

Bank Zachodni WBK Group

Results 2012

January 31st, 2013

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- Overview + Strategy
- Market Environment
- 31.12.2012
 - Business
 - Results

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Highlights

Sustained Profit Generation

- Net profit: PLN 1.4bln.; + 21% y-o-y
- Total income +8.2% y-o-y
- Total expenses -5.6% y-o-y
- 43% Cost to income ratio

Capital Strength* and Liquidity

- Total Capital Ratio at 16.6%
- Core Tier 1 Ratio at 14.3%
- Loan to deposit ratio at 84.7%

**According to local criteria*

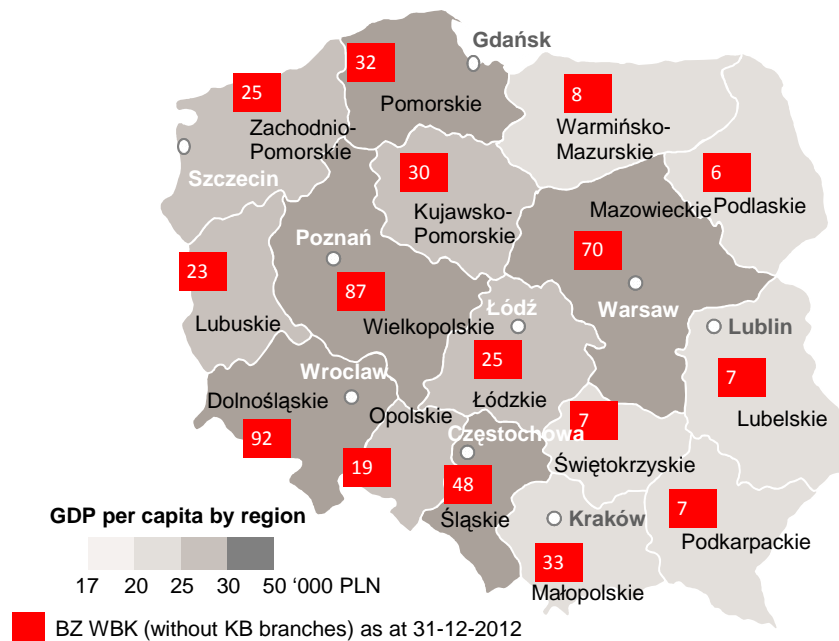
Business Development

- Qtr 4 Net Interest Margin at 4.4%.; + 17bps y-o-y
- Strong credit growth in Consumer Loans, SME and Large Corporate
- Growth in fee income lines.; Assets under management + 24% y-o-y

Merger with Kredyt Bank

- Legal merger completed on 4th January
- Integration plan rolling out

Key Facts



BZ WBK Features

▪ Branches	628
- incl. agencies	109
▪ ATMs	1 059
▪ Employees (FTE's)	8.8 k
▪ Corporate Banking Centres	3
▪ Business Banking Centres	7

Balance Sheet 31.12.2012

▪ Assets	PLN	60 019 m
▪ Loans	PLN	39 868 m
▪ Deposits	PLN	47 077 m
▪ Total assets*		+2,4% y/y

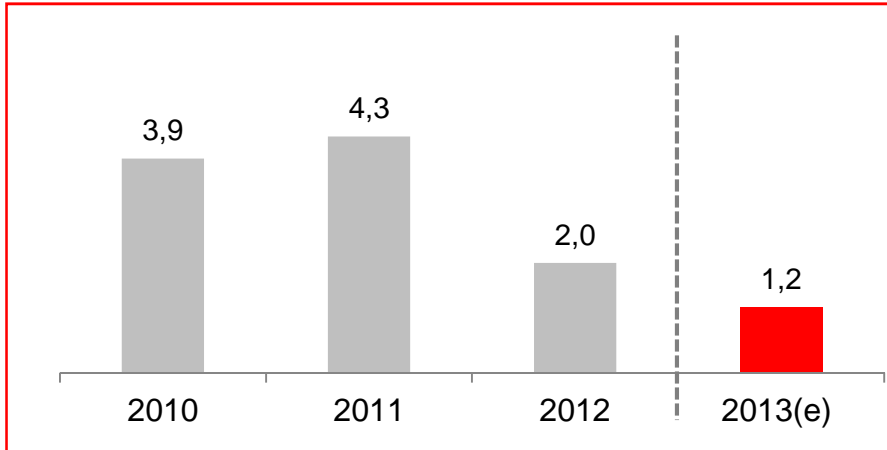
*excluding currency movement

Profit & Loss 2012

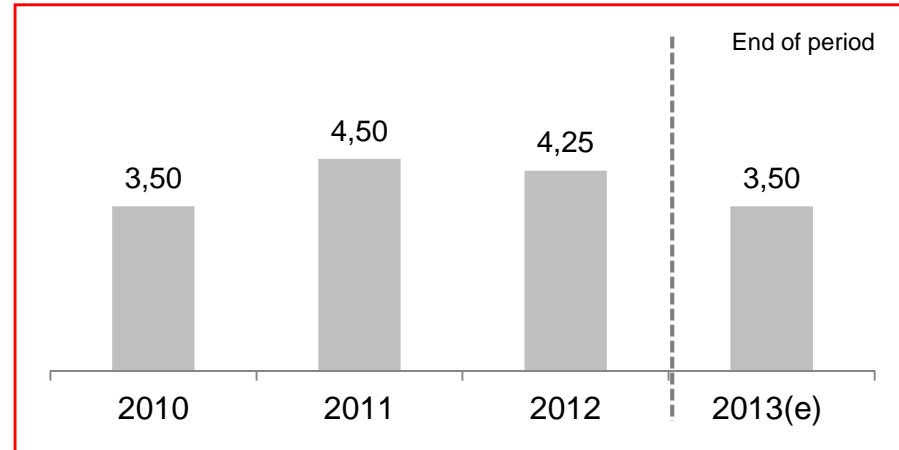
▪ Income	PLN	4 136 m
▪ Costs	PLN	(1 817) m
▪ PBT	PLN	1 837 m
▪ ROE		20,7 %

- Overview + Strategy
- **Market Environment**
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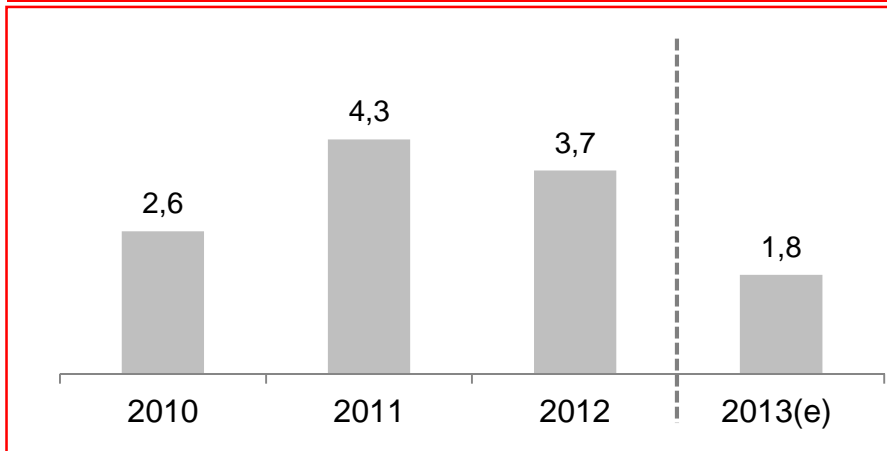
GDP (real annual growth %)



