 720
Other	761 962	708 341	574 104
<b>Deposits from public sector</b>	<b>3 757 513</b>	<b>3 357 951</b>	<b>4 036 852</b>
Term deposits	2 151 736	1 476 264	2 199 177
Current accounts	1 597 687	1 668 272	1 829 546
Sell-buy-back transactions	-	101 138	-
Other	8 090	112 277	8 129
<b>Total</b>	<b>102 198 247</b>	<b>101 865 376</b>	<b>92 476 789</b>

## 25. Subordinated liabilities

Subordinated liabilities	Redemption date	Currency	Nominal value
Tranche 1	05.08.2020	EUR	100 000
Tranche 2 *	14.12.2016	PLN	100 000

\* Concerns Santander Consumer Bank

Movements in subordinated liabilities	31.03.2016	31.12.2015	31.03.2015
<b>As at the beginning of the period</b>	<b>526 634</b>	<b>1 539 967</b>	<b>1 539 967</b>
<b>Increase (due to):</b>	<b>5 475</b>	<b>168 913</b>	<b>97 665</b>
- interest on subordinated loan	4 793	45 260	18 045
- FX differences	682	123 653	79 620
<b>Decrease (due to):</b>	<b>( 4 271)</b>	<b>(1 182 246)</b>	<b>( 17 477)</b>
- subordinated loans repayment	-	(1 138 338)	-
- interest repayment	( 4 271)	( 43 908)	( 17 477)
<b>Subordinated liabilities - as at the end of the period</b>	<b>527 838</b>	<b>526 634</b>	<b>1 620 155</b>
Short-term	102 742	2 285	4 594
Long-term (over 1 year)	425 096	524 349	1 615 561

Subordinated loans in the amount of PLN 1 138 338 k were repaid to KBC in June 2015 as they no longer qualified to be treated as Tier II capital under CRD IV/CRR rules.

In thousands of PLN

**26. Debt securities in issue**

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	31.03.2016
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00027	not quoted	50 000	PLN	29.04.2016	
SCB00028	not quoted	20 000	PLN	29.04.2016	
SCB00029	not quoted	50 000	PLN	13.05.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
Series B bank securities	PLBZ00000192	250 000	PLN	17.08.2016	
Series A	PLBZ00000150	500 000	PLN	19.12.2016	
Series D	PLBZ00000200	185 000	PLN	26.02.2017	
Series B	PLBZ00000168	475 000	PLN	17.07.2017	
SCB00006	PLSNTND00034	100 000	PLN	07.08.2017	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00010	not quoted	20 000	PLN	30.08.2017	
SCB00012	PLSNTND00042	215 000	PLN	04.10.2017	
SCB00019	PLSNTND00083	220 000	PLN	30.10.2017	
SCB00022	PLSNTND00091	100 000	PLN	16.02.2018	
SCB00031	not quoted	40 000	PLN	23.02.2018	
SCB00017	PLSNTND00059	50 000	PLN	18.06.2018	
Series C	PLBZ00000176	485 000	PLN	25.06.2018	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
SCB00033	not quoted	20 000	PLN	26.08.2019	
SCB00032	not quoted	50 000	PLN	26.02.2020	
Securitized bonds Float sale	XS1275288295	1 051 125	PLN	19.08.2025	
<b>Debt securities in issue</b>					
<b>- as at the end of the period</b>					<b>4 348 075</b>

In thousands of PLN

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	31.12.2015
SCB00013	not quoted	25 000	PLN	27.01.2016	
SCBP00330500	not quoted	50 000	PLN	29.01.2016	
SCBP00310038	not quoted	38 000	PLN	29.01.2016	
SCB00014	not quoted	10 000	PLN	03.02.2016	
SCBP00360217	not quoted	21 700	PLN	12.02.2016	
SCBP00340050	not quoted	50 000	PLN	12.02.2016	
Series A bank securities	PLBZ00000184	230 000	PLN	17.02.2016	
SCB00016	not quoted	50 000	PLN	24.02.2016	
SCB00030	not quoted	40 000	PLN	24.03.2016	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00027	not quoted	50 000	PLN	29.04.2016	
SCB00028	not quoted	20 000	PLN	29.04.2016	
SCB00029	not quoted	50 000	PLN	13.05.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
Series A	PLBZ00000150	500 000	PLN	19.12.2016	
Series B	PLBZ00000168	475 000	PLN	17.07.2017	
SCB00006	PLSNTND00034	100 000	PLN	07.08.2017	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00010	not quoted	20 000	PLN	30.08.2017	
SCB00012	PLSNTND00042	215 000	PLN	04.10.2017	
SCB00019	PLSNTND00083	220 000	PLN	30.10.2017	
SCB00022	PLSNTND00091	100 000	PLN	16.02.2018	
SCB00017	PLSNTND00059	50 000	PLN	18.06.2018	
Series C	PLBZ00000176	485 000	PLN	25.06.2018	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
Securitized bonds Float sale	XS1275288295	1 051 125	PLN	19.08.2025	
<b>Debt securities in issue - as at the end of the period</b>					<b>4 320 891</b>

In thousands of PLN

Debt securities in issue	ISIN	Nominal value	Currency	Redemption date	31.03.2015
SCBX00021500	not quoted	150 000	PLN	13.04.2015	
SCB00020	PLSNTND00075	240 000	PLN	05.06.2015	
SCBP00300111	not quoted	106 000	PLN	15.12.2015	
SCB00021	not quoted	40 000	PLN	24.12.2015	
SCB00013	not quoted	25 000	PLN	27.01.2016	
SCBP00330500	not quoted	50 000	PLN	29.01.2016	
SCBP00310038	not quoted	38 000	PLN	29.01.2016	
SCB00014	not quoted	10 000	PLN	03.02.2016	
SCBP00360217	not quoted	21 700	PLN	12.02.2016	
SCBP00340050	not quoted	50 000	PLN	12.02.2016	
SCB00016	not quoted	50 000	PLN	24.02.2016	
SCB00002	not quoted	10 000	PLN	29.04.2016	
SCB00001	not quoted	60 000	PLN	29.04.2016	
SCB00005	PLSNTND00026	100 000	PLN	08.08.2016	
Seria A	PLBZ00000150	500 000	PLN	19.12.2016	
Seria B	PLBZ00000168	475 000	PLN	17.07.2017	
SCB00006	PLSNTND00034	100 000	PLN	07.08.2017	
SCB00010	not quoted	20 000	PLN	30.08.2017	
SCB00008	not quoted	110 000	PLN	30.08.2017	
SCB00012	PLSNTND00042	215 000	PLN	04.10.2017	
SCB00019	PLSNTND00083	220 000	PLN	30.10.2017	
SCB00022	PLSNTND00091	100 000	PLN	16.02.2018	
SCB00017	PLSNTND00059	50 000	PLN	18.06.2018	
SCB00018	PLSNTND00067	170 000	PLN	12.08.2019	
Securitization Bonds Float A	XS1070423931	254 972	PLN	20.06.2025	
<b>Debt securities in issue - as at the end of the period</b>					<b>3 189 461</b>

## 27. Other liabilities

Other liabilities	31.03.2016	31.12.2015	31.03.2015
Settlements of stock exchange transactions	50 908	25 376	23 616
Interbank and interbranch settlements	468 586	202 317	394 333
Provisions:	416 250	516 600	432 843
Employee provisions	269 388	380 724	271 761
Provisions for legal claims	61 701	48 582	57 701
Provisions for off-balance sheet credit facilities	74 923	75 340	89 684
Provisions for restructuring *	6 938	8 648	10 397
Other	3 300	3 306	3 300
Sundry creditors	292 141	342 341	288 867
Other deferred and suspended income	254 995	232 127	170 915
Public and law settlements	137 135	52 119	103 148
Accrued liabilities	409 972	429 113	353 367
Finance lease related settlements	59 730	78 866	38 662
Other	393	229	395
<b>Total</b>	<b>2 090 110</b>	<b>1 879 088</b>	<b>1 806 146</b>

\* Provision acquired as a result of the acquisition of control over Santander Consumer Bank on July 1, 2014 in the amount of PLN 15,547 k (as at 31.03.2016 in the amount of PLN 6,938 k) referred to:

- restructuring of employment in the bank PLN 3,323 k (as at 31.03.2016 in the amount of PLN 2,489 k),
- liquidation of branches PLN 12,224 k. (as at 31.03.2016 in the amount of PLN 4,449 k).

The restructuring is related to the business reorganisation plan for Santander Consumer Finance (SCF) in Poland which was adopted by the Group in 2010. The plan was adopted after SCF Group had taken control over AIG Bank Polska S.A. and in the wake of subsequent restructuring actions carried out in the years 2013-2014 (amongst others, restructuring of the business transferred from

In thousands of PLN

Santander Consumer Finance Sp z o.o.). Provision has also been associated with the implementation of the Operational Excellence Programme in 2015.

It is expected that most of cash flows related to the raised restructuring provision will materialise in the years 2016-2018.

The Group raises provisions for disputable or expected, certain or highly probable, future liabilities that can be reliably estimated. The liabilities arise from past events and an outflow of resources embodying economic benefits will be required to settle the present obligation.

<b>Change in provisions</b>	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>31.03.2015</b>
<b>As at the beginning of the period</b>	<b>516 600</b>	<b>1 595 194</b>	<b>1 595 194</b>
Employee provisions	380 724	365 083	365 083
Provisions for legal claims	48 582	53 128	53 128
Provisions for off-balance sheet credit facilities	75 340	87 517	87 517
Technical insurance provisions	-	1 074 445	1 074 445
Provisions for restructuring	8 648	11 721	11 721
Other	3 306	3 300	3 300
<b>Provision charge</b>	<b>177 746</b>	<b>426 999</b>	<b>112 947</b>
Employee provisions	105 008	297 134	72 302
Provisions for legal claims	43 953	12 320	7 871
Provisions for off-balance sheet credit facilities	28 785	115 734	32 517
Technical insurance provisions	-	-	-
Provisions for restructuring	-	1 805	257
Other	-	6	-
<b>Utilization</b>	<b>( 217 862)</b>	<b>( 243 547)</b>	<b>( 146 531)</b>
Employee provisions	( 187 101)	( 236 171)	( 142 983)
Provisions for legal claims	( 30 780)	( 7 628)	( 2 762)
Provisions for off-balance sheet credit facilities	25	252	( 786)
Technical insurance provisions	-	-	-
Provisions for restructuring	-	-	-
Other	( 6)	-	-
<b>Write back</b>	<b>( 60 494)</b>	<b>( 1 262 363)</b>	<b>( 1 129 084)</b>
Employee provisions	( 29 503)	( 45 639)	( 22 958)
Provisions for legal claims	( 54)	( 9 238)	( 536)
Provisions for off-balance sheet credit facilities	( 29 227)	( 128 163)	( 29 564)
Technical insurance provisions	-	( 1 074 445)	( 1 074 445)
Provisions for restructuring	( 1 710)	( 4 878)	( 1 581)
Other	-	-	-
<b>Other changes</b>	<b>260</b>	<b>317</b>	<b>317</b>
Employee provisions	260	317	317
Provisions for legal claims	-	-	-
Provisions for off-balance sheet credit facilities	-	-	-
Provisions for restructuring	-	-	-
Other	-	-	-
<b>Balance at the end of the period</b>	<b>416 250</b>	<b>516 600</b>	<b>432 843</b>
<b>Employee provisions</b>	<b>269 388</b>	<b>380 724</b>	<b>271 761</b>
<b>Provisions for legal claims</b>	<b>61 701</b>	<b>48 582</b>	<b>57 701</b>
<b>Provisions for off-balance sheet credit facilities</b>	<b>74 923</b>	<b>75 340</b>	<b>89 684</b>
<b>Technical insurance provisions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions for restructuring</b>	<b>6 938</b>	<b>8 648</b>	<b>10 397</b>
<b>Other</b>	<b>3 300</b>	<b>3 306</b>	<b>3 300</b>

In thousands of PLN

## 28. Fair value

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Below is a summary of the book values and fair values of the individual groups of assets and liabilities.

Assets	31.03.2016		31.12.2015		31.03.2015	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	2 064 088	2 064 088	6 229 853	6 229 853	4 675 812	4 675 812
Loans and advances to banks	2 853 130	2 853 130	3 853 257	3 853 257	3 209 297	3 209 297
Financial assets held for trading	3 963 255	3 963 255	4 165 511	4 165 511	5 492 518	5 492 518
Hedging derivatives	178 655	178 655	164 777	164 777	242 341	242 341
Loans and advances to customers	97 467 955	97 956 866	94 930 844	95 615 899	88 022 427	87 898 874
Investment securities	25 529 462	25 529 462	24 622 078	24 622 078	24 064 364	24 064 364
Investments in associates	838 780	838 780	831 142	831 142	809 833	809 833
<b>Liabilities</b>						
Deposits from banks	3 271 098	3 271 098	5 704 604	5 704 604	7 719 169	7 719 169
Hedging derivatives	1 963 748	1 963 748	2 079 805	2 079 805	2 051 107	2 051 107
Financial liabilities held for trading	2 092 948	2 092 948	2 535 684	2 535 684	3 209 041	3 209 041
Subordinated liabilities	527 838	601 241	526 634	603 709	1 620 155	1 828 117
Deposits from customers	102 198 247	102 220 272	101 865 376	101 891 082	92 476 789	92 489 192

Below is a summary of the key methods and assumptions used in the estimation of fair values of the financial instruments shown in the table above.

### Financial assets and liabilities not carried at fair value in the statement of financial position

The Group has financial instruments which in accordance with the IFRS are not carried at fair value in the consolidated financial statements. The fair value of such instruments is measured using the following methods and assumptions.

**Loans and advances to banks:** The fair value of deposits is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency.

**Loans and advances to customers:** Carried at net value after impairment charges. Fair value is calculated as the discounted value of the expected future cash flows in respect of principal and interest payments. It is assumed that loans and advances will be repaid at their contractual maturity date. The estimated fair value of the loans and advances reflects changes in the credit risk from the moment of sanction (margins) and changes in interest rates. As the reporting date no estimates were made with regard to the fair value of the portfolio of mortgage loans denominated in CHF due to the lack of an active market for similar products, however in the case of part of the portfolio of mortgage loans denominated in CHF acquired from Kredyt Bank, the carrying amount includes the fair value component established as at the merger date.

**Financial assets not carried at fair value:** The Group does not use fair valuation for equity securities of unlisted companies for which the fair value cannot be reliably established. In the statement of financial position, equity instruments are presented at cost less impairment. Debt instruments are measured at amortised cost.

**Investments in associates:** The financial assets representing investments in associates are measured using the equity method. The Management Board of the parent company believes that this is the most accurate estimation of fair value of these instruments.

**Deposits from banks and deposits from customers:** Fair value of the deposits with maturity exceeding 6 months was estimated based on the cash flows discounted by the current market rates for the deposits with similar maturity dates. In the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors.

**Debt securities in issue and subordinated liabilities:** The securities and subordinated liabilities are measured at amortised cost. The fair value of these instruments is not significantly different from their balance sheet value.

In thousands of PLN

## Financial assets and liabilities carried at fair value in the statement of financial position

As at 31.03.2016 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

**Level I (active market quotations):** debt, equity and derivative financial instruments which at the balance sheet date were measured using the prices quoted in the active market. The Group allocates to this level fixed-rate State Treasury bonds, treasury bills, Eurobonds of the German government, Eurobonds of the American government, shares of listed companies and WIG 20 futures.

**Level II (the measurement methods based on market-derived parameters):** This level includes derivative instruments. Level II also classifies variable-rate State Treasury bonds. These bonds were measured using discounted cash flow models based on the discount curve derived from the market of fixed-rate treasury bonds. Derivative instruments are measured using discounted cash flow models based on the discount curve derived from the inter-bank market.

**Level III (measurement methods using material non-market parameters):** This level includes equity securities that are not quoted in the active market, measured using the expert valuation model; investment certificates measured at the balance sheet date at the price announced by the mutual fund and debt securities (commercial and municipal bonds).

