



**CONDENSED INTERIM FINANCIAL
STATEMENT OF BANK ZACHODNI WBK
S.A. FOR THE 6-MONTH PERIOD ENDED
30 JUNE 2017**

2017



Bank Zachodni WBK

 Grupa Santander

TABLE OF CONTENTS

Condensed income statement of Bank Zachodni WBK	4
Condensed statement of comprehensive income of Bank Zachodni WBK	4
Condensed statement of financial position of Bank Zachodni WBK	5
Condensed statement of changes in equity of Bank Zachodni WBK	6
Condensed statement of cash flows of Bank Zachodni WBK	7
Additional notes to condensed interim financial statement	8
1. General information about issuer	8
2. Basis of preparation of financial statement	8
3. Risk management	9
4. Capital Management	9
5. Net interest income	10
6. Net fee and commission income	10
7. Net trading income and revaluation	11
8. Gains (losses) from other financial securities	11
9. Other operating income	12
10. Impairment losses on loans and advances	12
11. Employee costs	12
12. General and administrative expenses	13
13. Corporate income tax	13
14. Cash and balances with central banks	14
15. Loans and advances to banks	14
16. Financial assets and liabilities held for trading	14
17. Hedging derivatives	15
18. Loans and advances to customers	15
19. Financial assets available for sale	16
20. Investments in subsidiaries and associates	16
21. Deposits from banks	16
22. Deposits from customers	16
23. Subordinated liabilities	17
24. Debt securities in issue	17
25. Provisions	18
26. Other liabilities	18
27. Fair value	19
28. Contingent liabilities	22
29. Shareholders with min. 5% voting power	23
30. Related parties	23
31. Acquisitions and disposals of investments in subsidiaries and associates	26
32. Controlling stake at the companies PSA Finance Polska Sp. z o.o. and indirectly, PSA Consumer Finance Polska Sp. z o.o.	26
33. 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	27
34. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period	27
35. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments	27
36. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets	27
37. Comments concerning the seasonal or cyclical character of the interim activity	27
38. Character and amounts of items which are extraordinary due to their nature, volume or occurrence	27
39. Information concerning issuing loan and guarantees by an issuer	28
40. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets	28
41. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets	28

42. Dividend per share	28
43. Events which occurred subsequently to the end of the interim period	28

In thousands of PLN

Condensed income statement of Bank Zachodni WBK

	for reporting period:	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Interest income		1 172 708	2 298 498	1 095 243	2 182 773
Interest expenses		(235 890)	(459 579)	(255 981)	(521 150)
Net interest income	Note 5	936 818	1 838 919	839 262	1 661 623
Fee and commission income		501 988	968 386	457 488	913 334
Fee and commission expenses		(71 957)	(137 038)	(69 655)	(141 659)
Net fee and commission income	Note 6	430 031	831 348	387 833	771 675
Dividend income		271 266	271 606	336 651	438 564
Net trading income and revaluation	Note 7	34 541	88 482	85 608	161 634
Gains (losses) from other financial securities	Note 8	8 896	23 915	345 428	383 970
Other operating income	Note 9	13 880	48 884	33 650	58 208
Impairment losses on loans and advances	Note 10	(106 052)	(210 043)	(131 848)	(263 959)
Operating expenses incl.:		(656 076)	(1 351 009)	(688 366)	(1 384 047)
Bank's staff, operating expenses and management costs	Notes 11, 12	(575 096)	(1 191 344)	(593 861)	(1 190 852)
Depreciation/amortisation		(68 029)	(132 684)	(58 639)	(113 107)
Other operating expenses		(12 951)	(26 981)	(35 866)	(80 088)
Operating profit		933 304	1 542 102	1 208 218	1 827 668
Tax on financial institutions		(96 384)	(193 386)	(97 596)	(159 589)
Profit before tax		836 920	1 348 716	1 110 622	1 668 079
Corporate income tax	Note 13	(151 143)	(308 987)	(191 853)	(291 052)
Profit for the period		685 777	1 039 729	918 769	1 377 027
Net earnings per share (PLN/share)					
Basic earnings per share		6,91	10,48	9,26	13,88
Diluted earnings per share		6,90	10,47	9,25	13,87

Condensed statement of comprehensive income of Bank Zachodni WBK

	for reporting period:	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Profit for the period		685 777	1 039 729	918 769	1 377 027
Other comprehensive income which can be transferred to the profit and loss account:					
Available-for sale financial assets valuation, gross		176 015	334 294	(343 398)	(294 256)
Deferred tax		(33 443)	(63 516)	65 246	55 909
Cash flow hedges valuation, gross		(6 084)	(23 468)	1 136	94 566
Deferred tax		1 156	4 459	(216)	(17 968)
Other comprehensive income for the period, net of income tax		137 644	251 769	(277 232)	(161 749)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		823 421	1 291 498	641 537	1 215 278

Notes presented on pages 8 - 28 constitute an integral part of these financial statements.

In thousands of PLN

Condensed statement of financial position of Bank Zachodni WBK

	as at:	30.06.2017	31.12.2016
ASSETS			
Cash and balances with central banks	Note 14	4 084 313	4 696 634
Loans and advances to banks	Note 15	1 725 536	3 308 802
Financial assets held for trading	Note 16	5 633 288	3 198 187
Hedging derivatives	Note 17	73 243	66 787
Loans and advances to customers	Note 18	89 042 000	87 102 390
Buy-sell-back transactions		8 248	-
Financial assets available for sale	Note 19	23 848 759	26 322 361
Investments in subsidiaries and associates	Note 20	2 377 325	2 377 325
Intangible assets		415 771	464 308
Goodwill		1 688 516	1 688 516
Property, plant and equipment		752 062	779 866
Net deferred tax assets		775 170	950 307
Assets classified as held for sale		608	608
Other assets		849 263	461 897
Total assets		131 274 102	131 417 988
LIABILITIES AND EQUITY			
Deposits from banks	Note 21	1 217 130	1 212 765
Hedging derivatives	Note 17	1 184 625	1 961 828
Financial liabilities held for trading	Note 16	1 512 376	1 809 969
Deposits from customers	Note 22	100 032 147	103 381 249
Sell-buy-back transactions		2 803 224	-
Subordinated liabilities	Note 23	929 221	440 457
Debt securities in issue	Note 24	2 215 997	1 783 303
Current income tax liabilities		12 210	12 999
Provisions	Note 25	59 997	66 345
Other liabilities	Note 26	1 522 023	1 719 553
Total liabilities		111 488 950	112 388 468
Equity			
Share capital		992 345	992 345
Other reserve capital		16 178 695	15 132 993
Revaluation reserve		533 523	281 754
Retained earnings		1 040 860	540 708
Profit for the current period		1 039 729	2 081 720
Total equity		19 785 152	19 029 520
Total liabilities and equity		131 274 102	131 417 988

Notes presented on pages 8 – 28 constitute an integral part of these financial statements.

