

# Bank Zachodni WBK S.A. Investor Day

Driving sustainable earnings growth off a larger platform

Warsaw, 4 February 2013

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## Definitions

Bank Zachodni WBK S.A. – "BZ WBK"

Kredyt Bank S.A. – "KB"












# Today's Agenda


## *Driving sustainable earnings growth off a larger platform*

Topic	Time	Presenter
▪ Strategic Vision for the New BZ WBK	08:30 - 08:50	Gerry Byrne – <i>Chairman of the Supervisory Board</i>
▪ Execution Plan for the New BZ WBK Platform	08:50 - 09:35	Mateusz Morawiecki – <i>President</i>
▪ Business Operations Overview		
– Retail Banking	09:35 - 10:15	Miroslaw Skiba – <i>Head of Retail Banking Division</i>
– Business & Corporate Banking	10:15 - 10:35	Michael McCarthy – <i>Head of B&amp;C Banking Division</i>
– Global Banking & Markets	10:35 - 10:45	Juan de Porras – <i>Head of GB&amp;M Division</i>
– Risk Management	10:45 - 11:10	Andrzej Burliga – <i>Head of Risk Management</i>
▪ Mid-Term Outlook	11:10 - 11:30	Mateusz Morawiecki – <i>President</i> / Eamonn Crowley – <i>Chief Financial Officer</i>
<i>Break</i>	11:30 - 11:45	
▪ Q&A	11:45 - 12:30	All

# Introduction of Management Board and Today's Presenters

The team has extensive experience and significant tenure at the bank, having successfully grown the bank and managed the integration of BZ and WBK in 2001 - 2003

Supervisory Board Chairman	Management Board					
 <p><b>Gerry Byrne</b> Chairman of the Supervisory Board <i>12 years on Supervisory Board of BZ WBK 40 years banking experience</i></p>	 <p><b>Mateusz Morawiecki</b> President <i>15 years at BZ WBK 12 years on MB 15 years banking experience</i></p>	 <p><b>Eamonn Crowley</b> Chief Financial Officer <i>11 years at BZ WBK (AIB Poland) 2 years on MB 26 years banking experience</i></p>	 <p><b>Miroslaw Skiba</b> Head of Retail Banking <i>21 years at BZ WBK 5 years on MB 21 years banking experience</i></p>	 <p><b>Michael McCarthy</b> Head of Business &amp; Corporate Banking <i>4 years at BZ WBK 4 years on MB 29 years banking experience</i></p>	 <p><b>Juan de Porras</b> Head of Global Banking &amp; Markets <i>2 years at BZ WBK 2 years on MB 24 years banking experience</i></p>	
 <p><b>Andrzej Burliga</b> Head of Risk Management <i>18 years at BZ WBK 5 years on MB 18 years banking experience</i></p>	 <p><b>Feliks Szyszkowiak</b> Head of Business Support <i>23 years at BZ WBK 10 years on MB 23 years banking experience</i></p>	 <p><b>Marcin Prell</b> Head of Legal &amp; Compliance <i>20 years at BZ WBK 12 years on MB 22 years relevant experience</i></p>	 <p><b>Piotr Partyga</b> Head of HR Management <i>3 years at BZ WBK 1 years on MB 18 years relevant experience</i></p>	 <p><b>Marco Antonio Silva Rojas</b> Financial Controller <i>1 years at BZ WBK 1 years on MB 21 years banking experience</i></p>		

 Indicates today's presenters

# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform

4

- Strategic Vision for the New BZ WBK
- Execution Plan for the New BZ WBK Platform
- Business Operations Overview
  - Retail Banking
  - Business & Corporate Banking
  - Global Banking & Markets
  - Risk Management
- Mid-Term Outlook
- Appendix

# The BZ WBK Story So Far

Successful execution of historical strategy in attractive Polish banking sector...  
... to be leveraged on a much larger scale post merger with Kredyt Bank

2001

## Merger of BZ and WBK

- Successful merger of two medium-sized banks resulted in the creation of larger scale Polish bank...  
... achieving significant merger benefits

2011

## Santander Acquires BZ WBK

- Continued to execute on BZ WBK stand-alone strategy...  
... and leveraging global Santander best practices

2013

## Merger of BZ WBK and Kredyt Bank

- Creation of clear Top Tier Player in fragmented Polish banking market with complementary businesses and significant growth potential
- EBRD invested PLN 322mn into BZ WBK supporting the combined strategy

## Bank of the Year – Poland

### **Bank of the Year – Poland**

*“Bank Zachodni’s path of sustainable growth has continued to bear fruit... Momentum should be further bolstered by an upcoming merger with mid-sized Kredyt Bank”*



**The Banker,**  
**November 2012**

### **Best Bank – Poland**

*“Momentum player BZ WBK... now reaping the benefits of its association with Santander in the form of improved cost efficiency and risk management”*



**Euromoney,**  
**July 2012**

# A Clear Vision for the Future of the New BZ WBK

## Key Strategic Pillars

- 1 Superior historical performance based on clear strategic vision
- 2 Successful execution of simple business model focused on solid capital position, liquidity and profitable customer segments
- 3 Integration of KB provides critical mass in a fragmented market with clear growth potential
- 4 Clear benefits & synergies from being part of the Santander Group
- 5 Attractive operating environment to fuel further growth

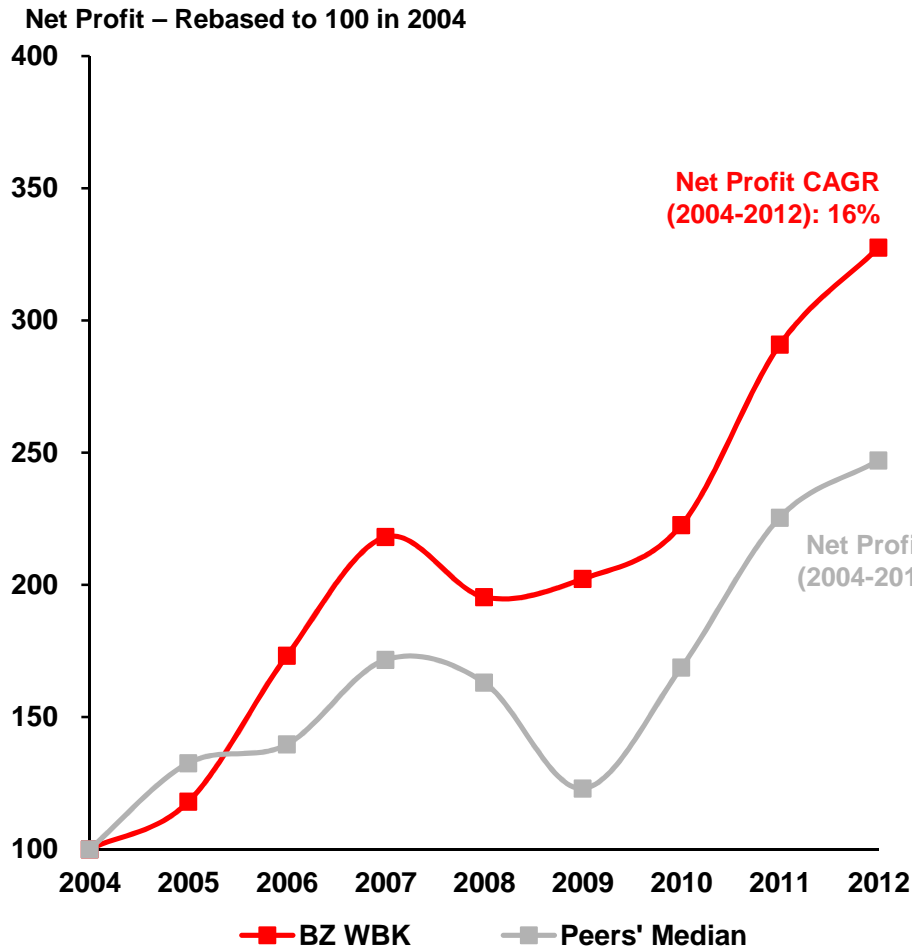
## Strategic Vision



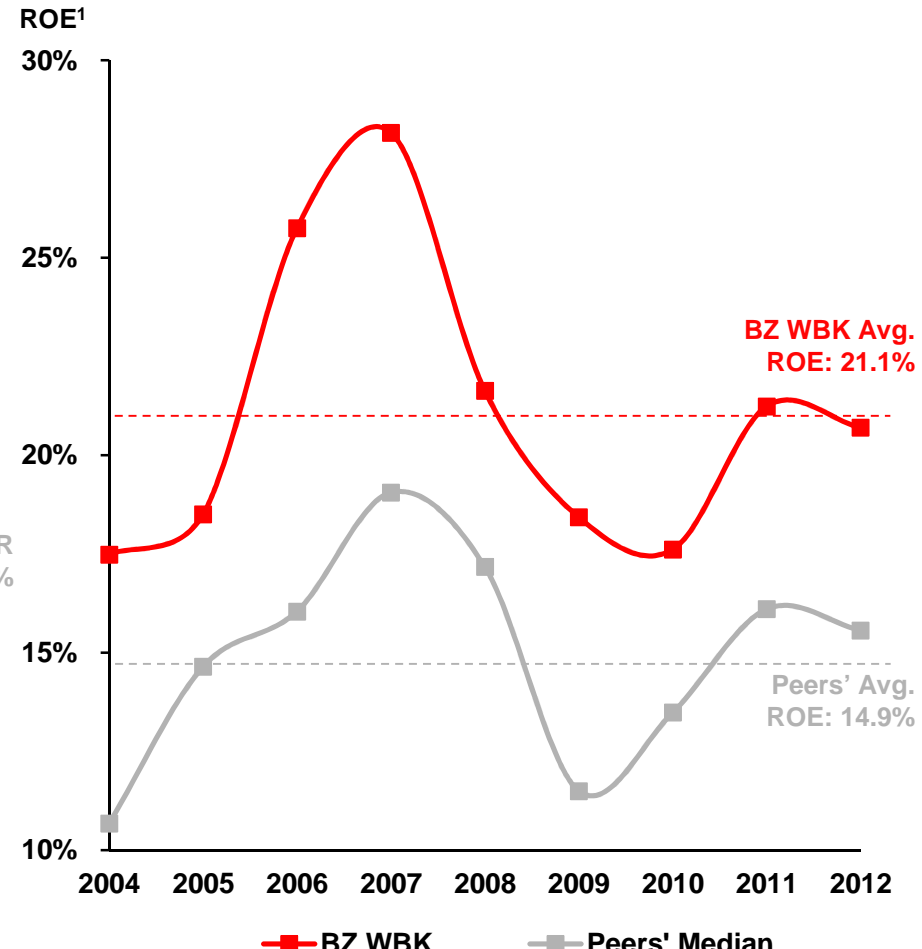
# 1 Superior Historical Performance

BZ WBK has consistently outperformed its Polish peers both in terms of profit growth and profitability

