



Independent Registered Auditor's Report

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

Report on the financial statements

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

Management and Supervisory Board's Responsibility

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

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

Auditor's Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

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PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Polska, T: +48 (22) 746 4000,
F: +48 (22) 742 4040, www.pwc.com

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



Independent Registered Auditor's Report

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

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Bank's operations

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

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

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

In our opinion, the information contained in the Report on the Bank's operations for the year from 1 January 2016 to 31 December 2016 comply with the requirements of article 49 of the Accounting Act,

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Independent Registered Auditor's Report

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

the Decree and the Banking Law and is consistent with the information in the audited financial statements. Further, based on the knowledge of the Bank and its environment obtained during our audit we have not identified any material misstatements in the Report on the Bank's operations. With respect to our audit of the financial statements, our responsibility was also to read the Bank's Statement of Corporate Governance, which is a separate part of the Report on the Bank's operation. In our opinion, the Bank included the information in accordance with the scope defined in the Decree, and information as indicated in the Decree, complies with the applicable regulations and is consistent with the information contained in the financial statements.

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

Anna Bączyk

Key Registered Auditor
No. 11810

Warsaw, 16 February 2017

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Bank Zachodni WBK S.A.

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



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

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

This report contains 17 consecutively numbered pages and consists of:

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

I. General information about the Bank

- a. Bank Zachodni WBK Spółka Akcyjna ("the Bank") has its seat in Wrocław, Rynek 9/11 Street.
- b. The Bank was formed on the basis of a Notarial Deed drawn up on 8 October 1991 at the State Notary Public's Office in Warsaw and registered with Rep. A No. III- 16967/91. On 27 April 2001, the Bank was entered in the Register of Businesses maintained by the District Court in Wrocław-Fabryczna, VI Business Department of the National Court Register, with the reference number KRS 0000008723.
- c. The Bank was assigned a tax identification number (NIP) 896-000-56-73 for the purpose of tax settlements and a REGON number 930041341 for statistical purposes.
- d. As at 31 December 2016 the Bank's share capital amounted to PLN 992,345 thousand and consisted of 99,234,534 shares, with a nominal value of PLN 10.00 each. Total equity as at that date amounted to PLN 19,029,520 thousand.
- e. As at 31 December 2016, the Bank's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000)	Type of shares held	Votes (%)
Banco Santander S.A.	68,880,774	688,807	ordinary	69.41
Nationale Nederlanden OFE (previously ING OFE)	5,110,586	51,106	ordinary	5.15
Other shareholders	25,243,174	252,452	ordinary	25.44
	99,234,534	992,345		100.00

- f. During the year the Bank's operations comprised banking services for individual and business customers and operates in domestic and international interbank markets. Additionally, the Bank offers intermediation in trading securities and brokerage services.



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

I. General information about the Bank (cont.)

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

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

h. Entities related to the Bank are inter alia:

- | | | |
|--|---|----------------|
| Banco Santander S.A. | - | parent company |
| BZ WBK Inwestycje Sp. z o.o. | - | Subsidiary |
| BZ WBK Finanse Sp. z o.o. | - | Subsidiary |
| Gieldokracja Sp. z o.o. | - | Subsidiary |
| BZ WBK Nieruchomości S.A. | - | Subsidiary |
| BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. | - | Subsidiary |
| Santander Consumer Bank S.A. | - | Subsidiary |
| BZ WBK – Aviva Towarzystwo Ubezpieczeń na Życie S.A. | - | Associate |
| BZ WBK – Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. | - | Associate |
| Polfund – Fundusz Poręczeń Kredytowych S.A. | - | Associate |

and companies belonging to the Bank's parent's group.



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Bank Zachodni WBK S.A.
Registered auditor's report on the audit of the financial statements
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I. General information about the Bank (cont.)

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

The decision to prepare the Bank's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 3 passed on 17 December 2004.

- j. As the parent company of the Group, the Bank has also prepared consolidated financial statements according to IFRS as adopted by the European Union. To better understand the Bank's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.



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

II. Information about the audit

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

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

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



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

III. The Bank's results, financial position and significant items of financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2016