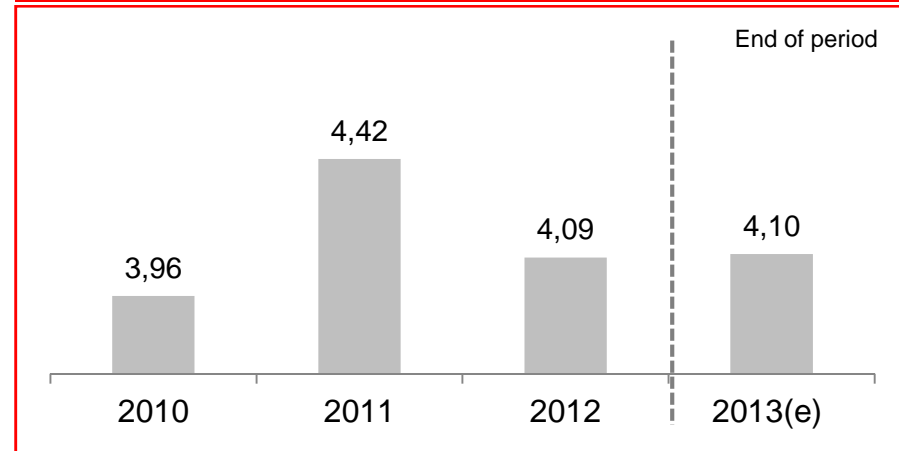
Interest Rate – NBP Reference Rate (%)



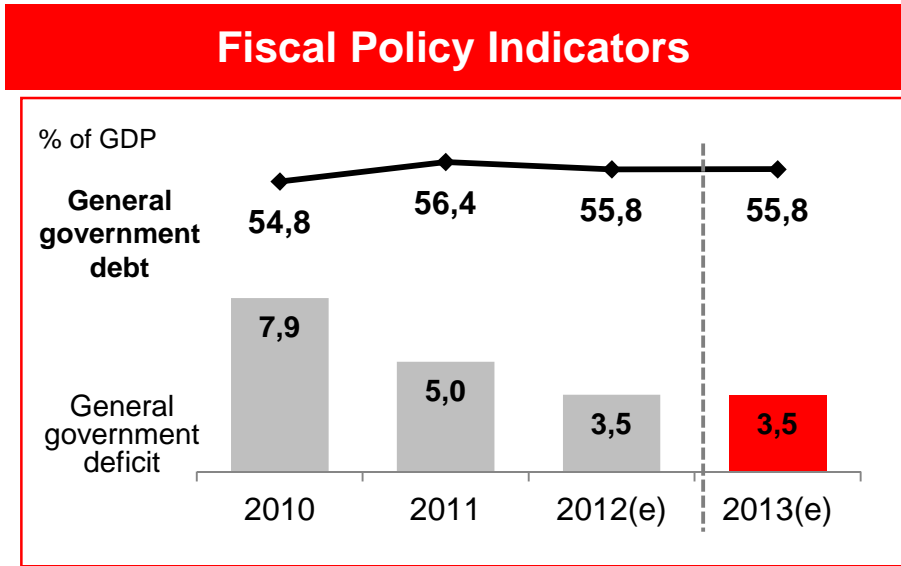
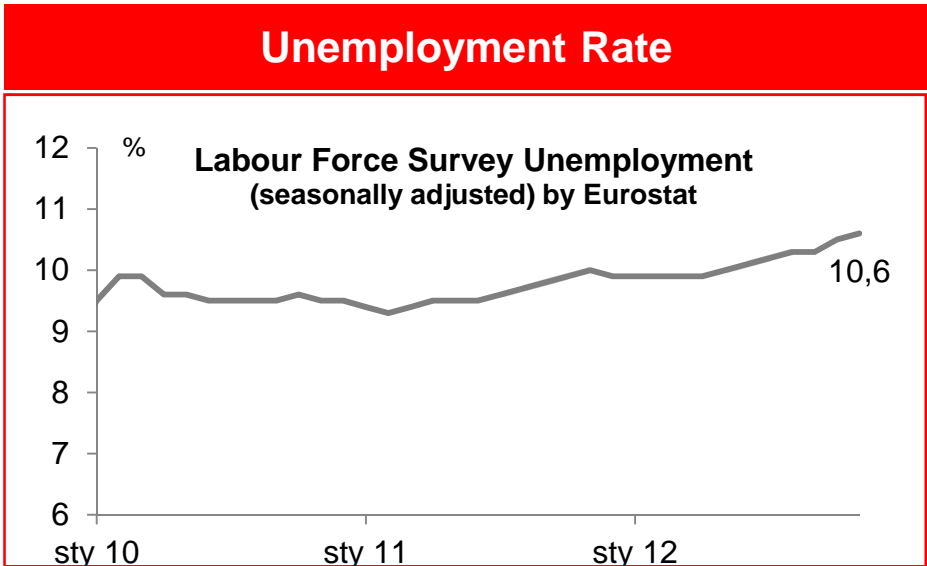
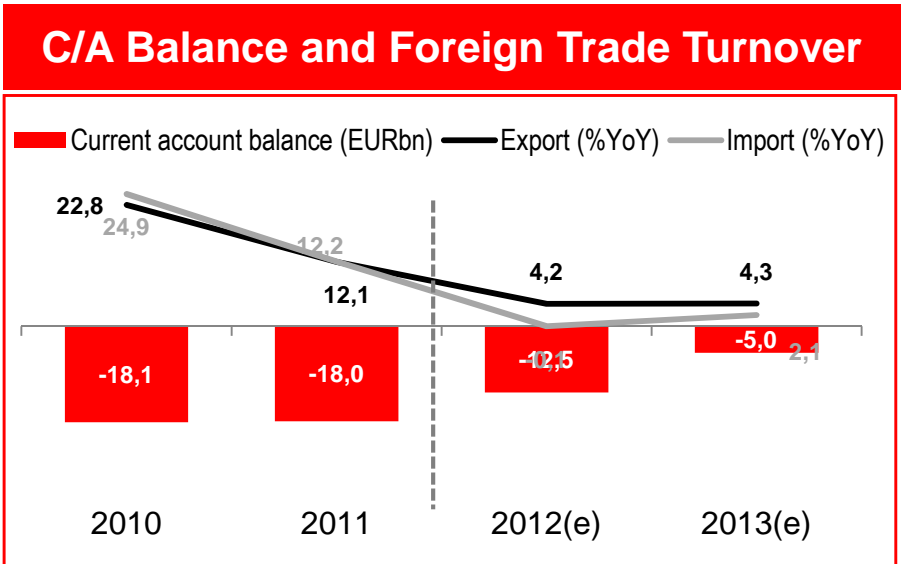
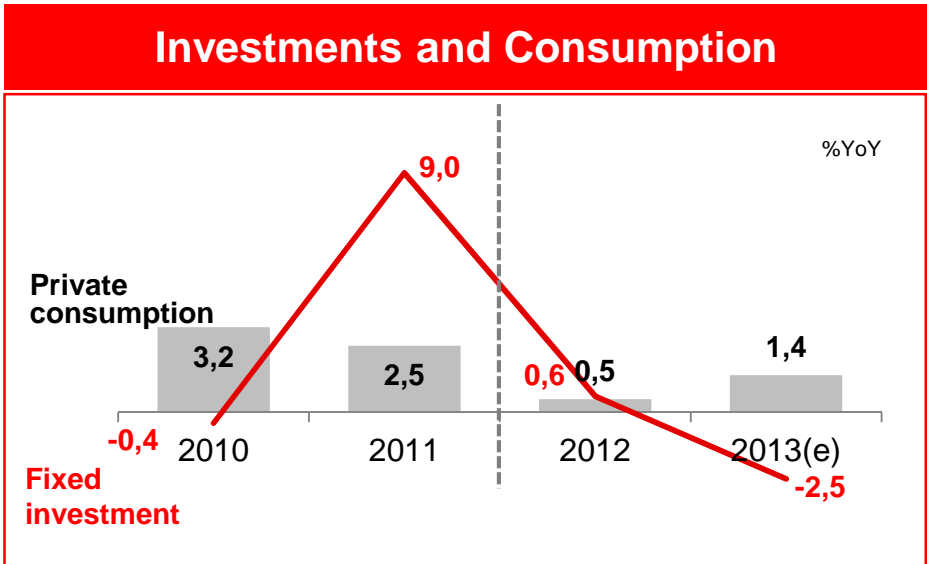
Inflation (CPI %)