In thousands of PLN

Condensed statement of changes in equity of Bank Zachodni WBK

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2016	992 345	15 132 993	281 754	2 622 428	19 029 520
Total comprehensive income	-	-	251 769	1 039 729	1 291 498
Profit for the period	-	-	-	1 039 729	1 039 729
Other comprehensive income	-	-	251 769	-	251 769
Distribution of profits and losses	-	1 045 702	-	(1 045 702)	-
Dividends	-	-	-	(535 866)	(535 866)
As at 30.06.2017	992 345	16 178 695	533 523	2 080 589	19 785 152

As at the end of the period revaluation reserve in the amount of PLN 533,523 k comprises of debt securities and equity shares classified as available for sale of PLN 116,279 k and PLN 540,009 k respectively and additionally cash flow hedge activities of PLN (130,591) k and accumulated actuarial losses - provision for retirement allowances of PLN 7,826 k.

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2015	992 345	14 238 675	769 247	2 708 862	18 709 129
Total comprehensive income	-	-	(161 749)	1 377 027	1 215 278
Profit for the period	-	-	-	1 377 027	1 377 027
Other comprehensive income	-	-	(161 749)	-	(161 749)
Distribution of profits and losses	-	878 105	-	(878 105)	-
Dividends	-	-	-	(1 290 049)	(1 290 049)
Share scheme charge	-	8 403	-	-	8 403
As at 30.06.2016	992 345	15 125 183	607 498	1 917 735	18 642 761

As at the end of the period revaluation reserve in the amount of PLN 607,498 k comprises of debt securities and equity shares classified as available for sale of PLN 154,548 k and PLN 570,175 k respectively and additionally cash flow hedge activities of PLN (119,843) k and accumulated actuarial gains - provision for retirement allowances of PLN 2,618 k.

Notes presented on pages 8 - 28 constitute an integral part of these financial statements.

In thousands of PLN

Condensed statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Profit before tax		1 348 716	1 668 079
Total adjustments:			
Depreciation/amortisation		132 684	113 107
Profit (loss) from investing activities		(26 237)	(387 531)
Impairment losses		-	447
		1 455 163	1 394 102
Changes in:			
Provisions		(6 348)	(22 024)
Trading portfolio financial instruments		(3 432 577)	(830 174)
Hedging derivatives		(783 659)	368 909
Loans and advances to banks		142	784 095
Loans and advances to customers		(1 939 610)	(5 628 371)
Deposits from banks		4 140	425 253
Deposits from customers		(2 823 166)	3 080 950
Buy-sell/ Sell-buy-back transactions		2 803 224	(3 000 318)
Other assets and liabilities		(409 406)	103 474
		(6 587 260)	(4 718 206)
Interest accrued excluded from operating activities		(284 303)	(377 666)
Dividend		(271 445)	(438 506)
Paid income tax		(193 697)	(399 588)
Net cash flows from operating activities		(5 881 542)	(4 539 864)
Inflows		2 074 627	3 926 702
Sale/maturity of financial assets available for sale		1 803 768	3 626 045
Sale of intangible assets and property, plant and equipment		1 161	4 764
Dividend received		113 611	137 536
Interest received		156 087	158 357
Outflows		(1 788 130)	(3 534 920)
Purchase of financial assets available for sale		(1 733 054)	(3 485 960)
Purchase of intangible assets and property, plant and equipment		(55 076)	(48 960)
Net cash flows from investing activities		286 497	391 782
Inflows		1 238 789	1 823 620
Debt securities in issue		1 238 789	435 000
Drawing of loans		-	1 388 620
Outflows		(1 380 518)	(1 937 074)
Debt securities buy out		(285 000)	(230 000)
Repayment of loans		(525 841)	(379 641)
Dividends and other payments to shareholders		(535 866)	(1 290 049)
Interest paid		(33 811)	(37 384)
Net cash flows from financing activities		(1 41 729)	(1 113 454)
Total net cash flows		(5 736 774)	(4 261 536)
Cash at the beginning of the accounting period		11 554 555	11 729 903
Cash at the end of the accounting period		5 817 781	7 468 367

Notes presented on pages 8- 28 constitute an integral part of these financial statements.

In thousands of PLN

Additional notes to condensed interim financial statement

1. General information about issuer

Bank Zachodni WBK is a bank seated in Poland, 50-950 Wrocław, Rynek 9/11, TIN 896-000-56-73, National Official Business Register number (REGON) 930041341, registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry under 0000008723 number.

The immediate and ultimate parent entity of Bank Zachodni WBK is Banco Santander, having its registered office in Santander, Spain.

Bank Zachodni WBK offers a wide range of banking services for individual and business customers and operates in domestic and interbank foreign markets. Additionally, it offers also the following services:

- intermediation in trading securities,
- leasing,
- factoring,
- asset/ fund management,
- distribution insurance services,
- trading in stock and shares of commercial companies,
- brokerage activity.

2. Basis of preparation of financial statement

In comparison with annual financial statement content of a condensed interim financial statement of Bank Zachodni for the 6-month period ended 30.06.2017 is condensed, therefore it should be read in conjunction with the financial statement of Bank Zachodni WBK for the year 2016 and with the condensed interim consolidated financial statement of BZ WBK Group for the 6-month period ended 30.06.2017.

Financial statement of Bank Zachodni WBK for the year 2016 is available at the Bank's Zachodni WBK S.A. official website: www.bzwbk.pl.

Statement of compliance

Condensed interim financial statement of Bank Zachodni WBK for the 6-month period ended 30.06.2017 was prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

In accordance with Decree of the Ministry of Finance dated 19.02.2009 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 2014 of 28.01.2014, No 133 as amended), the Bank Zachodni WBK S.A. is required to publish the financial results for the 6 months ended 30.06.2017 which is deemed to be the current interim financial reporting period.

Accounting policies

Condensed interim financial statement of Bank Zachodni WBK S.A. for the 6-month period ended 30.06.2017 is presented in PLN, rounded to the nearest thousand.

Condensed interim financial statement of Bank Zachodni WBK has been prepared in accordance with the International Financial Reporting Standards adopted for application in the European Union (IFRS). Financial statement has been prepared using the historical cost convention, except for the financial assets and financial liabilities measured at fair value through profit and loss, including derivatives and available-for-sale financial assets, except for those whose fair value cannot be determined reliably. Other financial assets and financial liabilities (including loans and advances) are recognised at amortised cost using the effective interest rate less impairment or purchase price less impairment.