	31.12.2016	31.12.2015	Change	Change	31.12.2016	31.12.2015
ASSETS	PLN '000	PLN '000	PLN '000	(%)	Structure (%)	Structure (%)
Cash and balances with central banks	4,696,634	6,129,543	(1,432,909)	(23.4)	3.6	4.9
Loans and advances to banks	3,308,802	4,484,202	(1,175,400)	(26.2)	2.5	3.6
Financial assets held for trading	3,198,187	4,174,634	(976,447)	(23.4)	2.4	3.3
Hedging derivatives	66,787	162,823	(96,036)	(59.0)	0.1	0.1
Loans and advances to customers	87,102,390	81,125,350	5,977,040	7.4	66.2	64.6
Buy-sell-back transactions	-	289,260	(289,260)	(100.0)	-	0.2
Financial assets available for sale	26,322,361	22,576,246	3,746,115	16.6	20.0	18.0
Investments in subsidiaries and associates	2,377,325	2,377,325	-	-	1.8	1.9
Intangible assets	464,308	443,603	20,705	4.7	0.4	0.4
Goodwill	1,688,516	1,688,516	-	-	1.3	1.3
Property, plant and equipment	779,866	742,245	37,621	5.1	0.6	0.6
Net deferred tax assets	950,307	842,763	107,544	12.8	0.7	0.7
Assets classified as held for sale	608	637	(29)	(4.6)	-	-
Other assets	461,897	440,442	21,455	4.9	0.4	0.4
TOTAL ASSETS	131,417,988	125,477,589	5,940,399	4.7	100.0	100.0

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

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

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

LIABILITIES AND EQUITY	31.12.2016 PLN '000	31.12.2015 PLN '000	Change PLN '000	Change (%)	31.12.2016 Structure (%)	31.12.2015 Structure(%)
Deposits from banks	1,212,765	548,558	664,207	121.1	0.9	0.4
Hedging derivatives	1,961,828	2,024,012	(62,184)	(3.1)	1.5	1.6
Financial liabilities held for trading	1,809,969	2,535,708	(725,739)	(28.6)	1.4	2.0
Deposits from customers	103,381,249	94,021,282	9,359,967	10.0	78.6	75.0
Sell-buy-back transactions	-	4,007,525	(4,007,525)	(100.0)	-	3.2
Subordinated liabilities	440,457	426,507	13,950	3.3	0.3	0.3
Debt securities in issue	1,783,303	1,698,619	84,684	5.0	1.4	1.4
Current income tax liabilities	12,999	165,537	(152,538)	(92.1)	-	0.1
Provisions	66,345	82,649	(16,304)	(19.7)	0.1	0.1
Other liabilities	1,719,553	1,258,063	461,490	36.7	1.3	1.0
TOTAL LIABILITIES	112,388,468	106,768,460	5,620,008	5.3	85.5	85.1
TOTAL EQUITY	19,029,520	18,709,129	320,391	1.7	14.5	14.9
TOTAL LIABILITIES AND EQUITY	131,417,988	125,477,589	5,940,399	4.7	100.0	100.0

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

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

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

	2016	2015	Change	Change	2016	2015
	PLN '000	PLN '000	PLN '000	(%)	Structure (%)	Structure (%)
Interest income	4,469,917	4,243,768	226,149	5.3	58.7	59.6
Interest expenses	(989,477)	(1,108,916)	119,439	(10.8)	21.5	22.5
Net interest income	3,480,440	3,134,852	345,588	11.0		
Fee and commission income	1,904,106	1,887,844	16,262	0.9	25.1	26.6
Fee and commission expenses	(299,371)	(274,600)	(24,771)	9.0	6.5	5.6
Net fee and commission income	1,604,735	1,613,244	(8,509)	(0.5)		
Dividend income	439,288	156,365	282,923	180.9	5.8	2.2
Net gains on subordinated entities	-	234,391	(234,391)	(100.0)	-	3.3
Net trading income and revaluation	266,371	193,495	72,876	37.7	3.5	2.7
Gains from other financial securities	401,189	273,717	127,472	46.6	5.3	3.9
Other operating income	119,465	119,649	(184)	(0.2)	1.6	1.7
Impairment losses on loans and advances	(583,479)	(667,895)	84,416	(12.6)	12.7	13.5
Operating expense	(2,722,683)	(2,881,265)	158,582	(5.5)	59.3	58.4
Operating profit	3,005,326	2,176,553	828,773	38.1		
Tax on financial institutions	(356,078)	-	(356,078)	-		
Profit before tax	2,649,248	2,176,553	472,695	21.7		
Corporate income tax	(567,528)	(420,343)	(147,185)	35.0		
Profit for the period	2,081,720	1,756,210	325,510	18.5		

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

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

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

	Change			
	2016 PLN '000	2015 PLN '000	PLN '000	(%)
Profit for the period	2,081,720	1,756,210	325,510	18.5
Other comprehensive income which can be transferred to the profit and loss account:	(492,701)	(185,890)	(306,811)	165.0
Available-for sale financial assets valuation	(713,041)	(119,113)	(593,929)	498.6
Deferred tax	135,478	22,632	112,847	498.6
Cash flow hedges valuation	104,768	(110,382)	215,150	(194.9)
deferred tax	(19,906)	20,973	(40,879)	(194.9)
Other comprehensive income which can't be transferred to the profit and loss account:	5,208	8,042	(2,834)	(35.2)
Provision for retirement allowances – actuarial gains/losses	6,430	9,929	(3,499)	(35.2)
Deferred tax	(1,222)	(1,887)	665	(35.2)
Other comprehensive income for the period, net of income tax	(487,493)	(177,848)	(309,645)	174.1
Total comprehensive income for the period	1,594,227	1,578,362	15,865	1.0