As at 31.03.2016 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2016	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets held for trading	1 684 418	2 278 483	354	3 963 255
Hedging derivatives	-	178 655	-	178 655
Financial investment assets - debt securities	15 155 199	9 220 793	-	24 375 992
Financial investment assets - equity securities	42 636	-	1 110 834	1 153 470
<b>Total</b>	<b>16 882 253</b>	<b>11 677 931</b>	<b>1 111 188</b>	<b>29 671 372</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	181 136	1 911 812	-	2 092 948
Hedging derivatives	-	1 963 748	-	1 963 748
<b>Total</b>	<b>181 136</b>	<b>3 875 560</b>	<b>-</b>	<b>4 056 696</b>

31.12.2015	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets held for trading	1 743 074	2 420 598	1 839	4 165 511
Hedging derivatives	-	164 777	-	164 777
Financial investment assets - debt securities	15 299 779	8 163 855	-	23 463 634
Financial investment assets - equity securities	43 232	-	1 115 212	1 158 444
<b>Total</b>	<b>17 086 085</b>	<b>10 749 230</b>	<b>1 117 051</b>	<b>28 952 366</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	524 198	2 011 486	-	2 535 684
Hedging derivatives	-	2 079 805	-	2 079 805
<b>Total</b>	<b>524 198</b>	<b>4 091 291</b>	<b>-</b>	<b>4 615 489</b>

31.03.2015	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets held for trading	1 607 871	3 883 264	1 383	5 492 518
Hedging derivatives	-	-	-	-
Financial investment assets - debt securities	14 276 419	8 877 358	-	23 153 777
Financial investment assets - equity securities	53 357	-	857 230	910 587
<b>Total</b>	<b>15 937 647</b>	<b>12 760 622</b>	<b>858 613</b>	<b>29 556 882</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	541 839	2 667 202	-	3 209 041
Hedging derivatives	-	-	-	-
<b>Total</b>	<b>541 839</b>	<b>2 667 202</b>	<b>-</b>	<b>3 209 041</b>

In thousands of PLN

The tables below show reconciliation of changes in the balance of financial instruments whose fair value is established by means of the valuation methods using material non-market parameters.

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
<b>31.03.2016</b>				
<b>Beginning of the period</b>	<b>1 839</b>	-	<b>1 115 212</b>	-
Profits or losses	10	-	646	-
<i>recognised in income statement</i>	<i>10</i>	-	-	-
<i>recognised in equity</i>	-	-	646	-
Purchase	257	-	5 000	-
Sale	(1 752)	-	(10 024)	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	-	-
<b>At the period end</b>	<b>354</b>	-	<b>1 110 834</b>	-

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
<b>31.12.2015</b>				
<b>Beginning of the period</b>	<b>1 390</b>	-	<b>850 757</b>	-
Profits or losses	23	-	270 526	-
<i>recognised in income statement</i>	<i>23</i>	-	-	-
<i>recognised in equity</i>	-	-	270 526	-
Purchase	1 278	-	6 597	-
Sale	(852)	-	(15 820)	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	3 152	-
<b>At the period end</b>	<b>1 839</b>	-	<b>1 115 212</b>	-

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
<b>31.03.2015</b>				
<b>Beginning of the period</b>	<b>1 390</b>	-	<b>850 757</b>	-
Profits or losses	(22)	-	3 321	-
<i>recognised in income statement</i>	<i>(22)</i>	-	-	-
<i>recognised in equity</i>	-	-	3 321	-
Purchase	22	-	-	-
Sale	(7)	-	-	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	3 152	-
<b>At the period end</b>	<b>1 383</b>	-	<b>857 230</b>	-



In thousands of PLN

## 29. Contingent liabilities

### Significant court proceedings

As at 31.03.2016 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 546 781 k, which is ca 2.57% of the Group's equity. This amount includes PLN 384 259 k claimed by the Group, PLN 148 502 k in claims against the Group and PLN 14 020 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2016 the amount of significant court proceedings which had been completed amounted to PLN 159 811 k.

As at 31.03.2015 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounted to PLN 324 331 k, which is ca 1.69% of the Group's equity. This amount includes PLN 140 608 k claimed by the Group, PLN 178 852 k in claims against the Group and PLN 4 871 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2015 the amount of significant court proceedings which had been completed amounted to PLN 3 637 k.

### Off-balance sheet liabilities

The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations towards third parties.

Contingent liabilities - sanctioned	31.03.2016	31.12.2015	31.03.2015
<b>Liabilities sanctioned</b>			
<b>- financial</b>	<b>21 895 468</b>	<b>21 870 729</b>	<b>20 456 166</b>
- credit lines	18 209 861	18 462 963	17 437 645
- credit cards debits	3 170 001	2 966 977	2 576 296
- import letters of credit	512 823	437 988	406 082
- term deposits with future commencement term	2 783	2 801	36 143
<b>- guarantees</b>	<b>4 656 558</b>	<b>4 397 631</b>	<b>4 040 268</b>
<b>Total</b>	<b>26 552 026</b>	<b>26 268 360</b>	<b>24 496 434</b>

In thousands of PLN

### 30. Off-balance sheet liabilities relating to derivatives' nominal values

The table below presents off-balance sheet liabilities relating to derivatives' nominal values.

Derivatives' nominal values		31.03.2016	31.12.2015	31.03.2015
<b>1. Term derivatives (hedging)</b>		<b>37 877 190</b>	<b>37 200 049</b>	<b>36 444 106</b>
a)	Single-currency interest rate swap	2 430 684	2 115 615	3 323 000
b)	Macro cash flow hedge -purchased (IRS)	2 912 032	3 498 747	2 249 946
c)	Macro cash flow hedge -purchased (CIRS)	14 972 438	15 012 938	14 758 380
d)	Macro cash flow hedge -sold (CIRS)	16 424 426	16 572 749	16 112 780
e)	FX Swap cash flow hedge -purchased (FX)	571 530	-	-
f)	FX Swap cash flow hedge-sold (FX)	566 080	-	-
<b>2. Term derivatives (trading)</b>		<b>268 658 782</b>	<b>250 073 754</b>	<b>210 353 383</b>
a)	Interest rate operations	153 102 552	147 668 316	113 938 203
	Single-currency interest rate swap	122 056 703	130 621 773	102 378 287
	FRA - purchased amounts	26 175 000	13 375 000	8 970 000
	Options	4 774 674	3 671 543	2 429 916
	Forward- purchased amounts	93 975	-	-
	Forward- sold amounts	2 200	-	160 000
b)	FX operations	115 556 230	102 405 438	96 415 180
	FX swap – purchased amounts	27 964 245	22 949 839	24 936 531
	FX swap – sold amounts	27 872 386	22 881 247	24 851 720
	Forward- purchased amounts	5 359 659	4 872 628	3 534 516
	Forward- sold amounts	5 396 558	4 899 101	3 631 116
	Cross-currency interest rate swap – purchased amounts	9 675 269	9 061 073	6 923 176
	Cross-currency interest rate swap – sold amounts	9 715 401	9 118 586	6 986 015
	FX options -purchased CALL	7 217 613	6 972 190	6 234 754
	FX options -purchased PUT	7 568 743	7 339 292	6 541 299
	FX options -sold CALL	7 217 613	6 972 190	6 234 754
	FX options -sold PUT	7 568 743	7 339 292	6 541 299
<b>3. Currency transactions- spot</b>		<b>2 225 458</b>	<b>3 022 127</b>	<b>2 705 322</b>
	Spot-purchased	1 113 166	1 511 171	1 352 792
	Spot-sold	1 112 292	1 510 956	1 352 530
<b>4. Transactions on equity financial instruments</b>		<b>1 053 574</b>	<b>1 485 063</b>	<b>630 660</b>
	Derivatives contract - purchased	500 987	731 883	294 557
	Derivatives contract - sold	552 587	753 180	336 103
<b>Total</b>		<b>309 815 004</b>	<b>291 780 993</b>	<b>250 133 471</b>

In the case of single-currency transactions (IRS, FRA, non-FX options) only purchased amounts are presented.

### 31. Basis of FX conversion

As at 31.03.2016, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 062/A/NBP/2016 dd. 31.03.2016.

In thousands of PLN

### 32. Shareholders with minimum 5% of the total number of votes at the Annual General Meeting of Bank Zachodni WBK

According to the information held by the Bank's Management Board, the shareholders with a minimum 5% of the total number of votes at the Bank Zachodni WBK General Meeting as at the publication date of the condensed interim consolidated report for Q1 2016 /27.04.2016/ are Banco Santander S.A. and Nationale-Nederlanden OFE.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	27.04.2016	27.01.2016	27.04.2016	27.01.2016	27.04.2016	27.01.2016	27.04.2016	27.01.2016
Banco Santander S.A.	68 880 774	68 880 774	69,41%	69,41%	68 880 774	68 880 774	69,41%	69,41%
Nationale Nederlanden OFE	5 110 586	5 110 586	5,15%	5,15%	5 110 586	5 110 586	5,15%	5,15%
Other	25 243 174	25 243 174	25,44%	25,44%	25 243 174	25 243 174	25,44%	25,44%
<b>Total</b>	<b>99 234 534</b>	<b>99 234 534</b>	<b>100,00%</b>	<b>100,00%</b>	<b>99 234 534</b>	<b>99 234 534</b>	<b>100,00%</b>	<b>100,00%</b>

### 33. Changes in shareholding of members of the Management and Supervisory Board

No. of Bank Zachodni WBK shares held and rights to them	As at 27.04.2016	As at 12.02.2016	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	31 765	31 765	-

Management Board members	27.04.2016		12.02.2016	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Andrzej Burliga	4 888	2 204	4 888	2 204
Eamonn Crowley	-	2 094	-	2 094
Beata Daszyńska-Muzyczka	923	700	923	700
Michael McCarthy	1 075	2 424	1 075	2 424
Carlos Polaino Izquierdo	-	1 000	-	1 000
Juan de Porras Aguirre	-	2 217	-	2 217
Marcin Prell	-	1 983	-	1 983
Miroslaw Skiba	3 257	2 248	3 257	2 248
Feliks Szyszkowiak	3 704	2 248	3 704	2 248
Paweł Wieczorek	-	800	-	800
<b>Total</b>	<b>13 847</b>	<b>17 918</b>	<b>13 847</b>	<b>17 918</b>

### 34. Related party disclosures

The tables below present intercompany transactions. They are effected between associates and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees, leasing. Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process.

On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUŃ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited („Aviva Ltd.”). Detailed information are described in Note 35.

In thousands of PLN

<b>Transactions with associates</b>	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>31.03.2015</b>
<b>Assets</b>	<b>64</b>	<b>68</b>	<b>65</b>
Other assets	64	68	65
<b>Liabilities</b>	<b>110 277</b>	<b>60 351</b>	<b>120 342</b>
Deposits from customers	110 007	60 075	119 996
Other liabilities	270	276	346
<b>Income</b>	<b>8 569</b>	<b>49 561</b>	<b>5 704</b>
Fee and commission income	8 569	49 561	5 704
<b>Expenses</b>	<b>5 019</b>	<b>7 689</b>	<b>974</b>
Interest expense	306	1 237	260
Fee and commission expense	1 104	3 480	597
Operating expenses incl.:	3 609	2 972	117
<i>General and administrative expenses</i>	3 609	2 972	117
<b>Contingent liabilities</b>	<b>407</b>	<b>407</b>	<b>444</b>
Sanctioned:	407	407	444
- <i>guarantees</i>	407	407	444

In thousands of PLN

<b>Transactions with Santander Group</b>	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>31.03.2015</b>
<b>Assets</b>	<b>424 360</b>	<b>697 853</b>	<b>405 567</b>
Loans and advances to banks, incl:	110 436	338 490	6 069
<i>loans and advances</i>	-	252 132	-
<i>current accounts</i>	110 436	86 358	6 069
Financial assets held for trading	310 364	355 772	351 607
Hedging derivatives	1 920	1 529	10 991
Other assets	1 640	2 062	36 900
<b>Liabilities</b>	<b>563 138</b>	<b>526 784</b>	<b>544 032</b>
Deposits from banks incl.:	64 256	111 783	182 169
<i>current accounts</i>	64 256	111 783	182 169
Hedging derivatives	19 785	22 065	3 134
Financial liabilities held for trading	362 326	283 916	257 690
Deposits from customers	110 318	105 202	80 592
Other liabilities	6 453	3 818	20 447
<b>Income</b>	<b>( 291 638)</b>	<b>737 372</b>	<b>506 674</b>
Interest income	3 423	13 046	3 435
Fee and commission income	404	2 283	413
Other operating income	-	614	-
Net trading income and revaluation	( 295 465)	721 429	502 826
<b>Expenses</b>	<b>5 419</b>	<b>17 535</b>	<b>3 986</b>
Interest expense	310	1 150	296
Fee and commission expense	306	1 159	247
Operating expenses incl.:	4 803	15 226	3 443
<i>Bank's staff, operating expenses and management costs</i>	4 803	15 016	3 425
<i>other operating expenses</i>	-	210	18
<b>Contingent liabilities</b>	<b>-</b>	<b>280</b>	<b>5 478</b>
Sanctioned:	-	280	5 478
- financing-related	-	280	5 193
- <i>guarantees</i>	-	-	285
<b>Derivatives' nominal values</b>	<b>53 517 020</b>	<b>50 581 073</b>	<b>38 855 637</b>
Cross-currency interest rate swap – purchased amounts	3 926 136	3 704 776	3 235 188
Cross-currency interest rate swap – sold amounts	3 807 134	3 586 042	3 100 916
Single-currency interest rate swap	15 650 549	13 583 294	8 249 981
FRA - purchased amounts	800 000	1 600 000	-
Options	4 731 732	3 626 907	2 332 290
FX swap – purchased amounts	4 241 176	4 412 806	3 978 124
FX swap – sold amounts	4 326 229	4 401 243	3 929 896
FX options -purchased CALL	3 692 864	3 563 906	3 270 227
FX options -purchased PUT	3 820 025	3 751 086	3 401 249
FX options -sold CALL	3 524 750	3 408 284	2 964 526
FX options -sold PUT	3 748 717	3 588 205	3 140 050
Spot-purchased	144 822	144 011	382 977
Spot-sold	144 976	143 917	382 173
Forward- purchased amounts	224 637	165 120	92 488
Forward- sold amounts	232 509	169 671	101 012
Capital derivatives contract - purchased	500 764	731 805	294 540

In thousands of PLN

## 35. Acquisitions and disposals of investments in subsidiaries and associates

### Acquisitions and disposals of investments in subsidiaries and associates in 1Q 2016 and in 1Q 2015

***A merger of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. and BZ WBK Asset Management S.A. was completed, as a result of which BZ WBK TFI has acquired AM.***

On 31 March 2016, a merger of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (BZ WBK TFI) and BZ WBK Asset Management S.A. (BZ WBK AM) was completed, as a result of which BZ WBK TFI has acquired AM.

The merger was executed by way of transfer of all assets of AM (the acquired company) to BZ WBK TFI (the acquiring company) in return for shares which BZ WBK TFI has allotted to the shareholders of the acquired company. The merger of the companies took effect on the date of entry of the merger into the register of businesses. Upon recording of the merger, AM has been deleted from the register of businesses. As of the merger date BZ WBK TFI has taken over all rights and obligations of its legal predecessor, i.e. AM. Business combinations under common control have no material impact on the financial statements.

***Metrohouse Franchise S.A. shares sale transaction***

On 22.01.2016, BZ WBK Inwestycje Sp. z o.o. sold all its shares of Metrohouse Franchise S.A. and ceased to be a shareholder of Metrohouse Franchise S.A.

***Disposal of a shareholding in Lizar Sp. z o.o.***

On 29 October 2015, BZ WBK Lease entered into an agreement with Poland Media Properties S.A. whereby it sold all its shares of Lizar Sp. z o.o. As a result, the company ceased to be a member of Bank Zachodni WBK Group.

***Registration of SC Poland Consumer 15-1 sp. z o.o.***

On 7 July 2015, a subsidiary of Santander Consumer Bank trading as SC Poland Consumer 15-1 sp. z o.o. was registered. This is a special-purpose vehicle formed for the purpose of securitisation of a part of the credit portfolio, its shareholder being a foreign legal person that is not associated with the Group. As the control criteria set out in IFRS 10.7 are met, the company is considered as an entity controlled by Santander Consumer Bank.

***The closing of the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited***

On 27 February 2015, Bank Zachodni WBK S.A. lost control over insurance entities BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. („TUnŻ S.A.”) and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. („TUO S.A.”) following the exercise of a call option by Aviva International Insurance Limited (“Aviva Ltd.”). After the fulfilment of the conditions precedent, including the obtaining of the European Commission consent and a decision of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) confirming the absence of formal grounds for objecting to the direct acquisition by Aviva Ltd. and indirect acquisition by Aviva plc. of 17% of shares in TUnŻ S.A. and 17% of shares in TUO S.A., the ownership transfer of the abovementioned shares has been completed.

