

Bank Zachodni WBK Group

Results January - September 2013

October 24th, 2013



Bank Zachodni WBK is a member of Santander Group.

Bank Zachodni WBK

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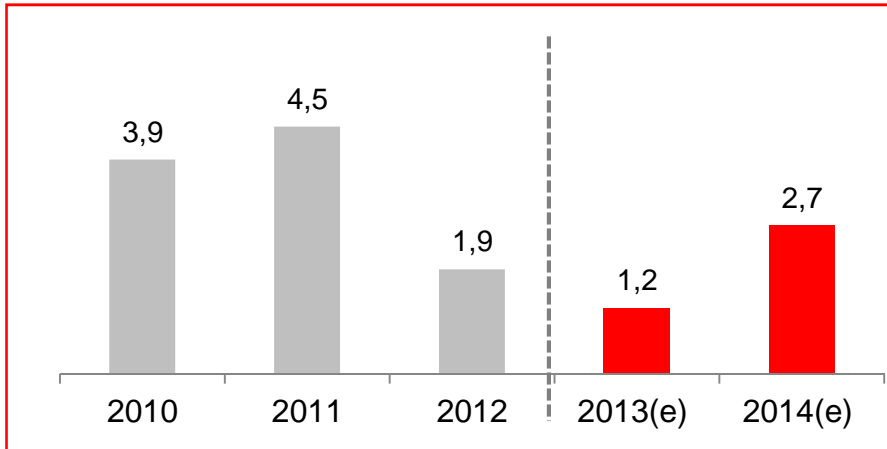
Bank Zachodni WBK

- Market Environment
- Merger Update & YTD'13 Highlights
- Group performance
 - Business
 - Results

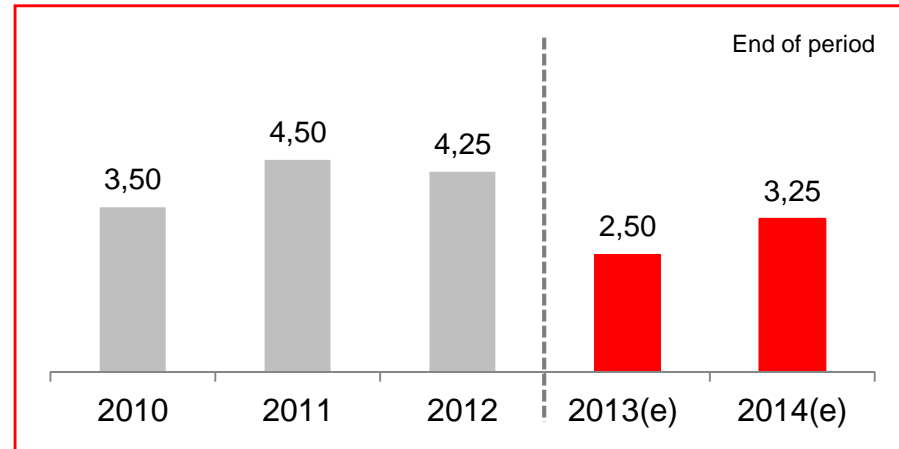
- **Market Environment**
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Macroeconomic Scenario

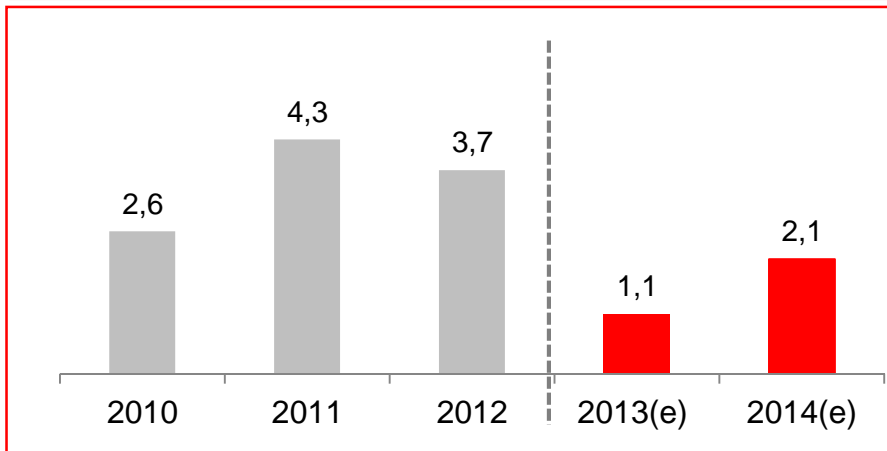
GDP (real annual growth %)



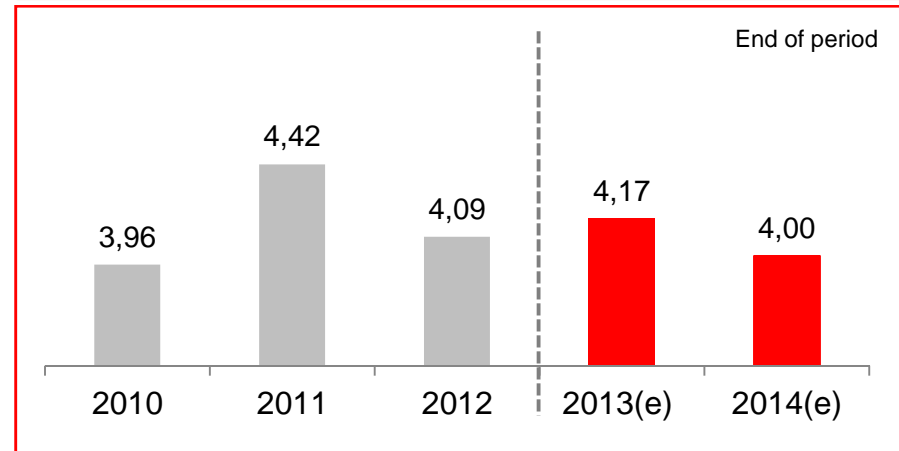
Interest Rate – NBP Reference Rate (%)



Inflation (CPI %)



Exchange Rate – PLN/EUR



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

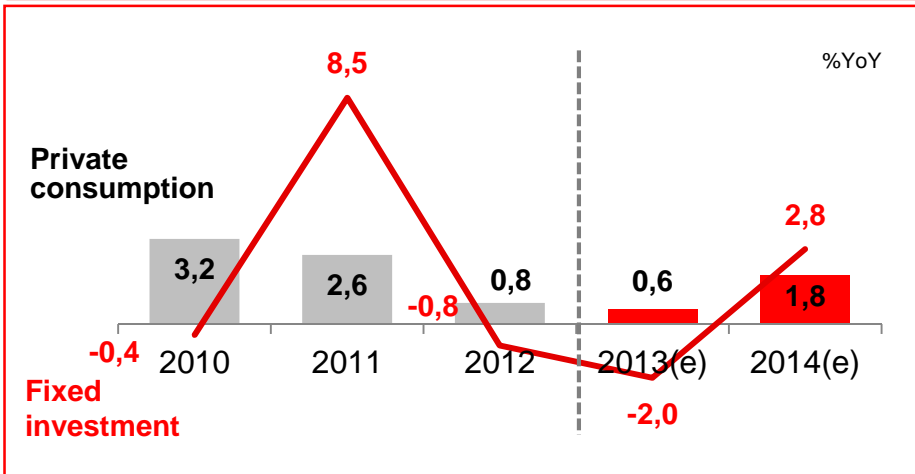


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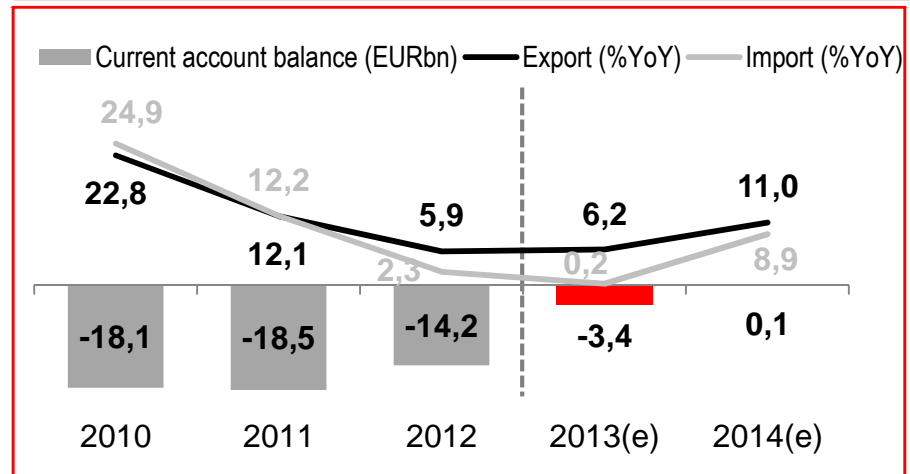