## Net Profit



## Return on Equity



Source: Company information. 2012 - BZ WBK for FY 2012, Peers based on 9M12 annualised results. Peers include PKO BP, PEKAO, Handlowy, BRE, ING Slaski, Millennium (Polish banks with market capitalisations above PLN5.5bn). Notes: 1. Annualised net profit attributable to the shareholders (4 consecutive quarters) to the quarterly average of equity calculated based on total equity at the end of five consecutive quarters, net of the current period profit, non-controlling interests and dividend due to shareholders. ROE for BZ WBK for 2011 excluding one-off adjustment.

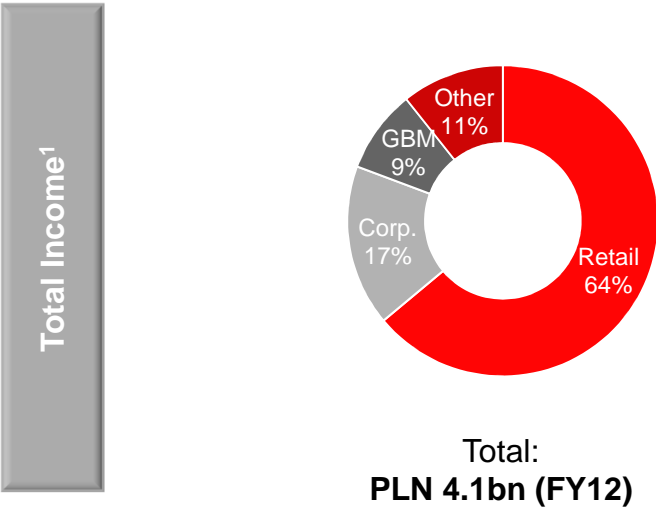
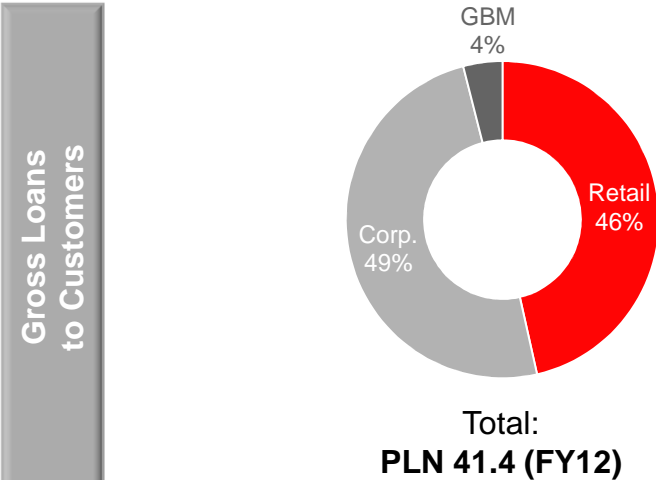


## 2 Simple Strategy Successfully Executed

### Core Focus



### Pre-Merger BZ WBK - Business Mix



Source: Company and management information. Retail incl. SME.  
 Note: 1. Includes net interest income, net fee & commission income, dividend income and other income.

## 3 Enhanced Platform Through Kredyt Bank Merger

### Merger Creates Leading Player...

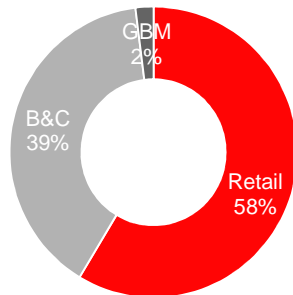


Improved Critical Mass

Highly Complementary Franchises

Significant Opportunity for Growth and Enhanced Profitability

### ... With a Balanced Business Mix



- Merger combines powerful client bases with limited overlap
- BZ WBK is the leading SME franchise while KB delivers mortgage factory


Aggregated<sup>1</sup> Gross Loans to Customers:  
**PLN 71.3bn (FY12)**

Source: Company and management information. Retail incl. SME. Notes: 1. Sum of BZ WBK and KB unaudited financials, excluding merger and fair value adjustments. 2. Includes net interest income, net fee & commission income, dividend income and other income.

### Aggregated<sup>1</sup> Key Financial Figures

(Unaudited FY12)


#### Balance Sheet (PLN bn)

- Gross loans 71.3
- Deposits 77.5 
- Total assets 101.0

#### Profit & Loss (PLN bn)

- Total income<sup>2</sup> 5.7
- Net profit 1.8

#### Operations

- Customers Above 4mn
- Branches 889 
- Employees 13.4k

## Strong Governance

### Santander Governance implies Financial Autonomy and Integrated Operations

- BZ WBK is funded independently and manages its own capital and liquidity positions
- Business model and operations consistent with Santander Group policies

### High Corporate Governance Standards

- Supervisory Board will be represented by at least 50% of independent board members during 2013
- Strong protection of minority shareholders

### Commitment to Continued Transparency

- Regular and detailed communication with investors and research analysts

## Benefits from the Santander Group

### Global Best Practices

- Adapt locally Santander Group's best practices in IT, global operations and procurement

### Wide Range of Product Knowledge

- Global understanding of client needs lead to the establishment of the Global Banking & Markets division
- Access to Santander Group products (Insurance, AM, International Trade)

### Multinational Client Base

- Access to Santander Group's multinational clients who do business related to Poland

### Superior Management

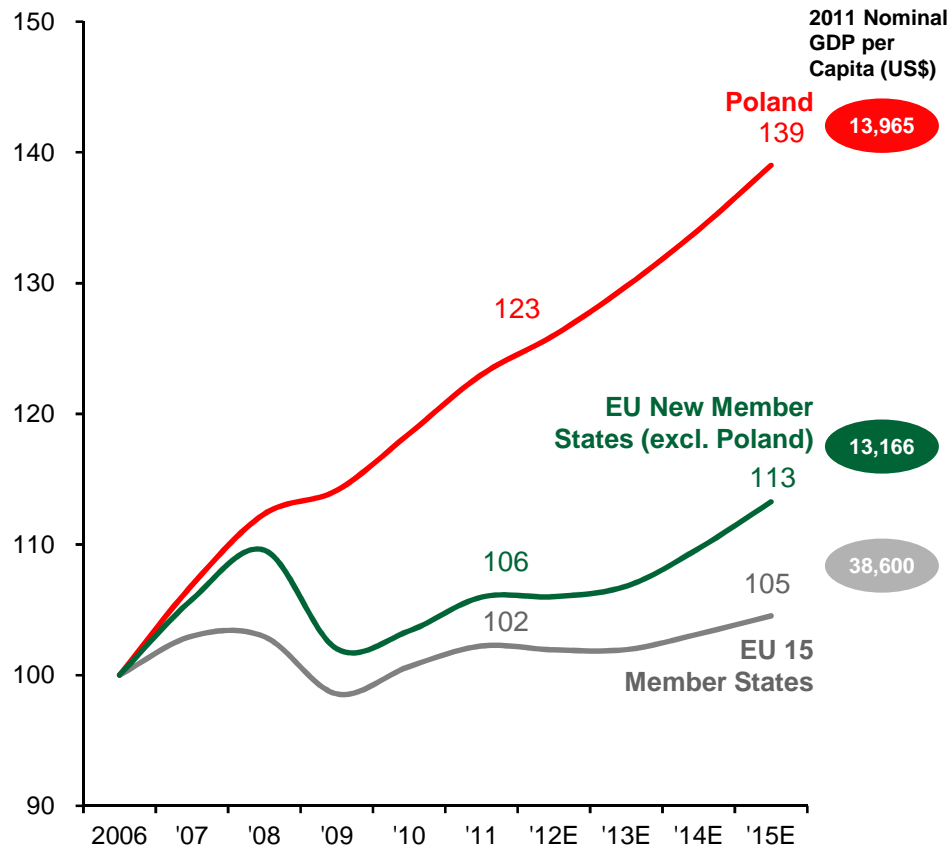
- Experienced management team with expertise within other entities of the Santander Group

# 5 Poland: An Economy with Significant Potential....

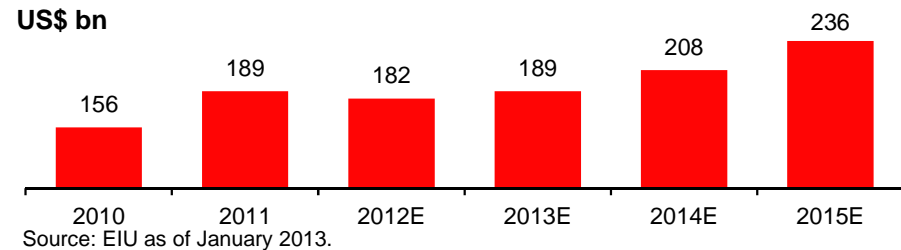
Poland: Attractive Market Offering Continued Growth...