Exchange Rate – PLN/EUR



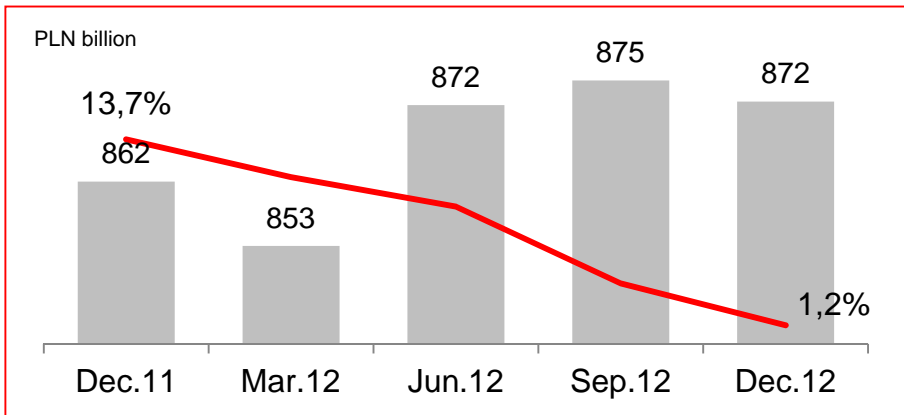
Source: National Bank of Poland, Central Statistical Office, Santander Research



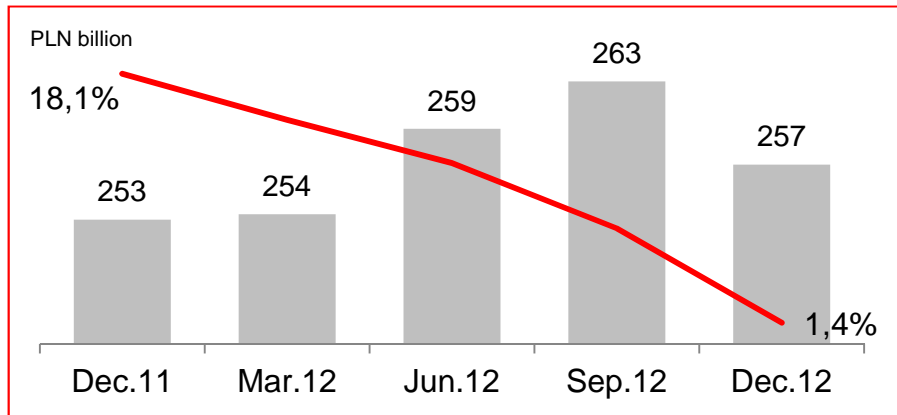
Source: National Bank of Poland, Central Statistical Office, Eurostat, Santander Research

Credit Growth

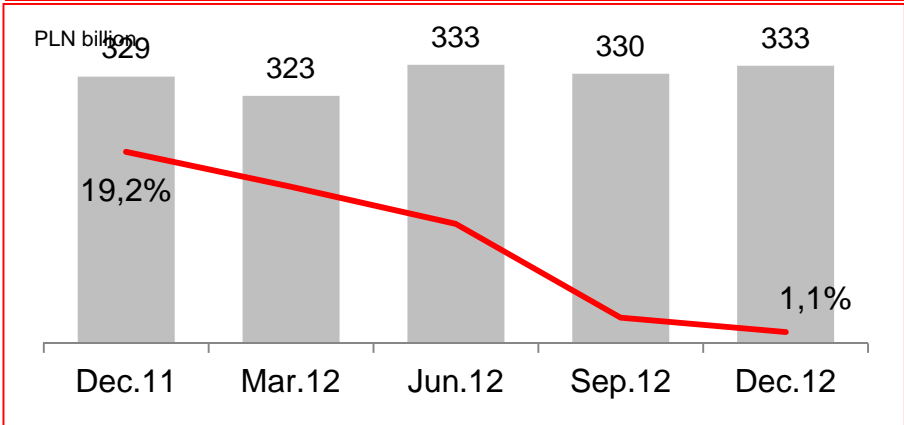
Total Loans



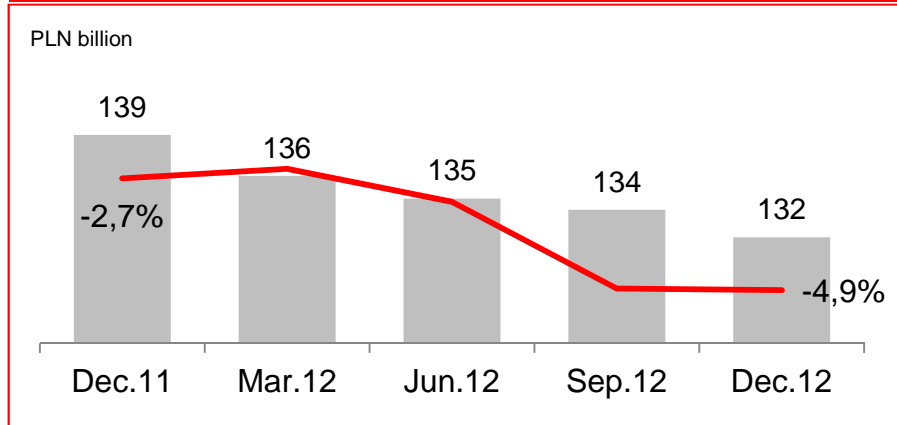
Loans to Corporations



Loans to Households (Mortgage Credit)



Loans to Households (Consumer Credit)