Bank Zachodni WBK S.A. has used the same accounting principles as those used in preparation of the Bank's financial statement for 2016, except for the income tax charge, which was calculated in accordance with IAS 34.30c and the new standards. In accordance with paragraph 30c of IAS 34 income tax expense is recognised in each interim period based on the best estimate of the annual income tax rate expected by the Bank Zachodni WBK S.A. for the full financial year. If the estimate of the annual income tax rate

In thousands of PLN

changes, amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year.

The standards applied to the condensed interim financial statement are consistent with the standards applied to and described in the interim condensed consolidated financial statement of BZ WBK Group for H1 2017.

As at 30.06.2017, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/2017 dd. 30.06.2017.

Comparability with results of previous periods

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

Changes in judgments and estimates

The significant judgment and the key sources of estimation uncertainty were the same as those that applied to the Annual Report of Bank Zachodni WBK S.A. for 2016.

Operating Segments reporting

Data regarding the respective business segments are presented in the interim condensed consolidated financial statement of Bank Zachodni WBK Group for H1 2017.

3. Risk management

Information on risk management included in condensed interim consolidated financial statement of BZ WBK Group fully stand in for notes to this condensed interim financial statement.

4. Capital Management

Information on capital management included in condensed interim consolidated financial statement of BZ WBK Group fully stand in for notes to this condensed interim financial statement.

In thousands of PLN

5. Net interest income

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Interest income				
Loans and advances to enterprises	419 028	813 671	403 579	793 402
Loans and advances to individuals, of which:	528 889	1 034 135	465 988	921 040
<i>Home mortgage loans</i>	241 551	471 788	203 389	397 788
Debt securities incl.:	149 575	298 059	134 860	280 041
<i>Investment portfolio available for sale</i>	140 184	285 767	132 136	269 534
<i>Trading portfolio</i>	9 391	12 292	2 724	10 507
Loans and advances to banks	15 240	29 497	15 385	32 077
Public sector	1 495	3 189	1 696	3 687
Reverse repo transactions	6 082	9 175	1 490	2 395
Interest recorded on hedging IRS	52 399	110 772	72 245	150 131
Total	1 172 708	2 298 498	1 095 243	2 182 773
Interest expenses				
Deposits from individuals	(114 877)	(223 786)	(130 875)	(276 394)
Deposits from enterprises	(71 687)	(150 924)	(82 780)	(166 033)
Repo transactions	(12 658)	(18 404)	(7 773)	(16 322)
Deposits from public sector	(13 989)	(23 835)	(10 805)	(20 187)
Deposits from banks	(3 825)	(8 257)	(7 220)	(9 555)
Subordinated liabilities and issue of securities	(18 854)	(34 373)	(16 528)	(32 659)
Total	(235 890)	(459 579)	(255 981)	(521 150)
Net interest income	936 818	1 838 919	839 262	1 661 623

6. Net fee and commission income

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Fee and commission income				
eBusiness & payments	145 508	284 183	138 287	279 145
Current accounts and money transfer	83 444	164 609	80 641	159 093
Asset management fees	935	1 882	1 097	2 321
Foreign exchange commissions	84 907	163 038	78 307	152 100
Credit commissions	60 379	115 855	54 353	104 307
Insurance commissions	19 640	34 934	20 481	50 264
Brokerage activities	22 679	44 757	14 900	31 483
Credit cards	22 094	43 488	20 047	39 858
Off-balance sheet guarantee commissions	12 271	25 510	14 943	26 478
Issue arrangement fees	7 808	8 817	2 069	4 240
Distribution fees	40 516	78 393	31 662	62 435
Other commissions	1 807	2 920	701	1 610
Total	501 988	968 386	457 488	913 334
Fee and commission expenses				
eBusiness & payments	(45 361)	(89 230)	(45 091)	(97 900)
Credit cards	(3 562)	(6 874)	(3 634)	(7 788)
Brokerage activities	(2 739)	(5 911)	(2 155)	(4 481)
Insurance commissions	(2 550)	(3 597)	(1 666)	(3 965)
Finance lease commissions	(36)	(63)	(13)	(23)
Commissions paid to credit agents	(3 424)	(6 053)	(5 009)	(5 467)
Other	(14 285)	(25 310)	(12 087)	(22 035)
Total	(71 957)	(137 038)	(69 655)	(141 659)
Net fee and commission income	430 031	831 348	387 833	771 675

In thousands of PLN

7. Net trading income and revaluation

Net trading income and revaluation	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Derivative instruments and interbank fx transactions	27 841	68 509	86 631	146 986
Other FX related income	10 295	19 693	(2 471)	5 042
Profit on equity instruments	697	4 053	(5 411)	(3 533)
Profit on debt instruments	(4 292)	(3 773)	6 859	13 139
Total	34 541	88 482	85 608	161 634

Net trading income and revaluation includes the change of the value of derivative instruments in the amount of PLN (10,783) k for H1 2017, PLN (5,935) k for 2Q 2017 and PLN (1,023) k for H1 2016, and the write-back of change in the amount of PLN 6,009 k for 2Q 2016.

The amounts included CVA and DVA adjustments in the amount of PLN (10,744) k for H1 2017, PLN (5,947) k for 2Q 2017 and PLN (48) k for H1 2016, the write-back of adjustments in the amount of PLN 6,649 k for 2Q 2016.

8. Gains (losses) from other financial securities

Gains (losses) from other financial securities	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Profit on sale of equity shares available for sale	-	10 775	305 797	307 666
Profit on sale of debt securities available for sale	9 700	15 204	39 425	79 461
Charge due to impairment losses	-	-	-	(447)
Total profit (losses) on financial instruments	9 700	25 979	345 222	386 680
Change in fair value of hedging instruments	2 898	5 687	7 030	(17 252)
Change in fair value of underlying hedged positions	(3 702)	(7 751)	(6 824)	14 542
Total profit (losses) on hedging and hedged instruments	(804)	(2 064)	206	(2 710)
Total	8 896	23 915	345 428	383 970

On 21.06.2016, Visa Inc. announced the completion of its acquisition of Visa Europe Limited. As a result, BZ WBK received:

- Bank Zachodni WBK – EUR 49,974,289 in cash, respectively
- Bank Zachodni WBK – 18,092 series C preference shares of Visa Inc., respectively.

Furthermore, the earn-out of EUR 1.12 bn payable to all transaction participants was settled. The share of Bank Zachodni WBK in the above amount is 0.3839946336 %. The earn-out payable to the bank may be adjusted within three years of the transaction date in the circumstances stipulated in the agreement.

As at 30.06.2016, the total profit made by Bank Zachodni WBK on the above transaction was PLN 305,865 k, and was recognised under “Gains from other financial securities” in the income statement.