After the transfer, the Bank holds 49% of the total number of shares in the share capital and the total number of the votes at the general meetings of each of the Insurance Companies, with the remaining 51% of the shares and votes being held by Aviva Ltd.

In thousands of PLN

Tables below present an analysis of assets and liabilities which were transferred upon the control loss and total profit before tax on the transaction.

	as at 27.02.2015	BZ WBK-Aviva TUO S.A.	BZ WBK-Aviva TUZ S.A.
<b>ASSETS</b>			
Loans and advances to banks		17 629	52 187
Financial assets held for trading		5 784	27 493
Investment securities		234 773	104 897
Intangible assets		179	180
Property, plant and equipment		552	786
Net deferred tax assets		( 1 613)	( 93)
Other assets		58 228	743 166
<b>Total assets</b>		<b>315 532</b>	<b>928 616</b>
<b>LIABILITIES</b>			
Current income tax liabilities		( 9 626)	( 3 470)
Other liabilities		( 196 992)	( 861 955)
<b>Total liabilities</b>		<b>( 206 618)</b>	<b>( 865 425)</b>
<b>Book value of net assets</b>		<b>108 914</b>	<b>63 191</b>

	as at 27.02.2015
<b>Total profit before tax on the transaction</b>	
Fair value of consideration received	244 317
Revaluation of retained non-controlling interest	766 360
Non-controlling interests derecognised	540 854
Other adjustments related to loss of control	35 604
Less: book value of identifiable net assets	( 172 105)
Less: derecognition of goodwill	( 853 809)
<b>Total</b>	<b>561 221</b>

### 36. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost.

### 37. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period

No events of defaults under the loan agreement have been observed.

### 38. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments

No transfers were made in the reporting period and the comparable period.

In thousands of PLN

### **39. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets**

In the reporting period no such changes were made.

### **40. Comments concerning the seasonal or cyclical character of the interim activity**

The business activity of Bank Zachodni WBK and its subsidiary undertakings has no material seasonal character.

### **41. Character and amounts of items which are extraordinary due to their nature, volume or occurrence**

Detailed information on:

- the closing of the sale by the Bank of a 17% equity stake in BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. to AVIVA International Insurance Limited

are presented in Note 35.

### **42. Issues, repurchases and repayments of debt and equity securities**

Detailed information on the issue of bonds are presented in Note 26.

### **43. Dividend per share**

On 20.04.2016, the Annual General Meeting of Bank Zachodni WBK adopted a resolution to distribute the net profit of PLN 1,756,210k in respect of 2015 as follows: PLN 702,484k to be allocated to the dividend for shareholders, PLN 878,105k to be allocated to the reserve capital and the remainder of PLN 175,621k to be left undistributed.

The Annual General Meeting of Bank Zachodni WBK allocated to the dividend for shareholders, the amount PLN 587,565k from retained profit in the amount of PLN 952,652k generated by the Bank in the accounting year commenced on 01.01.2014 and ended on 31.12.2014. The remaining part PLN 365,087k to be left undivided.

Dividend per share is PLN 13.

### **44. Information concerning issuing loan and guarantees by an issuer or its subsidiary**

As at 31.03.2016 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.



In thousands of PLN

## 45. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets

As at 31.03.2016 and as at 31.03.2015, either Bank Zachodni WBK or its subsidiaries did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets.

## 46. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets

In the period from 01.01.2016 to 31.03.2016 or Bank Zachodni WBK or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

## 47. Events which occurred subsequently to the end of the interim period

### *The Annual General Meeting of Bank Zachodni WBK*

On 20 April 2016, the Annual General Meeting of Bank Zachodni WBK was convened which:

1. Accepted the financial accounts of the Bank Zachodni WBK and consolidated financial accounts of the Bank Zachodni WBK Group for the period between 01.01.2015 to 31.12.2015.
2. Accepted the Management Board's report on the Bank's Zachodni WBK and Management Board's report on the BZ WBK Group activities for 2015.
3. Divided the net profit generated by Bank Zachodni WBK S.A. in the accounting year commenced on 01.01.2015 and ended on 31.12.2015 in the amount of PLN 1,756,210,107.36 in the following way PLN 702,484,042.94 shall be allocated to the dividend for shareholders, PLN 878,105,053.68 shall be allocated to the reserve capital, PLN 175,621,010.74 shall be left undivided.

The Annual General Meeting of Bank Zachodni WBK allocated to the dividend for shareholders, the amount PLN 587,564,899.06 from retained profit in the amount of PLN 952,651,526.40 generated by the Bank Zachodni WBK in the accounting year commenced on 01.01.2014 and ended on 31.12.2014. The remaining part PLN 365,086,627.34 shall be left undivided.

4. Gave discharge to the members of the Bank Zachodni WBK Management Board and Supervisory Board.
5. Reviewed and approved the Supervisory Board's report on its activities in 2015 and the Supervisory Board's report on the assessment of the financial statements of the Bank and the BZ WBK Group as well as the reports on the Bank's and the BZ WBK Group's activities; and applicable remuneration policy assessment.
6. Amended to the Bank's Statutes.
7. Determined the maximum level of the ratio between the fixed and variable components of remuneration of the individuals holding management positions with Bank Zachodni WBK Group.
8. Adopted the "Policy on selection and suitability assessment of Supervisory Board Members of Bank Zachodni WBK".
9. Adopted the "Best Practice for WSE Listed Companies 2016".

## 48. Macroeconomic situation in Q1 2016

### Economic growth

The available data suggest that the Polish economy was expanding at a solid pace at the start of 2016. GDP growth is likely to have slowed down versus Q4 2015, but it was still relatively high (approx. 3.5% YoY). All the three main contributors – private consumption, fixed investments and exports – continued to be satisfactory, although the composition of growth seems to be changing. Private consumption is likely to have remained stable, with upside prospects, as healthy wage growth, low unemployment and high consumer confidence supported spending. Fixed investments probably decelerated on the back of weak public investment spending, however, data suggest that private investment spending remained strong. Data on the balance of payments also indicate a moderate rise in exports, which is likely to secure a positive contribution of net exports. Poland’s external trade imbalance remained low - according to the bank’s estimate the current account deficit accounted for approx. 0.3% of GDP at the end of Q1 2016. Industry was in good shape and showing relatively high growth rates, especially in export-oriented sectors.

### Labour market

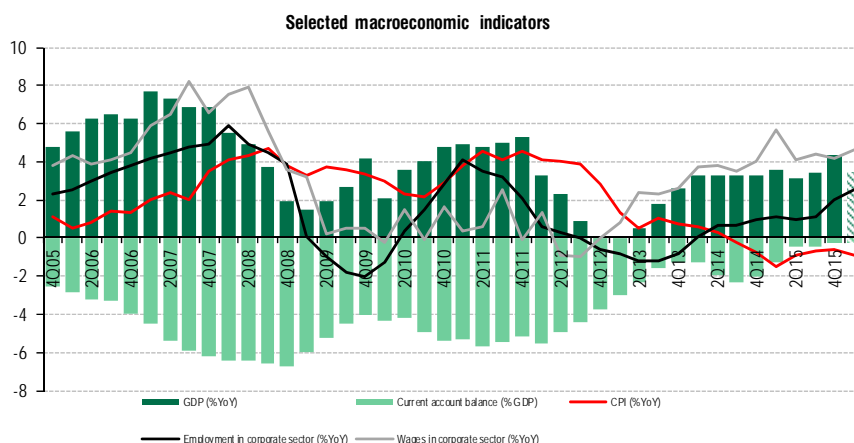
The labour market was strong in Q1 2016. Average employment in the corporate sector grew by approx. 2.5% YoY, amid a steady increase in the demand for labour. Unemployment continued to fall, with regard to both the official unemployment rate and Labour Force Survey (LFS) unemployment, reaching its lowest levels since 2008. Corporate sector wages increased in nominal terms by approx. 3.7% YoY, which together with negative growth in consumer prices and an increase in employment caused a decent rise in the real wage bill (by approx. 7.3% YoY).

### Inflation

Deflationary pressure continued in early 2016, as in the previous periods. CPI inflation remained below zero at -0.9% YoY mainly due to low fuel prices. Deflationary tendencies intensified in the core categories, triggering a decrease in core inflation, excluding food and energy prices, to -0.1% YoY on average in Q1 2016.

### Monetary policy

In Q1 2016, eight out of nine Monetary Policy Council members were replaced, as the term of office of the previous MPC came to an end. The new MPC members are likely to continue the policy of their predecessors and keep interest rates stable. They highlighted that no further monetary policy changes would be needed unless there was a significant downturn in the macroeconomic outlook. According to the MPC, the economic growth in Poland is stable and driven mainly by rising domestic demand. Central bankers treat the inflation target flexibly and do not feel uncomfortable with the fact that it will not be reached at least until 2018, as indicated by the latest NBP inflation forecast.



### Credit and deposit markets

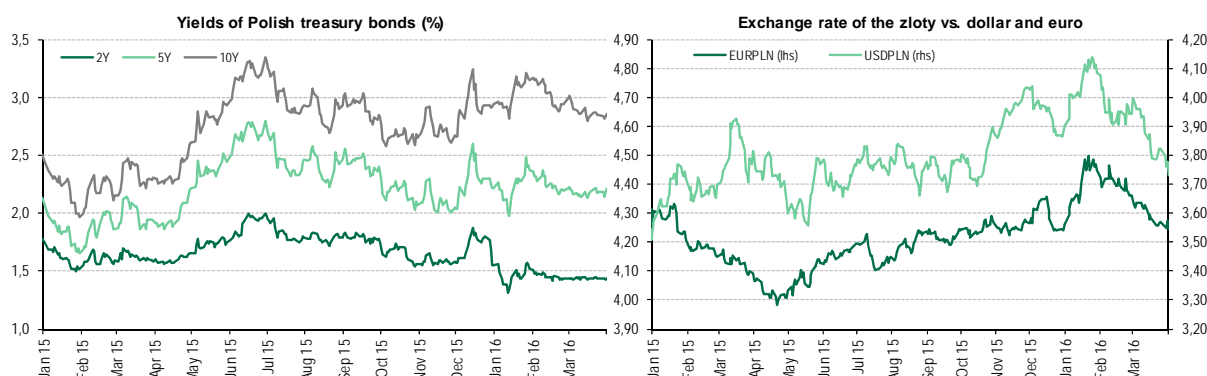
The situation in the credit market in Q1 2016 was similar to 2015: corporate loans rose quite fast (8.7% YoY in February after FX adjustment), driven mostly by investment loans (11.9% YoY in February), with other categories also showing robust growth rates (overdrafts 7.6% YoY, property loans 4.6% YoY). Loans in the household sector grew at a fairly stable rate of 3.8% YoY in February (after FX adjustment). Mortgage loans were rather sluggish and gradually decelerated versus 2015 (2.5% YoY in February), but consumer loans were more dynamic (6.7% YoY). Deposits grew at a solid pace, up 9.5% YoY in the household sector and 11.3% YoY in the corporate sector (after FX adjustment).

### Financial market

Financial markets were quite volatile in Q1 2016. In January, the S&P agency downgraded Poland’s long term foreign currency sovereign credit rating from A- (positive outlook) to BBB+ (negative outlook). This decision came as a surprise to market players and resulted in a sell-off of Polish assets. This drove EUR/PLN up to 4.50 (the highest level since 2011) and 10Y bond yield to 3.20%. These market developments were reversed in subsequent months due to actions taken by the central banks. Hints about further ECB stimulus moves and dovish signals from the Federal Open Market Committee (FOMC) supported the markets. In March, the ECB eased the policy more than expected. Meanwhile, FOMC members scaled back their expectations about the number of interest rate hikes in 2016, coming closer to market forecasts.

Most risk factors which put pressure on the Polish currency and debt were of a domestic nature. Eventually, actions taken by the global central banks proved more important than domestic factors, which was reflected in lower bond yields and IRS rates at the end of Q1 2016 compared to the end of 2015. As regards the debt market, the shorter end gained more considerably, partially due to bank tax which prompted banks to buy short-term treasury bonds (exempt from the tax). Poland’s risk premium rose, as indicated by wider spread versus German bonds (270 bp at the end of Q1 2016 versus 230 bp at the end of 2015).

At the start of the year, the zloty weakened considerably due to the S&P decision. In the subsequent months, the Polish currency was trimming losses thanks to the expansionary policy of the ECB, dovish rhetoric of the Federal Reserve and declining impact of domestic risk factors. After the peak in January, EUR/PLN dropped by 5% to 4.28 at the end of March. Compared with the end of 2015, EUR/PLN increased by 0.5%, USD/PLN fell by 3.0%, CHF/PLN dropped by 0.5% and GBP/PLN fell by 6.2%.



## 49. Activities of Bank Zachodni WBK Group in Q1 2016

### Retail Banking Division

#### Personal accounts and bundled products

In Q1 2016, the number of newly opened current accounts increased by 42% YoY, driven primarily by “Account with 4% Interest” (“Konto na 4%”) promotional campaign featuring digital only, free-of-charge, interest-bearing Account Worth Recommending (“Konto Godne Polecenia”). The product was most effectively distributed via the Telephone Banking Centre. The expansion of the bank’s current account base was also supported by the sale of 1|2|3 Account (“Konto 1|2|3”) and Account<20 (“Konto<20”).

#### Savings and investment products

##### Bank deposits

In January 2016, Bank Zachodni WBK launched two promotional campaigns: “Double interest” (“Podwajamy oprocentowanie”) and “Activity pays off” (“Aktywność procentuje”), as part of the “Active deposit” (“Aktywny depozyt”) programme, where interest on savings accounts is automatically linked to the volume of transactions in a personal account. Customers who choose one of the above-mentioned special offers and satisfy certain transactional criteria (on a monthly basis) can earn higher than standard interest on a selected savings account.

The bank continued to increase the strength of relationship and product penetration on the basis of Bonus Deposit (Lokata Bonusowa) and Bonus Deposit for Investor (Lokata Bonusowa dla Inwestora). Deposit acquisition activities were additionally supported by 4-month Easy Earning Deposit (Lokata Swobodnie Zarabiająca) for new funds, paying attractive fixed interest.

##### Brokerage products

In Q1 2016, the bank took further measures to strengthen the position of BZ WBK brokerage products and services among personal customers:

- In March 2016, the bank launched a special offer called “Bonus for yield” (“Premia za zysk”). It served as the main tool to acquire customers and encourage them to invest in the stock market by offering a cash bonus depending on the rate of return from trading via a brokerage account. The promotional campaign was supported by a marketing campaign called “Profitable (re)start on the stock exchange” (“Zyskowy (re)start na giełdzie”), which was run online and via direct contact with customers.
- The bank extended its range of OTC derivative instruments to include contracts for difference (CFD) which allow the parties to take advantage of movements in indices and prices of commodities and raw materials.

#### Investment funds managed by BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI)

##### Newly launched European funds

Following the modification of the Information Prospectus and the Statutes of Arka Prestiż SFIO Fund, on 22 February 2016, BZ WBK TFI launched distribution of two new subfunds of Arka Prestiż SFIO set up on 19 February 2016, namely Arka Prestiż Akcji Europejskich (European equity fund) and Arka Prestiż Europejskich Spółek Dywidendowych (European dividend-paying companies fund).

The subfunds will invest up to 100% of assets in subfunds of Santander SICAV, in particular:

- Arka Prestiż Akcji Europejskich will invest in Santander AM Euro Equity subfund, whose principal policy is to invest assets in equity securities of issuers belonging to the euro zone;
- Arka Prestiż Europejskich Spółek Dywidendowych will invest in Santander European Dividend subfund which focuses on equity securities of issuers in developed European countries which regularly pay dividends.

Both subfunds may also invest up to 30% of assets in debt securities and money market instruments issued by the State Treasury and the National Bank of Poland.

### **Liquidation of the property market fund**

On 8 March 2016, BZ WBK TFI, acting in its capacity as a liquidator of Arka BZ WBK Fundusz Rynku Nieruchomości 2 FIZ in liquidation, started the last stage of the liquidation process by transferring proceeds from the liquidation to the National Depository of Securities (KDPW) for the purpose of redemption and transfer of aggregate amounts to relevant brokerage offices and banks, which subsequently distributed the proceeds to the fund holders.

### **Sale of investment funds**

As at 31 March 2016, the total net assets managed by BZ WBK TFI were PLN 12.7bn, up 2% QoQ. Since February 2016, BZ WBK TFI investment funds have reported positive net monthly sales, mainly on account of the lowest-risk cash subfunds such as Arka BZ WBK Gotówkowy or Arka Prestiż Gotówkowy. Both subfunds were ranked among the top 10 retail investment funds in Poland by Analizy Online (March 2016). With its net sales BZ WBK TFI took a position among leaders in the market.