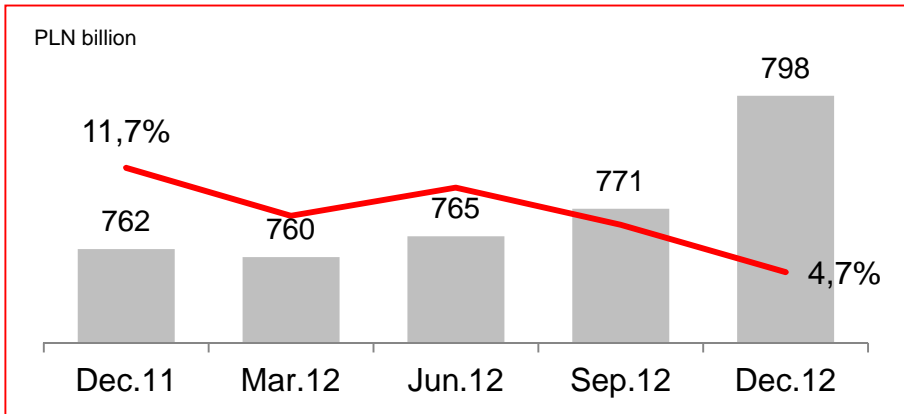


■ Volume ◆ Y-o-Y Variation %

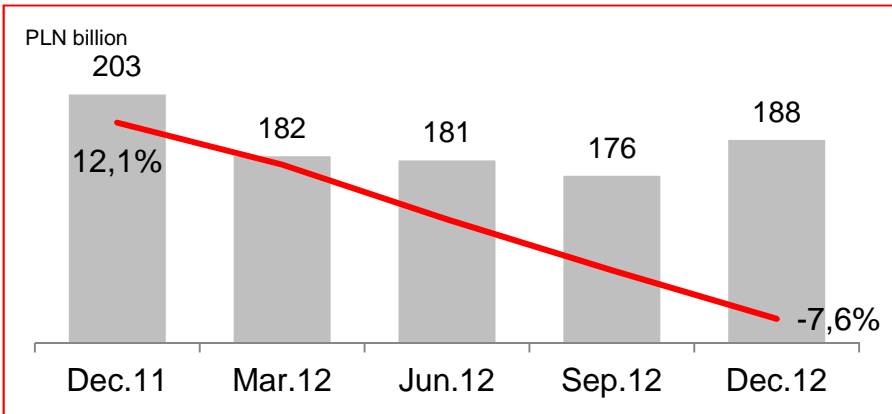
Source: National Bank of Poland

Deposit Growth

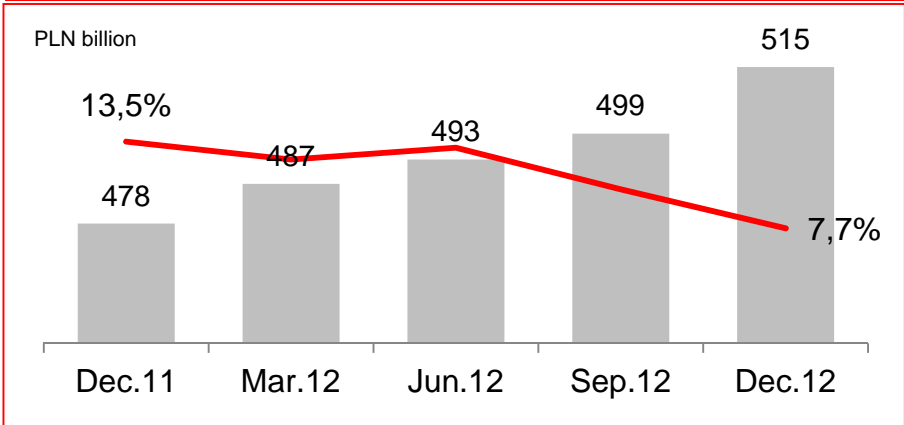
Total Deposits



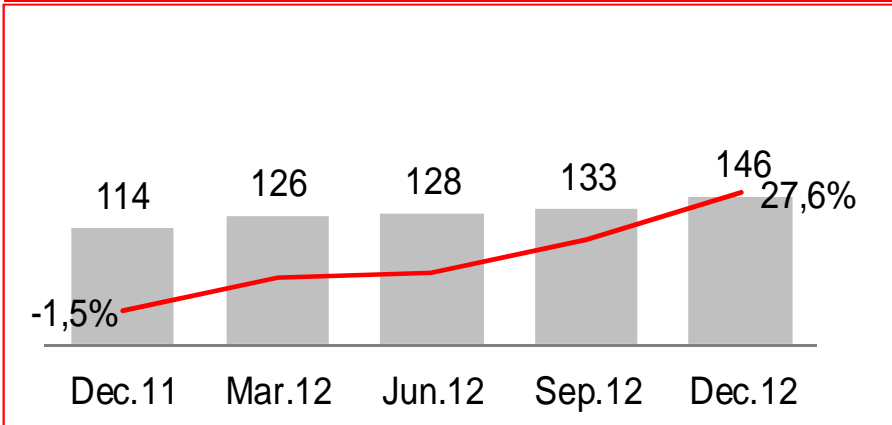
Corporate Deposits



Household Deposits



Mutual Funds



Volume
 Y-o-Y Variation %

Source: National Bank of Poland

- Overview + Strategy
- Market Environment

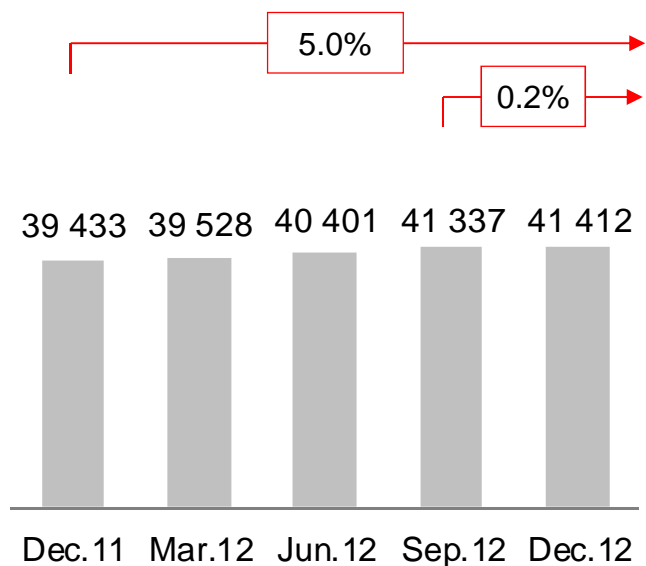
- 31.12.2012

- Business

- Results

Loan growth driven by Cash Loans, SME and Large Corporate

PLN m



	31.12.12	31.12.11	Y-o-Y Variation	Q-o-Q Variation
Mortgage	8 081	7 605	6,3%	1,6%
Other personal	5 628	4 968	13,3%	3,0%
Total personal	13 709	12 573	9,0%	2,2%
Business	27 703	26 859	3,1%	-0,8%
Total gross loans	41 412	39 432	5,0%	0,2%

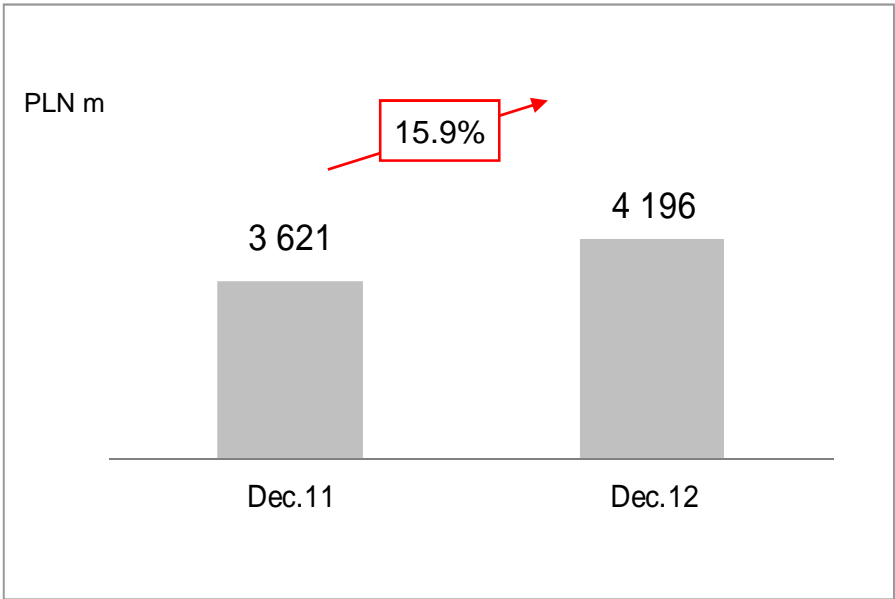
Comments

- Y-o-Y variation excluding FX effect:
 - Mortgage Loans 9%
 - Total Personal Loans 11%
 - Business Loans 6%
 - Total Loans 8%
- Polish Zloty denominated loan comprise 70% of the total gross loan portfolio

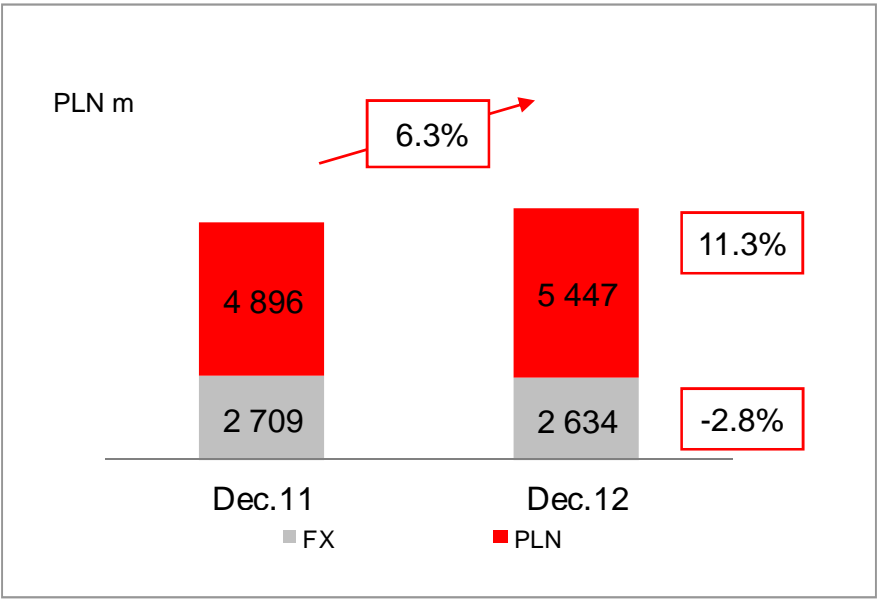
Business: Loans by Product

Personal Lending +9.0 % Y-o-Y

Cash Loans



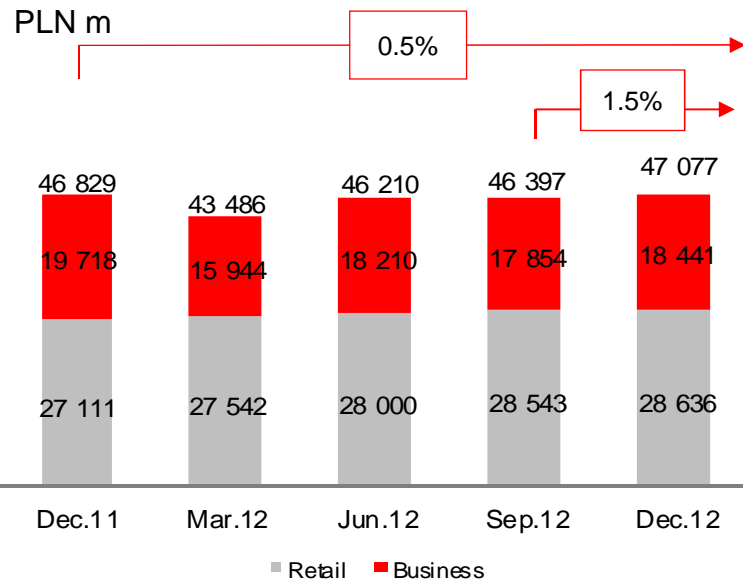
Mortgages



Comments

- Cash loan sales supported by successful marketing campaign
- Increased cash loan market share