In thousands of PLN

9. Other operating income

Other operating income	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Income on sale of services	6 919	10 492	4 503	9 416
Insurance indemnity received	1 505	1 761	1 110	733
Reimbursements of BGF charges*	-	433	18 608	25 097
Release of provision for legal cases and other assets	1 243	2 515	2 940	8 777
Settlements of leasing agreements	253	613	849	1 707
Recovery of other receivables	1 102	2 592	2 913	4 341
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	648	505	403	403
Received compensations, penalties and fines	172	470	59	233
Other income from legal cases	31	24 162	-	-
Other	2 007	5 341	2 265	7 501
Total	13 880	48 884	33 650	58 208

*Following the change in the calculation of contributions to the Bank Guarantee Fund as a result of the introduction of the Bank Guarantee Fund Act of 10.06.2016, the bank changed the accounting treatment of the associated income which is now disclosed under fee and commission income.

10. Impairment losses on loans and advances

Impairment losses on loans and advances	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Collective and individual impairment charge	(88 583)	(183 666)	(152 468)	(278 628)
Incurred but not reported losses charge	(17 757)	(31 137)	7 871	(6 323)
Recoveries of loans previously written off	(95)	1 744	(2 254)	(357)
Off-balance sheet credit related facilities	383	3 016	15 003	21 349
Total	(106 052)	(210 043)	(131 848)	(263 959)

11. Employee costs

Employee costs	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Salaries and bonuses	(255 958)	(508 104)	(251 652)	(497 023)
Salary related costs	(44 950)	(91 982)	(43 719)	(89 354)
Staff benefits costs	(7 385)	(13 705)	(6 462)	(12 492)
Professional trainings	(3 829)	(5 726)	(3 376)	(4 926)
Retirement fund, holiday provisions and other employee costs	(594)	(1 188)	(594)	(1 188)
Total	(312 716)	(620 705)	(305 803)	(604 983)

In thousands of PLN

12. General and administrative expenses

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
General and administrative expenses				
Maintenance and rentals of premises	(71 069)	(142 291)	(76 993)	(156 535)
Marketing and representation	(15 407)	(31 222)	(24 648)	(42 041)
IT systems costs	(39 831)	(80 360)	(35 729)	(75 407)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(54 892)	(151 367)	(62 768)	(132 119)
Postal and telecommunication costs	(7 715)	(16 505)	(9 552)	(19 664)
Consulting fees	(9 230)	(19 201)	(8 240)	(16 740)
Cars, transport expenses, carriage of cash	(14 588)	(28 937)	(14 062)	(29 717)
Other external services	(15 736)	(32 067)	(21 592)	(41 471)
Stationery, cards, cheques etc.	(3 733)	(7 419)	(4 718)	(9 711)
Sundry taxes	(6 918)	(13 826)	(7 467)	(14 739)
Data transmission	(2 976)	(5 806)	(3 027)	(6 417)
KIR, SWIFT settlements	(5 695)	(12 604)	(6 372)	(13 128)
Security costs	(6 791)	(13 172)	(6 314)	(12 141)
Costs of repairs	(2 579)	(5 976)	(1 731)	(6 742)
Other	(5 220)	(9 886)	(4 845)	(9 297)
Total	(262 380)	(570 639)	(288 058)	(585 869)

13. Corporate income tax

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Corporate income tax				
Current tax charge	(182 057)	(192 907)	(289 558)	(375 468)
current tax charge in the income statement	(182 057)	(193 076)	(289 558)	(383 833)
adjustments related to the current tax from previous years	-	169	-	8 365
Deferred tax	30 914	(116 080)	97 705	84 416
deferred tax charge in the income statement	30 914	(116 481)	97 705	84 416
adjustments related to the deferred tax from previous years	-	401	-	-
Total	(151 143)	(308 987)	(191 853)	(291 052)

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Corporate total tax charge information				
Profit before tax	836 920	1 348 716	1 110 622	1 668 079
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(159 015)	(256 256)	(211 018)	(316 935)
Non-tax-deductible expenses, incl. the fee to the Bank Guarantee Fund	(12 284)	(27 474)	(16 595)	(23 303)
Tax on financial institutions	(18 313)	(36 743)	(18 543)	(30 322)
Sale of receivables	(15 051)	(35 237)	(9 459)	(11 992)
Non-taxable income (dividends)	51 511	51 511	63 964	83 327
Non-tax deductible bad debt provisions	1 766	(3 136)	647	1 150
Adjustment of prior year tax	-	570	-	8 385
Other	243	(2 222)	(849)	(1 362)
Total income tax expense	(151 143)	(308 987)	(191 853)	(291 052)

	30.06.2017	31.12.2016
Deferred tax recognised directly in equity		
Relating to equity securities available-for-sale	(126 669)	(124 073)
Relating to debt securities available-for-sale	(27 275)	33 645
Relating to cash flow hedging activity	30 632	26 173
Relating to valuation of defined benefit plans	(1 835)	(1 835)
Total	(125 147)	(66 090)

In thousands of PLN

14. Cash and balances with central banks

Cash and balances with central banks	30.06.2017	31.12.2016
Cash	1 972 662	2 114 542
Current accounts in central banks	2 111 651	2 535 091
Term deposits	-	47 001
Total	4 084 313	4 696 634

BZ WBK holds an obligatory reserve on 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.

15. Loans and advances to banks

Loans and advances to banks	30.06.2017	31.12.2016
Loans and advances	10 552	798 068
Current accounts, other	1 714 984	2 510 734
Gross receivables	1 725 536	3 308 802
Allowance for impairment	-	-
Total	1 725 536	3 308 802

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	1 610 737	1 504 255	1 876 563	1 729 840
Interest rate operations	817 698	721 640	971 978	899 009
Transactions on equity instruments	12 382	12 382	12 032	12 032
FX operations	780 657	770 233	892 553	818 799
Debt and equity securities	4 022 551	-	1 321 624	-
Debt securities	3 991 273	-	1 312 589	-
Government securities:	3 989 933	-	612 233	-
- bonds	3 989 933	-	612 233	-
Central Bank securities:	-	-	699 883	-
- bills	-	-	699 883	-
Commercial securities:	1 340	-	473	-
- bonds	1 340	-	473	-
Equity securities:	31 278	-	9 035	-
- listed	31 278	-	9 035	-
Short sale	-	8 121	-	80 129
Total financial assets/liabilities	5 633 288	1 512 376	3 198 187	1 809 969

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (1,345) k as at 30.06.2017 and PLN 9,373 k as at 31.12.2016.

In thousands of PLN

17. Hedging derivatives

Hedging derivatives	30.06.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Derivatives hedging fair value	1 031	162 373	3 232	139 973
Derivatives hedging cash flow	72 212	1 022 252	63 555	1 821 855
Total hedging derivatives	73 243	1 184 625	66 787	1 961 828

As at 30.06.2017 Hedging derivatives - derivatives hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (10,143) k and PLN (10,665) k as at 31.12.2016.