### **Management of individual portfolios**

Pursuant to the decision of BZ WBK Asset Management (BZ WBK AM) to change the profile of the asset management activity and focus on business customers, the terms of individual portfolios management were modified on 15 February 2016, namely the customer definition was changed and the initial portfolio value was increased.

### **Merger of BZ WBK TFI and BZ WBK AM**

On 31 March 2016, BZ WBK TFI (acquirer) and BZ WBK AM (acquiree) were merged through take-over (for details see Note 35).

### **Awards**

On 29 February 2016, BZ WBK TFI was awarded four accolades and two Alfa awards by Analizy Online in recognition of its performance in 2015. The accolades were given in the following categories: best investment company (BZ WBK TFI), best Polish equity fund (Arka Prestiż Akcji Polskich SFIO), best balanced fund (Arka BZ WBK Zrównoważony FIO) and best Polish treasury securities fund (Arka Prestiż Obligacji Skarbowych SFIO). Alfa awards were granted to two funds managed by BZ WBK TFI under the Credit Agricole brand: Credit Agricole FIO (best Polish equity fund) and Credit Agricole Stabilnego Wzrostu FIO (best stable growth fund).

## **Lending proposition**

### **Mortgage loans**

In January 2016, the mortgage loan proposition of Bank Zachodni WBK was modified to include solutions designed to enhance the bank's competitive advantage or satisfy statutory obligations. In particular:

- The maximum LTV insurance was introduced, which allows the bank to offer loans with max 90% LTV in accordance with Recommendation S, with margin kept unchanged.
- The bank modified the terms of fixed-rate mortgage loans by introducing a fixed rate of interest of 3.95% for home loans and 5.45% for equity releases for the period of five years (available since 18 January 2016).
- Since 19 February 2016, mortgage borrowers who face financial difficulties may apply for repayment of the loan from the Borrowers Support Fund for the maximum period of 18 months. The process is handled by the lending bank under the cooperation agreement with Bank Gospodarstwa Krajowego.

In Q1 2016, the value of new (disbursed) mortgage loans totalled PLN 1.3bn, up 54.5% YoY. The total mortgage loan portfolio increased by 7.9% YoY to PLN 30.9bn at the end of March 2016, of which PLN denominated portion was PLN 17.9m and higher by 21.5% YoY.

### **Cash Loans**

Similarly to the previous year, in Q1 2016, the bank's sales activities were supported by a multi-media marketing campaign. The campaign focused on a fast and easy lending procedure under which regular customers were granted credit decision without the need to present any additional documents.

In the reporting period, the range of loans and the lending process were modified in order to increase the bank's competitive edge and ensure satisfactory profitability of sales.

In Q1 2016, cash loan sales dropped by 6.5% YoY. The respective loan portfolio was stable QoQ and increased by 7.6 % YoY.

## Payment cards

The 3D Secure service became an integral feature of all debit and credit cards held by personal and business customers (irrespective of whether they have access to electronic banking services), which helped improve the security of online transactions.

### Credit cards

In order to promote a wider use of credit cards, the bank re-launched the promotional campaign called “Starter card” (“Karta na start”) which is targeted at customers who use credit cards for the first time or after a break. Credit card holders are exempt from the majority of fees for the maximum period of two years. Other credit cards were available on special terms as well, including Visa Silver Akcja Pajacyk card in the case of which a percentage of income is allocated to fund meals for children from poverty-stricken families.

As at 31 March 2016, the credit card portfolio of Bank Zachodni WBK comprised 748.5k items, an increase of 5.8% YoY.

### Debit cards

In Q1 2016, Bank Zachodni WBK focused on the promotion of card payments as part of the acquisition campaigns called “Double interest” (“Podwajamy oprocentowanie”) and “Activity pays off” (“Aktywność procentuje”). The bank was also actively involved in the initiatives undertaken by the payment organisations: Visa and MasterCard.

As at the end of March 2016, the personal debit card portfolio of Bank Zachodni WBK (excluding prepaid cards) comprised nearly 3.1 million items and increased by 1.2% YoY. Taking business cards into account, the total number of debit cards reached 3.3m, up 1.7% YoY.

The value of the prepaid card portfolio decreased in the wake of the Management Board's decision of November 2015 to withdraw prepaid cards from the bank's offer following an industry debate and guidance from the market regulator.

## Bancassurance

In Q1 2016, the range of insurance products was extended to include Safe Limit individual payment protection plan for overdraft customers (Bezpieczny Limit). Customers were also offered an opportunity to apply for Safe Money credit card insurance (Pewne Pieniądze) via telephone.

## Services to financial institutions

As part of outsourcing services for financial institutions, in Q1 2016, the bank started cooperation with another bank with respect to personalisation of payment cards (Visa and MasterCard) and extended relationship with the two existing partners regarding card & ATM services and comprehensive card services, respectively.

As at the end of March 2016, Bank Zachodni WBK co-operated with more than 20 banks operating in Poland and abroad, mainly in relation to ATM network management and card personalisation, issuance and management. The bank managed the network of 398 third-party ATMs and handled over 2.9 million Visa/MasterCard cards for third party institutions.

## Selected distribution channels

### Electronic banking

The number of BZWBK24 internet users increased by 3.2% YoY and reached 3.2 million at the end of March 2016. The number of customers with access to BZWBK24 mobile went up by 34.6% to 719.2 thousand.

On 12 January 2016, Bank Zachodni WBK offered an upgraded version of BZWBK24 mobile and BZWBK24 internet for personal customers, including:

- new features of BZWBK24 mobile:
  - ✓ transfer to a phone – a modified “transfer to a mobile phone” service that allows customers to send money via the BLIK network by providing the beneficiary's phone number (instead of their account number);
  - ✓ update of the credit card balance on each payment made on a business day, as a result of which the correct balance is displayed on the next business day.

- new features of BZWBK24 internet:
  - ✓ “Customer service” tab which facilitates access to the most frequently used services;
  - ✓ masking of phone numbers displayed on “My data” and “Order product” screens – partially hidden numbers are available only after entering a code sent via text message or displayed on a token;
  - ✓ update of credit card account balance to include current payments.

All the users of BZWBK24 internet and BZWBK24 mobile with access to smsCodes or a token were offered electronic currency exchange transactions on the e-FX platform, so far available under a separate agreement.

### Family 500+ Programme

On 15 March 2016, Bank Zachodni WBK joined the Family 500+ Programme. Since 1 April, i.e. after the Act on state aid for child care became effective, BZ WBK customers may submit online applications for a parenting benefit paid out under the programme via BZWBK24 internet. The role of the bank is to facilitate the process of passing information from customers to relevant bodies.

### Telephone Banking Centre

The Telephone Banking Centre implemented the following initiatives:

- Provided support for “Active deposit” (“Aktywny depozyt”) programme, including two promotional campaigns: “Double interest” (“Podwajamy oprocentowanie”) and “Activity pays off” (“Aktywność procentuje”) and sale of Safe Money insurance (Pewne Pieniądze);
- Launched pilot sale of 1|2|3 Current Account in the video channel (since 22 March 2016, holders of the above-mentioned account may get a partial refund of utility expenses by submitting a relevant invoice in the video channel rather than in person at the branch);
- Implemented the process of retention of savings and investment products (i.e. Arka subfunds and In-Plus investment programme);
- Launched the process of sale, modification and retention of Safe Limit insurance (Bezpieczny Limit);
- Offered Online Advisor services to SME customers enabling contact with the bank's consultants via video call, audio call or Internet chat.

### ATMs/Cash Deposit Machines

In Q1 2016, Bank Zachodni WBK continued the programme designed to develop self-service channels in order to reduce cashier-services in branches and enhance customer experience. The bank extended the network of self-service devices with cash deposit and withdrawal functions by extending the functionality of the existing ATMs and installing new deposit ATMs (CDMs).

As at the end of March 2016, the network of self-service devices of Bank Zachodni WBK comprised 1,206 ATMs and 155 CDMs (vs. 1,362 and 280, respectively, at the end of 31 March 2015) as well as 350 devices combining the function of ATM and CDM (vs. 5 as at 31 March 2015). As at the end of March 2016, the total network included 1,711 self-service devices (compared with 1,647 at the end of March 2015).

### Branch network

As at 31 March 2016, Bank Zachodni WBK had a network of 700 branches (locations). The process of review, rationalisation and relocation of branches was continued in 2016, as a result of which the number of outlets decreased by 84 YoY.

The bank's distribution network also included 112 partner outlets vs. 116 in the corresponding period of 2015.

## SME Banking Division

### Changes to products and services for SME customers

#### Loans

On 18 March 2016, self-employed external customers were offered an opportunity to apply for a working capital loan online, without the need to visit the branch. The following facilities are available in the above channel:

- renewable overdraft up to PLN 50,000 extended for 12 months;
- Business Express loan up to PLN 50,000 granted for 3 to 60 months.

#### Current accounts

In the reporting period, the range of current accounts for SME customers was modified. The following two types of Account Worth Recommending (Konto Godne Polecenia) were introduced:

- Business Account Worth Recommending (Konto Firmowe Godne Polecenia) provided as part of a bundled offer addressed to entrepreneurs with lower transaction volumes, including:
  - ✓ the main current account operated free-of-charge (if used for payment of tax commitments or social security contributions);
  - ✓ additional free-of-charge FX account (EUR, GBP or USD);
  - ✓ 25 free online transfers per month from the main account via ELIXIR (subsequent transfers charged at PLN 1) and unlimited free online transfers to Social Security Office or Tax Office.
- Premium Business Account Worth Recommending (Konto Firmowe Godne Polecenia) provided as part of a bundled offer targeted at companies with higher transaction volumes, including:
  - ✓ the main current account with a monthly maintenance fee;
  - ✓ unlimited additional accounts in PLN and FX accounts (in any currency offered by the Bank) maintained free of charge;
  - ✓ unlimited free online transfers via ELIXIR in addition to online transfers to Social Security Office and Tax Office.

#### Mobile and Internet banking

The functionality of the mobile and Internet application for business customers – BZWBK Mini Firma – was extended to include “e-FX Currency Exchange” option, which comes as a standard element and does not require signing a separate agreement on currency exchange in electronic channels.

#### Development of business volumes

In Q1 2016 SME lending (sales) increased by 13.5% YoY while the SME loan-book grew by 14% YoY. The deposit base expanded by 7.7% YoY.

#### Other initiatives

From 1 January to 31 May 2016, Bank Zachodni WBK will co-organise casting to select small and medium enterprises which will take part in the second edition of the TV show “Business Evolution” (“Firmowe Ewolucje”) broadcast on TVP1 channel.

#### Leasing business

In Q1 2016, BZ WBK Leasing and BZ WBK Lease financed PLN 985.1m worth of total net assets, which translates into a higher than market YoY growth of 25.0% and a strong third position among Polish lessors.

- In the vehicles segment, sales went up by 51.9% YoY to PLN 557.9m, mainly on account of lease of cars and trucks as well as tractor units and trailers.
- In the machines and equipment segment, the companies financed PLN 402.3m worth of fixed assets and continued to be a market leader.

In March 2016, the offer for farmers to finance cars and vans up to 3.5 tons was improved.



In the reporting period, leasing companies received the “Pearls of Polish Lease” (“Perty polskiego leasingu”) award for 2015 in the machines and equipment category from Gazeta Finansowa daily, confirming their leadership position in the respective lease market segment.

## **Business and Corporate Banking Division**

### **Development of Internet and mobile banking for corporate customers**

In Q1 2016, the bank extended the functionality of iBiznes24 electronic banking platform in relation to payment cards, cash management and transaction batches. A number of new solutions were put in place to enhance the security of operations.

The 3D-Secure service was added as a standard security mechanism for online payments using credit and debit cards issued by Bank Zachodni WBK.

In the reporting period, the bank launched iBiznes24 mobile application which comes with such features as: easy check of balance, details and history of current accounts, term deposits and loans; filtering of selected transactions and transaction batches; check of details of transaction batches, their acceptance and execution; e-FX module; display and calculation of current FX rates; direct contact with a dedicated Advisor in the Business Service Centre (COB) and iBiznes24 Advisor. Corporate customers who effect great volume of transactions with counterparties preferring cash payments were offered BLIK payouts in ATMs in place of traditional payment card or cheque operations.

### **Development of business volumes**

In Q1, 2016, the Business & Corporate Banking Division increased sales volumes, maximised cross-selling opportunities, improved service quality and strengthened the relationships with customers in accordance with the customer centric approach. The Bank's credit business continues to grow, showing 12% increase YoY, very good dynamics of new customer acquisition and strong position in factoring and leasing in the corporate segment.

An important element of the bank's strategy aimed at building a leadership position in the trade finance sector is the Export Development Programme set up by the bank in 2015 to support export sales and address the needs of companies looking for international expansion. The program was developed in collaboration with external partners and received strong support from local governments and regional chambers. Alongside the continued regular conferences held across Poland last year, in 2016 the bank is partnering Rzeczpospolita in the Orly Exportu program, which awards local businesses for their successes in expanding overseas.

As a result of our cooperation with corporate customers in the area of Trade Finance, the Group reported a solid revenue dynamics.

### **Factoring business**

During the first three months of 2016, the turnover of BZ WBK Faktor came in at PLN 4.1bn, up 15% YoY. This gave the company the third position in the membership ranks of the Polish Association of Factoring Companies. As at the end of March 2016, the company's credit exposure was PLN 2.6bn, higher by 23% YoY.

## **Global Corporate Banking Division (formerly Global Banking & Markets)**

### **Scope of activity**

The Global Corporate Banking Division (GCB) provides an end-to-end support to the largest corporate customers of Bank Zachodni WBK (around 150 companies and groups as at the end of March 2016), renders services to corporations handled under the global framework of Santander Group GCB, is responsible for the bank's activities on the financial markets and provides specialist financial products including treasury, brokerage and capital market instruments to retail and corporate customers.

## Global Transactional Banking

In the reporting period, Global Transactional Banking:

- closed a number of transactions with companies from the automotive, media, trade, construction, shipbuilding and mining sectors, mainly in relation to working capital financing, guarantees and trade finance;
- implemented innovative cash management solutions for one of the Group's largest customers, which helped to fully automate the processes of transferring transactions from the customer's accounting and settlement system to the bank and sending statements and information about transaction status from the bank to the customer, ensuring full data integrity through elimination of any manual intervention.

The volume of factoring transactions grew by 32% YoY to PLN 1.3bn and was generated mainly by the food sector.

As at the end of March 2016, the value of term deposits and current account balances totalled PLN 6.6bn.

## Capital and Credit Markets

### Capital Markets

In Q1 2016, Capital Markets:

- provided analytical and advisory services to customers and was engaged as a financial/transactional advisor for companies from the financial, automotive, construction, power and media sectors;
- managed the JESSICA Programme (Urban Regeneration Fund for Greater Szczecin) under the agreement with the Zachodniopomorskie province;
- signed an agreement on behalf of the bank to provide financial/transactional advisory services in relation to PLN 2.2bn worth of capital raising for a financial institution.

### Credit Markets

In Q1 2016, the main developments in the Credit Markets area included:

- execution of a number of financing deals with companies from the food, property and finance sectors (the latter transaction also involved transactional advisory services provided by Capital Markets and the Brokerage Office);
- completion of an investment project by a GCB customer co-financed by the bank, consisting in the construction of a modern delayed coking unit and other units connected with the EFRA (Effective Refining) Programme;
- sanction of funding to a company from the food sector in cooperation with the Business and Corporate Banking Division.

As at 31 March 2016, the value of total loans and advances to customers amounted to PLN 5.8bn, up 46% YoY. In Q3 2015, the bank provided funding to a group from the media and telecom sector, which was the largest transaction ever concluded by the bank. It involved a syndicate of 20 banks for PLN 12.5bn, with the bank's share amounting to PLN 1,750m. As at the end of Q1 2016, nearly 90% of the bank's ticket was drawn.

## Financial Markets

### Treasury

In Q1 2016, the Financial Market Transactions Department:

- focused on further development of products and services using the global know-how of Santander Group; the new products are targeted at large corporates and include solutions based on debt and derivative instruments with substantial market potential;
- made intensive efforts to extend the range of structured products for retail and corporate customers in response to market demand and trends;
- generated satisfactory income from the market making activity.