...With Sound Macro Fundamentals

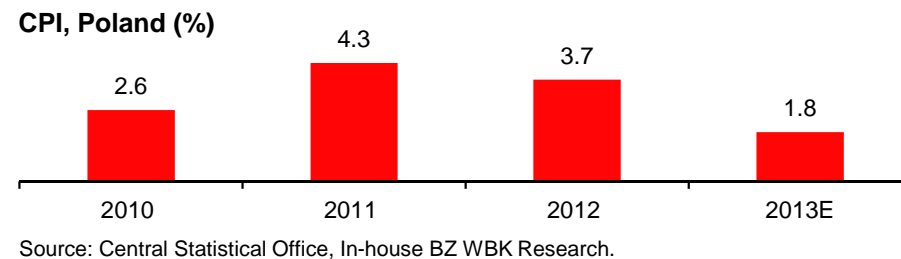
Evolution of Real GDP – Rebased to 100 in 2006



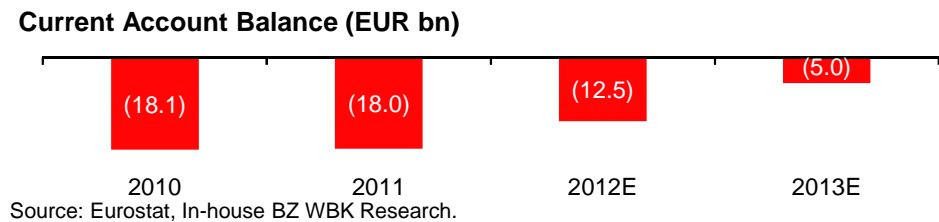
Growing Exports



Moderate Inflation Rates



Improving C/A Balance



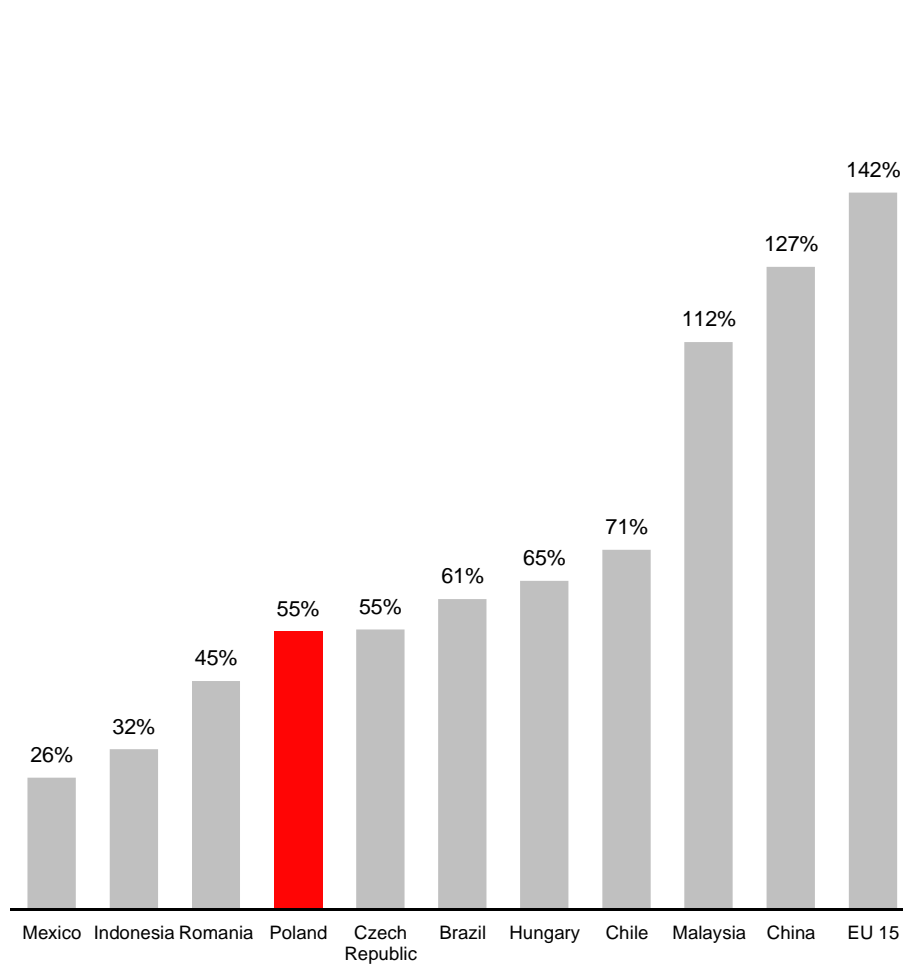
Source: EIU as of January 2013.

Note: EU 15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK. EU New Members includes Bulgaria, Czech Rep., Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia, Slovenia.

# 5 ...With a Healthy and Growing Banking Sector

Long-term Underpenetrated Banking Sector...

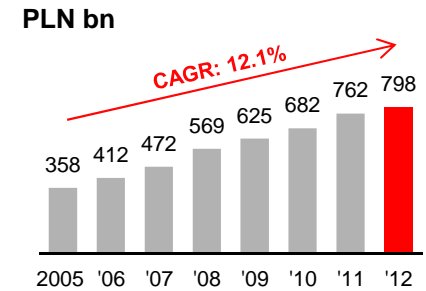
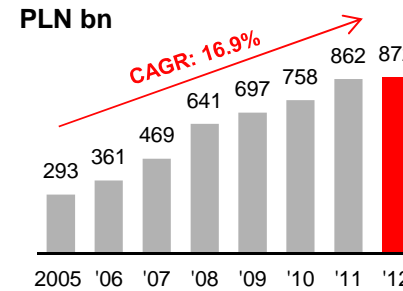
Loans / GDP Penetration (2011)



Source: EIU, World Bank.

...Has Driven Strong Historical Growth...

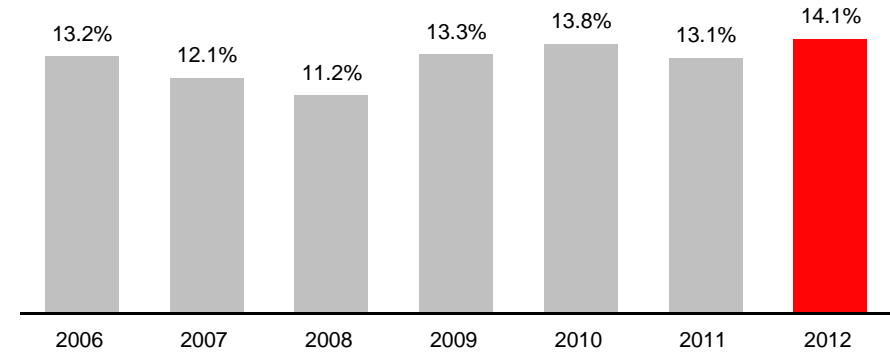
Loans Deposits



Source: NBP.

...While Maintaining Strong Capitalisation Levels

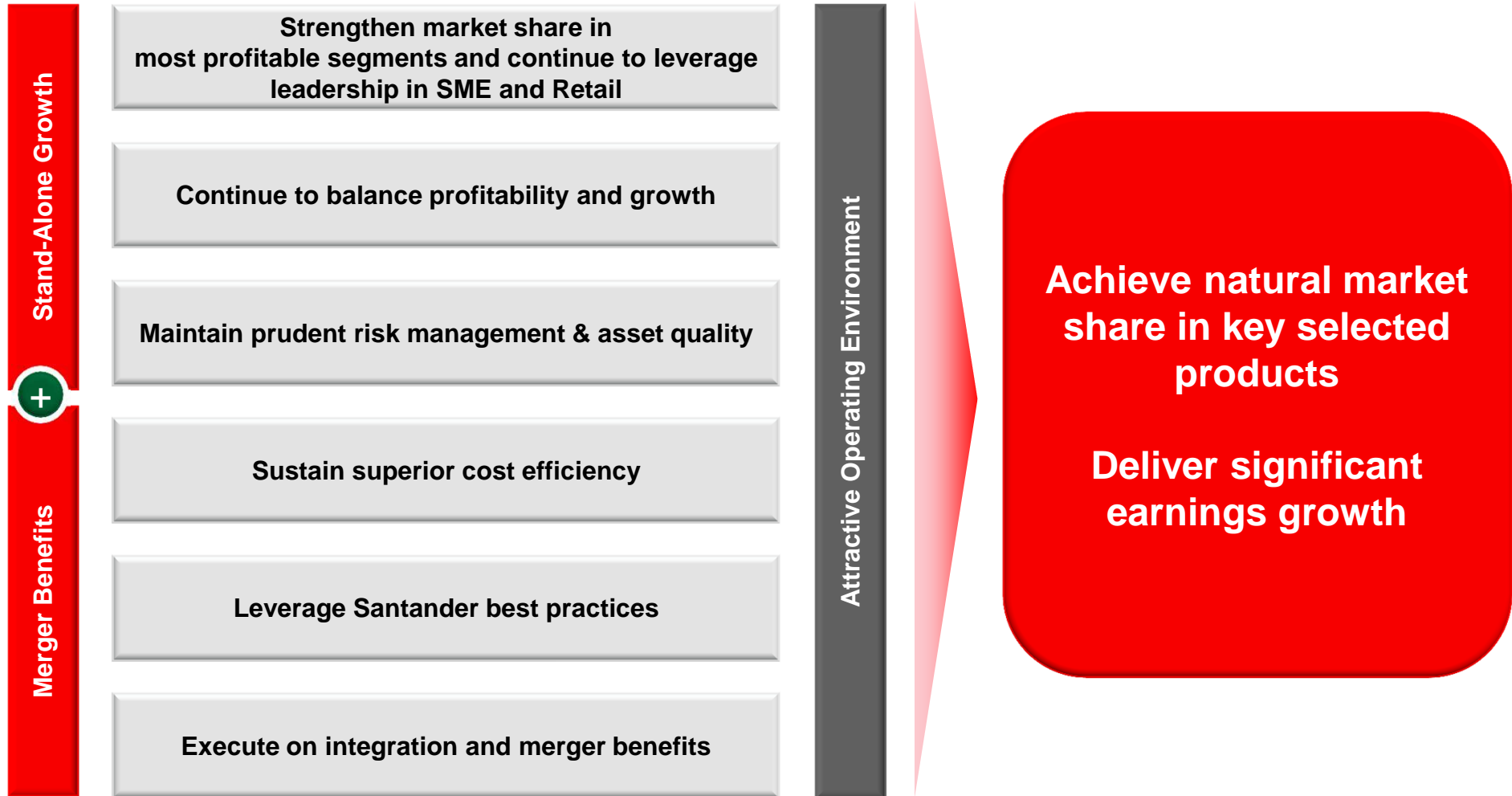
Capital Adequacy Ratio, Polish Banking Sector



Source: KNF.