For the valuation of hedging transactions, Bank uses a valuation model classified to the level II of fair value, in which data used for valuation are based on observable market parameters (directly or indirectly). The Bank treats differences that arise in the initial valuation it as the Day 1 profit or loss and amortises it in time and indicates the valuation effect in the profit and loss account. Amortisation of adjustment to the valuation of day 1 is recognized in Net trading income and revaluation.

18. Loans and advances to customers

Loans and advances to customers	30.06.2017	31.12.2016
Loans and advances to enterprises	47 986 109	46 811 514
Loans and advances to individuals, of which:	43 661 899	42 995 955
<i>Home mortgage loans</i>	33 270 667	32 711 667
Loans and advances to public sector	146 191	195 752
Other	200 401	181 596
Gross receivables	91 994 600	90 184 817
Allowance for impairment	(2 952 600)	(3 082 427)
Total	89 042 000	87 102 390

Movements on impairment losses on loans and advances to customers	30.06.2017	31.12.2016
Individual and collective impairment		
As at the beginning of the period	(2 740 861)	(3 084 165)
Charge/write back of current period	(183 665)	(609 609)
Write off/Sale of receivables	334 995	938 201
Transfer	(15 795)	26 892
F/X differences	16 530	(12 180)
Balance at the end of the period	(2 588 796)	(2 740 861)
IBNR		
As at the beginning of the period	(341 566)	(340 429)
Charge/write back of current period	(31 139)	(143)
Sale of receivables	3 246	3 182
Transfer	1 204	-
F/X differences	4 451	(4 176)
Balance at the end of the period	(363 804)	(341 566)
Allowance for impairment	(2 952 600)	(3 082 427)

In thousands of PLN

19. Financial assets available for sale

Financial assets available for sale	30.06.2017	31.12.2016
Available for sale investments - measured at fair value		
Debt securities	22 987 408	25 467 070
Government securities:	20 837 535	20 472 331
- bills	293 619	-
- bonds	20 543 916	20 472 331
Central Bank securities:	-	2 849 694
- bills	-	2 849 694
Other securities:	2 149 873	2 145 045
- bonds	2 149 873	2 145 045
Equity securities	861 351	855 291
- listed	2 409	12 644
- unlisted	858 942	842 647
Total	23 848 759	26 322 361

20. Investments in subsidiaries and associates

Investments in subsidiaries and associates	30.06.2017	31.12.2016
Subsidiaries	2 340 719	2 340 719
Associates	36 606	36 606
Total	2 377 325	2 377 325

21. Deposits from banks

Deposits from banks	30.06.2017	31.12.2016
Term deposits	70 605	28 522
Loans from other banks	636 426	664 188
Current accounts	510 099	520 055
Total	1 217 130	1 212 765

22. Deposits from customers

Deposits from customers	30.06.2017	31.12.2016
Deposits from individuals	59 000 460	57 845 383
Term deposits	17 683 794	18 086 495
Current accounts	41 246 522	39 650 731
Other	70 144	108 157
Deposits from enterprises	36 384 884	42 540 494
Term deposits	16 870 176	20 453 339
Current accounts	16 411 733	18 519 563
Credits	2 368 936	3 020 931
Other	734 039	546 661
Deposits from public sector	4 646 803	2 995 372
Term deposits	2 752 153	1 234 058
Current accounts	1 865 859	1 747 709
Other	28 791	13 605
Total	100 032 147	103 381 249

In thousands of PLN

23. Subordinated liabilities

Subordinated liabilities	Redemption date	Currency	Nominal value
Tranche 1	05.08.2025	EUR	100 000
Tranche 2	03.12.2026	EUR	120 000

Movements in subordinated liabilities	30.06.2017	30.06.2016
As at the beginning of the period	440 457	426 507
Increase (due to):	532 124	24 373
- interest on subordinated loan	14 900	8 048
- FX differences	-	16 325
- reclassification *	517 224	-
Decrease (due to):	(43 360)	(8 274)
- interest repayment	(13 727)	(8 274)
- FX differences	(29 633)	-
As at the end of the period	929 221	442 606
Short-term	2 770	1 781
Long-term (over 1 year)	926 451	440 825

* On 24.02.2017, Bank Zachodni WBK received KNF consent to allocate bonds issued by the bank on 02.12.2016 and maturing on 03.12.2026 to subordinated debt.

24. Debt securities in issue

Issuance of debt securities the first half of 2017	Nominal value	Currency	Redemption date
Series D bank securities	420 000	PLN	17.08.2017
Series E bank securities	250 000	PLN	17.10.2017
Issuance of subordinated debt (Green bonds IFC)	137 100	EUR	22.05.2027

Debt securities in issue	Nominal value	Currency	Redemption date	31.12.2016
Series C bank securities	100 000	PLN	17.02.2017	
Series D	185 000	PLN	26.02.2017	
Series B	475 000	PLN	17.07.2017	
Series C	485 000	PLN	25.06.2018	
Series E	120 000	EUR	03.12.2026	
Debt securities in issue				1 783 303

Movements in debt securities in issue	30.06.2017	30.06.2016
As at the beginning of the period	1 783 303	1 698 619
Increase (due to):	1 262 978	455 275
- debt securities in issue	1 238 788	435 000
- interest on debt securities in issue	19 331	20 275
- FX differences	4 859	-
Decrease (due to):	(830 284)	(253 394)
- debt securities buy out	(285 000)	(230 000)
- reclassification*	(517 224)	-
- FX differences	(13 656)	-
- interest repayment	(14 404)	(23 394)
As at the end of the period	2 215 997	1 900 500

* On 24.02.2017, Bank Zachodni WBK received KNF consent to allocate bonds issued by the bank on 02.12.2016 and maturing on 03.12.2026 to subordinated debt.

In thousands of PLN

25. Provisions

Provisions	30.06.2017	31.12.2016
Provisions for legal claims	34 715	37 639
Provisions for off-balance sheet credit facilities	25 282	28 706
Total	59 997	66 345

Change in provisions 30.06.2017	Provisions for off balance sheet credit facilities		Total
	Provisions for legal claims		
As at the beginning of the period	37 639	28 706	66 345
Provision charge	9 053	20 020	29 073
Utilization	(11 751)	(408)	(12 159)
Write back	(226)	(23 036)	(23 262)
Balance at the end of the period	34 715	25 282	59 997
Short-term	34 715	18 166	52 881
Long-term	-	7 116	7 116

Change in provisions 30.06.2016	Provisions for off balance sheet credit facilities		Total
	Provisions for legal claims		
As at the beginning of the period	27 373	55 276	82 649
Provision charge	64 676	34 147	98 823
Utilization	(66 037)	833	(65 204)
Write back	(146)	(55 496)	(55 642)
Balance at the end of the period	25 866	34 760	60 626
Short-term	25 866	25 210	51 076
Long-term	-	9 550	9 550

26. Other liabilities

Other liabilities	30.06.2017	31.12.2016
Employee provisions	250 846	311 687
Other provisions	3 300	3 300
Interbank and interbranch settlements	349 835	578 741
Other deferred and suspended income	167 769	171 320
Sundry creditors	422 392	413 579
Accrued liabilities	222 666	137 364
Public and law settlements	78 163	78 248
Settlements of stock exchange transactions	27 052	25 314
Total	1 522 023	1 719 553
of which financial liabilities *	1 276 091	1 469 985

* Financial liabilities include all items of 'Other liabilities' with the exception of Public and law settlements and Other deferred and suspended income.