In the reporting period, the Treasury Services Department:

- continued the strategy aimed at diversification of income from treasury transactions based on the development of interest rate hedges;
- expanded the product range to include interest hedging instruments dedicated to mortgage borrowers and SME customers;
- focused on the promotion of foreign exchange instruments among customers so as to hedge currency risk in a long term and thus stabilise their balance sheet positions;
- continued to develop the distribution channels for treasury products and e-commerce tools, which increases sales opportunities and customer service quality.

### Brokerage Office

In Q1 2016, the Brokerage Office extended the range of available contracts for difference and on 1 March 2016 launched a promotional campaign called "Bonus for yield" ("Premia za zysk") (for details see section on savings and investment products).

The Brokerage House secured the third place on the futures market with its share of 11.3%, up 0.6 p.p. YoY,

## Santander Consumer Bank Group

### Loans

The lending activity of Santander Consumer Bank (SCB) is based on the following product groups: car loans for the purchase of new and used vehicles, business loans, instalment loans, cash loans, consolidation loans and credit cards.

As at 31 March 2016, gross loans originated by Santander Consumer Bank Group were PLN 14.3bn, up 2.5% YoY, as a result of an increase in cash loans and credit cards portfolio. The growing sales of cash loans are a result of low market interest rates and strong marketing activity. Increase in credit card receivables is mainly attributable to co-branded cards.

### Deposits

Compared with 31 March 2015, deposits from customers (excluding intercompany loans) increased by 21.5% to PLN 7.9bn, driven by corporate and retail deposits.

Retail deposits have the highest share in the bank's deposit base, and include mainly fixed-rate term deposits from personal customers. The remaining portion is made up of business deposits.

As regards retail deposits, the balance stabilisation process continued with a gradual reduction in the cost of this source of funding. The bank focuses on the sale of deposits with tenors longer than one year, offering particularly attractive pricing for 24-month and 36-month deposits.

### Distribution network of Santander Consumer Bank

As at 31 March 2016, Santander Consumer Bank sold its products through the following distribution channels:

- own network of 167 branches (-6 YoY)
- 138 franchise outlets (+28 YoY)
- a network of 568 partners selling the bank's car loans (-17 YoY)
- 12,698 active partners selling the bank's instalment loans (-840 YoY).

### Debt securities issue

In Q1 2016, Santander Consumer Bank issued new bonds with a nominal value of PLN 110m as part of the issue programme (for details see section on diversification of funding sources by BZ WBK Group).

## Awards

In March 2016, Santander Consumer Bank won the following three accolades:

- 1st position in the cash loan ranking by TotalMoney.pl, in the category of loans for external customers (with no current account or credit facility with the Bank)
- 3rd position in the cash loan ranking by TotalMoney.pl, in the category of loans for internal customers (holding a current account or credit facility with the Bank)
- 2nd position in the term deposit ranking by direct.money.pl, in the category of 12-month deposits.

## Other information

### Diversification of funding sources in Bank Zachodni WBK Group

#### Funding provided by international financial institutions

A number of measures were taken in Q1 2016 to diversify the funding sources in Bank Zachodni WBK Group.

- Bank Zachodni WBK entered into the following facility agreements:
  - ✓ Agreement of 22 January 2016 with an international bank providing for EUR 50m worth of funding with maturity date falling 24 months after the date of the agreement; the loan is earmarked for the bank's general corporate purposes and was disbursed as bullet on 29 January 2016;
  - ✓ Agreement of 16 March 2016 with the European Bank for Reconstruction and Development (as part of the Polish Residential Energy Efficiency Financing Facility programme) providing for EUR 75m worth of funding with a 4-year maturity and interest rate based on EURIBOR. The first tranche of EUR 50m was disbursed on 30 March 2016. The above facility enabled the bank to expand its product range for customers interested in house renovations.
- On 29 March 2016, BZ WBK Leasing received the second tranche of EUR 20m from the Council of Europe Development Bank under an agreement signed in 2015 for the total amount of EUR 50m.

#### Issue/redemption of own securities

- Bank Zachodni WBK made new issues of debt securities:
  - ✓ On 17 February 2016, the bank issued series B certificates of deposits with the total nominal value of PLN 250m, interest rate based on 6MWIBOR rate. All certificates, which mature on 17 August 2016, were taken up by investors.
  - ✓ On 26 February 2016, the bank made a private placement of 185,000 bearer bonds with a nominal value of PLN 1k and redemption date of 26 February 2017.
- As part of the updated debt securities issue programme underwritten by Santander Consumer Finance (with the maximum amount underwritten of PLN 3bn), Santander Consumer Bank issued bonds for a nominal value of PLN 110m and maturity ranging from two to four years.
- Series A 6M certificates of deposits with a face value of PLN 230m matured.

### Changes in the structure of Bank Zachodni WBK Group

On 31 March 2016, BZ WBK TFI and BZ WBK AM were merged. The transaction had the form of a downstream merger, i.e. the parent company (BZ WBK AM) was acquired by the subsidiary (BZ WBK TFI). More information is provided in Note 35.

## Divestments

- On 31 March 2016, Bank Zachodni WBK sold its entire stake in Zakłady Remontowe Energetyki Katowice.
- On 22 January 2016, BZ WBK Inwestycje sold all of its shares in an associated company, Metrohouse Franchise (representing 21.23% of its share capital).

## Selection of auditor

On 22 March 2016, the bank's Supervisory Board passed a resolution appointing PricewaterhouseCoopers as an auditor to review the interim consolidated and unconsolidated financial statements of Bank Zachodni WBK and to audit its consolidated and unconsolidated financial statements for 2016. The bank will sign agreements with PricewaterhouseCoopers for the terms required to carry out the specified works.

## Appointment of the Chairman of the Supervisory Board as acting President of the Management Board

In relation to the public announcement of 9 November 2015, the BZ WBK Management Board informed that the process of selection of the new CEO is at an advanced stage and that the nomination is expected in H1 2016. In view of the above, on 11 February 2016, the Supervisory Board of Bank Zachodni WBK decided to hold effective the appointment of Mr Gerry Byrne, the Chairman of the Supervisory Board, as acting President of the Management Board.

## General Meeting of Bank Zachodni WBK Shareholders

The Annual General Meeting of Shareholders of Bank Zachodni WBK was convened on 20 April 2016 (AGM). The agenda of this meeting is provided in Note 47.

## Affirmation of BZ WBK rating by Fitch Ratings

On 29 February 2016, Fitch Ratings International confirmed the following ratings of Bank Zachodni WBK:

Fitch Rating	Ratings as of 23.11.2015 affirmed in the announcement of 29.02.2016
	International Ratings
Long-term IDR	BBB+
Outlook for the long-term IDR rating	stable
Short-term IDR	F2
Viability rating	bbb+
Support rating	2
	National Ratings
National long-term rating	AA-(pol)
Outlook for the national long-term rating	stable
Senior unsecured debt national long-term rating	AA-(pol)

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 is one notch below the rating of the controlling shareholder. The rating is also justified by individual VR assigned to Bank Zachodni WBK which reflects the bank's strong capitalisation and loss absorption capacity as well as a track record of solid internal capital generation. The profitability, efficiency and credit quality ratios analysed by the agency are satisfactory, and liquidity is adequate, benefitting from the bank's stable funding position, based on diversified, predominantly retail, customer deposits.

## 50. Overview of Bank Zachodni WBK Group performance in Q1 2016

### Overview of financial and business performance of Bank Zachodni WBK Group in Q1 2016 and factors affecting them

Financial and business highlights of Q1 2016	
<b>Total income</b>	<ul style="list-style-type: none"> <li>Total income of Bank Zachodni WBK Group for Q1 2016 decreased by 23.0% YoY to PLN 1,828.0m.</li> <li>Excluding one-off gains on interest in subordinate entities totalling PLN 523m in Q1 2015 (partial disposal and loss of control over BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO), the underlying total income declined by 1.2% YoY.</li> </ul>
<b>Total costs</b>	<ul style="list-style-type: none"> <li>Total costs went up by 4.3% YoY to PLN 864.6m.</li> <li>Excluding part of the contribution to the Borrowers Support Fund from the current period (PLN 8.5m recognised in Q1 2016), the cost base grew by 3.3% YoY.</li> </ul>
<b>Profit</b>	<ul style="list-style-type: none"> <li>Profit before tax amounted to PLN 769.2m, down 43.2% YoY. Excluding the bank tax and adjusting income and costs as above, the underlying profit before tax increased by 1.7% YoY.</li> <li>Profit attributable to the shareholders of Bank Zachodni WBK was PLN 556.5m and 46.3% lower YoY (0.9% higher excluding one-off items).</li> </ul>
<b>Capital ratio</b>	<ul style="list-style-type: none"> <li>Capital ratio stood at 14.1% (12.8% as at 31 March 2015).</li> </ul>
<b>ROE</b>	<ul style="list-style-type: none"> <li>Return on Equity (ROE) was 10.8% (16.3% as at 31 March 2015), and 12.2% excluding one-off items (14.3% as at 31 March 2015).</li> </ul>
<b>Costs/Income</b>	<ul style="list-style-type: none"> <li>Cost to income ratio in comparable terms was 46.8% (44.8% in Q1 2015).</li> </ul>
<b>Net impairment losses</b>	<ul style="list-style-type: none"> <li>Net impairment losses on loans and advances amounted to PLN 134.2m compared with PLN 190.7m in Q1 2015.</li> </ul>
<b>Credit quality</b>	<ul style="list-style-type: none"> <li>NPL ratio was 7.0% (8.3% as at 31 March 2015), while the ratio of impairment losses to the average gross credit volumes was 0.7% (0.9% as at 31 March 2015).</li> </ul>
<b>Loans to customers</b>	<ul style="list-style-type: none"> <li>Gross loans to customers increased by 10.1% YoY to PLN 102,688.3m due to growth of 6.6% YoY in personal loans and 13.8% YoY in loans to enterprises and the public sector to PLN 52,466.3m and PLN 45,393.3m, respectively.</li> </ul>
<b>Deposits from customers</b>	<ul style="list-style-type: none"> <li>Deposits from customers increased by 10.5% YoY to PLN 102,198.2m as a result of the expansion of deposits from enterprises and the public sector by 12.1% YoY to PLN 41,194.1m and increase in personal deposits by 9.5% YoY to PLN 61,004.1m.</li> </ul>
<b>Loans/Deposits</b>	<ul style="list-style-type: none"> <li>Loan-to-deposit ratio was 95.4% as at 31 March 2016 compared with 95.2% as at 31 March 2015.</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 amounted to PLN 13.1bn, down 8.5% YoY and up 1.5% QoQ.</li> </ul>
<b>Electronic banking</b>	<ul style="list-style-type: none"> <li>The number of customers using BZWKBK24 electronic banking services totalled 3.2m (+3.2% YoY), the number of customers with access to mobile services stood at 0.7m (+34.6% YoY), while the BZ WBK Group payment card base included 4.1m debit and prepaid cards (-1.7% YoY) and more than 1.2m credit cards (+10.9% YoY) including the cards of SCB customers.</li> </ul>
<b>Customer base</b>	<ul style="list-style-type: none"> <li>The customer base of BZ WBK and SCB was 6.4m customers.</li> </ul>

### Comparability of periods covered by the income statement for Q1 2016

Q1 2016	Q1 2015
<b>New statutory charges</b>	<b>Loss of control over BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO</b>
<ul style="list-style-type: none"> <li>Pursuant to the Act on tax imposed on certain financial institutions, bank assets are subject to tax of 0.0366% per month, effective from 1 February 2016. In Q1 2016, the total charge for BZ WBK and SCB in this respect was PLN 67.6m.</li> <li>Until 16 February 2016, banks with home loan portfolios were obliged to make contributions to the Borrowers Support Fund to aid mortgagees in financial difficulty. The amount of contribution is determined pro rata to the amount of mortgage loans outstanding for 90 days. In addition to the provision of PLN 40.8m raised by the Group in Q4 2015 to cover for the above contribution, PLN 8.5m was disclosed in the consolidated income statement for Q1 2016.</li> </ul>	<ul style="list-style-type: none"> <li>On 27 February 2015, Bank Zachodni WBK sold part of the shares in BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO, which resulted in a loss of control over the above entities. In effect, gains on the sale and adjustments resulting from the loss of control were recognised, totalling PLN 523m.</li> <li>The loss of control resulted in reclassification of the above-mentioned companies from subsidiaries to associated undertakings along with the change of their accounting treatment from full consolidation to equity method.</li> </ul>

### Main profit determinants in Q1 2016

<b>Increase in net interest income</b>	<ul style="list-style-type: none"> <li>Increase in net interest income (+74.5m YoY) at a similar growth rate as net assets resulted in stabilisation of the Group's net interest margin at 3.59%. The expansion of key business volumes was accompanied by favourable structural trends such as an increase in the portfolio of cash loans and other consumer loans, rise in low-cost current account balances and stable level of term deposits.</li> </ul>
<b>Increase in net fee income</b>	<ul style="list-style-type: none"> <li>An increase in net fee and commission income (+PLN 13.5m YoY) was driven by diversification of the Group's income sources and external and internal factors such as: development of the Polish economy and financial markets, promotional campaigns, regulatory changes, competitive pressures and changes in the presentation resulting from deconsolidation of BZ WBK-Aviva TUO and BZ WBK-Aviva TUnŻ. A growth in the net fee income from insurance products, credit fees, brokerage fees and e-Business and payments observed in Q1 2016 was offset by lower income from account maintenance &amp; cash transactions, and asset management &amp; distribution.</li> </ul>
<b>Decrease in other income</b>	<ul style="list-style-type: none"> <li>A decrease of PLN 110.4m in the Group's other income (excluding gains on interest in subordinate entities) was attributed to lower profit on the available for sale portfolio of treasury bonds and a decline in other operating income due to changes in the presentation of insurance income following the deconsolidation of BZ WBK-Aviva insurance companies and a modified calculation of BFG fee refunds based on new regulations.</li> </ul>
<b>Lower level of impairment losses</b>	<ul style="list-style-type: none"> <li>Lower YoY level of impairment losses (-PLN 56.6m) coupled with a 10,1% YoY increase in gross loan book and improved credit quality ratios reflect the Group's proactive credit risk management policy, continuous development of tools supporting credit decision making, close monitoring of loan portfolios, debt restructuring and favourable trends in the economic environment.</li> </ul>
<b>Tax on financial institutions</b>	<ul style="list-style-type: none"> <li>Introduction of a monthly bank tax (PLN 67.6m) determined on the basis of the value of assets (subject to exceptions) coming into effect from of 1 February 2016.</li> </ul>
<b>Effective cost management in view of high statutory charges</b>	<ul style="list-style-type: none"> <li>Maintenance of strong cost discipline based on a strict budget policy. Excluding the obligatory contribution to the Borrowers Support Fund (PLN 8.5m recognised in Q1 2016), the cost base grew by 3.3%, mainly on account of higher prudential fee payable to BFG, business growth and continued development projects.</li> </ul>

### Key macroeconomic factors impacting financial and business performance of the Group in Q1 2016

<b>Economic growth</b>	<ul style="list-style-type: none"> <li>Mixed signals about economic growth in the euro zone, worries about the global slowdown due to the economic deceleration in China.</li> </ul>
<b>Labour market</b>	<ul style="list-style-type: none"> <li>Favourable situation in the labour market – gradual increase in employment in the enterprise sector, declining unemployment and relatively fast wage growth, supporting private consumption.</li> </ul>
<b>Inflation</b>	<ul style="list-style-type: none"> <li>Lack of inflationary pressure, CPI inflation rate still below zero.</li> <li>Drop in oil prices to their lowest levels in years.</li> </ul>
<b>Monetary policy</b>	<ul style="list-style-type: none"> <li>Record low NBP interest rates.</li> </ul>
<b>Credit and deposit markets</b>	<ul style="list-style-type: none"> <li>Relatively strong growth in loans in the banking sector, in particular in investment loans and consumer loans.</li> <li>Introduction of tax on bank assets.</li> </ul>
<b>Financial markets</b>	<ul style="list-style-type: none"> <li>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 the UK EU membership referendum, the immigration crisis and the economic slowdown in China.</li> <li>Volatility of the zloty exchange rate versus the main currencies; decline in Polish bond yields.</li> <li>Downgrade of Poland's credit rating by S&amp;P.</li> <li>Increase in the capital ratios for the banking sector by KNF.</li> </ul>

### Structure of Bank Zachodni WBK Group profit before tax

PLN m

Condensed Income Statement (for analytical purposes)	Q1 2016	Q4 2015	Q1 2015	QoQ Change	YoY Change
	1	2	3	1/2	1/3
<b>Total income</b>	<b>1 828,0</b>	<b>1 742,7</b>	<b>2 373,4</b>	<b>4,9%</b>	<b>-23,0%</b>
- Net interest income	1 124,7	1 136,3	1 050,2	-1,0%	7,1%
- Net fee & commission income	472,7	494,2	459,2	-4,4%	2,9%
- Other income <sup>1)</sup>	230,6	112,2	864,0	105,5%	-73,3%
<b>Total costs</b>	<b>(864,6)</b>	<b>(1 095,6)</b>	<b>(829,1)</b>	<b>-21,1%</b>	<b>4,3%</b>
- Staff, general and administrative expenses <sup>2)</sup>	(739,8)	(982,1)	(741,7)	-24,7%	-0,3%
- Depreciation/amortisation	(65,3)	(66,1)	(66,7)	-1,2%	-2,1%
- Other operating expenses	(59,5)	(47,4)	(20,7)	25,5%	187,4%
<b>Impairment losses on loans and advances</b>	<b>(134,2)</b>	<b>(256,4)</b>	<b>(190,7)</b>	<b>-47,7%</b>	<b>-29,6%</b>
Tax on financial institutions <sup>3)</sup>	(67,6)	-	-	-	-
Profit/loss attributable to the entities accounted for using the equity method	7,6	13,9	0,7	-45,3%	-
<b>Consolidated profit before tax</b>	<b>769,2</b>	<b>404,6</b>	<b>1 354,3</b>	<b>90,1%</b>	<b>-43,2%</b>
Tax charges	(147,8)	(99,6)	(263,6)	48,4%	-43,9%
<b>Net profit for the period</b>	<b>621,4</b>	<b>305,0</b>	<b>1 090,7</b>	<b>103,7%</b>	<b>-43,0%</b>
- Net profit attributable to BZ WBK shareholders	<b>556,5</b>	<b>277,1</b>	<b>1 035,8</b>	<b>100,8%</b>	<b>-46,3%</b>
- Net profit attributable to non-controlling shareholders	64,9	27,8	54,9	133,5%	18,2%

1) Other income for Q1 2015 includes one-off gains on subordinate entities of PLN 523m on account of partial disposal and loss of control over BZ WBK-Aviva TUnŽ and BZ WBK-Aviva TUO on 27 February 2015. The above-mentioned one-off gains after tax totalled PLN 423.1m.