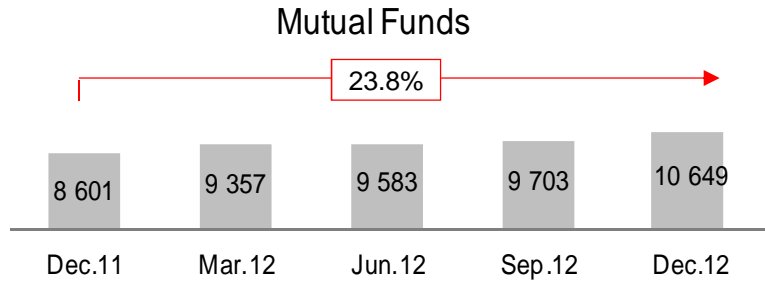
Active Management of Deposits



	31.12.12	31.12.11	Y-o-Y Variation	Q-o-Q Variation
Demand	13 737	12 190	12,7%	5,0%
Savings	6 085	6 176	-1,5%	0,9%
Time Deposits	27 255	28 463	-4,2%	-0,1%
Customer Deposits	47 077	46 829	0,5%	1,5%

Comments

- Total Deposits + 4.5% Y-o-Y, excl. large deposit at end-2011
- Business Deposits -6.5% Y-o-Y (+ 2.9 % Y-o-Y, excl. large deposit at end-2011)
- Retail Deposits +5.6% Y-o-Y
- Mutual Funds +23.8% Y-o-Y



Market Share (%)

Market Share (%)	December 2012	June 2012	December 2011
Total Banking System Loans			
Total Loans	4.29	4.25	4.20
- Cash Loans	4.36	3.95	3.62
Deposits + Funds			
Total Deposits	5.25	5.35	5.53
- Personal Deposits	5.62	5.75	5.80
- Business Deposits	4.75	4.81	5.18

- Overview + Strategy
- Market Environment

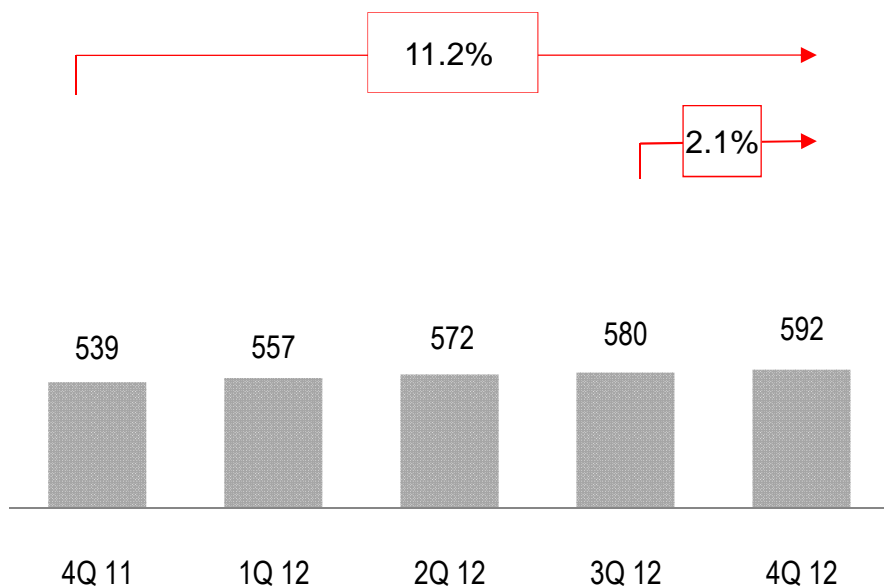
- 31.12.2012

- Business

- Results

Annual Net Interest Income +11.2% Y-o-Y

PLN m



NIM by Q, %

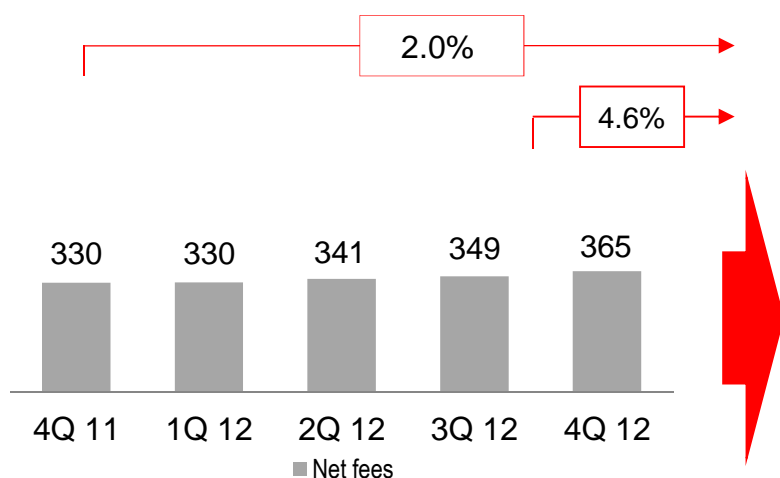
4,23	4,27	4,32	4,34	4,40
4Q11	1Q12	2Q12	3Q12	4Q12

Comments

- Favourable product mix supporting NIM
- Reducing interest rate environment

Net Fees + 2% Y-o-Y / Lower Investment Banking fees offset by other lines

PLN m



	31.12.2012	31.12.2011	Y-o-Y Variation	Q-o-Q Variation
eBusiness & payments	347	314	10,5%	1,1%
Investment banking ¹	254	342	-25,9%	3,2%
Current accounts & money transfer	245	243	0,6%	8,3%
FX fees	234	224	4,2%	-4,8%
Loan fees	139	100	38,9%	38,2%
Insurance fees	108	69	57,6%	-3,8%
Other ²	58	66	-10,1%	-6,7%
Total	1 385	1 358	2,0%	4,6%

Comments

- Net Fees + 11% (excl. Investment Banking)
- Q-o-Q growth in investment banking fees due to increased fund sales.
- Strong Y-o-Y increase in Insurance income and Loan fees

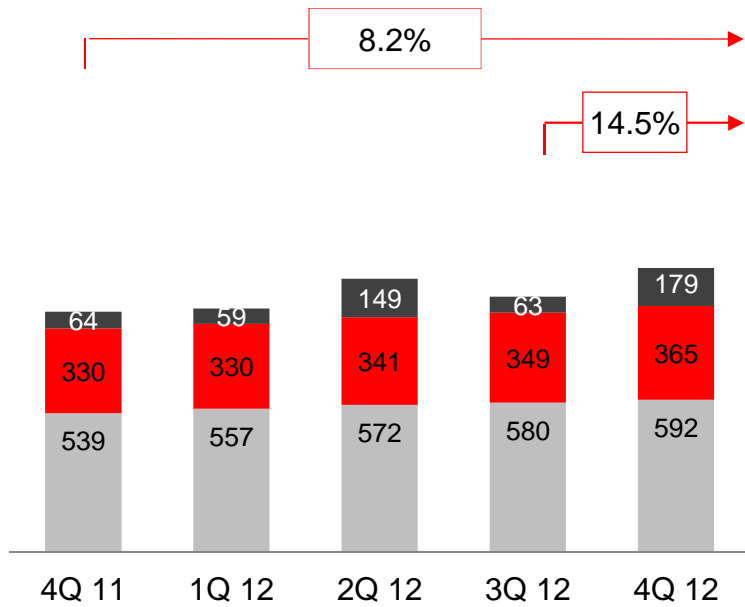
1. Brokerage fees, distribution and management fees