In thousands of PLN

Change in provisions 30.06.2017	Employee provisions			Total
		of which: Provisions for retirement allowances	Other provisions	
As at the beginning of the period	311 687	55 737	3 300	314 987
Provision charge	111 858	2 219	-	111 858
Utilization	(169 736)	-	-	(169 736)
Write back	(2 963)	-	-	(2 963)
Balance at the end of the period	250 846	57 956	3 300	254 146
Short-term	192 890	-	3 300	196 190
Long-term	57 956	57 956	-	57 956

Change in provisions 30.06.2016	Employee provisions			Total
		of which: Provisions for retirement allowances	Other provisions	
As at the beginning of the period	319 000	59 322	3 306	322 306
Provision charge	153 476	2 219	-	153 476
Utilization	(210 692)	-	(6)	(210 698)
Write back	(10 454)	-	-	(10 454)
Balance at the end of the period	251 330	61 541	3 300	254 630
Short-term	189 789	-	3 300	193 089
Long-term	61 541	61 541	-	61 541

27. 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	30.06.2017		31.12.2016	
	Book Value	Fair Value	Book Value	Fair Value
Cash and balances with central banks	4 084 313	4 084 313	4 696 634	4 696 634
Loans and advances to banks	1 725 536	1 725 536	3 308 802	3 308 802
Financial assets held for trading	5 633 288	5 633 288	3 198 187	3 198 187
Hedging derivatives	73 243	73 243	66 787	66 787
Loans and advances to customers	89 042 000	89 414 473	87 102 390	87 014 565
Financial assets available for sale	23 848 759	23 848 759	26 322 361	26 322 361
Liabilities				
Deposits from banks	1 217 130	1 217 130	1 212 765	1 212 765
Hedging derivatives	1 184 625	1 184 625	1 961 828	1 961 828
Financial liabilities held for trading	1 512 376	1 512 376	1 809 969	1 809 969
Subordinated liabilities	929 221	933 085	440 457	564 402
Deposits from customers	100 032 147	100 044 072	103 381 249	103 390 563

In thousands of PLN

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 Bank has financial instruments which in accordance with the IFRS are not carried at fair value in the 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. 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.

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. In the case of foreign currency loans, the current margin for loans in EUR was applied. The valuation does not take into account the potential risks of legal solutions for the CHF mortgage loan portfolio.

Financial assets not carried at fair value: The Bank 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 subsidiaries and associates: The financial assets representing investments in subsidiaries and 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.

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

As at 30.06.2017 and in the comparable periods the Bank 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 Bank allocates to this level State Treasury bonds, treasury bills, shares of listed companies and WIG 20 futures.

Level II (the measurement methods based on market-derived parameters): This level includes derivative instruments. 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.

The objective of using a valuation technique is to determine the fair value, i.e., prices, which were obtained by the sale of an asset in an orderly transaction between market participants carried out under current market conditions between market participants at the measurement date.

Valuation of major capital investments classified to Level III:

- a) AVIVA Towarzystwo Ubezpieczeń na Życie SA (AVIVA TUŻ),
- b) AVIVA Powszechne Towarzystwo Emerytalne SA (AVIVA PTE),
- c) AVIVA Towarzystwo Ubezpieczeń Ogólnych SA (AVIVA TUO)

are made semi-annually by specialized units of the Bank using income methods based on discounted cash flows, where the most important variables of the model are the level of forecasted dividends and the risk free rate.

In the first half of 2017, the Bank transferred variable rate State Treasury bonds from level II to level I as there are currently measured using the prices quoted in the active market.

In thousands of PLN

As at 30.06.2017 and in the comparable periods the Bank classified its financial instruments to the following fair value levels:

30.06.2017	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	4 022 164	1 610 737	387	5 633 288
Hedging derivatives	-	73 243	-	73 243
Financial investment assets - debt securities	22 952 942	-	34 466	22 987 408
Financial investment assets - equity securities	2 409	-	858 942	861 351
Total	26 977 515	1 683 980	893 795	29 555 290
Financial liabilities				
Financial liabilities held for trading	8 121	1 504 255	-	1 512 376
Hedging derivatives	-	1 184 625	-	1 184 625
Total	8 121	2 688 880	-	2 697 001

31.12.2016	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	282 769	2 915 167	251	3 198 187
Hedging derivatives	-	66 787	-	66 787
Financial investment assets - debt securities	15 062 259	10 366 571	38 240	25 467 070
Financial investment assets - equity securities	12 644	-	842 647	855 291
Total	15 357 672	13 348 525	881 138	29 587 335
Financial liabilities				
Financial liabilities held for trading	80 129	1 729 840	-	1 809 969
Hedging derivatives	-	1 961 828	-	1 961 828
Total	80 129	3 691 668	-	3 771 797

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
30.06.2017				
Beginning of the period	251	38 240	842 647	-
Profit or losses				
<i>recognised in income statement</i>	(37)	-	-	-
<i>recognised in equity</i>	-	-	15 359	-
Purchase	740	-	936	-
Sale	(567)	-	-	-
Matured	-	(3 774)	-	-
Impairment	-	-	-	-
Other	-	-	-	-
At the period end	387	34 466	858 942	-

In thousands of PLN

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
31.12.2016				
Beginning of the period	1 839	-	1 086 201	-
Profit or losses				
<i>recognised in income statement</i>	81	-	68 506	-
<i>recognised in equity</i>	-	-	(52 028)	-
Purchase	340	-	4 900	-
Sale	(2 009)	-	(264 932)	-
Matured	-	-	-	-
Impairment	-	-	-	-
Other/ reclassifications	-	38 240	-	-
At the period end	251	38 240	842 647	-

28. Contingent liabilities

Significant court proceedings conducted by Bank Zachodni WBK

As at 30.06.2017, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 520,992 k, which is ca. 2.63% of the Bank's equity. This amount includes PLN 288,817 k claimed by the Bank, PLN 232,175 k in claims against the Bank. No litigation were of bankruptcy or arrangement.

In H1 2017 the amount of significant court proceedings which had been completed amounted to PLN 125,130 k.

As at 30.06.2017, the value of provisions for legal risks, for court cases against the Bank was PLN 34,715 k. In 27 cases against the Bank, where the claim value was high, a provision of PLN 30,697 k was raised.