# The New BZ WBK – Positioned to be the Leading Bank in Poland

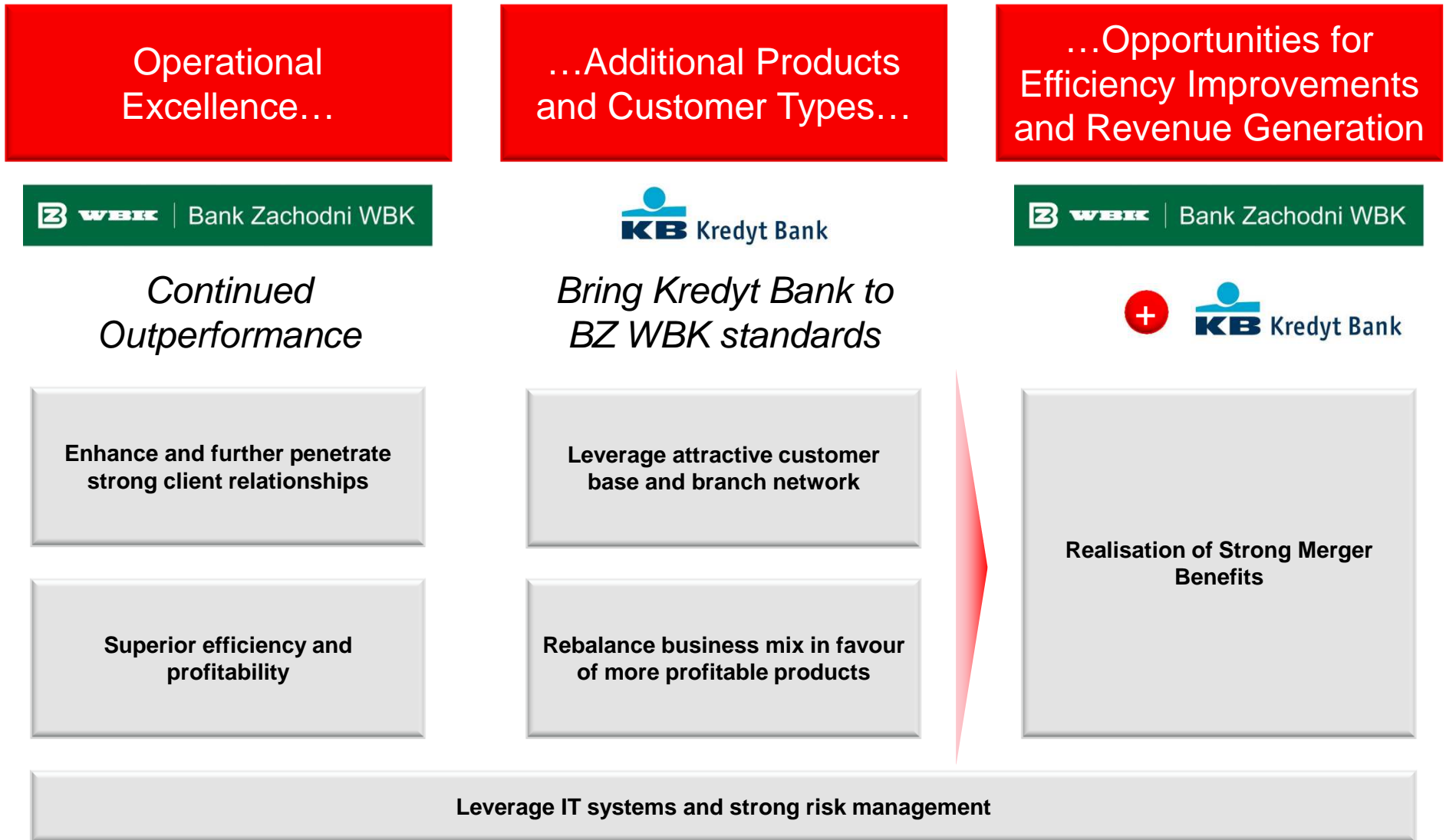
## Key Strategic Focus



# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform <sup>14</sup>

- Strategic Vision for the New BZ WBK
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# Driving Sustainable Earnings Growth Off a Larger Platform





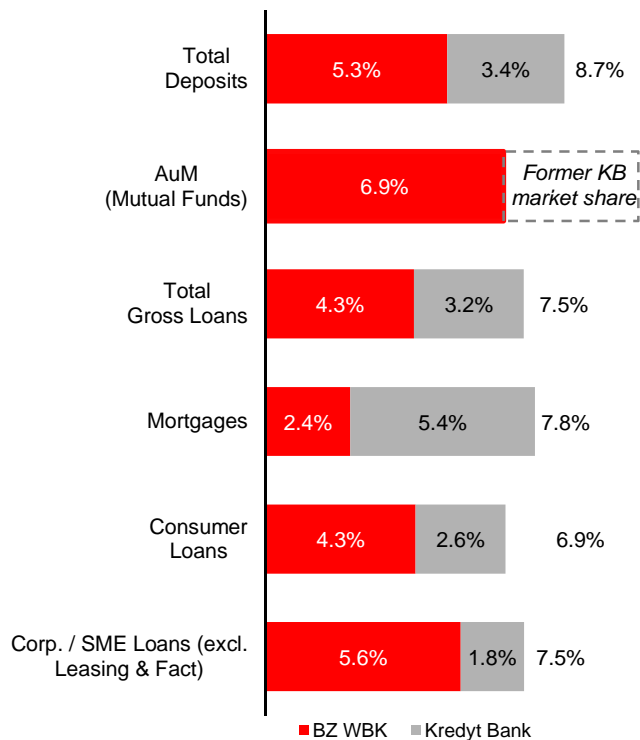
# Merger Results in Enhanced Business Mix & Significant Scale

Offering a Complementary Business Mix to a Larger Customer Base...

BZ WBK and KB

- 3.8mn Individual Clients
- 273k SME Clients
- 7.3k Active Corporate Clients

Market Shares (December 2012)



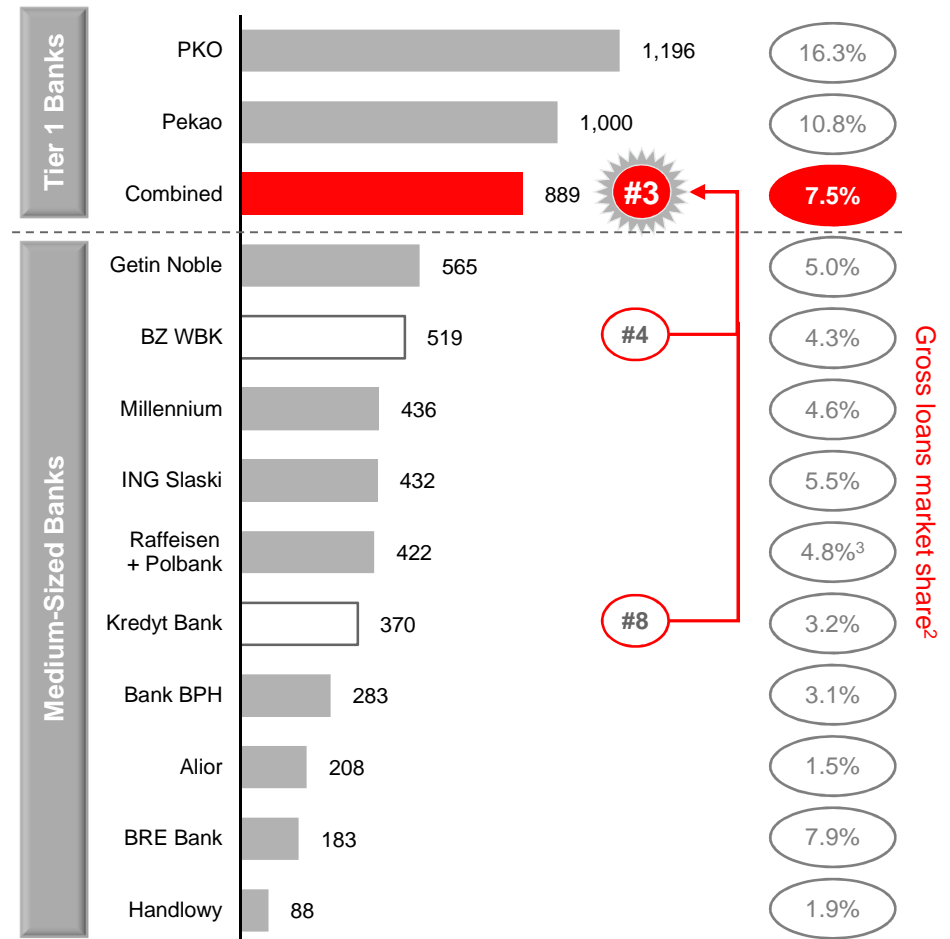
Significant opportunity to utilise new client base