Macroeconomic Environment

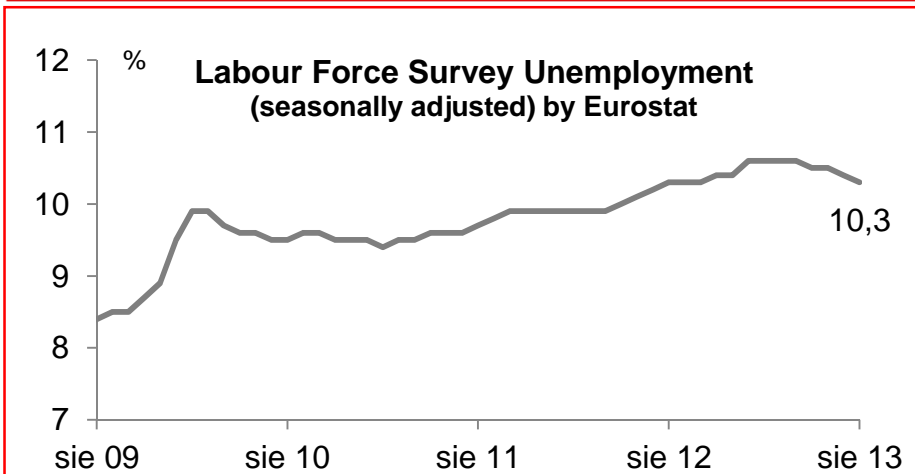
Investments and Consumption



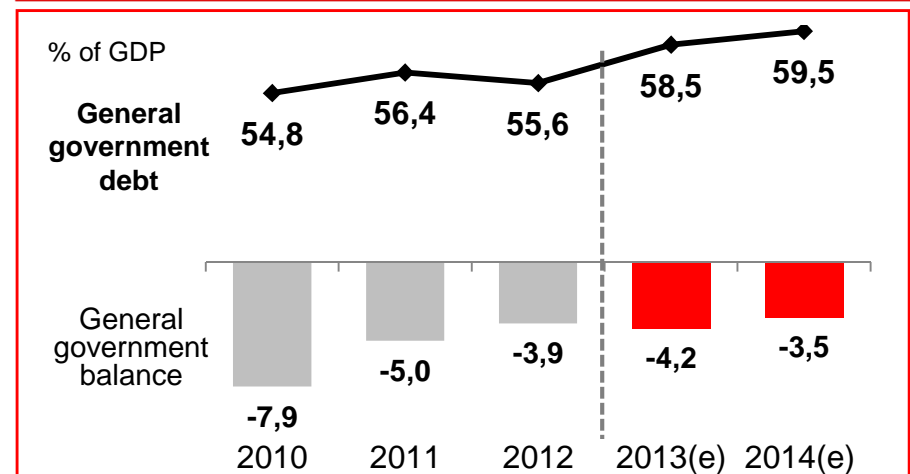
C/A Balance and Foreign Trade Turnover



Unemployment Rate



Fiscal Policy Indicators*



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

* Assuming no change in pension system

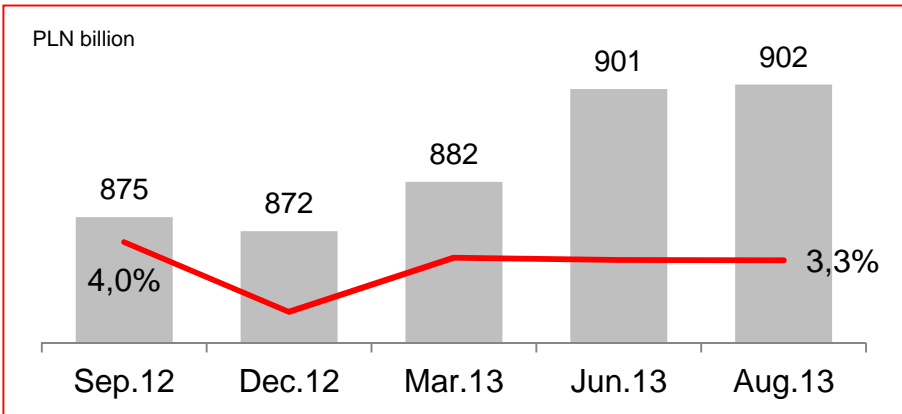


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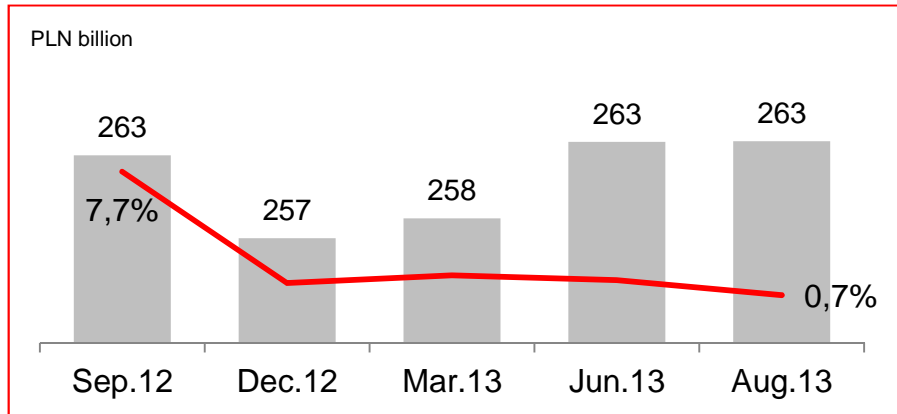


Credit Growth

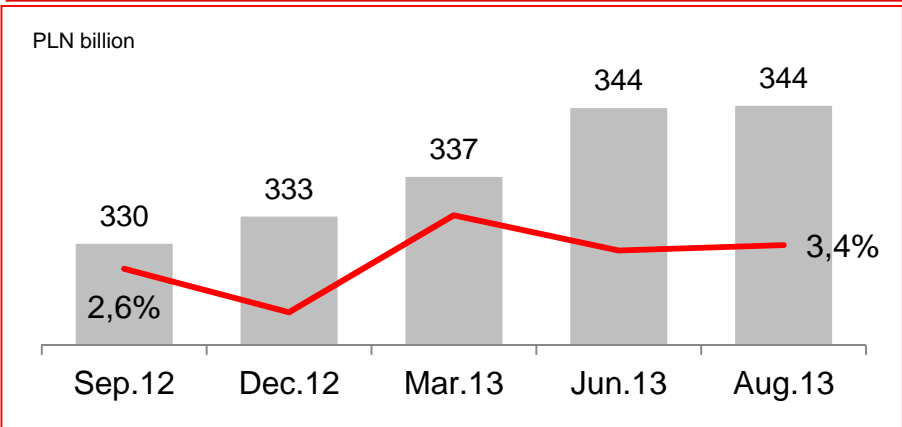
Total Loans



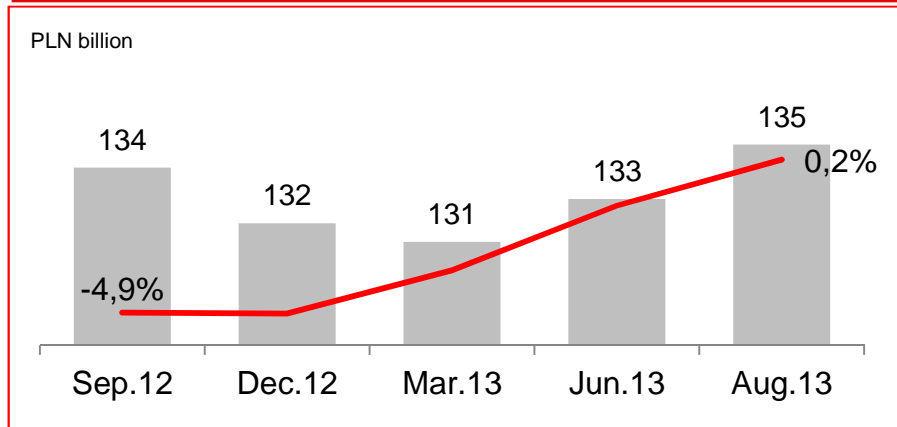
Loans to Corporations



Loans to Households (Mortgage Credit)



Loans to Households (Consumer Credit)