The Bank raises provisions for legal risk where an internal risk assessment for a particular case indicates a possible outflow of cash. Provisions for cases disputed in court are presented in Note 25.

As at 31.12.2016, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 437,175 k, which is ca. 2.30% of the Bank's equity. This amount includes PLN 247,406 k claimed by the Bank, PLN 189,769 k in claims against the Bank.

In 2016, there was a significant year-on-year increase in the amount claimed by the Bank (from PLN 93,305 k to PLN 247,406 k) which results from the abrogation of the laws pertaining to the banking writs of execution and the need to refer to the court any unpaid receivables of the bank under ordinary proceedings or proceedings by writ of payment. There were no litigations for bankruptcy or arrangement.

In 2016 the amount of significant court proceedings which had been completed amounted to PLN 246,789 k.

As at 31.12.2016, the value of provisions for legal risks, for court cases against the Bank was PLN 37,639 k. In 8 cases against the Bank, where the claim value was high, a provision of PLN 34,778 k was raised.

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.

In thousands of PLN

Contingent liabilities - sanctioned	30.06.2017	31.12.2016
Liabilities sanctioned		
- financial	19 926 247	21 445 091
- credit lines	16 386 992	17 945 726
- credit cards debits	2 946 380	2 809 662
- import letters of credit	584 912	655 655
- term deposits with future commencement term	7 963	34 048
- guarantees	4 126 957	4 248 934
Allowance for impairment	(25 282)	(28 706)
Total	24 027 922	25 665 319

29. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the Bank Zachodni WBK General Meeting as at the publication date of the condensed interim financial statements for H1 2017 (28.07.2017) 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	
	28.07.2017	26.04.2017	28.07.2017	26.04.2017	28.07.2017	26.04.2017	28.07.2017	26.04.2017
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%
Total	99 234 534	99 234 534	100,00%	100,00%	99 234 534	99 234 534	100,00%	100,00%

30. Related parties

The tables below present intercompany transactions. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits, guarantees, leases. In the case of internal transactions, a transfer pricing documentation is prepared.

Transactions with subsidiaries	30.06.2017	31.12.2016
ASSETS	8 596 035	7 986 464
Loans and advances to banks	3 224	3 312
Financial assets held for trading	6 484	17 820
Loans and advances to customers	8 463 289	7 952 284
Other assets	123 038	13 048
LIABILITIES	241 928	322 073
Deposits from banks	4 613	51 406
Financial liabilities held for trading	2 117	911
Deposits from customers	111 388	152 939
Other liabilities	123 810	116 817
CONTINGENT LIABILITIES	1 273 912	1 837 552
Sanctioned:	1 273 912	1 837 552
- financial	1 209 620	1 770 561
- guarantees	64 292	66 991

In thousands of PLN

Transactions with subsidiaries	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
INCOME	148 516	125 665
Interest income	81 390	67 197
Fee and commission income	79 739	64 061
Other operating income	4 241	3 764
Net trading income and revaluation	(16 854)	(9 357)
Gains (losses) from other financial securities	-	-
EXPENSES	4 142	5 121
Interest expenses	2 707	2 434
Fee and commission expenses	1 379	2 674
Operating expenses incl.:	56	13
<i>Bank's staff, operating expenses and management costs</i>	51	-
<i>Other</i>	5	13

On 16.04.2015, an agreement was signed between BZ WBK and its subsidiary BZ WBK Leasing providing for a financial leaseback of properties (freehold of a building and land and perpetual usufruct of land) and a lease of a planned project (an office building to be developed during the next three years) located in Wrocław.

The final total value of the assets arising from the lease of the building and land, which was estimated at the time of initiation of the transaction, was PLN 156,278 k.

Current value of the fixed assets obtained under the financial leaseback agreement was PLN 38,976 k as at 30.06.2017, the initial value of fixed assets under construction was PLN 30,600 k.

In accordance with the agreement, the basic lease term was defined as 153 months.

The purchase of assets by BZ WBK Leasing and development of the office building is financed with a loan provided by BZ WBK.

The lease agreement requires that only interest should be paid on the lease and the loan during the term of the respective agreements, while the principal sums will be paid as part of the last tranche, with the pre-financing costs relating to the building and the site where the building is developed are to be capitalised by BZ WBK Leasing, and the bank is to pay them along with the principal payment at the end of contractual period. Both agreements are to be based on 1M WIBOR + margin, and the parties reportedly plan to offset their mutual obligations.

Transactions with associates	30.06.2017	31.12.2016
LIABILITIES	186 422	78 414
Deposits from customers	186 422	78 414

Transactions with associates	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
INCOME	8 248	12 913
Fee and commission income	8 248	12 913
EXPENSES	1 068	5 402
Interest expenses	767	676
Fee and commission expenses	44	41
Operating expenses incl.:	257	4 685
<i>contingent liabilities</i>	257	4 685

In thousands of PLN

Transactions with Santander Group	with the parent company		with other entities	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
ASSETS	433 400	981 961	1 145	3 674
Loans and advances to banks, incl:	175 180	594 042	1 144	274
<i>deposits</i>	-	353 911	-	-
<i>current accounts</i>	175 180	240 131	1 144	274
Financial assets held for trading	255 909	387 727	1	3 371
Hedging derivatives	2 283	-	-	-
Other assets	28	192	-	29
LIABILITIES	393 574	633 941	107 393	90 859
Deposits from banks incl.:	137 868	271 312	6 173	3 683
<i>current accounts</i>	137 868	271 312	6 173	3 683
Hedging derivatives	2 763	54 503	-	-
Financial liabilities held for trading	252 943	308 126	338	7 365
Deposits from customers	-	-	88 915	71 079
Other liabilities	-	-	11 967	8 732
CONTINGENT LIABILITIES	-	10 706	-	-
Sanctioned:	-	10 706	-	-
- <i>financial</i>	-	10 706	-	-

Transactions with Santander Group	with the parent company		with other entities	
	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
INCOME	7 233	7 886	199	5 953
Interest income	6 159	7 054	76	23
Fee and commission income	1 074	832	123	100
Other operating income	-	-	-	-
Net trading income and revaluation	-	-	-	5 830
EXPENSES	21 451	115 523	48 332	8 955
Interest expenses	405	125	654	594
Fee and commission expenses	586	592	-	3
Net trading income and revaluation	20 460	114 806	35 871	-
Operating expenses incl.:	-	-	11 807	8 358
<i>Bank's staff, operating expenses and management costs</i>	-	-	11 799	8 358
<i>Other operating expenses</i>	-	-	8	-

Transactions with key management personnel

Remuneration of Bank Zachodni WBK Management Board Members, Supervisory Board Members and key management.

Loans and advances made by the Bank to the key management personnel

As at 30.06.2017, 31.12.2016 and 30.06.2016 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

Loans and advances have been sanctioned on regular terms and conditions.