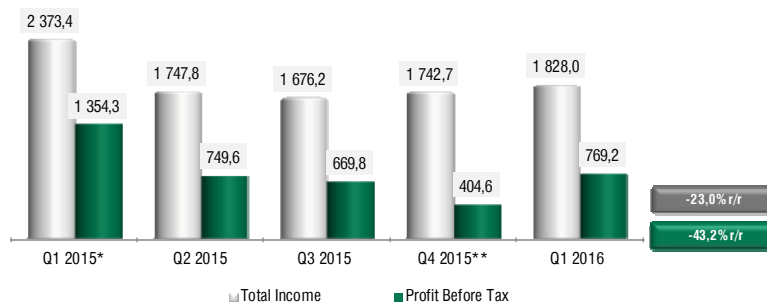
2) General and administrative expenses for Q4 2015 include contribution of PLN 183.8m from the deposit protection fund to reimburse deposit customers of the insolvent cooperative bank.

3) Bank tax recognised pursuant to the Act on tax imposed on certain financial institutions which became effective from 1 February 2016.



In Q1 2016, Bank Zachodni WBK Group posted a profit before tax of PLN 769.2m, down 43.2% YoY. Profit attributable to the shareholders of Bank Zachodni WBK was PLN 556.5m and decreased by 46.3% YoY. Excluding one-off gains on subordinated entities from the base period (i.e. PLN 523m recognised in Q1 2015 on account of settlement of sale and loss of control over BZ WBK-Aviva companies) and new statutory charges from the current period (i.e. bank tax of PLN 67.6m and part of contribution to the Borrowers Support Fund of PLN 8.5m recognised in Q1 2016), the underlying profit before tax increased by 1.7% YoY and the profit attributable to the shareholders of the parent entity grew by 0.9% YoY.

**Total Income and Profit Before Tax by Quarter in 2015 and 2016 (PLN m)**



\* Includes one-off gains on subordinate entities of PLN 523m on account of partial disposal and loss of control over BZ WBK-Aviva Tunž and BZ WBK-Aviva TUO.  
 \*\* Pursuant to the Resolution of BFG Management Board of 26 November 2015, BZ WBK and SCB were obliged to make a total contribution of PLN 183.8m from the deposit protection fund to reimburse depositors of another bank due to its insolvency.

## Structure of Bank Zachodni WBK Group profit before tax by contributing entities

PLN m

Components of Bank Zachodni WBK Group Profit-Before-Tax by contributing entities	Q1 2016	Q1 2015	YoY Change
<b>Bank Zachodni WBK S.A.</b>	<b>557,5</b>	<b>869,9</b>	<b>-35,9%</b>
<b>Existing subsidiary undertakings:</b>	<b>226,4</b>	<b>196,6</b>	<b>15,2%</b>
Santander Consumer Bank and its subsidiaries <sup>1)</sup>	190,7	145,2	31,3%
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. <sup>2)</sup>	14,5	17,3	-16,2%
BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. <sup>3)</sup>	-	12,1	-
BZ WBK Leasing S.A., BZ WBK Lease S.A. and BZ WBK Finanse Sp. z o.o.	15,1	15,6	-3,2%
BZ WBK Faktor Sp. z o.o.	6,1	6,4	-4,7%
Other subsidiary undertakings <sup>4)</sup>	0,01	0,02	-50,0%
<b>Equity method valuation <sup>3)</sup></b>	<b>7,6</b>	<b>0,7</b>	<b>-</b>
<b>Elimination of dividends received by BZ WBK <sup>5)</sup></b>	<b>(22,3)</b>	<b>(16,6)</b>	<b>34,3%</b>
<b>Other intercompany and consolidation adjustments <sup>6)</sup></b>	<b>-</b>	<b>303,7</b>	<b>-</b>
<b>Profit before tax</b>	<b>769,2</b>	<b>1 354,3</b>	<b>-43,2%</b>

- Santander Consumer Bank Group (SCB Group) is controlled and consolidated by BZ WBK. As at 31 March 2016, SCB Group was composed of: AKB Marketing Services Sp. z o.o. in liquidation, Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o., SC Poland Auto 2014-1 Limited and SC Poland Consumer 15-1 Sp. z o.o. The amounts provided above represent profit before tax (after intercompany and consolidation adjustments) of SCB Group for the periods indicated.
- Combined profit before tax of these entities for Q1 2015 excludes dividend of PLN 41.6m received by BZ WBK AM from BZ WBK TFI.
- BZ WBK-Aviva TUO and BZ WBK-Aviva Tunž changed their status from subsidiary undertakings to associates as of 27 February 2015. Since then, both entities have been accounted for using the equity method. The amount provided above represents profit before tax of both companies (after consolidation adjustments and post-audit profit adjustments) for two months of 2015.
- Other subsidiaries include: BZ WBK Inwestycje Sp. z o.o., BZ WBK Nieruchomości S.A. and Gieldokracja S.A.
- Dividends received by BZ WBK from BZ WBK Asset Management amounting to PLN 22.3m in Q1 2016 and PLN 16.6m in Q1 2015.
- Consolidation adjustments (other than dividends) for Q1 2015 include mainly the items resulting from the loss of control over BZ WBK-Aviva companies (PLN 288.6m).

## Parent entity of Bank Zachodni WBK Group

In Q1 2016, the unconsolidated profit before tax of Bank Zachodni WBK decreased by 35.9% YoY.

Excluding one-off items from the current period (gains of PLN 234.4m from partial sale of shares in BZ WBK-Aviva companies from the base period and from the comparable period PLN 62m worth of bank tax and PLN 7.7m of contribution to the Borrowers Support Fund recognised in Q1 2016), the underlying profit before tax declined by 1.3% as a combined effect of the following: a) a substantial increase in net interest income (+7.7% YoY) and net trading income and revaluation (+30.4% YoY); b) higher dividend income recognised in Q1 2016 (514.2% YoY); c) lower impairment charges (-18.1% YoY); d) lower income from other financial instruments (-79.4% YoY), particularly treasury bonds; e) higher underlying operating costs (+4.7% YoY) on account of business growth, development initiatives, higher regulatory fees (prudential fee payable to BFG) and legal cases.

## Subsidiaries

The subsidiaries consolidated by Bank Zachodni WBK reported an increase of 15.2% YoY in their total profit before tax mainly due to the contribution of SCB Group which amounted to PLN 190.7m in Q1 2016 (after intercompany and consolidation adjustments) and was up 31.3% YoY due to the following:

- higher net interest income of PLN 267.5m (up 6.6% YoY) attributed to lower costs of funding, growth of the credit portfolio and favourable changes in its structure (higher share of high-margin products);
- higher net fee income of PLN 57.4m (up 20% YoY) due to an increase in insurance fee income;
- lower net impairment charges (down PLN 28.6m) under the impact of sale of the written-off cash and instalment loan portfolio, bringing a gross profit of PLN 51.9m (PLN 39.1m increase YoY in the profit before tax on debt sale);
- additional charge to the income statement of PLN 5.6m representing tax on financial institutions;
- increase in the operating cost base by PLN 8.4m YoY to PLN 142.3m driven by higher marketing expenses.

In Q1 2016, both BZ WBK Faktor and the leasing companies controlled by BZ WBK Finanse posted similar profit before tax as in the previous year, while maintaining the dynamic growth in sales (calculated as the total value of purchased receivables and leased assets) by 15% YoY and 25% YoY, respectively.

Change of the accounting treatment of BZ WBK-Aviva TUnŻ and BZ WBK-Aviva TUO (from full consolidation to equity method) combined with their lower contribution to profit before tax of Bank Zachodni WBK Group is an effect of partial sale of shares in both companies and loss of control on 27 February 2015.

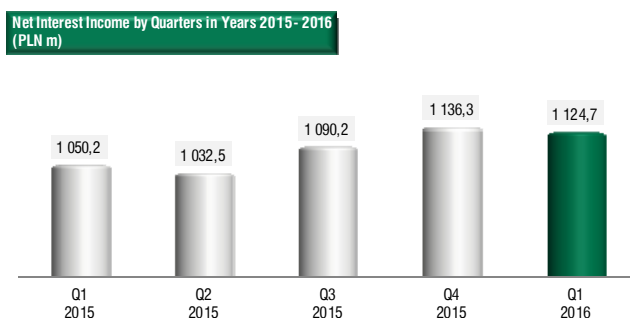
Lower profit before tax of BZ WBK TFI and BZ WBK AM (down 16.2% YoY) is attributed to the decrease in income from asset management fees on account of lower value of average net assets in investment funds and individual portfolios resulting from the outflow of cash from treasury bond funds and higher risk solutions during periods of downturn in the debt and equity markets in 2015 and early 2016.

## Total income

The total income earned by Bank Zachodni WBK Group in Q1 2016 was PLN 1,828.0m, down 23% YoY. Excluding one-off gains on subordinate entities of PLN 523m from the corresponding period, the underlying income went down by 1.2% YoY.

## Net interest income

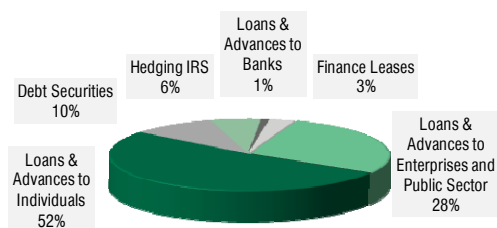
In Q1 2016, net interest income amounted to PLN 1,124.7m and increased by 7.1% YoY.



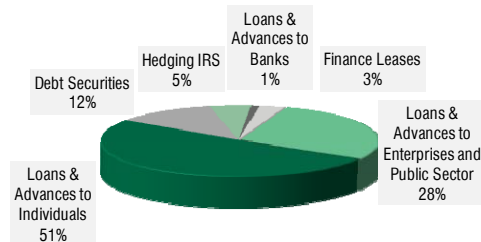
Despite the low interest rate environment, the Group generated similar interest income as in the previous year (PLN 1,462m), while reducing interest expense (by 16.4% YoY to PLN 337.3m). The decrease in interest income from key asset categories such as loans and advances to business customers and debt securities, was offset by interest income generated in Q1 2016 by consumer loans and CIRS and IRS cash flow hedging transactions.

The downward movement in interest expenses was driven by customer deposits from all market segments (retail, corporate and public sector).

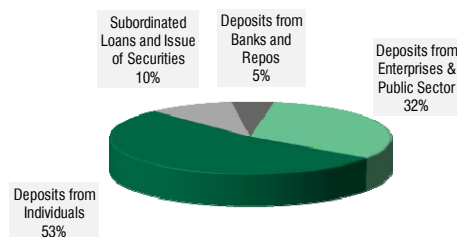
Structure of Interest Revenues in Q1 2016



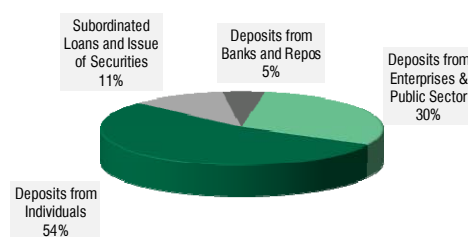
Structure of Interest Revenues in Q1 2015



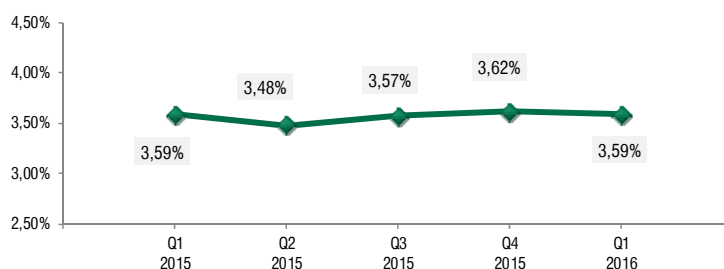
Structure of Interest Expense in Q1 2016



Structure of Interest Expense in Q1 2015



Net Interest Margin by Quarters in Years 2015-2016 (including SWAP points\*)



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

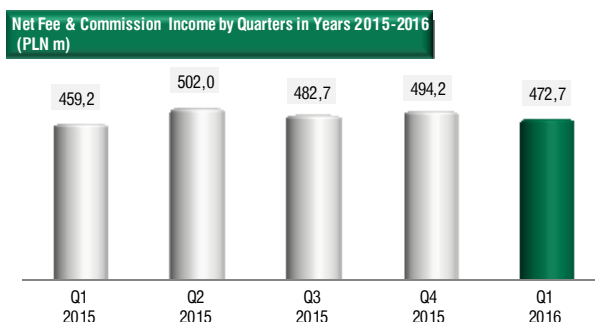
In Q1 2016, net interest margin totalled 3.59% and was stable YoY, reflecting similar growth rate of net interest income and net income assets on a year-on-year basis. Stabilisation of net interest margin amid falling interest rates (following another interest rate cut of 50 b.p. by the Monetary Policy Council in March 2015) is an effect of lower cost of funding and growing business volumes, in particular further expansion of cash loans and other consumer loans alongside an increase in low-cost current account balances. This performance is largely attributed to proactive business acquisition, promotion and pricing modification, which were all aligned with market trends, customer expectations and the Group's objectives in terms of liquidity, capital and balance sheet structure management.

The QoQ drop in the margin from 3.62% to 3.59% results from decelerated growth in high-margin retail portfolio with parallel increase in loans and advances to business customers, higher balances in savings accounts held by personal customers and increased costs of their acquisition and retention as part of promotional campaigns rewarding customer's transaction activity with attractive interest on savings accounts.