Source: National Bank of Poland

■ Volume ◆ Y-o-Y Variation %



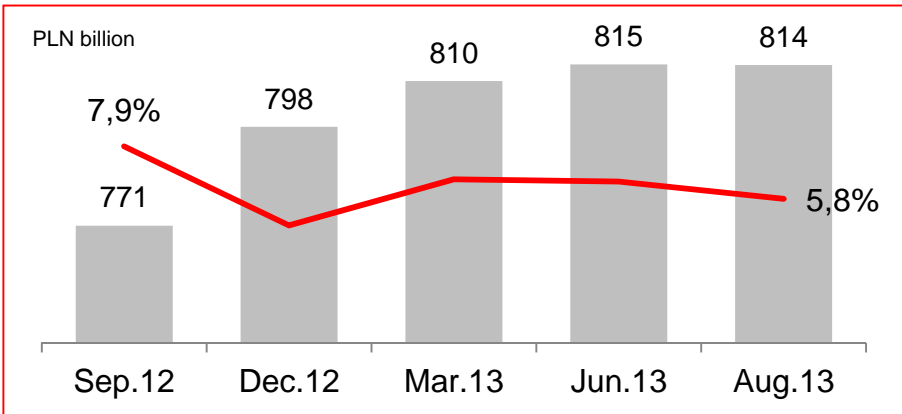
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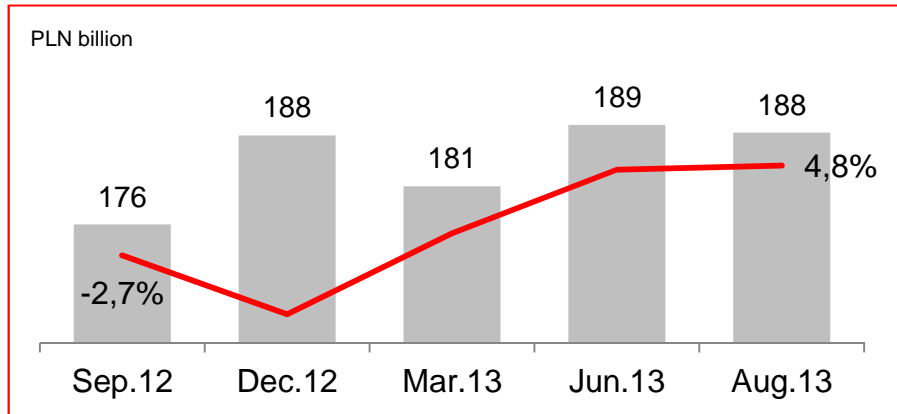
Financial System: Deposit Evolution

Deposit Growth

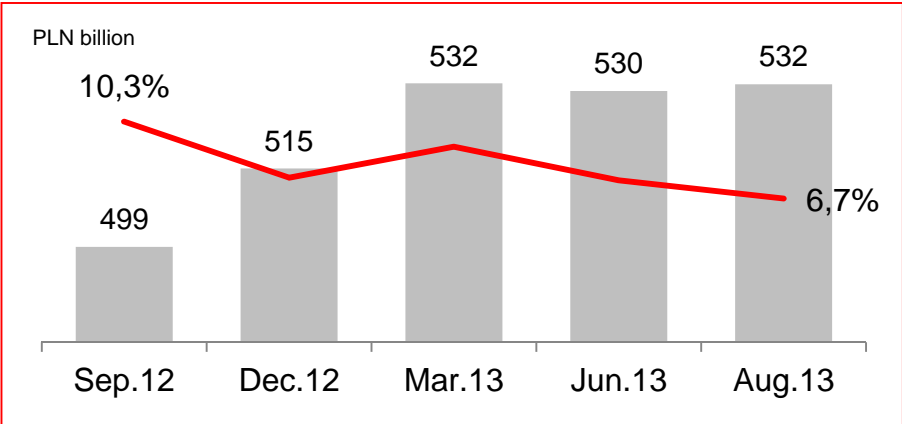
Total Deposits



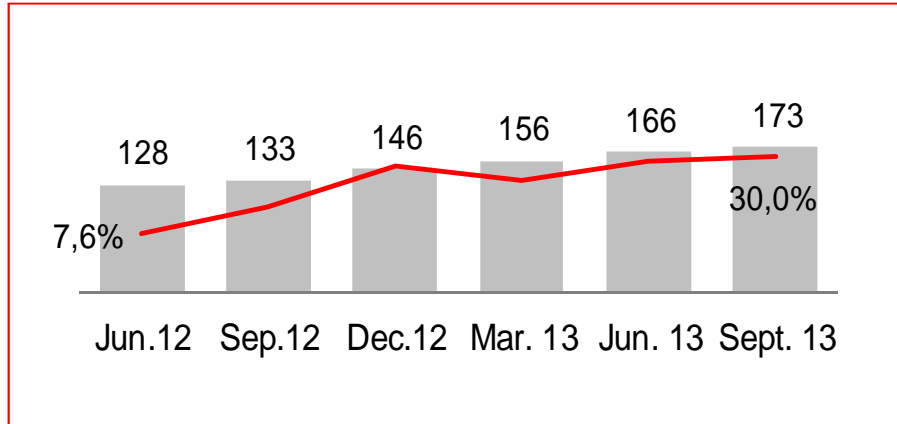
Corporate Deposits



Household Deposits



Mutual Funds



Source: National Bank of Poland

■ Volume ◆ Y-o-Y Variation %



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- Market Environment
- **Merger Update & YTD'13 Highlights**
- Group performance
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Merger Plan on Target

Legal merger completed on 4th January, 2013

Revised organisational structures in place

Process harmonisation & increased productivity

Rebranding of all branches supported by marketing campaign

Continuous focus on meeting Revenue & Cost Synergies

Customer Data migrated to BZ WBK / Full integration

✓
✓
✓
✓
Ongoing to end-2014
end-2014



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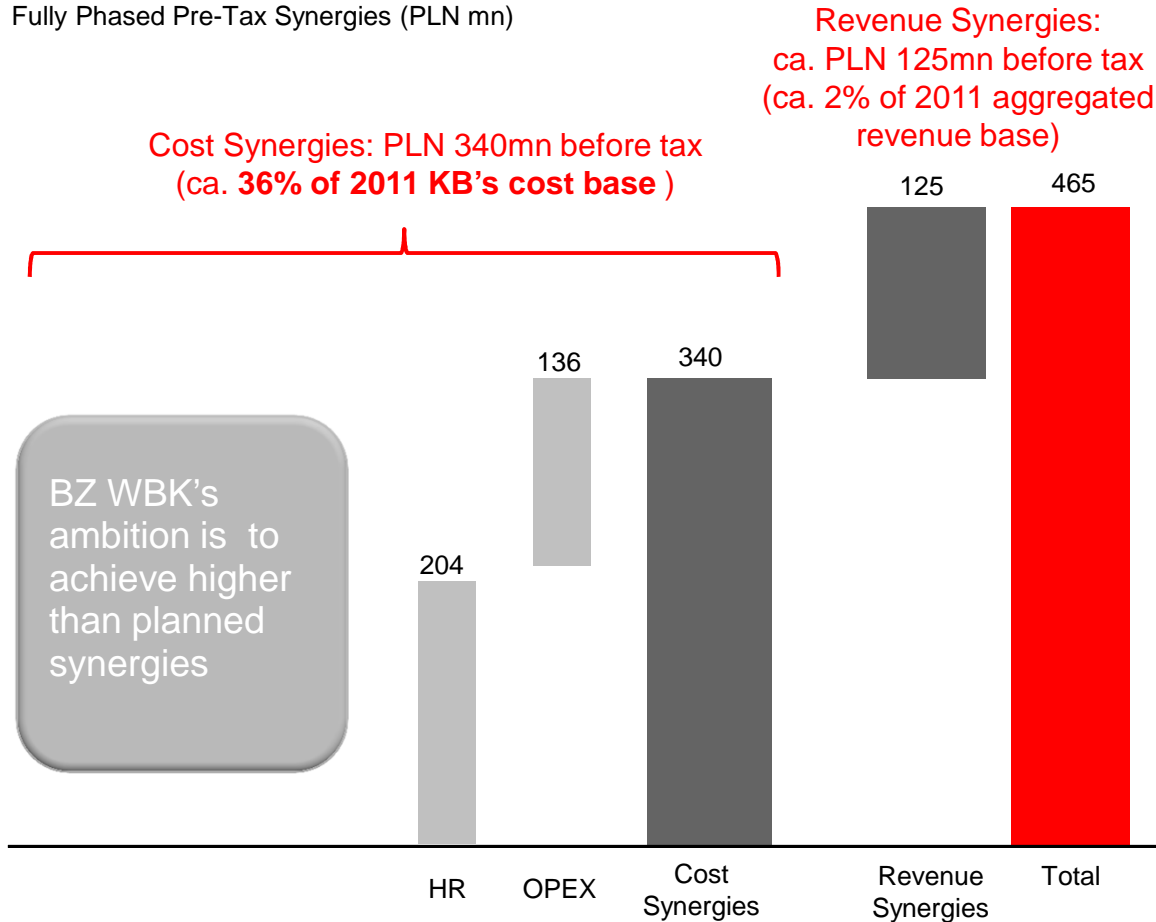


BZ WBK + KB Merger Benefits

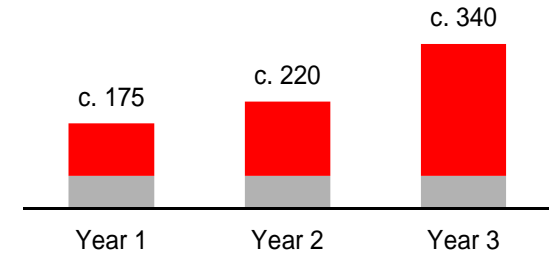
Fully Phased Pre-Tax Synergies: PLN 465mn

Phase In

Fully Phased Pre-Tax Synergies (PLN mn)



Cost Synergies (PLN mn)



Integration Expenses

- Planned integration costs estimated to amount to ca. PLN **432mn** before tax.
 - PLN 190mn reflected in 2012 & 2013 P&L to end-Q3.
- Planned capital expenditure of ca. PLN**163mn** before tax
 - PLN 117mn authorised to end-Q3.