Significantly improved retail profile

Enhancing corporate / SME position

...Through a Clear Tier 1 Branch Network

Number of Branches ex. Agencies (3Q 2012)<sup>1</sup>

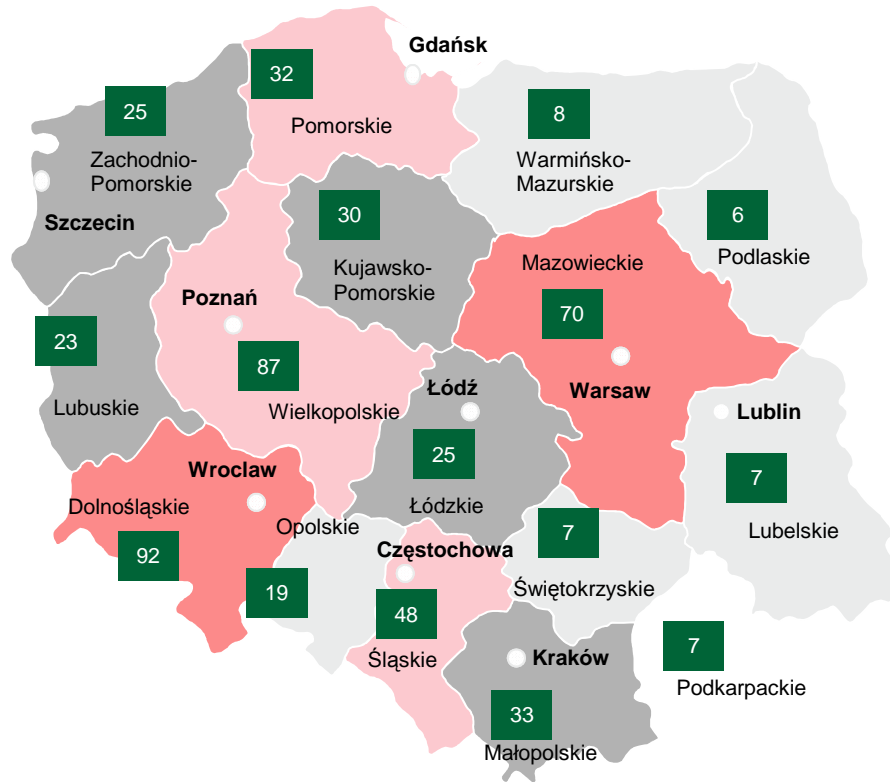


Source: Company information, NBP, SNL. Market shares are calculated based on NBP market data and NBP reporting data (WEBIS) for BZ WBK. SNL used for number of branches for Millennium Bank. Notes: 1. Excluding agencies / franchise network. BZ WBK and KB as of YE 2012. BZ WBK excl. 108 agencies. Raffaelsen + Polbank per RBI 3Q12 presentation. 2 Loan market share based on Dec. 2012 sector total loans. 3. Based on net loans.

# Clear Tier 1 Branch Network Well Spread Across Poland

## BZ WBK Stand-Alone Branch Network

BZ WBK branches network: 519



**Low level of branch overlap in traditional BZ WBK markets**

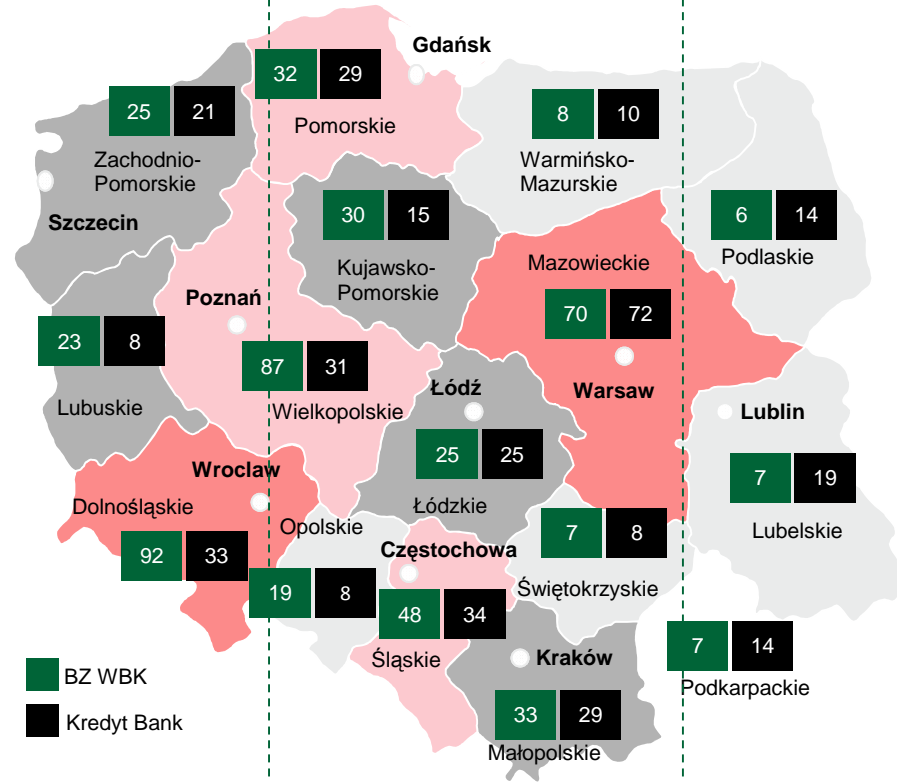
≤25 ≤30 ≤35 ≤40 ≤65

GDP per capita by region ('000 PLN)

Source: Polish Central Statistical Office 2012, Company information.

## Aggregated Tier 1 Branch Network

Aggregated network: 889



Limited overlap in the West

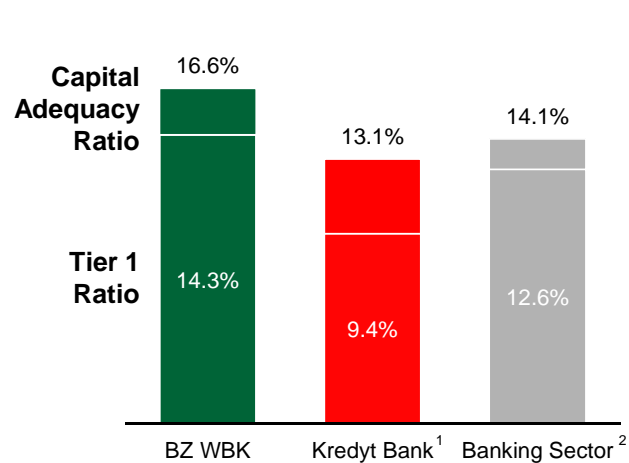
Significant penetration in most attractive regions (Central Poland)

Building new relationships in the East

# Strong Balance Sheet Providing Capital Funding to Grow

## Strong Capital Position...

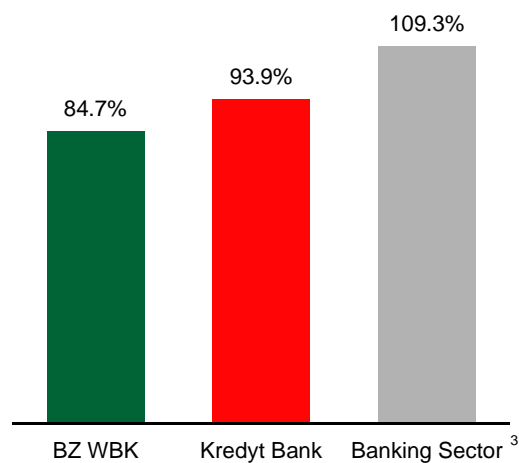
### Tier 1 & Capital Adequacy Ratio (2012)



- Capital Adequacy Ratio to be maintained significantly above regulatory minimum
- High quality** of capital
- Policy to maintain **minimum CAR of 13.5%**

## ...Solid Liquidity Profile...

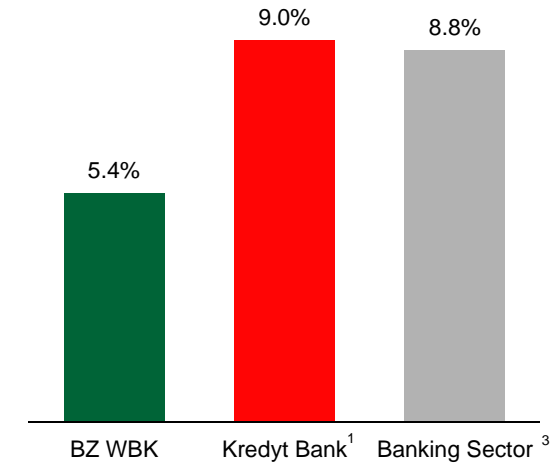
### Net Loan-to-Deposit Ratio (2012)



- Solid aggregate liquidity position with Net Loan-to-Deposit below 90%
- CHF 3.0bn funding agreement** with KBC in place to fund CHF mortgage portfolio

## ... And Focus on Risks

### NPLs / Gross Loans (2012)



- BZ WBK stand-alone risk profile **significantly better than Polish banks' average**
- Application of BZ WBK strong risk management across new platform with pro-active management of KB portfolio

Source: Latest available company information, NBP, KNF.

Notes: 1. As of 3Q 2012. 2. KNF as of November 2012 for Tier 1 and CAR. 3. NBP for Net Loans to Deposits as of December 2012, NPLs / Gross Loans as of November 2012.