**Net fee and commission income**

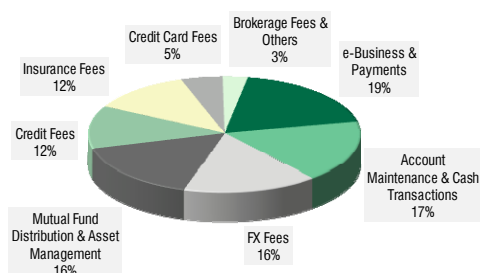
PLN m			
Net Fee and Commission Income	Q1 2016	Q1 2015	YoY Change
E-Business and payments <sup>1)</sup>	87,8	85,9	2,2%
Account maintenance and cash transactions <sup>2)</sup>	80,0	86,4	-7,4%
Insurance fees <sup>3)</sup>	75,8	58,8	28,9%
FX fees	73,8	74,1	-0,4%
Credit fees <sup>4)</sup>	55,9	50,3	11,1%
Asset management and distribution	55,5	61,9	-10,3%
Credit cards	26,0	25,8	0,8%
Brokerage fees	14,2	13,5	5,2%
Other <sup>5)</sup>	3,7	2,5	48,0%
<b>Total</b>	<b>472,7</b>	<b>459,2</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 5 "Net fee and commission income" of this report are included in the line item "Other" (PLN 0.8m in Q1 2016 vs. PLN 1.1m in Q1 2015).
- 3) During the period of control over BZ WBK-Aviva companies (from 20 December 2013 to 27 February 2015), the bank disclosed the major part of income from the insurance business in "Other operating income" instead of "Net fee and commission income" (PLN 26.3m in Q1 2015). As a result of loss of control over the entities, the entire insurance fee income that is not an integral part of an effective interest rate is disclosed under "Net fee and commission income".
- 4) Net fee income from lending, leasing and factoring activities which is not amortised to interest income. This line item includes inter alia the cost of credit agency.
- 5) Guarantees and sureties, issue arrangement fees and others.

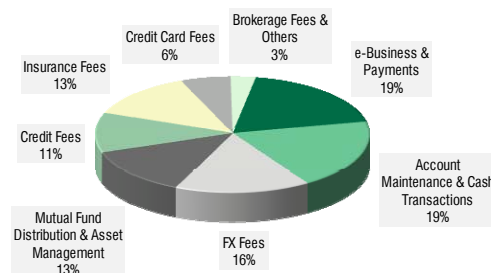


Net fee and commission income for Q1 2016 was PLN 472.7m and increased by 2.9% YoY.

Net Commission Income Structure in Q1 2016



Net Commission Income Structure in Q1 2015



The increase in net insurance fee income presented in the table above (+28.9% YoY) reflects: a) higher net insurance income earned by SCB Group (PLN 42.5m in Q1 2016 vs. PLN 33.2m in Q1 2015) and fuelled by the sale of card insurance and non-banking insurance; and also b) distorted comparability of periods caused by changed presentation of consolidated insurance income following the loss of control over BZ WBK-Aviva insurance companies on 27 February 2015. Until then, the major part of net insurance income was disclosed under other operating income (PLN 26.3m in Q1 2015), whereas starting from March 2015, total insurance income that is not an integral part of an effective interest rate or spread over time, is taken to insurance fees.

Higher net credit fee income (+11.1% YoY) is a combined effect of a higher income from large corporate financing and a decrease in credit agency costs of Bank Zachodni WBK and SCB.

Despite a decrease in equity market trading, the Group reported an increase in net brokerage fee income (+5.2% YoY) on account of higher income from transactions in the futures market and non-brokerage services provided by BZ WBK Brokerage Office such as investment advice.

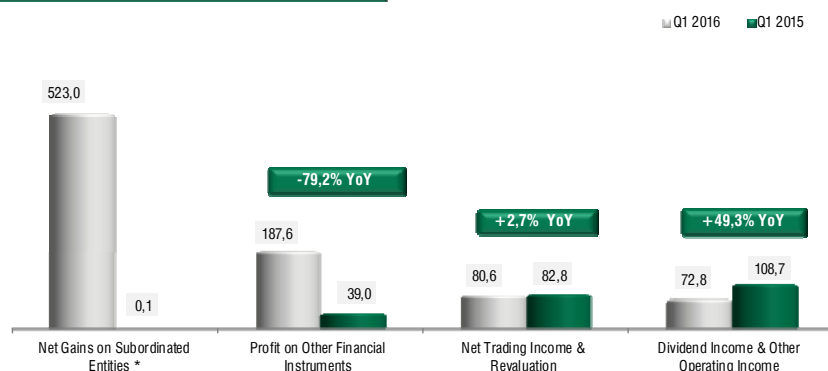
The net fee and commission income aggregated under the “eBusiness and payments” line item rose by 2.2% YoY as a result of a number of factors, including higher income from issuance and management of cards and lower non-cash transaction fees (despite higher turnover) due to the reduction of interchange fee from 29 January 2015 and waiver of transactional fees in respect of cards on special offer.

Lower net fee income from asset management and distribution (-10.3% YoY) reflects a decrease in average value of assets managed by BZ WBK TFI and BZ WBK AM following the outflow of funds from investment solutions with bond and equity components amid the volatility of the stock exchange and debt markets throughout 2015 and early 2016.

Net fee income from account maintenance and cash transactions declined by 7.4% YoY due to, among other things, the Group’s promotional and retention campaigns targeted at bank account holders.

## Other income

Components of other income (PLN m) in Q1 2016 vs. Q1 2015



\* Q1 2015 includes one-off gains on subordinate entities of PLN 523m on account of partial disposal and loss of control over BZ WBK-Aviva TUnž and BZ WBK-Aviva TUO.

### Gains on interest in subordinate entities

In Q1 2015, Bank Zachodni WBK Group disclosed one-off gains of PLN 523m on interest in subordinate entities arising from the sale of part of the shares in BZ WBK-Aviva TUO and BZ WBK-Aviva TUnž (17% each), which resulted in a loss of control over the above-mentioned companies in favour of Aviva Ltd. and their reclassification from subsidiaries to associates.

### Gains on other financial instruments

In Q1 2016, the gains on other financial instruments decreased by 79.2% YoY to PLN 39m.

Gains on the sale of treasury bonds were PLN 40.5m, down PLN 78.5% YoY. The measures taken as part of duration management on the available-for-sale debt securities portfolio were kept in line with market conditions and took into account the Group’s objectives with regard to risk and liquidity management. The decisions regarding the structure of the portfolio and balance sheet were determined by expectations on interest rate cycle movements and fluctuations of yield curves caused by geopolitical factors and the decisions of central banks.

Gains on the sale of equity totalled PLN 1.9m and related primarily to the disposal of a non-controlling interest in a company from available-for-sale equity investment of Bank Zachodni WBK.

### Net trading income and revaluation (“Net trading income”)

In Q1 2016, net trading income and revaluation reported by Bank Zachodni WBK Group was PLN 82.8m, up 2.7% YoY.

The Group generated a profit on derivatives and interbank FX trading of PLN 63.6m vs. PLN 74.6m a year before. This result was achieved amid substantial volatility on the interest rate and FX markets. Compared with the end of March 2015, the IRS yield curve decreased in the short end and increased in the middle and the long end, while the zloty weakened against the euro, appreciated against the US dollar and held fairly stable against the Swiss franc.

The above-mentioned result includes the net interest-related income of PLN 3.2m on the non-hedging CIRS/IRS transactions for Q1 2016 vs. PLN 4.2m for Q1 2015. It excludes, however, the net interest income from the CIRS and IRS transactions designated as cash flow hedging instruments (PLN 70.8m in Q1 2016 vs. PLN 56.9m in Q1 2015), which is disclosed under “Net interest income”.

Other FX related income was PLN 11.0m, higher by PLN 9.7m on a YoY basis.

Debt and equity securities trading brought in a total profit of PLN 8.2m compared to a profit of PLN 4.7m in the corresponding period.

### Dividends

In Q1 2016, Bank Zachodni WBK Group recognised PLN 79.6m worth of dividend income from Aviva TUnŻ.

### Other operating income

In Q1 2016, other operating income decreased by 60.0% to PLN 29.1m as an effect of high base caused by:

- Changes in the presentation of the Group’s insurance income for the first two months of 2015 prior to the loss of control over BZ WBK-Aviva companies.  
(Net insurance income of PLN 26.3m generated by BZ WBK-Aviva companies over the first two months of 2015 was disclosed under other operating income and under net insurance fee income in the subsequent periods).
- Change of the frequency of BFG fee refund calculation to ensure consistency with the Bank Guarantee Fund Act.  
(Change in the procedure for BFG fee refund calculation resulted in the difference between the amounts disclosed in both reporting periods under review: PLN 6.5m in Q1 2016 vs. PLN 22.5m in Q1 2015.)

### Impairment charges

	PLN m		
Impairment Losses on Loans and Advances	Q1 2016	Q1 2015	YoY Change
Collective and individual impairment charge	(174,1)	(208,5)	-16,5%
Impaired but not reported losses charge	(14,4)	3,4	-
Recoveries of loans previously written off	53,9	17,4	209,8%
Off-balance sheet credit related facilities	0,4	(3,0)	-
<b>Total</b>	<b>(134,2)</b>	<b>(190,7)</b>	<b>-29,6%</b>

In Q1 2016, the loan impairment charge to the income statement of Bank Zachodni WBK Group was PLN 134.2m, down 29.6% YoY. The contribution of SCB Group to that figure was PLN 3.6m in Q1 2016 vs. the loss of PLN 24.9m in Q1 2015.

The charge for incurred and reported losses (on individual and collective exposures) was PLN 174.1m in Q1 2016, down 16.5% YoY as a result of a decrease in impairment charges on individually and collectively assessed business and retail exposures. The above decline was observed in the growing credit portfolio (loans from enterprises and the public sector increased by 13.8% YoY, retail loans by 6.6% YoY and lease facilities by 25% YoY).

The impairment charge for incurred but not reported losses was negative at PLN 14.4m vs. positive charge of PLN 3.4m in the base period.

In Q1 2016, Bank Zachodni WBK sold non-performing retail receivables in the principal amount of PLN 77.4m vs. PLN 41.7m in the corresponding period, which contributed PLN 10.2m and PLN 5.6m to the profit before tax, respectively. At the same time, Santander Consumer Bank sold the written-off portfolio of cash loans and instalment loans at PLN 326.6m, which brought in profit before tax of PLN 51.9m. Last year, SCB sold the written-off credit card portfolio of PLN 108.5m, generating a gross profit of PLN 12.8m.

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

As at 31 March 2016, Bank Zachodni WBK Group's NPL ratio was 7.0% compared with 8.3% as at 31 March 2015. The cost of credit totalled 0.7% vs. 0.9% for Q1 2015.

## Total costs

	PLN m		
Total costs	Q1 2016	Q1 2015	YoY Change
Staff, general and administrative expenses, of which:	(739,8)	(741,7)	-0,3%
- Staff expenses	(370,5)	(388,7)	-4,7%
- General and administrative expenses	(369,3)	(353,0)	4,6%
Depreciation/amortisation	(65,3)	(66,7)	-2,1%
Other operating expenses	(59,5)	(20,7)	187,4%
<b>Total costs</b>	<b>(864,6)</b>	<b>(829,1)</b>	<b>4,3%</b>

In Q1 2016, the total expenses of BZ WBK Group amounted to PLN 864.6m, and were 4.3% higher YoY.

Excluding PLN 8.5m from the current period, i.e. part of contribution to the Borrowers Support Fund recognised in Q1 2016, the underlying total costs increased by 3.3% YoY mainly on account of higher prudential fee payable to BFG, costs associated with extension of IT systems and development projects delivered by the Group, and legal disputes reflected in other operating costs.

Given the business growth and development projects under way, the annual total cost growth rate points to the strong cost discipline across the entire Group.

The Group's cost to income ratio (excluding gains on the sale and loss of control over BZ WBK-Aviva companies) totalled 47.3% in Q1 2016 vs. 44.8% in Q1 2015. Adjusting further for the contribution to the Borrowers Support Fund, the ratio amounted to 46.8% in Q1 2016.

## Staff expenses

Staff expenses of Bank Zachodni WBK Group for three months of 2016 totalled PLN 370.5m and decreased by 4.7% YoY. SCB Group's contribution to consolidated staff expenses was PLN 56.6m and stable YoY.

The key staff expense line items, i.e. "salaries and bonuses" and "statutory deductions from salaries" decreased by 4.7% YoY to PLN 303m and by 3.6% YoY to PLN 56.4m, respectively, as a result of reduction of the Group's headcount by 635 FTEs to 14,037 FTEs and release of provisions for unused bonuses from the previous years.

## General and administrative expenses

General and administrative expenses of Bank Zachodni WBK Group for Q1 2016 increased by 4.6% YoY to PLN 369.3m. Costs incurred by SCB Group totalled PLN 62.4m and contributed most to the cost of marketing and entertainment; the cost of consumables, prints, cheques and cards; postal fees and telecommunication fees; data transmission and IT usage.

The growth in the consolidated general and administrative expenses was driven mainly by statutory charges imposed on Bank Zachodni WBK and Santander Consumer Bank: a) part of contribution to the BGK Borrowers Support Fund which was recognised in Q1 2016 (PLN 8.5m in addition to the provision raised for that purpose in Q4 2015); b) quarterly prudential fee of PLN 17.5m (+67.1% YoY) payable to the BFG stabilisation fund calculated at an increased rate and against the new base.

The increase in the core general and administrative expenses was driven by the growth in the following line items: a) cost of machine repair (+281.5% YoY) as part of fitting out of office premises; b) cost of IT usage (+9.3% YoY) connected with the new systems, development of the central environments and delivery of development projects; c) cost of bank security (+22.3% YoY) related to a growing cost of physical protection; d) cost of marketing and entertainment (+3.4% YoY) due to SCB advertising campaigns.

At the same time, the Group reduced the cost of data transmission (-18.6% YoY), postal fees and telecommunication fees (-10.9% YoY), cost of vehicles, transportation and valuables in transit (-9.8% YoY) and consultancy and advisory fees (-6.4% YoY). Cost savings were achieved on the back of ongoing review and renegotiation of agreements, and optimisation measures.

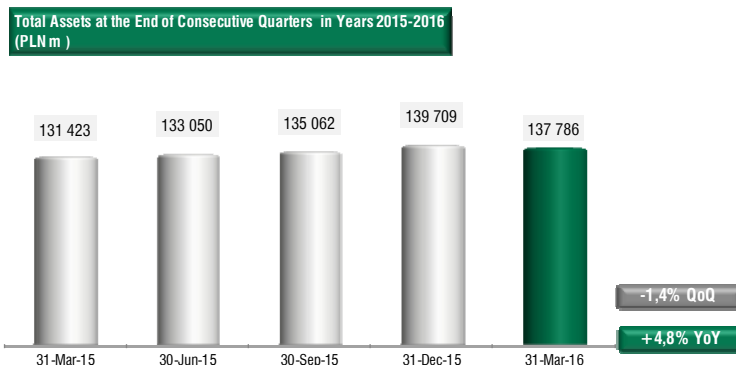
## Tax on financial institutions

Pursuant to the Act on tax imposed on certain financial institutions, effective from 1 February 2016 bank assets are subject to tax of 0.0366% per month. In Q1 2016, total charge to the income statement in this respect was PLN 67.6m.

## Financial position

### Assets

As at 31 March 2016, total assets of Bank Zachodni WBK Group were PLN 137,785.8m, a decrease of 1.4% on 31 December 2015 and an increase of 4.8% on 31 March 2015. The value and structure of the Group's financial position is determined by the parent entity, which accounts for 89.2% of the consolidated total assets vs. 89.8% as at the end of December 2015.



Assets (condensed presentation for analytical purposes)	PLN m							
	31.03.2016	Structure 31.03.2016	31.12.2015	Structure 31.12.2015	31.03.2015	Structure 31.03.2015	Change	Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers *	97 468,0	70,7%	94 930,8	67,9%	88 022,4	66,9%	2,7%	10,7%
Investment securities	25 529,5	18,5%	24 622,1	17,6%	24 064,4	18,3%	3,7%	6,1%
Financial assets held for trading and hedging derivatives	4 141,9	3,0%	4 330,3	3,1%	5 734,9	4,4%	-4,4%	-27,8%
Fixed assets, intangibles and goodwill	2 944,3	2,1%	2 984,7	2,1%	2 848,1	2,2%	-1,4%	3,4%
Loans and advances to banks	2 853,1	2,1%	3 853,3	2,8%	3 209,3	2,4%	-26,0%	-11,1%
Cash and operations with Central Banks	2 064,1	1,5%	6 229,9	4,5%	4 675,8	3,6%	-66,9%	-55,9%
Other assets	2 784,9	2,1%	2 757,6	2,0%	2 867,7	2,2%	1,0%	-2,9%
<b>Total</b>	<b>137 785,8</b>	<b>100,0%</b>	<b>139 708,7</b>	<b>100,0%</b>	<b>131 422,6</b>	<b>100,0%</b>	<b>-1,4%</b>	<b>4,8%</b>

\* Includes impairment write-down.