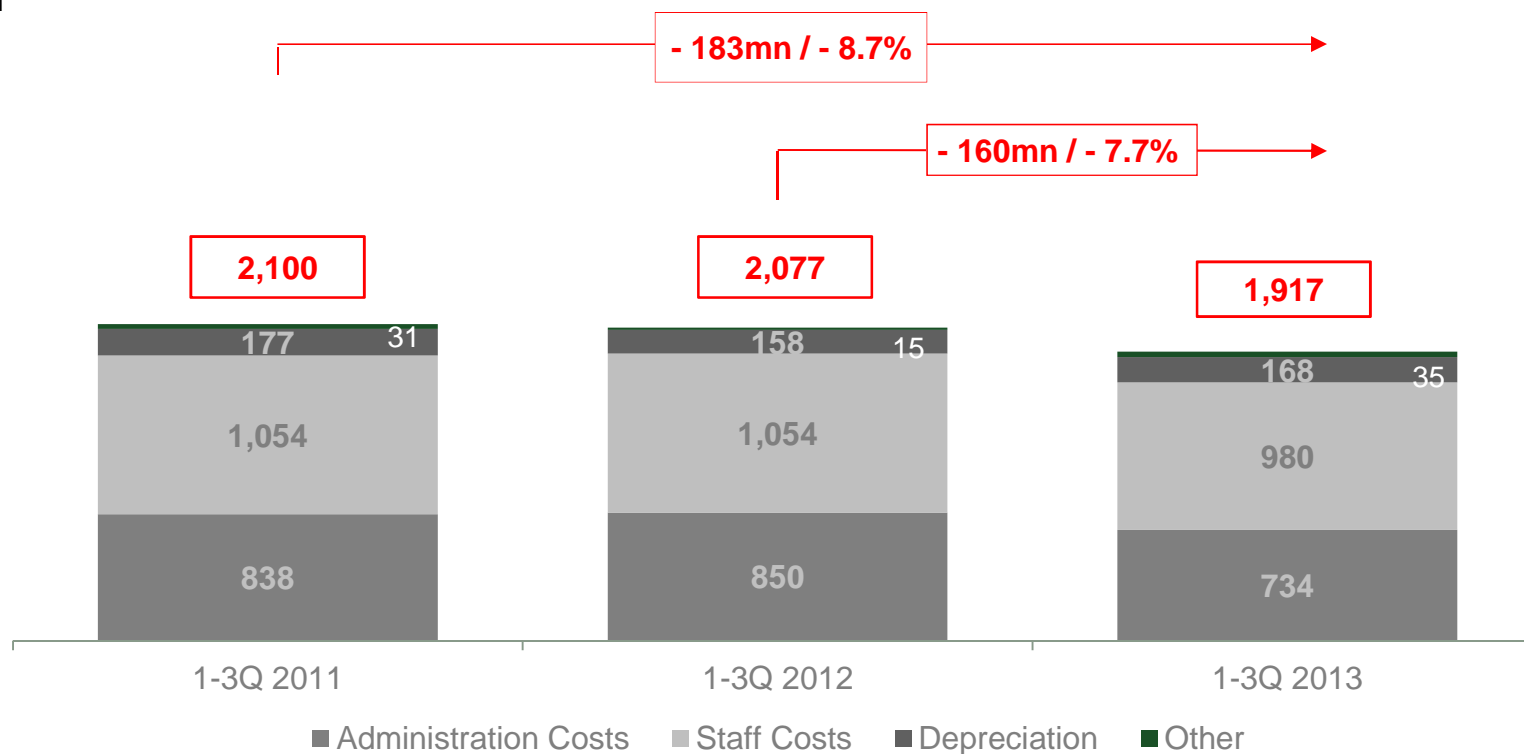
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Cost Synergies Ahead of Plan

Y-o-Y Operational Cost Reduction *

PLN m



* 2011, 2012 on like for like basis

Y-o-Y cost savings will increase through 2014 as the annualised benefit of 2013 cost reduction will be recorded.

Business Development

- Qtr 3 Net Interest Margin at 3.62%
- F&C influenced by FX Fees and e-Business & Payments
- Re-positioning of merged ALM book

Sustained Profit Generation

- Net profit: PLN 1.35bn
- Underlying operating income: PLN 2.4bn
- Underlying costs: PLN 1.9bn (excl. integration costs)
- 41.5% Cost to income ratio (excl. integration costs)

Merger / Cost Synergies

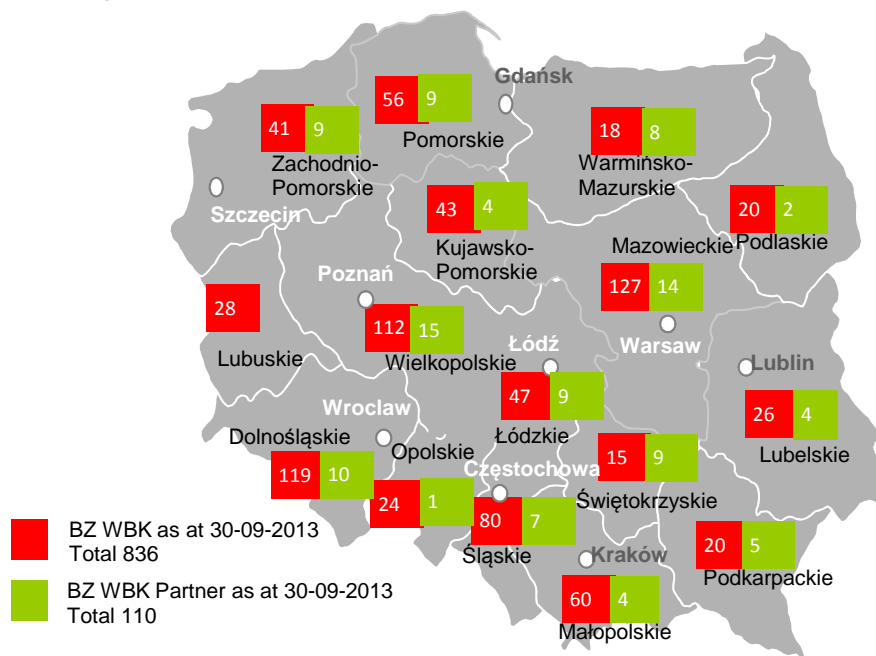
- Target of PLN 175m of annualised cost synergies in 2013 v 2011 combined cost base:
 - PLN 167m of annualised cost savings achieved YTD
 - Annualised cost synergies expected to be in excess of PLN 175m by end-2013

Capital Strength and Liquidity *

- Total Capital Ratio at 14.2%
- Core Tier 1 Ratio at 11.9%
- Loan to Deposit ratio at 91.5%

**According to local criteria*

Key Facts



BZ WBK Features

▪ Branches	836
▪ Agencies	110
▪ ATMs	1 406
▪ Employees (FTE's)	12.5 k
▪ Corporate Banking Centres	12

Balance Sheet 30.09.2013

▪ Assets	PLN	105 965 m
▪ Loans	PLN	69 688 m
▪ Deposits	PLN	76 188 m

P & L 30.09.2013

▪ Income	PLN	4 290m
▪ Costs	PLN	(2 070)m
▪ PBT	PLN	1 682m
▪ ROE*		15.8%

*ROE excl. integration costs



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- Market Environment
- Merger Update & YTD'13 Highlights

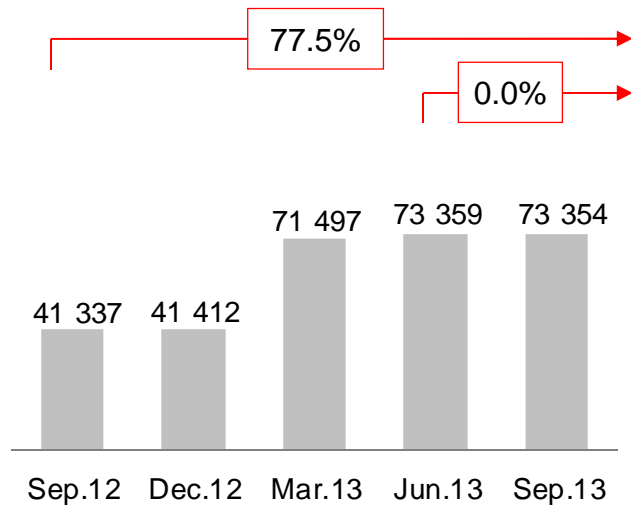
- **Group performance**

- Business

- Results

Stable Loan Portfolio Q-o-Q

PLN m



	30.09.13	30.09.12	Y-o-Y Variation	Q-o-Q Variation
Mortgage	25 545	7 952	221,2%	-0,7%
Other personal	8 867	5 463	62,3%	0,6%
Total personal	34 412	13 415	156,5%	-0,4%
Business	38 942	27 922	39,5%	0,3%
Total gross loans	73 354	41 337	77,5%	0,0%