2. Includes off-balance sheet guarantees commissions, issue arrangement fees, credit card fees, structured product fees and other

Results: Total Income

Total Income +8.2% Y-o-Y

PLN m



- Gain/Loss on financial transaction + Others
- Fees
- Net Interest Income

	31.12.12	31.12.11	Y-o-Y Variation	Q-o-Q Variation
Net Interest Income	2 301	2 069	11,2%	2,1%
Fees	1 385	1 358	2,0%	4,6%
Subtotal	3 686	3 427	7,6%	3,0%
Gain/Loss on financial transactions + Others	450	397	13,5%	184,1%
Total Income	4 136	3 824	8,2%	14,5%

Comments

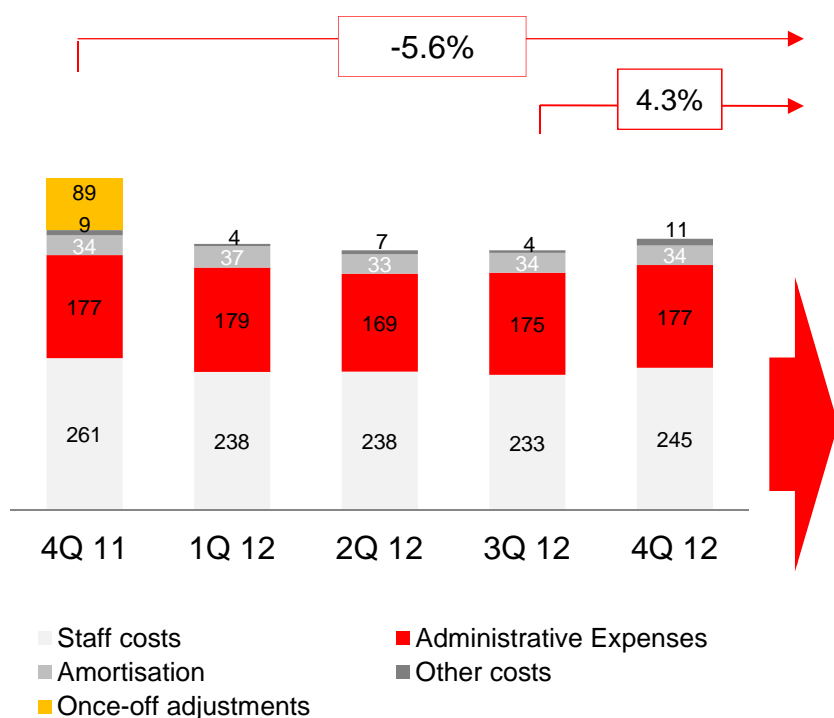
- Review of the investment strategy due to very positive performance of the Polish Bond market during 2012
- Investment book repositioned leading to total gains of PLN 174m during 2012
- Dividend income received in Qtr 2 from Aviva entities lower by 25.5% at PLN 45.9m

Results: Administrative Expenses and Amortization

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Underlying Costs – 3.1% Y-o-Y

PLN m



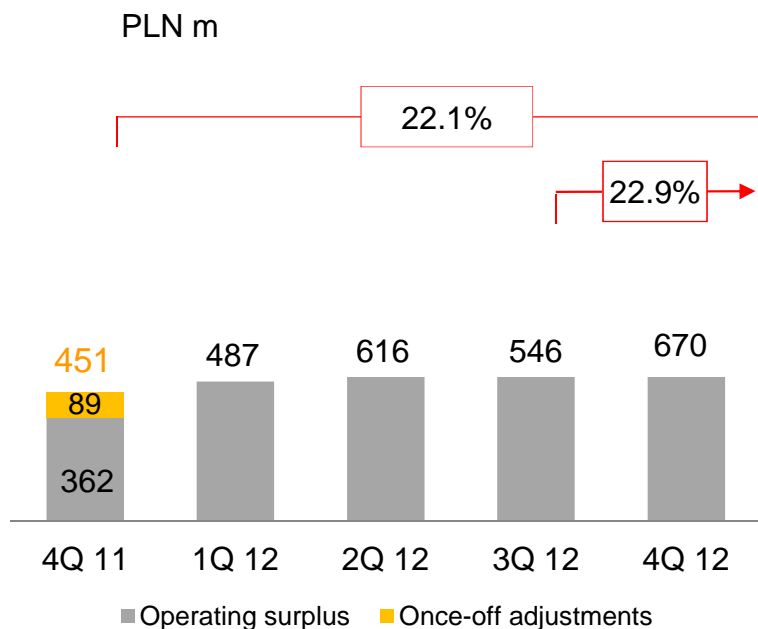
	31.12.12	31.12.11	Y-o-Y Variation	Q-o-Q Variation
Staff costs	947	977	-3,1%	3,4%
Administrative Expenses	668	677	-1,3%	2,5%
Amortization	138	140	-1,1%	-
Other costs	26	42	-38,1%	120,0%
Underlying costs	1 779	1 836	-3,1%	-4,3%
Intergration/adjustments	38	89	-57,3%	7,7%
Total	1 817	1 925	-5,6%	4,3%

Comments

- Excellent cost management across all cost lines
- Consultancy and other costs related to the Kredyt Bank merger reflected as integration expenses
- Adjustments related to one off accounting policy changes in 2011

Results: Net Operating Income

Net Operating Income + 22.1% mainly driven by NII



	31.12.12	31.12.11	Y-o-Y Variation	Q-o-Q Variation
Net Interest Income + Fees	3 686	3 427	7,6%	3,0%
Gain on financial transactions + Others	450	397	13,5%	184,1%
Adm. Expenses + Amortization + Other costs	(1 817)	(1 925)	-5,6%	4,3%
Net operating income	2 319	1 899	22,1%	22,9%

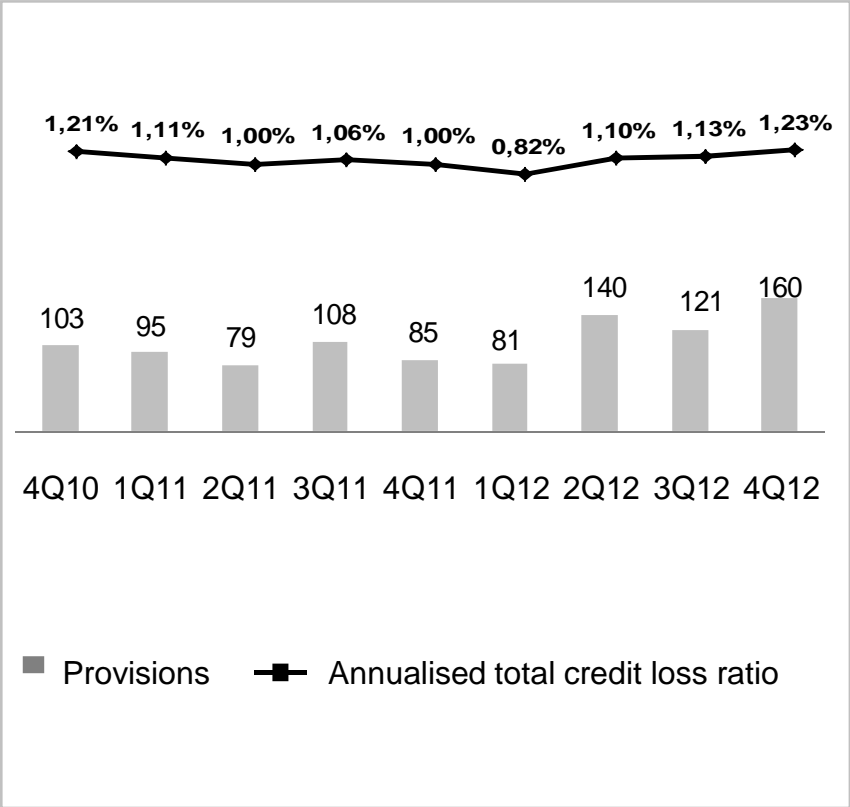
Comments

Net operating income + 26% excl. KB Integration costs (PLN 38m) and 2011 once off adjustments (PLN 89m)