The movements in the consolidated statement of financial position of Bank Zachodni WBK Group over the first three months of 2016 reflect market trends, acquisition activities and the Group's strategy in terms of management of balance sheet structure and current liquidity.

As at 31 March 2016, consolidated net loans and advances to customers totalled PLN 97,468.0m, up 2.7% on the end of December 2015 on account of credit delivery to business customers. SCB Group contributed PLN 12,728.3m to this line vs. PLN 12,901.7m as at 31 December 2015 (after intercompany and consolidation adjustments).

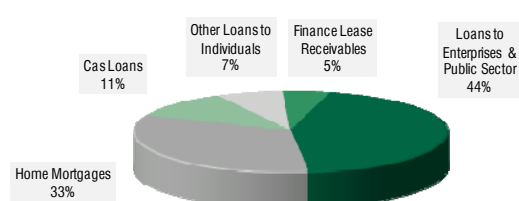


An increase was also observed in "investment securities" (+3.7% QoQ) as a result of expansion of the treasury bond portfolio. The contribution of SCB Group to this line item was PLN 2,050.9m, up 2.5% QoQ.

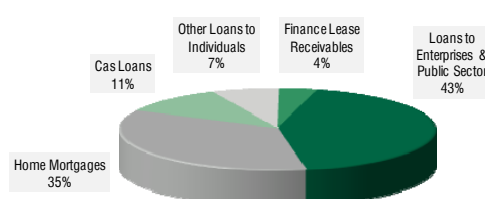
## Credit portfolio

Gross Loans and Advances to Customers	PLN m				
	31.03.2016	31.12.2015	31.03.2015	Change	Change
	1	2	3	1/2	1/3
Loans and advances to individuals	52 466,3	51 950,1	49 223,6	1,0%	6,6%
Loans and advances to enterprises and public sector customers	45 393,3	43 542,3	39 877,6	4,3%	13,8%
Finance lease receivables	4 819,5	4 545,7	3 856,6	6,0%	25,0%
Other	9,2	23,9	288,9	-61,5%	-96,8%
<b>Total</b>	<b>102 688,3</b>	<b>100 062,0</b>	<b>93 246,7</b>	<b>2,6%</b>	<b>10,1%</b>

Structure of Loans & Advances to Customers as at 31.03.2016



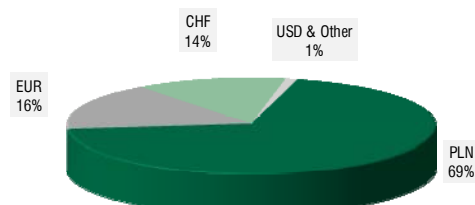
Structure of Loans & Advances to Customers as at 31.03.2015



As at 31 March 2016, gross loans and advances to customers were PLN 102,688.3m and higher QoQ by 2.6%.

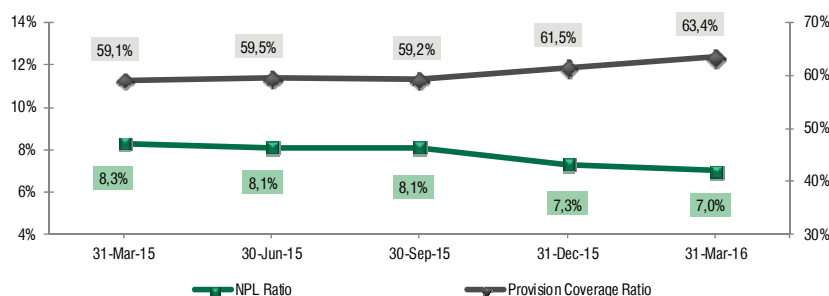
Compared with the end of 2015, loans and advances to individuals increased by 1.0% to PLN 52,466.3m as at the end of March 2016. Home mortgages, which represent the major portion of loans and advances to individuals, increased by 1.3% QoQ to PLN 34,167.6m. The second significant constituent item, i.e. cash loans, grew by 1.4% to PLN 11,022.0m.

FX Structure of Loans & Advances to Customers as at 31.03.2016



Loans and advances to enterprises and public sector companies were PLN 45,393.3m, 4.3% higher QoQ driven by lending to corporate and SME customers. Finance leases, which include the portfolios of BZ WBK Leasing, BZ WBK Lease, and Santander Consumer Multirent, increased by 6.0% to PLN 4,819.5m on account of a dynamic growth in sales of vehicles. Loans granted by BZ WBK leasing companies to finance machines and vehicles for business customers, which totalled PLN 1,490.1m as at 31 March 2016 (vs. PLN 1,460.6m as at 31 December 2015), are disclosed outside the leasing portfolio, as loans and advances to enterprises.

Credit Quality Ratios by Quarters in 2015 and 2016



As at 31 March 2016, non-performing (impaired) loans and advances to customers accounted for 7.0% of the gross portfolio vs. 7.3% recorded three months before. The impairment charge coverage ratio for impaired loans was 63.4% compared with 61.5% as at 31 December 2015.

## Equity and liabilities

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	31.03.2016	Structure 31.03.2016	31.12.2015	Structure 31.12.2015	31.03.2015	Structure 31.03.2015	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	102 198,2	74,2%	101 865,4	72,9%	92 476,8	70,3%	0,3%	10,5%
Subordinated liabilities and debt securities in issue	4 875,9	3,5%	4 847,5	3,5%	4 809,6	3,7%	0,6%	1,4%
Financial liabilities held for trading and hedging derivatives	4 056,7	2,9%	4 615,5	3,3%	5 260,2	4,0%	-12,1%	-22,9%
Deposits from banks	3 271,1	2,4%	5 704,6	4,1%	7 719,2	5,9%	-42,7%	-57,6%
Other liabilities	2 090,1	1,5%	2 107,6	1,5%	2 019,2	1,5%	-0,8%	3,5%
Total equity	21 293,8	15,5%	20 568,1	14,7%	19 137,6	14,6%	3,5%	11,3%
<b>Total</b>	<b>137 785,8</b>	<b>100,0%</b>	<b>139 708,7</b>	<b>100,0%</b>	<b>131 422,6</b>	<b>100,0%</b>	<b>-1,4%</b>	<b>4,8%</b>

In the consolidated liabilities and equity of BZ WBK Group as at 31 March 2016, the most significant movement was observed in deposits from banks, which decreased by 42.7% QoQ, mainly due to lower liabilities arising from the sale of repo securities. The above change was partly offset by the growth in interbank loans taken out in the domestic and international interbank market.

The value of financial liabilities held for trading and hedging derivatives declined markedly under the impact of IRS instruments (-12.1% QoQ).

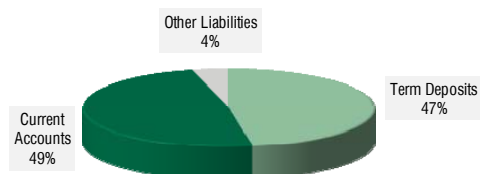
The Group continued the issue of debt securities as part of diversification of funding sources. In Q1 2016, the first series of Bank Zachodni WBK certificates of deposits with a nominal value of PLN 230m matured. The bank issued another series of such instruments with a nominal value of PLN 250m and also zero-coupon bearer bonds with a nominal value of PLN 185m. At the same time, SCB issued bonds with a nominal value of PLN 110m and redeemed several series of bonds with a nominal value of PLN 284.7m at their maturity dates. The above transactions did not have a significant impact on the balance of securities in issue on a QoQ basis.

## Deposit base

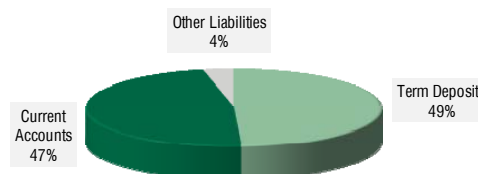
Deposits from Customers	PLN m				
	31.03.2016	31.12.2015	31.03.2015	Change	Change
	1	2	3	1/2	1/3
Deposits from individuals	61 004,1	59 200,7	55 719,8	3,0%	9,5%
Deposits from enterprises and public sector customers	41 194,1	42 664,7	36 757,0	-3,4%	12,1%
<b>Total</b>	<b>102 198,2</b>	<b>101 865,4</b>	<b>92 476,8</b>	<b>0,3%</b>	<b>10,5%</b>

Deposits from customers, which represent 74.2% of the Group's equity and liabilities, are the primary source of funding for its lending business. Such deposits held fairly stable QoQ and totalled PLN 102,198.2m as at the end of March 2016, including an after-intercompany contribution of PLN 7,854.7m by SCB Group (PLN 7,006.5m as at the end of December 2015).

Structure of Customer Deposits as at 31.03.2016

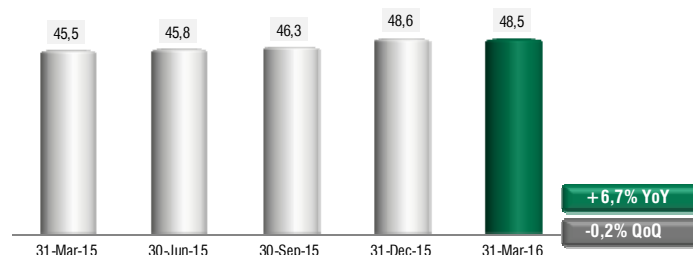


Structure of Customer Deposits as at 31.03.2015

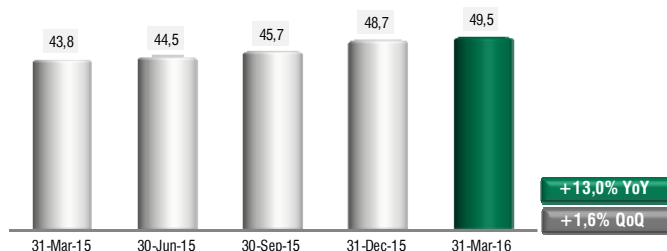


Term deposits from Group customers were PLN 48,482.8m, and were stable on a quarter-on-quarter basis. Current account balances increased by 1.6% to PLN 49,511.1m and the Group's other liabilities were PLN 4,204.3m, down 8.4% QoQ. The largest constituent of the latter item are "loans and advances" (PLN 3,282.4m vs. PLN 3,002m as at 31 December 2015), reported under "deposits from enterprises", which include loans granted by the European Investment Bank, the European Bank for Reconstruction and Development and the Council of Europe Development Bank to finance the Group's lending activity and the leasing business. In Q1 2016, the bank received a bullet disbursement of EUR 50m from the European Bank for Reconstruction and Development, while BZ WBK leasing companies were provided with a tranche of EUR 20m from the Council of Europe Development Bank.

Term Deposits at the End of Consecutive Quarters of 2015 and 2016 (PLN bn)



Current Accounts\* at the End of Consecutive Quarters of 2015 and 2016 (PLN bn)



\* Including savings accounts

The retail deposit base stood at PLN 61,004.1m, higher by 3.0% QoQ as a result of an increase in current account balances (+7.0% QoQ), including savings accounts. In Q1 2016, the bank launched promotional campaigns offering more attractive interest rates to customers with pre-defined transaction volumes, which translated into an increase in the balance of such accounts. The value of term deposits declined slightly (-1.7% QoQ) because of a fairly low appeal of deposits in the record low interest environment. Outflow of funds was limited by retention measures and acquisition campaign based on a fixed-rate 4-month Easy Earning Deposit (Lokata Swobodnie Zarabiająca).

In Q1 2016, deposits from enterprises and the public sector fell by 3.4% QoQ to PLN 41,194.1m at the end of March 2016. A decrease of 8.7% QoQ in the balance of current accounts was accompanied by a slight increase in term deposits (+1.7% QoQ), mainly from the public sector.

## Selected financial ratios

Selected Financial Ratios	Q1 2016	Q1 2015 <sup>1)</sup>
Total costs/Total income <sup>2)</sup>	47,3%	44,8%
Net interest income/Total income	61,5%	56,8%
Net interest margin <sup>3)</sup>	3,6%	3,6%
Net commission income/Total income	25,9%	24,8%
Customer net loans/Customer deposits	95,4%	95,2%
NPL ratio	7,0%	8,3%
NPL coverage ratio	63,4%	59,1%
Credit risk ratio <sup>4)</sup>	0,7%	0,9%
ROE <sup>5)</sup>	10,8%	16,3%
ROTE <sup>6)</sup>	13,0%	16,8%
ROA <sup>7)</sup>	1,3%	1,9%
Capital ratio <sup>8)</sup>	14,1%	12,8%
Tier I ratio <sup>9)</sup>	13,7%	12,4%
Book value per share (in PLN)	214,6	192,9
Earnings per share (in PLN) <sup>10)</sup>	5,6	6,2

- 1) The Group's total income, total cost and profit have been adjusted for the one-off gains on interest in BZ WBK-Aviva companies in the calculations of the following ratios for 2015: cost/income, net interest income/total income, net fee and commission income/total income, return on tangible equity and earnings per share.
- 2) Excluding PLN 8.5m recognised in Q1 2016 on account of contribution to the Borrowers Support Fund, the cost to income ratio totalled 46.8%.
- 3) Annualized net interest income (excluding interest income from the portfolio of trading securities) to average interest-bearing assets (excluding the trading portfolio).
- 4) Impairment losses for four consecutive quarters to average gross loans and advances to customers (as at the beginning and end of the reporting period).
- 5) Net 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. Adjusted for the impact of divestment of BZ WBK-Aviva companies, integration costs and one-off items, ROE was 12.2% as at 31 March 2016 vs. 14.3% as at 31 March 2015.
- 6) Net 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.
- 7) Net profit attributable to BZ WBK shareholders for four consecutive quarters to average total assets (as at the beginning and end of the reporting period).
- 8) The calculation of capital ratio takes account of the equity and total capital requirements for relevant risks using a standardised approach in line with CRD IV/CRR package.
- 9) Tier 1 ratio is Tier 1 capital expressed as a percentage of risk weighted assets for credit, market and operational risk.
- 10) Net profit for the period attributable to shareholders of the parent entity (excluding one-off items) divided by the number of ordinary shares.

## Capital ratios

The tables below present calculation of the capital ratio and Tier 1 ratio of Bank Zachodni WBK Group as at 31 March 2016 and 31 March 2015.

BZ WBK Group	31.03.2016	31.03.2015
I Total capital requirement	8 867,8	8 400,0
II Own funds after reductions	15 580,5	13 443,4
<b>CAD [II/(I*12.5)]</b>	<b>14,06%</b>	<b>12,80%</b>
<b>Tier 1 Ratio</b>	<b>13,67%</b>	<b>12,43%</b>

The table below presents the capital and Tier 1 ratios of Bank Zachodni WBK and Santander Consumer Bank as at 31 March 2016 and 31 March 2015.

BZ WBK Capital Ratios	31.03.2016	31.03.2015
Total Capital Ratio	15,26%	13,63%
Tier I Ratio	14,88%	13,24%

SCB Capital Ratios	31.03.2016	31.03.2015
Total Capital Ratio	16,46%	12,80%
Tier I Ratio	16,35%	12,53%

## 51. Factors which may affect future financial results in the perspective of at least next quarter

The most likely factors to affect the Group's performance in the near future are as follows:

- Uncertainty about world economic outlook, fuelled by external risk factors, like economic slowdown in China.
- Fluctuations of commodity prices.
- Polish economic growth at a solid level above 3%YoY.
- Favourable growth rate of real households' income due to low inflation, employment growth, wage growth and the new child benefit programme.
- Possible introduction of new taxes, e.g on retail trade.
- Low financing costs for households and companies, which should be supportive for a gradual rise in demand for bank loans. At the same time, low interest on deposits should encourage banks' clients to look for alternative forms of saving / investing.
- Possible changes in the NBP, ECB and Fed monetary policy.
- Changes in Poland's sovereign credit rating or rating outlook.
- New proposals how to deal with FX loan problem, potentially costly for the banking sector.
- The changes of assets' financing cost depending on the pace and scale of changes of main interest rates, changes of the zloty exchange rate, development of liquidity situation of the banking sector and intensity of price competition between the banks regarding collecting the deposits.
- Possible increase of volatility of financial market in case of disappointment about the pace of global economic revival, worries about too fast pace of monetary policy tightening by the Fed or deepening turmoil in financial markets in China.
- Further developments on the global stock market and its impact on willingness to purchase investment funds units or keeping savings in safe bank deposits as an alternative.



**Signatures of the persons representing the entity**

<b>Date</b>	<b>Name</b>	<b>Function</b>	<b>Signature</b>
22.04.2016	Carlos Polaino Izquierdo	Member	
22.04.2016	Wojciech Skalski	Financial Accounting Area Director	