Comments

- Year on Year performing loans (like for like basis):
 - Mortgage Loans +2%
 - Cash Loans +7%
 - SME +3% / Corporate & GBM Loans +2%
 - Total Performing Loans +2%
- PLN loans comprise 64% of total loan portfolio

 Merged Bank

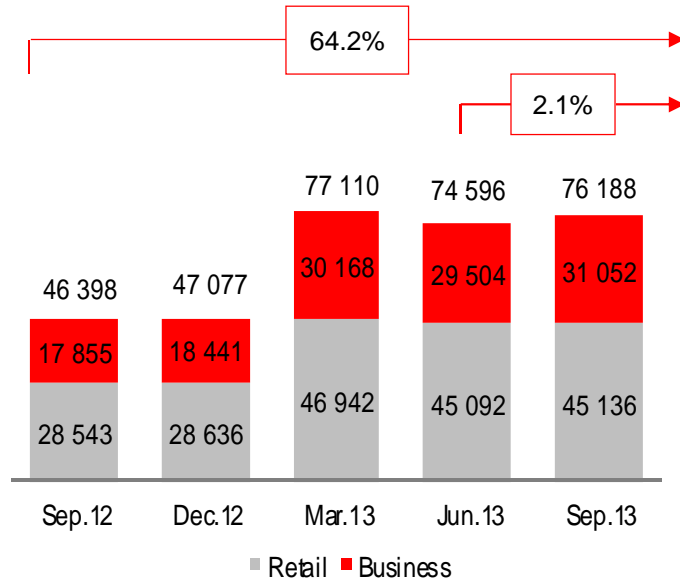


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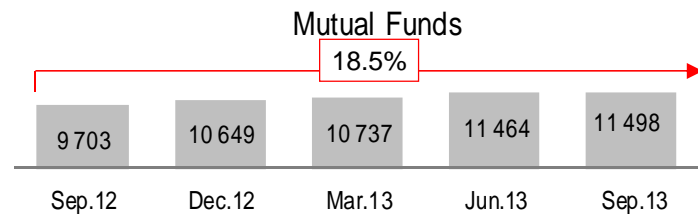


Active Management of Deposits

PLN m



	30.09.13	30.09.12	Y-o-Y Variation	Q-o-Q Variation
Demand	22 729	13 078	73,8%	3,0%
Savings	15 444	6 028	156,2%	-7,9%
Time Deposits	38 015	27 292	39,3%	6,3%
Customer Deposits	76 188	46 398	64,2%	2,1%



Comments

- Year on Year performance (on a like for like) basis:
 - Total Deposits -1% Y-o-Y,
 - Retail Deposits -5% Y-o-Y,
 - Business Deposits +8% Y-o-Y,
 - Mutual Funds +18.5% Y-o-Y.

Merged Bank



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Market Share (%)

Market Share (%)	August 2013	June 2013	March 2013
Total Banking System Loans			
Total Loans	7.50	7.56	7.52
- Cash Loans	6.47	6.61	6.86
Deposits + Funds			
Total Deposits	8.17	8.06	8.47
- Personal Deposits	8.57	8.64	9.03
- Business Deposits	7.62	7.26	7.67

- Market Environment
- Merger Update & YTD'13 Highlights

- **Group performance**

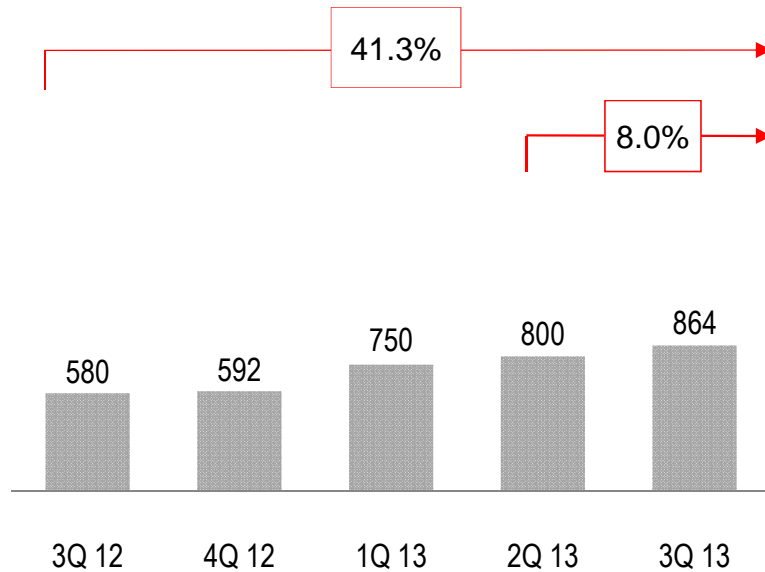
- Business

- Results

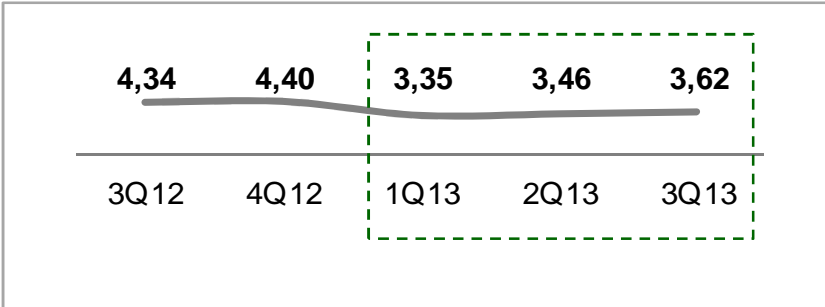
Results: Net Interest Income

Net Interest Income improvement due to focus on funding costs and product mix

PLN m



NIM by Q, %



Comments

- Net Interest Income + 3.5% Year on Year (on a like for like basis)
- NIM % includes Swap income on hedged funding
- Close management of funding costs
- Continued focus on product mix and credit margins

Merged Bank



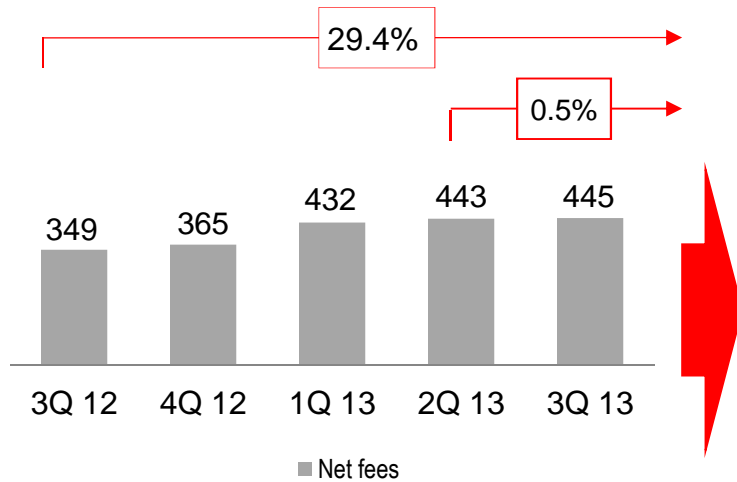
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Bank Zachodni WBK

Results: Net Fees

Fees growth driven by increased E-Business & Payments activity

PLN m



	30.09.2013	30.09.2012	Y-o-Y Variation	Q-o-Q Variation
eBusiness & payments	338	257	31,5%	4,5%
Investment banking ¹	244	189	29,1%	-2,5%
Current accounts & money transfer	229	180	27,2%	0,0%
FX fees	217	175	24,0%	5,2%
Loan fees	159	92	72,8%	-9,1%
Insurance fees	77	83	-7,2%	-3,5%
Other ²	56	44	27,3%	10,1%
Total	1 320	1 020	29,4%	0,5%

Comments

- Y-o-Y performance (like for like) basis:
 - Net Fees – 1% Y-o-Y
 - FX fees supported by market environment
 - E-Business & Payments increase due to higher cards & transactional activity