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

Selected ratios characterising the Bank's financial position and results

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

	2016	2015
Profitability ratios		
Return on equity (profit for the period/average net assets) (1)	11.0%	9.8%
Return from equity (profit for the period/average net assets excluding profit for the period) (1)	12.3%	11.0%
Return on assets (profit for the period/average assets) (1)	1.6%	1.4%
Interest income on interest-bearing assets (interest income/average interest-bearing assets) (1), (3)	3.6%	3.6%
Interest margin (interest income/average interest-bearing assets)-(interest expense/average interest-bearing liabilities)	2.7%	2.5%
Cost to income ratio (Bank's staff, operating expenses, management costs and depreciation/amortisation/profit on banking activities) (2)	(42.0%)	49.6%
Cost of borrowings (interest expense/average interest-bearing liabilities) (1)	0.9%	1.1%
Earnings per share (PLN)	20.98	17.70
	31.12.2016	31.12.2015
Asset quality ratios		
Interest-bearing assets to total assets (3)	96.7%	96.7%
Impaired loans and advances to customers to gross loans and advances to customers	6.0%	6.7%
Provisions coverage of performing loans and advances	0.4%	0.4%
Provision coverage of impaired loans and advances	50.9%	54.2%
	31.12.2016	31.12.2015
Other ratios		
Total Capital Ratio (TCR)	16.52%	15.80%
Common Equity Tier 1 Capital ratio (CET1 ratio)	16.08%	15.40%
Own funds after reductions (PLN '000)	14,596,928	14,042,734
Total capital requirement (PLN '000)	7,068,621	7,108,755

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

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

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



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

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

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

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

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



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

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

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

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

- At the end of the financial year, the Bank's total assets amounted to PLN 131,417,988 thousand. During the year total assets increased by PLN 5,940,399 thousand, i.e. by 4.7%.
- As at 31 December 2016, the net balance of loans and advances to customers amounted to PLN 87,102,390 thousand (an increase by PLN 5,977,040 thousand, i.e. by 7.4% compared to the previous year) and represented 66.2% of total assets. The gross value of loans and advances to customers amounted to PLN 90,184,817 thousand at the end of 2016 and comprised mainly loans and advances to enterprises in the gross amount of PLN 46,811,514 thousand and loans and advances to individuals in the gross amount of PLN 42,995,955 thousand. An increase in the balance of loans and advances to customers resulted mainly from a growth in the gross balance of loans and advances to individuals of PLN 4,130,005 thousand.
- At the end of 2016 the balance of financial assets available-for-sale amounted to PLN 26,322,361 thousand and comprised primarily government bonds issued by the State Treasury in the amount of PLN 20,472,331 thousand. The balance of financial assets available-for-sale increased by PLN 3,746,115 thousand, i.e. by 16.6%, which resulted principally from a growth in the portfolio of government bonds issued by State Treasury of PLN 3,092,654 thousand.
- As at 31 December 2016, financial assets held-for-trading amounted to PLN 3,198,187 thousand and comprised mainly trading derivatives in the amount of PLN 1,876,563 thousand, central bank bills in the amount of PLN 699,883 thousand and government bonds issued by the State Treasury in the amount of PLN 612,233 thousand. The balance of the derivative instruments decreased by PLN 198,248 thousand, i.e. by 9.6% and State Treasury bonds valuation decreased by PLN 1,461,762 thousand, i.e. by 70%.
- At the end of 2016 assets were primarily financed by deposits from customers. As at 31 December 2016 such liabilities amounted to PLN 103,381,249 thousand and represented 78.6% of total equity and liabilities (an increase compared to the previous year by PLN 9,359,967 thousand, i.e. by 10.0%). An increase in the balance of deposits from customers was mainly due to a growth in the balance of deposits from individuals in current accounts by PLN 7,563,609 thousand.