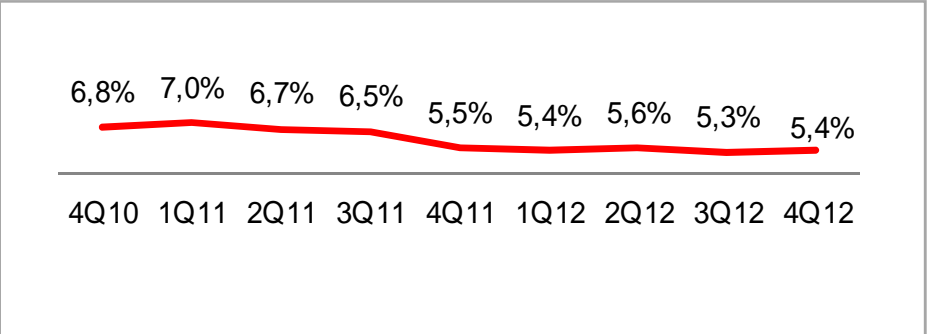
Provision charge impacted by large individual case

PLN m

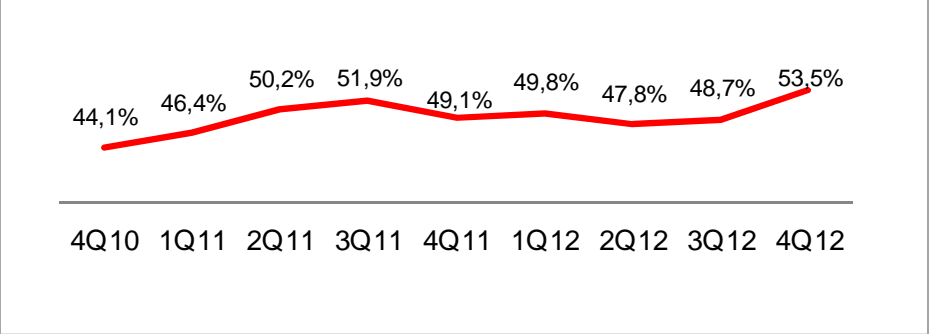
Provisions and Annualised total credit loss ratio



NPL (%)

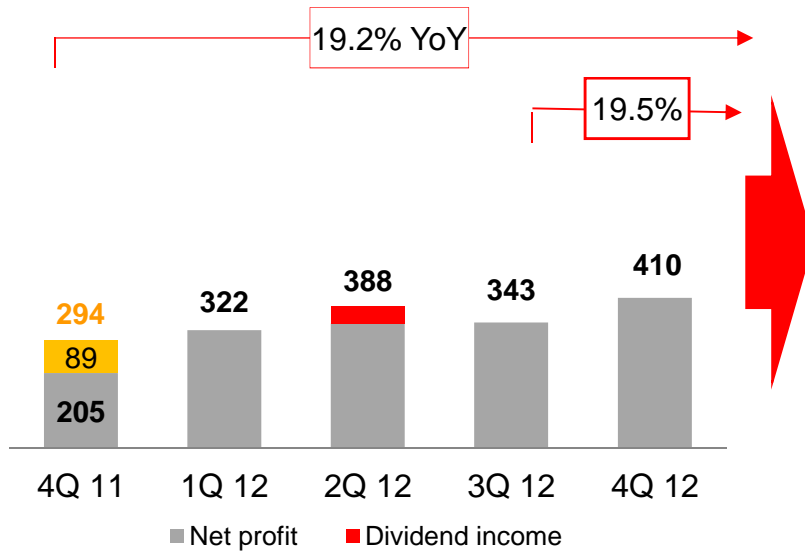


Coverage Ratio (%)



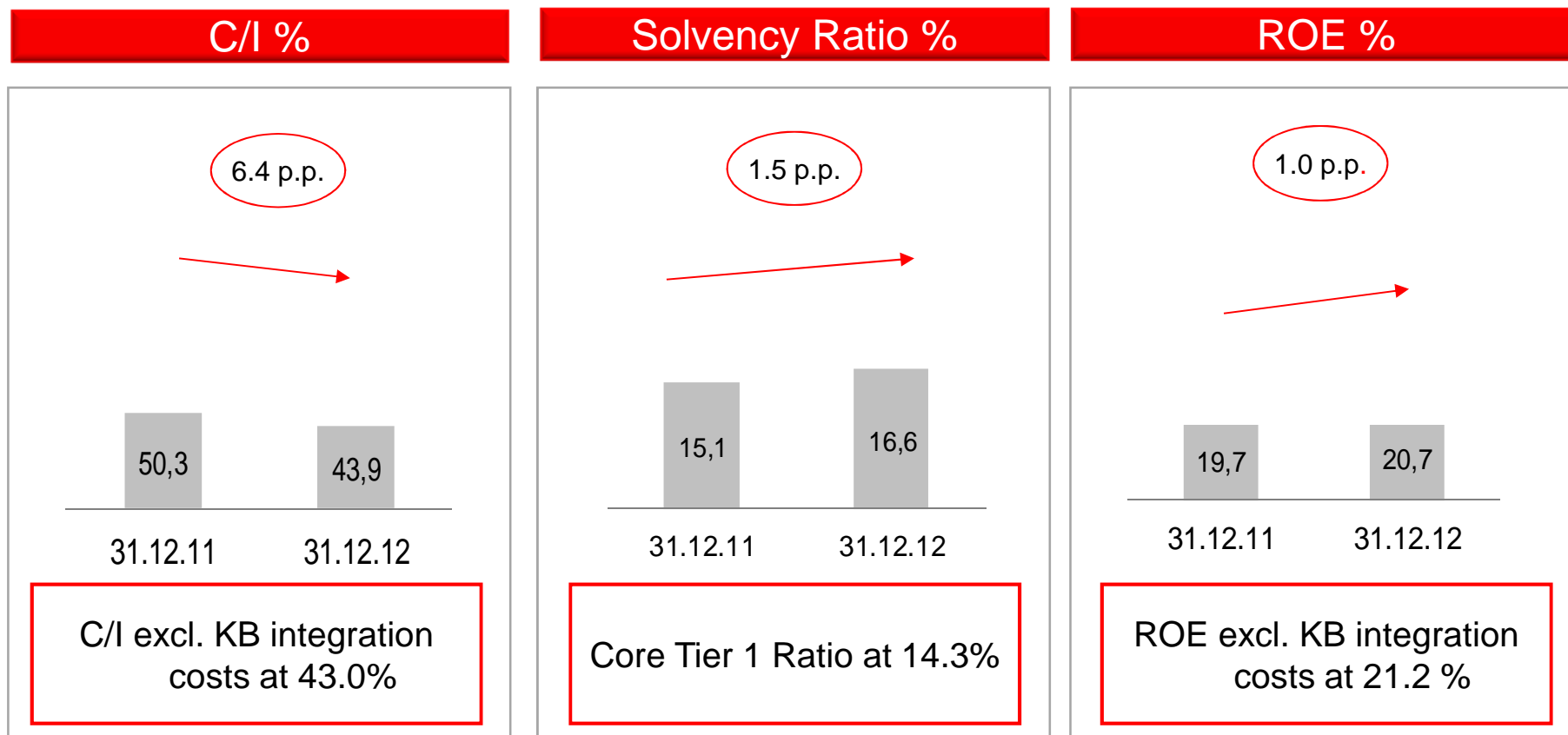
Net Profit + 19.2% Y-o-Y

PLN m



	31.12.12	31.12.11	Y-o-Y Variation	Q-o-Q Variation
Profit before Taxes	1 837	1 542	19,1%	20,0%
Taxes	(374)	(315)	18,7%	21,6%
Net Profit	1 463	1 227	19,2%	19,5%
Attributable profit	1 434	1 184	21,1%	21,3%

In 2012 dividend from Aviva entities totalled PLN 45,9 m - 25.5% YoY



Deposits

Active management of deposit base
Customer deposits + 4.5% Y-o-Y (excl. large deposit Y/E 2011)