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



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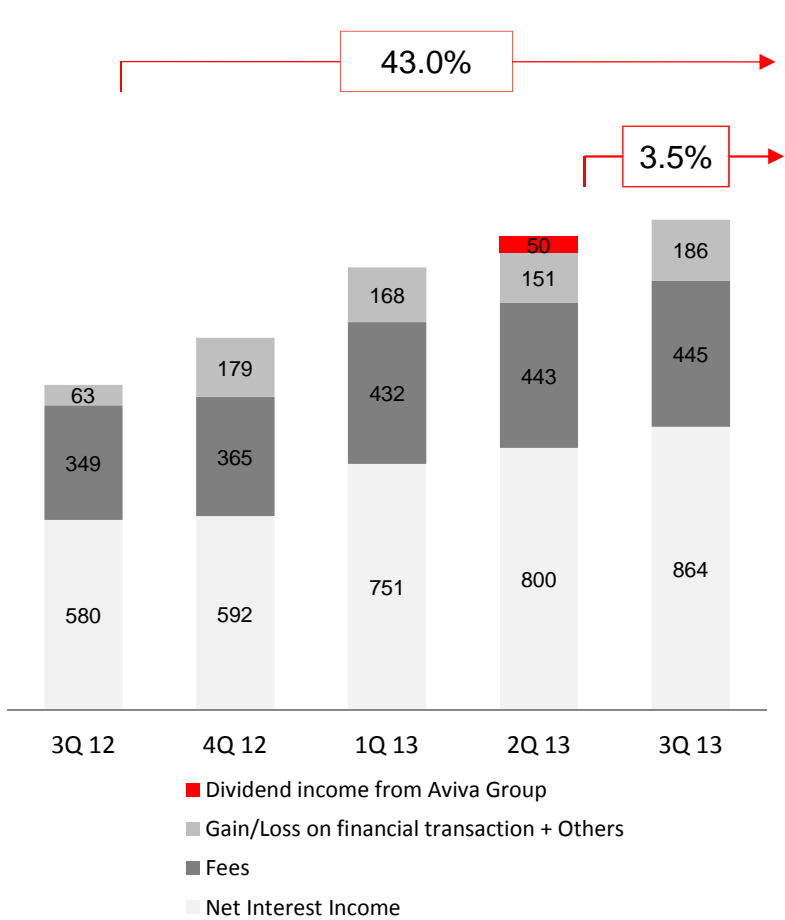
Merged Bank



Results: Total Income

Total Income increased on Net Interest Income

PLN m



	30.09.2013	30.09.2012	Y-o-Y Variation	Q-o-Q Variation
Net Interest Income	2 415	1 709	41,3%	8,0%
Fees	1 320	1 020	29,4%	0,5%
Subtotal	3 735	2 729	36,9%	5,4%
Gain/Loss on financial transactions + Others	555	271	105,3%	-7,6%
Total Income	4 290	3 000	43,0%	3,5%

Comments

- Total Income (like for like basis) +2.7% Y-o-Y
- Investment book repositioned leading to total gains of ca. PLN 108m in Qtr 3
- Aviva Group annual dividend PLN 50m in Qtr 2.

Merged Bank

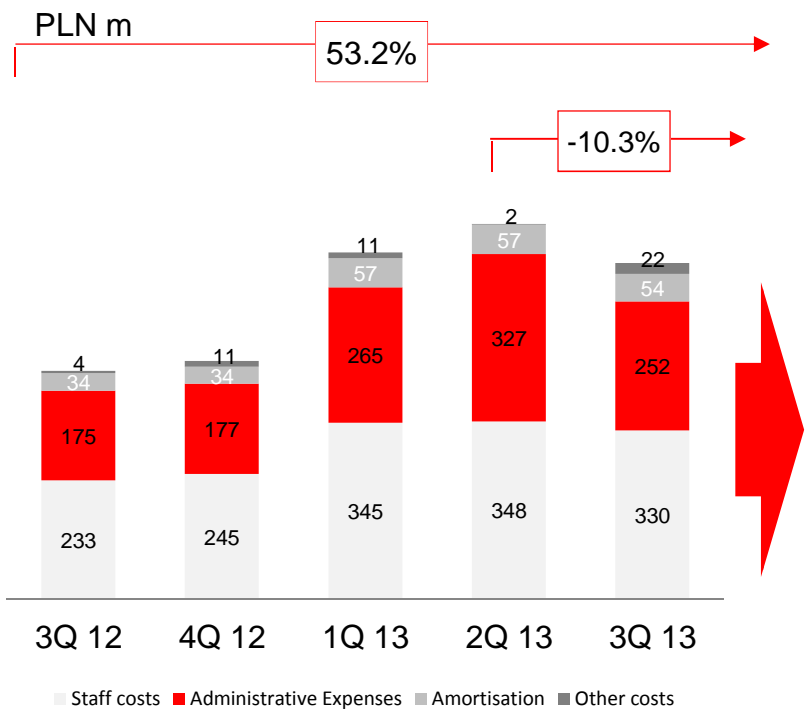


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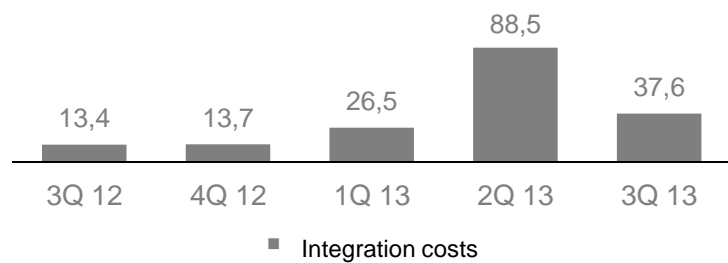


Results: Administrative Expenses and Amortization

Excellent Underlying Cost Management at -3.8% Q-o-Q



	30.09.2013	30.09.2012	Y-o-Y Variation	Q-o-Q Variation
Staff costs	980	707	38,6%	-4,6%
Administrative Expenses	734	501	46,5%	-10,5%
Amortization	168	104	60,9%	-6,6%
Other costs	35	15	133,8%	n.a.
Underlying costs	1 917	1 327	44,5%	-3,8%
Integration costs	153	24	537,5%	-57,5%
Total	2 070	1 351	53,2%	-10,3%



Comments

- Underlying costs -7.7% Y-o-Y (on a like for like basis)
- Merged bank FTE's lower by 1.9k vs. Dec 2011
- Excellent cost management across all cost lines
- Savings achieved ahead of integration plan
- Integration costs in line with assumptions

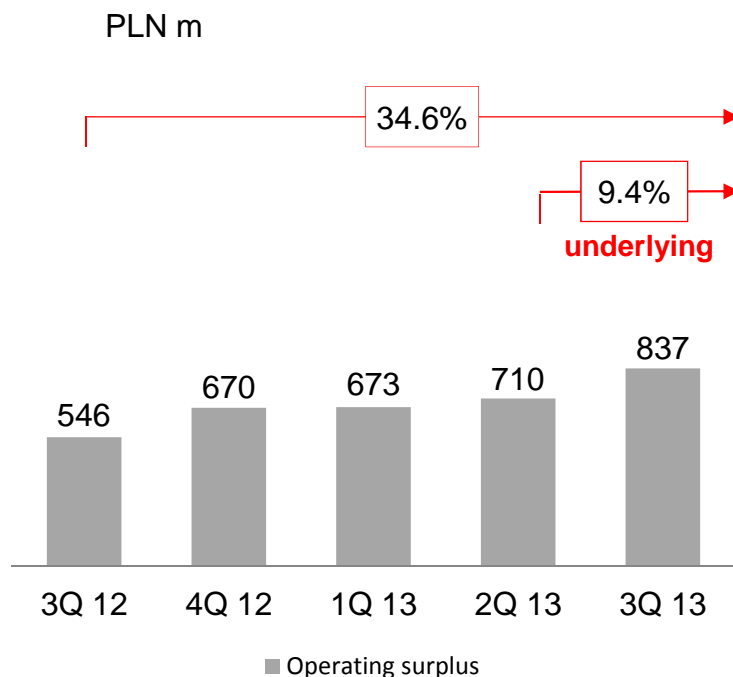


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Results: Net Operating Income

Underlying Operating Income +9.4% Q-o-Q



	30.09.2013	30.09.2012	Y-o-Y Variation	Q-o-Q Variation
Net Interest Income + Fees	3 735	2 729	36,9%	5,4%
Gain on financial transactions + Others	555	271	104,8%	-8,4%
Adm. Expenses + Amortization + Other costs	(1 917)	(1 327)	44,5%	-3,9%
Underlying operating income	2 373	1 673	41,8%	9,4%
Integration costs	(153)	(24)	537,5%	-57,3%
Net operating income	2 220	1 649	34,6%	17,7%

Comments

- Net underlying operating income +12.9% Y-o-Y (on a like for like basis)