Translation note:

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

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

- As at 31 December 2016 total equity amounted to PLN 19,029,520 thousand. An increase of total equity by PLN 320,391 thousand, i.e. by 1.7% compared to the previous year was mainly due to:
 - payment of a dividend by a Parent Company from the profit and retained earnings in the total amount of PLN 1,290,049 thousand;
 - net profit generated by the Bank in the amount of PLN 2,081,720 thousand in the audited financial year;
 - decrease of the revaluation reserve by PLN 487,493 thousand to the amount of PLN 281,754 thousand.
- The ratio of impaired loans and advances to customers to gross loans and advances to customers decreased from 6.7% as at the end of 2015 to 6.0% as at the balance sheet date. At the same time, provision coverage of impaired loans and advances went down by 3.3 p.p. and amounted to 50.9%. Coverage of gross amounts due to customers with IBNR provisions amounted to 0.4% and has not changed compared to the prior year.
- In 2016 the operating result amounted to PLN 3,005,326 thousand and increased by PLN 828,773 thousand, i.e. 38.1% year-on-year. This result comprised mostly net interest income in amount of PLN 3,480,440 thousand, net fee and commission income of PLN 1,604,735 thousand, dividend income of PLN 439,288 thousand, gains from other financial securities of PLN 401,189 thousand and net trading income and revaluation of PLN 266,371 thousand which was compensated mainly by operating expenses of PLN 2,722,683 thousand.
- Net interest income amounted to PLN 3,480,440 thousand and increased by PLN 345,588 thousand, i.e. by 11.0% compared to the previous year. The most significant change in interest income structure related to retail sector. Interest income from retail clients amounted to PLN 1,922,895 thousand in 2016 and was higher by PLN 189,488 thousand compared to the previous year.
- Net fee and commission income amounted to PLN 1,604,735 thousand in the audited year and was PLN 8,509 thousand, i.e. 0.5% lower compared to the previous year. Net fee and commission income comprised fee and commission income of PLN 1,904,106 million and fee and commission expense of PLN 299,371 thousand.
- Operating expenses amounted to PLN 2,722,683 thousand in the audited year and decreased by PLN 158,582 thousand, i.e. by 5.5% compared to the prior year. Bank's employee costs and general and administrative expenses were the largest items within operating expenses and amounted to, PLN 1,220,770 thousand and PLN 1,139,439 thousand, i.e., respectively, 44.8% and 41.9% of operating expenses. Bank's general and administrative expenses decreased by PLN 194,274 thousand, i.e. by 14.6% compared to the previous year, mainly due to a decrease in cost incurred to Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities by PLN 161,824 thousand.

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

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

- Impairment losses on loans and advances amounted to PLN 583,479 thousand in 2016 and comprised mainly collective and individual impairment charge. Impairment losses on loans and advances decreased by PLN 84,416 thousand, i.e. by 12.6% compared to previous year.
- Financial result in the amount of PLN 3,005,326 thousand was decreased by tax on financial institutions in amount of PLN 356,078 thousand.
- As a result, in the audited year, the Bank generated a net profit of PLN 2,081,720 thousand, which was higher by PLN 325,510 thousand, i.e. by 18.5% compared to the previous year.

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



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

IV. The independent registered auditor's statements

- a. The Management Board of the Bank provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The financial statements of the Bank for the year from 1 January to 31 December 2015 were approved by Resolution No. 3 passed by the General Shareholders' Meeting on 20 April 2016 and filed with the National Court Register in Wrocław on 22 April 2016.
- d. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing system;
 - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- e. During the audit performed we have not identified any significant instances of Bank's non-compliance with banking regulatory norms during the period from 1 January 2016 to the day of issuance of this report. As at 31 December 2016, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland, Resolutions of Polish Financial Supervisory Authority and the Regulation of the European Parliament and the Council (EU) No. 575/2013 from 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR) and other regulations issued by the Commission (EU) pursuant to this Regulation, included banking regulatory norms in relation, among others, to the following:
 - concentration of credit risk,
 - concentration of investments in shares,
 - classification of loans and guarantees to risk groups and creation of provisions for the risk associated with activities of banks,
 - liquidity measures,
 - level of obligatory reserve,
 - capital adequacy.



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

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

- f. As at the balance sheet date the capital adequacy ratio of the Bank amounted to 16.52% and was correctly determined in accordance with CRR. This statement is based on recalculation of the quotient of own funds amounting to PLN 14,596,928 thousand divided by risk weighted assets amounting to PLN 88,357,763 thousand as per COREP reporting prepared by the Bank as at the balance sheet date.
- g. The notes to the financial statements present all significant information required by International Financial Reporting Standards as adopted by the European Union.
- h. The information in the Directors' Report for the year from 1 January to 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the financial statements.



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

V. Final information

This report has been prepared in connection with our audit of the financial statements of Bank Zachodni WBK S.A., Rynek 9/11 Street, Wrocław. The financial statements were signed by the Bank's Management Board and the person entrusted with maintaining the books of account on 14 February 2017.

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

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

Anna Bączyk

Key Registered Auditor
No. 11810

Warsaw, 16 February 2017



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