# Overview of Next Steps for the Larger Platform

1

**Revenue Synergies – Leverage KB Platform and Client Base to BZ WBK Standards**

2

**Cost Synergies – Enhance Efficiencies of Combined Platform**

3

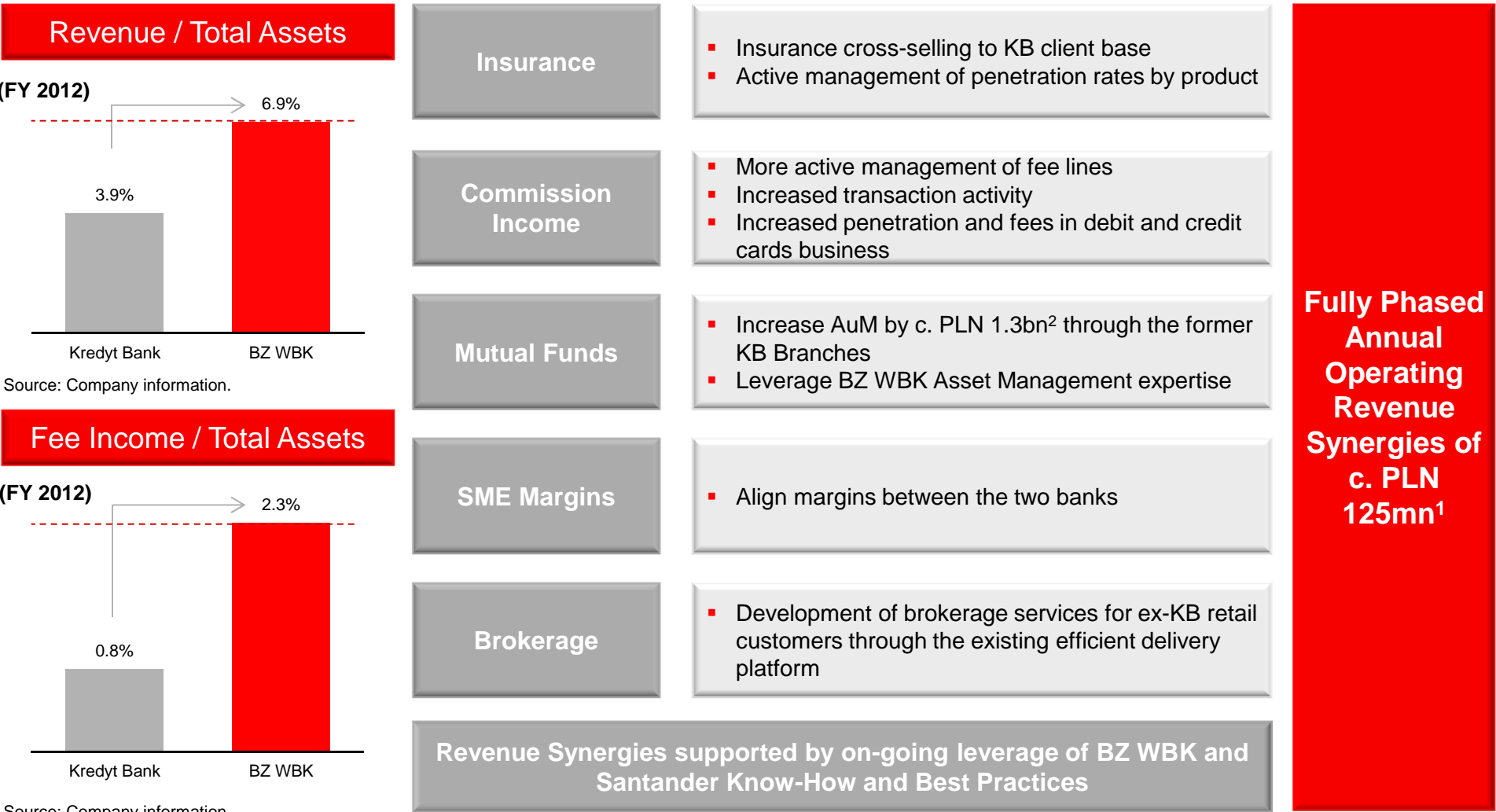
**Execution of Integration Plan**

4

**Leading to Clear Positive Financial Impact**

# 1 Initiatives to Obtain Revenue Synergies

## Leverage KB Platform and Client Base to BZ WBK Standards



Source: Company information.

Notes: 1. Pre tax synergies. Expected to be achieved by year 3. 2. By 2015.

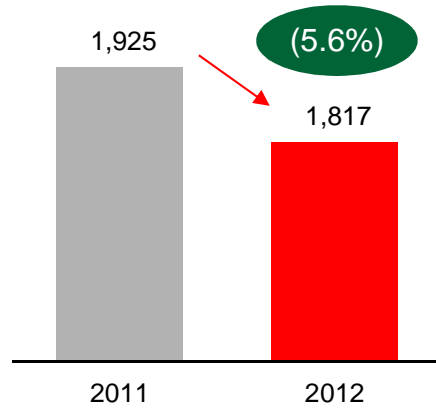
## 2 Right-Sizing the Business has Already Begun

### Cost Base

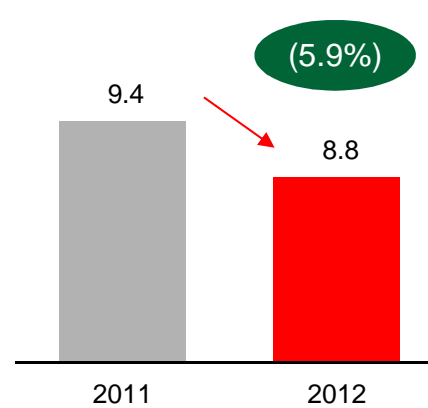
### Number of Employees

### Right-Sizing Project is Well Underway

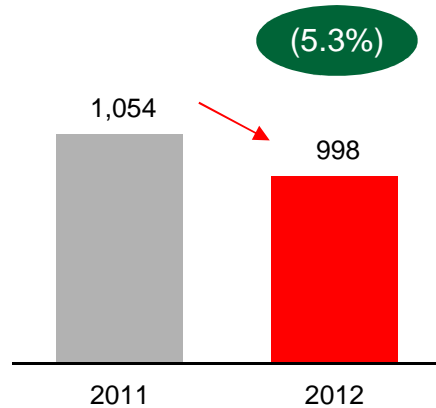
Operating Expenses (PLN mn)



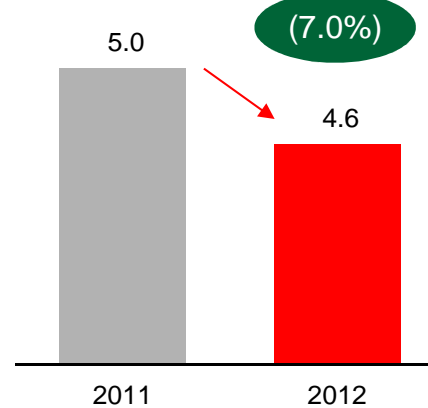
Number of FTEs (k)



Operating Expenses (PLN mn)



Number of FTEs (k)



- Early start to cost savings by the respective banks achieved during 2012
- Number of branches reduced by 10 since merger announcement
- Total number of employees reduced by 6.3% vs. 2011
- Reduction resulting from natural turnover and hiring freeze

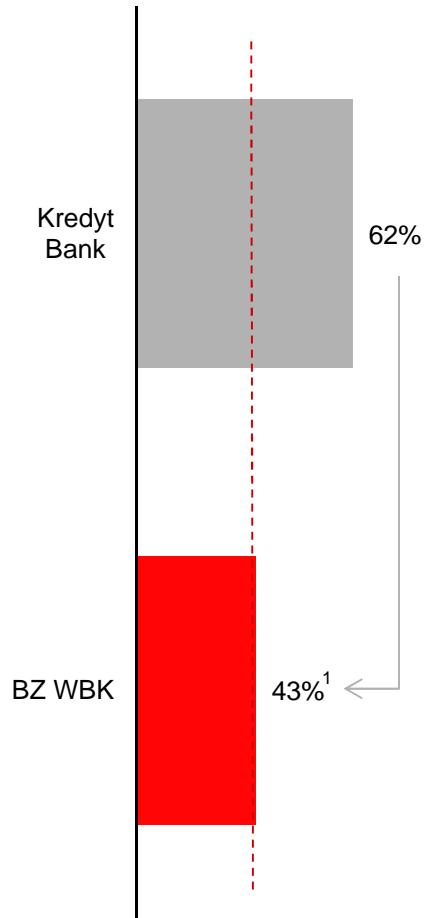
**Aggregated cost base reduced by 5.5% vs. 2011**

Source: Company information.

# 2 Initiatives to Obtain Further Cost Synergies

## Enhance Efficiencies of Combined Platform

Cost / Income Ratio (FY 2012)



**Operational Integration**

- Consolidation of support functions
- Adoption of internal best practice across business and support units
- Right-sizing combined branch network

**IT / Communication**

- Migration to single platform – mid 2014
- All IT contracts reviewed / licences under Santander Group terms
- Economies of scale in IT maintenance and support functions

**Marketing**

- Marketing cost for only one brand
- Utilisation of strong BZ WBK brand awareness

**Other Operations**

- Economies of scale across all operating cost lines

**Property**

- Headquarters consolidation and branch closure plans
- All rental agreements under review

**Fully Phased Annual Operating Cost Synergies of c. PLN 340mn<sup>1</sup>**

Source: Company information.

Notes: 1. Excluding KB integration costs of PLN 38mn. 2. Pre tax synergies. Expected to be achieved by year 3.