Merged Bank



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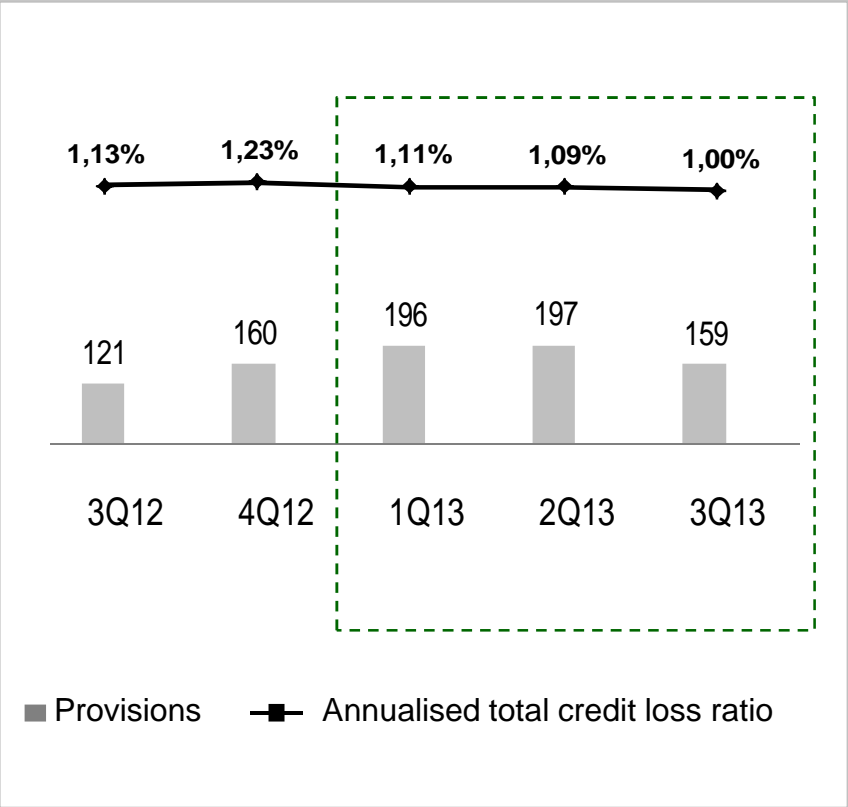
Bank Zachodni WBK

Results: Provisions and Loan Quality

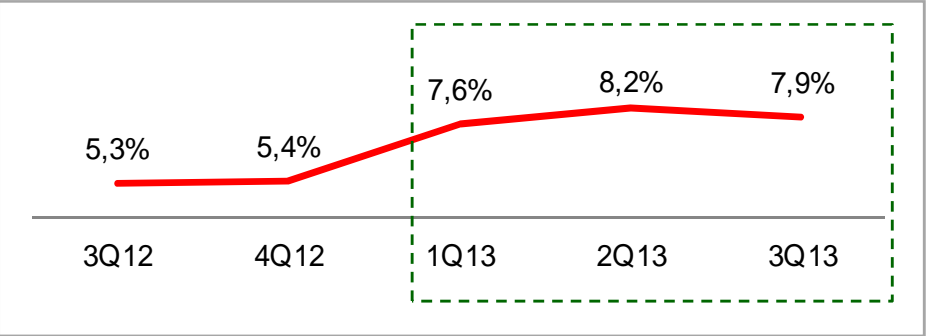
Provision Charge at 1% in Q3

PLN m

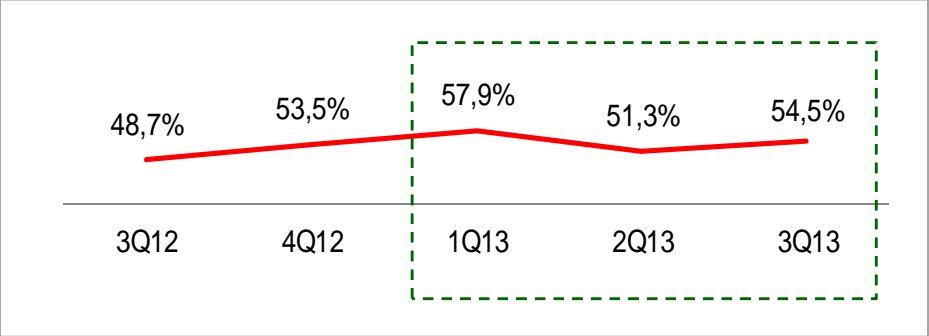
Provisions and Annualised total credit loss ratio



NPL (%)



Coverage Ratio (%)



▭ Merged Bank

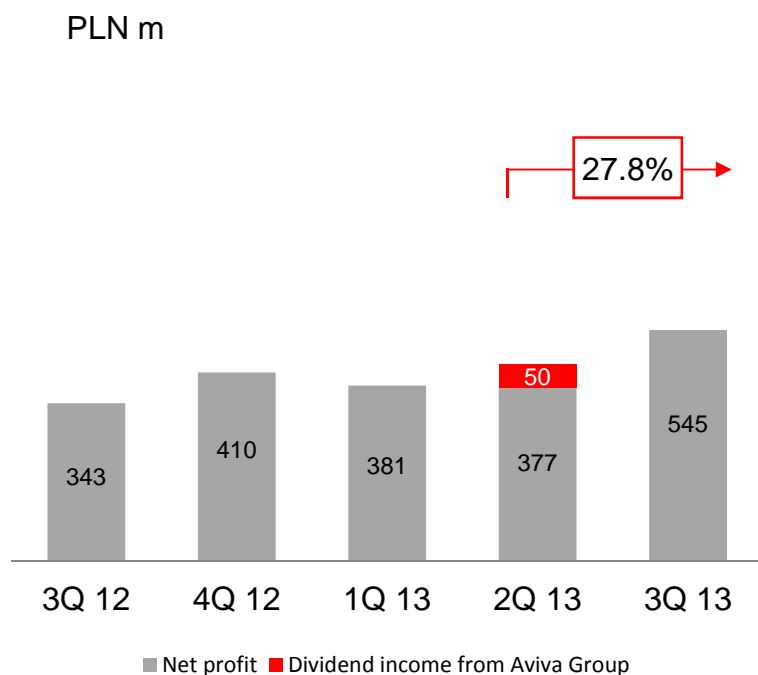


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Results: Net Profit

Net Underlying Profit of PLN 1.5 bln



	30.09.2013	30.09.2012	Y-o-Y Variation	Q-o-Q Variation
Profit before Taxes	1 682	1 320	27,4%	31,6%
Taxes	(329)	(267)	23,2%	48,5%
Net Profit	1 353	1 053		27,8%
<i>Net profit excluding integration costs*</i>	1 477	1 073	37,7%	29,7%
Attributable profit	1 330	1 029	29,3%	28,1%

* Net integration costs (tax rate 19%)

Comments

- Net profit excluding integration costs +13.5% YoY (on a like for like basis)

Merged Bank

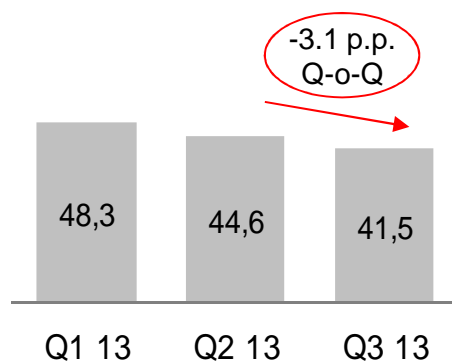


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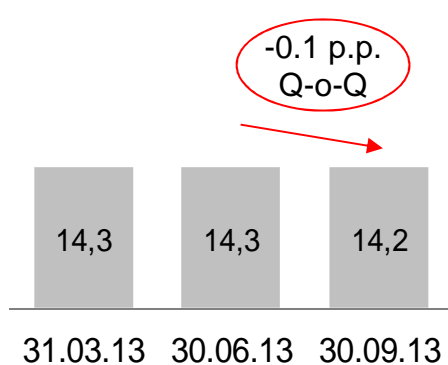
Results: Key Indicators – Merged Bank

Quarterly C/I %



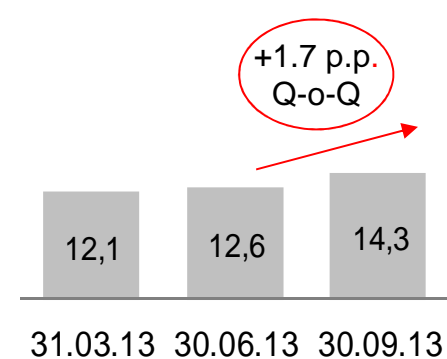
YTD C/I excl. integration costs at 44.7%

Solvency Ratio %



Core Tier 1 Ratio at 11.9%

ROE %



ROE excl. integration costs at 15.8%

Conclusions: January – September 2013

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Activity

- ✓ Uniform brand, product and service offering for customers
- ✓ Active management of deposit base and funding costs
- ✓ Personal loans (excluding mortgages) + 1% Q-o-Q

Results

- ✓ Close management of Net Interest Income in falling rate environment
- ✓ Solid fee generation
- ✓ Costs under tight control, Integration costs in line with merger assumptions
- ✓ Credit quality improving
- ✓ Headcount reduction: -1.9k vs. end-2011
- ✓ Investment book re-positioning post merger

Commercial Activity

- ✓ Introduction of 1|2|3 account for demanding customers
- ✓ Implementation of standardized offer of term deposits for individual clients
- ✓ 2nd position in sales of „de minimis” guarantees for SME in August

Bank Zachodni WBK Awards



Bank of the Year in Poland according to The Banker magazine.