Remuneration of Management Board Members and Key Management	Management Board Members		Key Management	
	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Remuneration	6 198	5 057	10 657	10 167
Additional benefits (e.g among others, life insurance cover without pension option, medical cover, accommodation, travel expenses and school fees)	432	369	296	246
The awards* paid in 2017 and 2016	7 794	6 006	11 271	6 439
Equivalent paid for unused annual leave	124	-	-	-
Provision for unused holidays in the amount	905	872	1 377	1 924
The number of conditional rights to shares	10 541	18 371	16 554	27 550

In thousands of PLN

	Management Board Members		Key Management	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Loans and advances made by the Bank to the Members of the Management Board/Key Management	8 391	7 158	22 899	25 694
Deposits from The Management Board/Key management	20 358	13 312	17 679	14 199

* included part of the award for 2016, 2015, 2014, 2013 and 2012 which was conditional and deferred in time

The category of key management personnel includes the persons covered by the principles laid down in the "Policy on variable components of remuneration paid to the individuals holding managerial positions at Bank Zachodni WBK".

BZ WBK Group applies the Policy on variable components of remuneration for individuals holding managerial positions in BZ WBK Group. The Policy has been approved by the bank's Management Board and Supervisory Board and is reviewed annually or each time significant organisational changes are made.

Persons holding managerial positions are paid variable remuneration once a year following the end of the settlement period and release of the bank's results. Variable remuneration is awarded in accordance with applicable bonus regulations and paid in cash and phantom stock. The latter shall represent min. 50% of the total amount of variable remuneration. Payment of min. 40% of variable remuneration referred to above is conditional and deferred for the period of three years (13.3% per annum). Variable remuneration is paid in arrears in equal annual instalments depending on individual performance in the period subject to assessment and the value of the phantom stock.

In H1 2017, the total remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 818 k. Mr John Power received remuneration of PLN 9 k from subsidiaries for his membership in their Supervisory Boards.

In H1 2016, the total remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 879 k. Mr John Power received remuneration of PLN 18 k from subsidiaries for his membership in their Supervisory Boards.

31. Acquisitions and disposals of investments in subsidiaries and associates

Acquisitions and disposals of investments in subsidiaries and associates in H1 2017

Liquidation of AKB Marketing Services Sp. z o.o. in liquidation

On 28.03.2017, AKB Marketing Services Sp. z o.o. in liquidation, a subsidiary of Santander Consumer Bank S.A., was liquidated. The subsidiary's assets and liabilities were finally accounted for. Profit on liquidation of PLN 3,757 k was presented in the consolidated income statement under 'Net gains/(losses) on subordinated entities'.

AKB Marketing Services Sp. z o.o. in liquidation carried out ancillary business operations in respect of banking services.

Merger of BZWBK Leasing S.A. and BZWBK Lease S.A.

On 28.02.2017, BZ WBK Leasing S.A. and BZ WBK Lease S.A. merged.

The companies merged by way of absorption of BZ WBK Lease S.A. (the absorbed entity) by BZ WBK Leasing S.A. (the absorbing entity). All the assets of BZ WBK Lease S.A. were transferred to BZ WBK Leasing S.A. In connection with the merger, BZ WBK Lease S.A. ceased to exist legally, while BZ WBK Leasing S.A., being the absorbing entity, assumed, under the law, all the rights and obligations of the absorbed entity. As a result, BZ WBK Leasing S.A. continues business operations which previously were carried out by BZ WBK Lease S.A. and assumed, under the law, all the rights and obligations of absorbed BZ WBK Lease S.A.

32. Controlling stake at the companies PSA Finance Polska Sp. z o.o. and indirectly, PSA Consumer Finance Polska Sp. z o.o.

On 30.09.2016, Santander Consumer Bank (SCB), a subsidiary of Bank Zachodni WBK, and Banque PSA Finance entered into an agreement establishing strategic cooperation with regard to financing in Poland the vehicles manufactured by PSA Peugeot Citroen (PSA), financing the working capital requirements of the Polish PSA network and joint distribution of financial and banking products to the Polish customers of PSA. Under the above agreement, as of 1.10.2016 ("Change of Control Date"), Santander Consumer Finance (a subsidiary of SCB) purchased 50% shares of PSA Finance Polska and, indirectly, PSA Consumer Finance Polska for PLN 61,352,500. The price paid, which is a preliminary price, represents 50% of the reference book value of the acquired companies as

In thousands of PLN

agreed by the parties. The final price will be determined by the end of Q3 2017 and will depend on the outcome of the review of the acquired assets and liabilities carried out by the acquiring entity.

33. 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.

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

No such events took place in the reporting period and the comparable period.

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

Details about the fair value hierarchy are presented in Note 27.

36. 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.

37. Comments concerning the seasonal or cyclical character of the interim activity

The business activity of Bank Zachodni WBK has no material seasonal character.

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

- Liquidation of AKB Marketing Services Sp. z o.o. in liquidation (details in Note 31),
- Controlling stake at the companies PSA Finance Polska Sp. z o.o. and indirectly, PSA Consumer Finance Polska Sp. z o.o. (details in Note 32).

In thousands of PLN

39. Information concerning issuing loan and guarantees by an issuer

As at 30.06.2017 and 31.12.2016 Bank Zachodni WBK had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

As at 30.06.2017 and 31.12.2016 Bank Zachodni WBK did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets.

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

As at 30.06.2017 and 31.12.2016 Bank Zachodni WBK has not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

42. Dividend per share

On 17.05.2017 Annual General Meeting of Bank Zachodni WBK S.A. adopted a resolution on dividend payment. It was decided to allocate PLN 535,866 k from the Bank's undivided net profit for 2014 and 2015 to dividend for shareholders. Dividend per share is PLN 5.40.

43. Events which occurred subsequently to the end of the interim period

There were no major events subsequent to the end of the interim period.


Signatures of Members of the Management Board

Date	Name	Function	Signature
25.07.2017	Michał Gajewski	President	
25.07.2017	Andrzej Burliga	Vice-President	
25.07.2017	Michael McCarthy	Vice-President	
25.07.2017	Juan de Porras Aguirre	Vice-President	
25.07.2017	Mirosław Skiba	Vice-President	
25.07.2017	Feliks Szyszkowiak	Vice-President	
25.07.2017	Artur Chodacki	Member	
25.07.2017	Carlos Polaino Izquierdo	Member	
25.07.2017	Marcin Prell	Member	
25.07.2017	Arkadiusz Przybył	Member	
25.07.2017	Maciej Reluga	Member	
25.07.2017	Dorota Strojewska	Member	

Signature of a person who is responsible for maintaining the book of account

Date	Name	Function	Signature
25.07.2017	Wojciech Skalski	Financial Accounting Area Director	