# 2 Integration Process Will Result in Single Branch Network & Brand

## Combination of Two Independent Networks

WBK   Bank Zachodni WBK	
Branches	519
SME Centres	10
Business & Corporate Centres	10

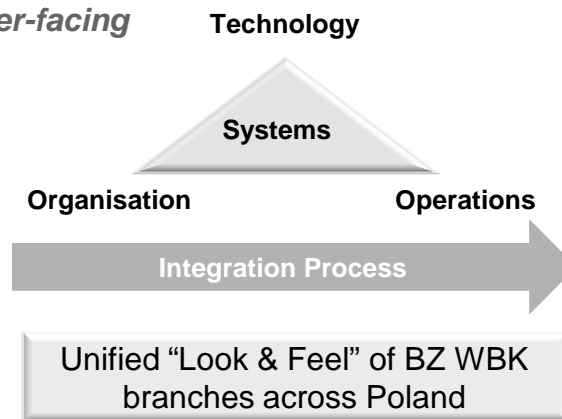
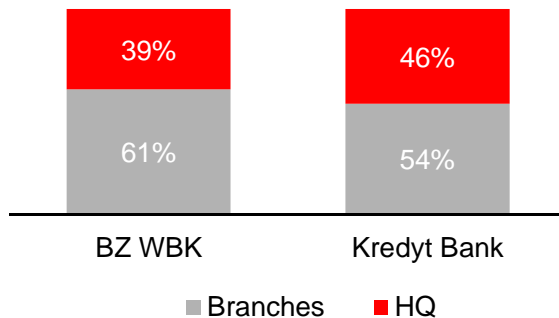
KB Kredyt Bank	
Branches	370
SME Centres	10
Business & Corporate Centres	13

## Single Brand & Network

WBK   Bank Zachodni WBK	
Branches <i>Reduction c. 50</i>	c. 840 + new
SME Centres <i>Reduction c. 40%</i>	12
Business & Corporate Centres <i>Reduction c. 50%</i>	12

## Integration and Optimisation

Majority of aggregate staff to be customer-facing  
Personnel distribution (FY2012, %) <sup>1</sup>

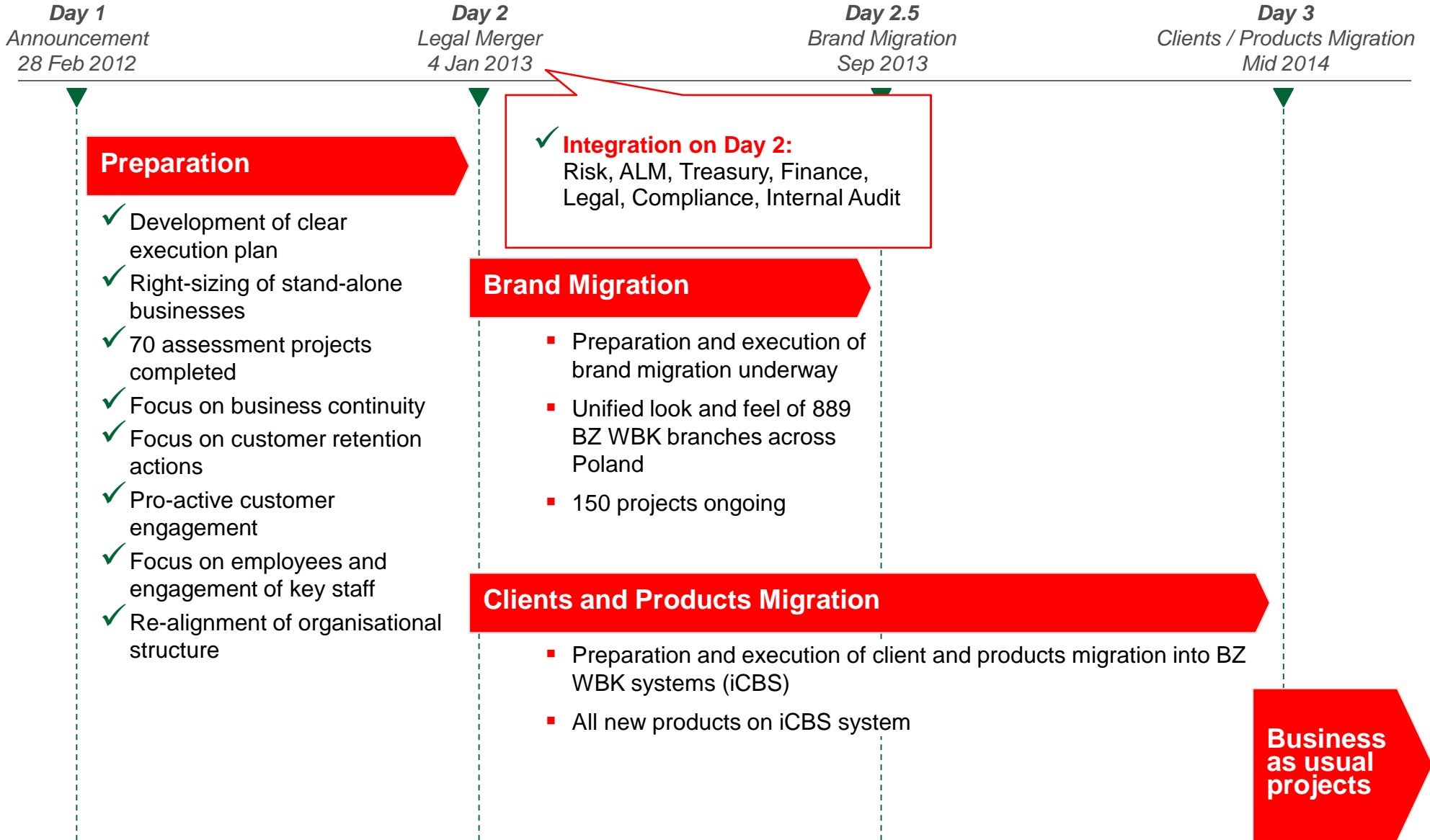


- Optimisation of Branch staffing to average of 7 employees per branch
- Potential new branches to be opened to ensure ideal customer coverage
- Centralisation of Corporate Headquarters
  - KB HQ lease contract expires in 2015 and will not be prolonged

Source: Company and management information.  
Notes: 1. Excludes employees of subsidiaries. Based on management accounts.



# 3 Execution of Integration Plan is Well Underway



# 3 Proven Track Record of M&A Integration

## Merger (2001 - 2003)

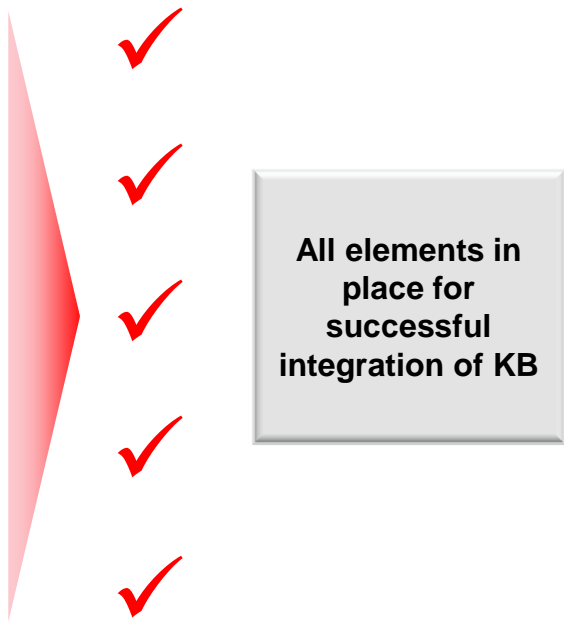


- ✓ Combination of two mid-sized banks created a player of larger scale
- ✓ Announced merger synergies of c. 18% of 2001 aggregate BZ and WBK cost base

## Key Lessons Learned from BZ + WBK Merger

Clear Execution Plan	<ul style="list-style-type: none"> <li>▪ Development of a clear, detailed plan is key</li> </ul>
Maintain Clear Customer Focus	<ul style="list-style-type: none"> <li>▪ Unification of customer service approach</li> </ul>
Focus on People	<ul style="list-style-type: none"> <li>▪ Ensure early engagement with key staff</li> </ul>
Focused Cost Control	<ul style="list-style-type: none"> <li>▪ Centralised management of cost synergies</li> </ul>
Single Integrated IT Platform	<ul style="list-style-type: none"> <li>▪ Technology as the basic pillar of integration</li> </ul>