Polish Company of the Year 2012– Economic Forum in Krynica (“Polish Davos”), September 2013



We have been awarded the Customer Friendly Company emblem for the fourth time.



Financial Brand of the Year 2013 – *Gazeta Finansowa* weekly award.



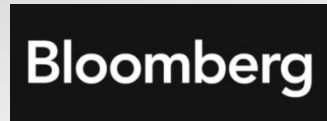
The Most Trusted Brand title awarded by Reader's Digest magazine readers in the BANK category.



Bank IT Leader 2012 in the category of „Back office systems” for MIS CORPO.



Best Bank 2013 according to Gazeta Bankowa; highest effectiveness award in the Big Bank category.



2nd in the world and 1st in Poland in the Bloomberg economic forecasts ranking for the chief economist.



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ANNEXES

P&L Account
Balance Sheet
Net Interest Margin Evolution

Profit & Loss Account

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for the period (in PLN k):	3Q 2013	2Q 2013	1Q 2013	4Q 2012	3Q 2012
Interest income	1 256 900	1 329 375	1 388 562	993 963	983 491
Interest expense	(392 628)	(529 368)	(638 171)	(402 146)	(402 997)
Net interest income	864 272	800 007	750 391	591 817	580 494
Fee and commission income	527 242	518 411	499 845	422 443	400 582
Fee and commission expense	(82 078)	(75 210)	(68 157)	(57 806)	(51 667)
Net fee and commission income	445 164	443 201	431 688	364 637	348 915
Dividend income	553	57 520	-	(1 766)	3 795
Net trading income and revaluation	53 247	28 770	54 345	39 071	31 169
Gains (losses) from other financial securities	107 486	90 996	89 736	131 586	21 432
Net gain/(loss) on liquidation/sale of subsidiaries	(319)	-	-	-	400
Other operating income	24 841	23 828	24 447	10 810	6 099
Impairment losses on loans and advances	(159 150)	(196 872)	(196 038)	(160 431)	(120 530)
Operating expenses incl.:	(657 975)	(733 329)	(678 437)	(466 265)	(446 440)
<i>Bank's staff, operating expenses and management costs</i>	<i>(582 658)</i>	<i>(674 246)</i>	<i>(610 308)</i>	<i>(421 379)</i>	<i>(407 989)</i>
<i>Depreciation/amortisation</i>	<i>(53 563)</i>	<i>(57 420)</i>	<i>(56 989)</i>	<i>(33 556)</i>	<i>(34 102)</i>
<i>Other operating expenses</i>	<i>(21 754)</i>	<i>(1 663)</i>	<i>(11 140)</i>	<i>(11 330)</i>	<i>(4 349)</i>
Operating profit	678 119	514 121	476 132	509 459	425 334
Share in net profits (loss) of entities accounted for by the equity method	6 746	6 533	344	7 556	5 954
Profit before tax	684 865	520 654	476 476	517 015	431 288
Corporate income tax	(139 601)	(94 075)	(95 413)	(107 256)	(88 519)
Consolidated profit for the period	545 264	426 579	381 063	409 759	342 769
of which:					
attributable to owners of BZ WBK S.A.	537 379	419 487	373 616	404 519	334 738
attributable to non-controlling interests	7 885	7 092	7 447	5 240	8 031



Bank Zachodni WBK is a member of Santander Group.

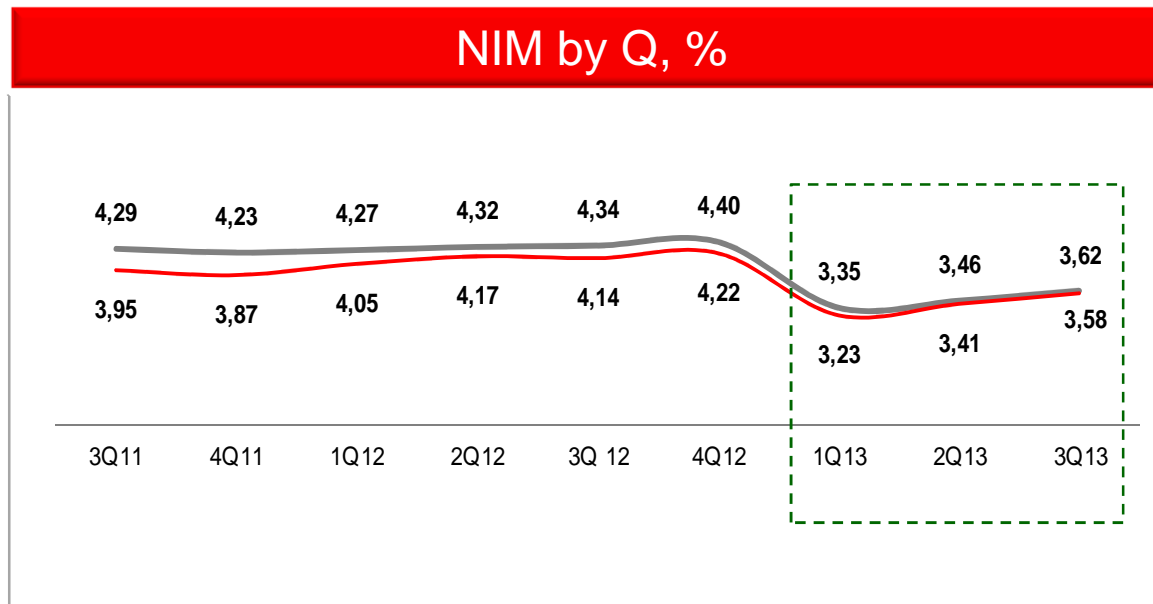
Bank Zachodni WBK

Balance Sheet

	3Q 2013	2Q 2013	1Q 2013	4Q 2012	3Q 2012
ASSETS					
Cash and balances with central banks	5 767 930	2 498 203	5 093 574	4 157 274	2 606 568
Loans and advances to banks	2 991 521	1 583 215	1 256 493	1 458 128	1 622 289
Financial assets held for trading & hedging	2 760 309	3 207 985	3 203 227	1 085 268	1 962 047
Loans and advances to customers	69 687 638	69 810 428	67 852 228	39 867 554	39 928 847
Investment securities	20 554 714	19 936 248	21 529 590	11 716 133	12 303 304
Investments associates and joint ventures	124 258	117 512	116 029	115 685	112 161
Intangible assets	337 880	342 941	366 700	127 338	114 758
Goodwill	1 688 516	1 688 516	1 688 516	-	-
Property, plant & equipment	601 466	610 003	641 804	479 811	466 809
Current income tax assets	-	-	-	-	-
Net deferred tax assets	684 473	765 499	661 496	258 037	265 224
Assets classified as held for sale	3 503	2 644	5 709	74 764	82 604
Investment property	14 198	15 855	15 891	-	-
Other assets	748 859	769 855	1 085 337	679 185	407 466
Total assets	105 965 265	101 348 904	103 516 594	60 019 177	59 872 077
LIABILITIES					
Deposits from central bank	-	-	-	-	-
Deposits from banks	11 342 679	8 016 541	7 056 609	1 351 050	2 518 760
Financial liabilities held for trading & hedging	1 670 357	2 172 286	2 521 721	1 050 781	1 103 891
Deposits from customers	76 188 012	74 596 252	77 109 560	47 077 094	46 397 791
Debt securities in issue	-	-	-	-	-
Subordinated liabilities	1 409 577	1 436 145	1 400 942	409 110	411 254
Current income tax liabilities	140 590	150 495	202 121	154 916	102 525
Other liabilities	1 466 919	1 727 909	1 407 612	998 512	933 362
Total liabilities	92 218 134	88 099 628	89 698 565	51 041 463	51 467 583
Equity					
Equity attributable to owners of BZ WBK S.A.	13 671 776	13 181 818	13 717 216	8 884 367	8 316 407
Share capital	935 451	935 451	935 451	746 376	746 376
Other reserve funds	10 794 920	10 789 877	10 114 901	5 704 680	5 699 555
Revaluation reserve	481 266	533 730	782 743	872 400	714 084
Retained earnings	129 657	129 657	1 510 505	127 064	127 064
Profit of the current period	1 330 482	793 103	373 616	1 433 847	1 029 328
Non-controlling interest in equity	75 355	67 458	100 813	93 347	88 087
Total equity	13 747 131	13 249 276	13 818 029	8 977 714	8 404 494
Total equity and liabilities	105 965 265	101 348 904	103 516 594	60 019 177	59 872 077



Net Interest Margin Evolution



Incl. swap points
 Excl. swap points

 Merged Bank



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