Loans

Customer Loans + 8.0% Y-o-Y (excluding FX effect)
Main drivers: Cash loans, SME and Corporate loans

Income/Costs

Income growth driven by net interest income line
Costs under tight control

Operating profit

Investment book repositioning due to favorable market conditions
offset by lower Aviva dividend

Efficiency

Headcount reduction – 6% during 2012
Underlying Cost / Income Ratio at 43.0%

ANNEXES

P&L Account
Balance Sheet
Net interest margin evolution

Profit & Loss Account

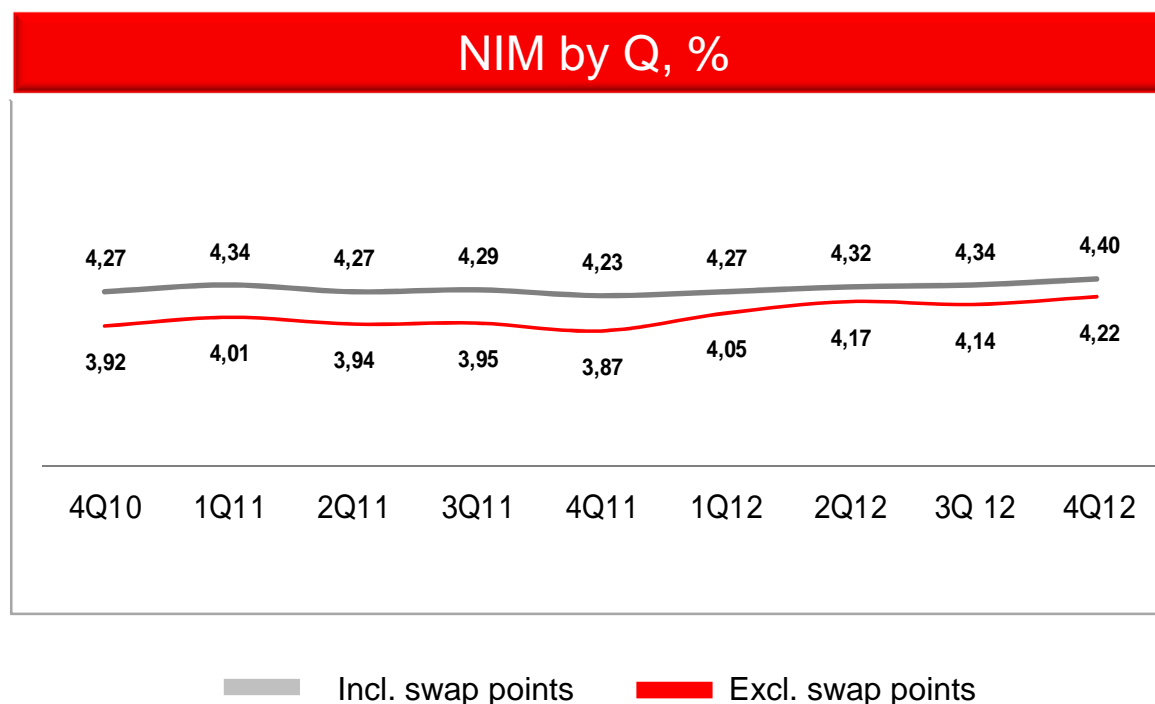
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for the period (in PLN k):	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011
Interest and similar income	993 963	983 491	946 170	943 861	915 721
Interest expense and similar charges	(402 146)	(402 997)	(374 328)	(386 937)	(376 468)
Net interest income	591 817	580 494	571 842	556 924	539 253
Fee and commission income	422 443	400 582	391 954	381 059	383 955
Fee and commission expense	(57 806)	(51 667)	(50 639)	(50 940)	(53 930)
Net fee and commission income	364 637	348 915	341 315	330 119	330 025
Dividend income	(1 766)	3 795	53 718	1	109
Net trading income and revaluation	39 071	31 169	54 071	40 034	49 701
Gains (losses) from other financial securities	131 586	21 432	24 382	2 652	4 923
Gains (losses) from investment in subsidiaries and associates	-	400	-	-	-
Other operating income	10 810	6 099	16 396	16 367	9 147
Impairment losses on loans and advances	(160 431)	(120 530)	(140 026)	(80 806)	(85 524)
Operating expenses incl.:	(466 265)	(446 440)	(446 747)	(457 742)	(570 618)
<i>Bank's staff, operating expenses and management costs</i>	<i>(421 379)</i>	<i>(407 989)</i>	<i>(406 640)</i>	<i>(417 104)</i>	<i>(442 513)</i>
<i>Depreciation/amortisation</i>	<i>(33 556)</i>	<i>(34 102)</i>	<i>(33 417)</i>	<i>(36 865)</i>	<i>(109 793)</i>
<i>Other operating expenses</i>	<i>(11 330)</i>	<i>(4 349)</i>	<i>(6 690)</i>	<i>(3 773)</i>	<i>(18 312)</i>
Operating profit	509 459	425 334	474 951	407 549	277 016
Share in net profits (losses) of entities accounted for by the equity method	7 556	5 954	3 075	3 161	3 474
Profit before tax	517 015	431 288	478 026	410 710	280 490
Corporate income tax	(107 256)	(88 519)	(89 822)	(88 807)	(75 959)
Profit for the period	409 759	342 769	388 204	321 903	204 531
incl.:					
attributable to owners of BZ WBK S.A.	404 519	334 738	380 440	314 150	198 413
attributable to non-controlling interests	5 240	8 031	7 764	7 753	6 118

Balance Sheet

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	4Q 2012	3Q 2012	2 Q 2012	1 Q 2012	4 Q 2011
ASSETS					
Cash and balances with central bank	4 157 274	2 606 568	1 570 287	2 802 875	1 425 541
Loans and advances to banks	1 458 128	1 622 289	2 192 018	1 405 496	1 204 172
Financial assets held for trading & hedging	1 085 268	1 962 047	3 910 010	3 413 463	5 977 679
Loans and advances to customers	39 867 554	39 928 847	38 991 459	38 121 961	38 017 173
Investment securities	11 716 133	12 303 304	11 190 793	11 760 175	11 652 195
Investments in associates and joint ventures	115 685	112 161	110 748	107 673	104 512
Intangible assets	127 338	114 758	133 767	137 787	151 166
Property, plant & equipment	479 811	466 809	472 565	487 406	499 793
Current income tax assets	-	-	-	-	20 687
Net deferred tax assets	258 037	265 224	222 889	242 023	245 019
Assets held for sale	74 764	82 604	82 628	82 621	82 604
Other assets	679 185	407 466	458 951	448 337	416 102
Total assets	60 019 177	59 872 077	59 336 115	59 009 817	59 796 643
LIABILITIES					
Deposits from central bank	-	-	-	-	-
Deposits from banks	1 351 050	2 518 760	2 760 278	5 223 780	2 505 070
Financial liabilities held for trading & hedging	1 050 781	1 103 891	1 238 967	993 243	1 455 442
Deposits from customers	47 077 094	46 397 791	46 209 895	43 485 794	46 829 482
Debt securities in issue	-	-	-	-	-
Subordinated liabilities	409 110	411 254	425 929	415 857	441 234
Current income tax liabilities	154 916	102 525	47 819	44 339	-
Other liabilities	998 512	933 362	964 968	1 051 935	1 082 455
Total liabilities	51 041 463	51 467 583	51 647 856	51 214 948	52 313 683
Equity					
Equity attributable to owners of BZ WBK S.A.	8 884 367	8 316 407	7 607 908	7 722 357	7 355 575
Share capital	746 376	746 376	730 760	730 760	730 760
Other reserve funds	5 704 680	5 699 555	5 378 019	4 789 488	4 698 884
Revaluation reserve	872 400	714 084	677 475	592 927	545 318
Retained earnings	127 064	127 064	127 064	1 295 032	196 266
Profit of the current period	1 433 847	1 029 328	694 590	314 150	1 184 347
Non-controlling interest	93 347	88 087	80 351	72 512	127 385
Total equity	8 977 714	8 404 494	7 688 259	7 794 869	7 482 960
Total equity and liabilities	60 019 177	59 872 077	59 336 115	59 009 817	59 796 643



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