## Merger with KB



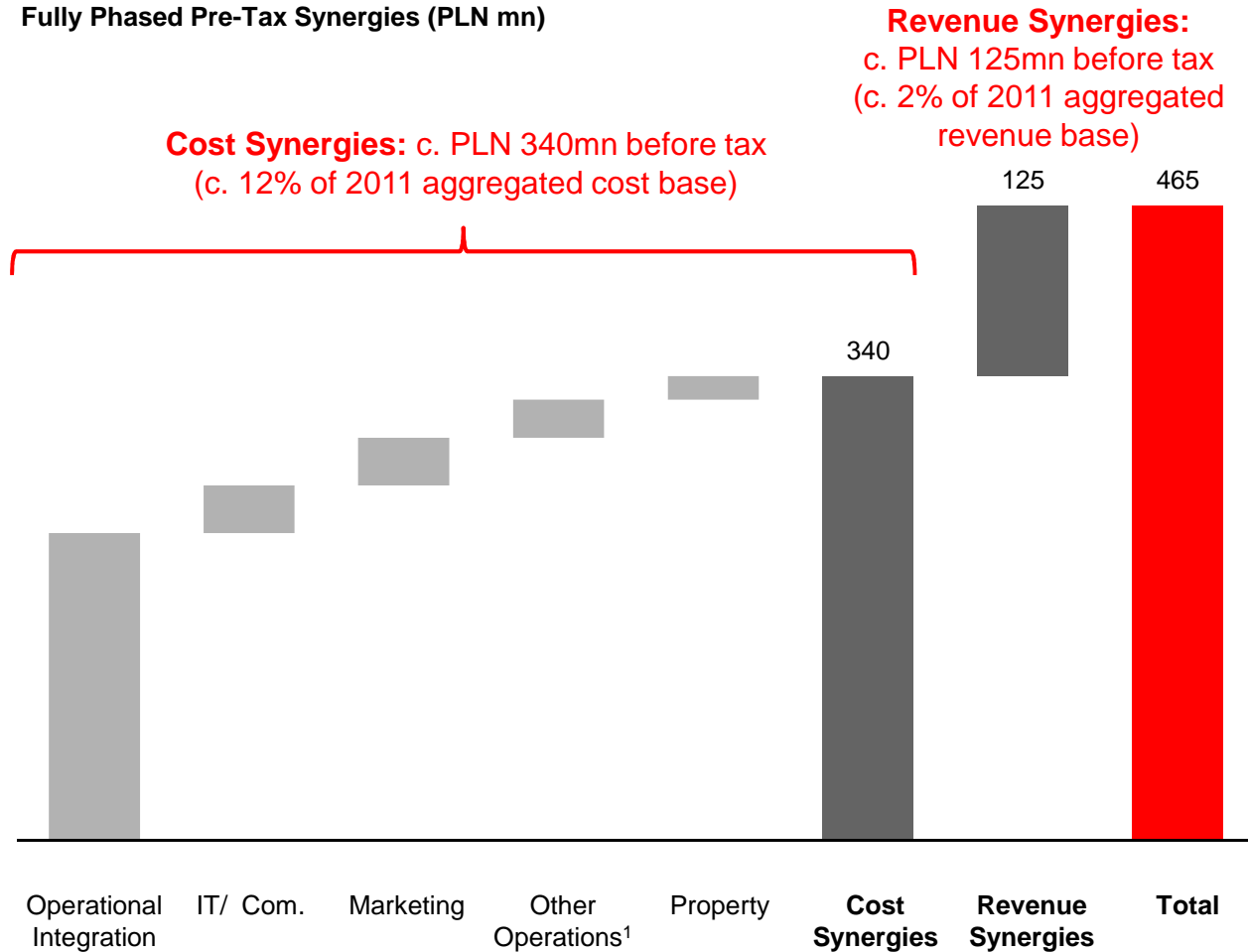
**Low execution risk:** Combination of local management's experience from BZ + WBK merger and Santander Group management's know-how and global expertise

Source: Management information.

# 4 Merger Benefits of PLN 465mn

## Fully Phased Pre-Tax Synergies: PLN 465mn

Fully Phased Pre-Tax Synergies (PLN mn)

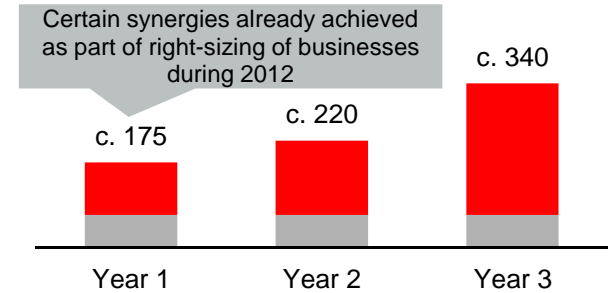


**New estimate of total synergies is c. 7% higher than initial Santander guidance**

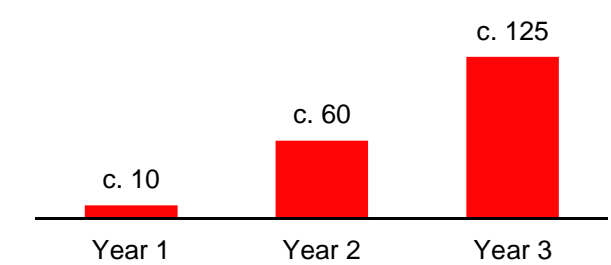
Note: 1. Includes amortisation.

## Phase In

Cost Synergies (PLN mn)



Revenue Synergies (PLN mn)



## Integration Expenses

- Integration costs estimated to amount to c. PLN 430mn before tax
- Capital expenditure of c. PLN165mn before tax
- Mainly to occur in 2013

# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform <sup>27</sup>

- Strategic Vision for the New BZ WBK
- Execution Plan for the New BZ WBK Platform
- Business Operations Overview

- Retail Banking

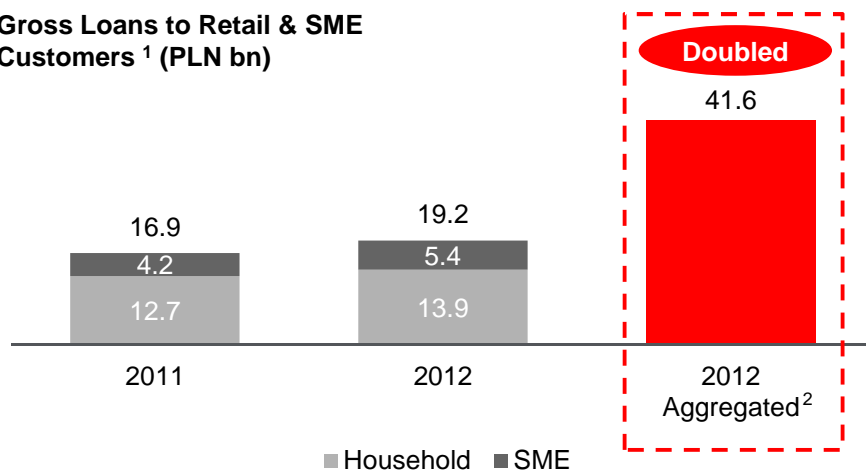
- Business & Corporate Banking
- Global Banking & Markets
- Risk Management

- Mid-Term Outlook
- Appendix

# Retail – Summary Financials

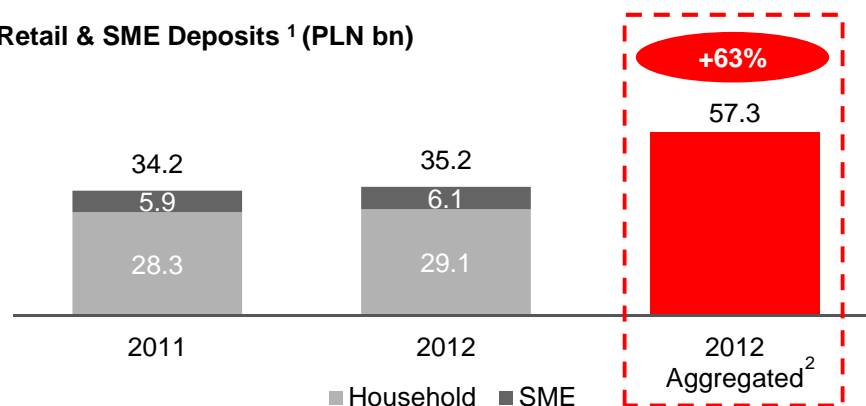
## Strong Growth of Retail and SME Loans

Gross Loans to Retail & SME Customers <sup>1</sup> (PLN bn)



## Growing Retail and SME Deposit Base

Retail & SME Deposits <sup>1</sup> (PLN bn)



## Pre-Merger BZ WBK Growth Rates Outperformed the Market

2012 vs. 2011 Growth Rates

Bank Zachodni WBK

Sector <sup>3</sup>

Household Loans (Individuals)	9%	(1)%
SME Loans	27%	n.a.
Term Deposits	6%	15%
Number of Current Accounts <sup>4</sup>	9%	4%
SME Deposits	3%	n.a.
AuM <sup>5</sup>	29%	15%

Source: Company and management information based on internal segmentation. Notes: 1. Household / SME split based on internal segmentation. Retail Deposits incl. c. PLN 0.7bn brokerage balances. 2. Sum of BZ WBK and KB unaudited financials, excluding merger and fair value adjustments. 3. Based on NBP data. 4. Based on Bankier.pl data. Regards PLN current accounts. 5. Based on Analyze Online and IZFA data. Regards "retail" segment of investment funds i.e with any entry restrictions on potential investors.

# BZ WBK – A Market Leader in Retail Banking

## Customer Segments

<b>Individual Customers</b>  (3.8mn clients)	<b>Affluent</b>  Wealth Management, VIP, Potential VIP
	<b>Mass Market</b>  Prestige, Universidades, Lower Mass Market
<b>SME Customers</b>  (273k clients)	<b>“10-30” Companies</b>
	<b>Premium</b>
	<b>Classic</b>

## Distribution Network

<b>Branch Network</b>	<ul style="list-style-type: none"> <li>889 Branches</li> </ul>
	<ul style="list-style-type: none"> <li>108 Agency Outlets</li> </ul>
	<ul style="list-style-type: none"> <li>115 Mobile Sales agents</li> </ul>
<b>Internet</b>	<ul style="list-style-type: none"> <li>C. 2.75mn retail &amp; SME users</li> </ul>
<b>Call Centre</b>	<ul style="list-style-type: none"> <li>Inbound / outbound service &amp; sales with 260 FTEs</li> </ul>
<b>ATM</b>	<ul style="list-style-type: none"> <li>Nationwide 1,452 ATMs</li> </ul>
<b>Intermediaries</b>	<ul style="list-style-type: none"> <li>&gt;3,000 product related intermediaries</li> </ul>

**Leader on the market – Constantly improving market share / positioning**

**Experience – Running an effective and profitable business**

**Best-In-Class customer service standards**



**Bank of the Year – Poland**

Source: Company information as of 31 December 2012.

# Clear Customer Strategy

## Clear Customer Strategy...

1

### Customer Acquisition

- Presence in mass media (customer acquisition, brand awareness) – regular marketing campaigns
- Extended use of alternative channels – Call Centre, Internet, Avocado, Payroll, Corporate Customers, Payback, Intermediaries, Partner Outlets

2

### Building Relations

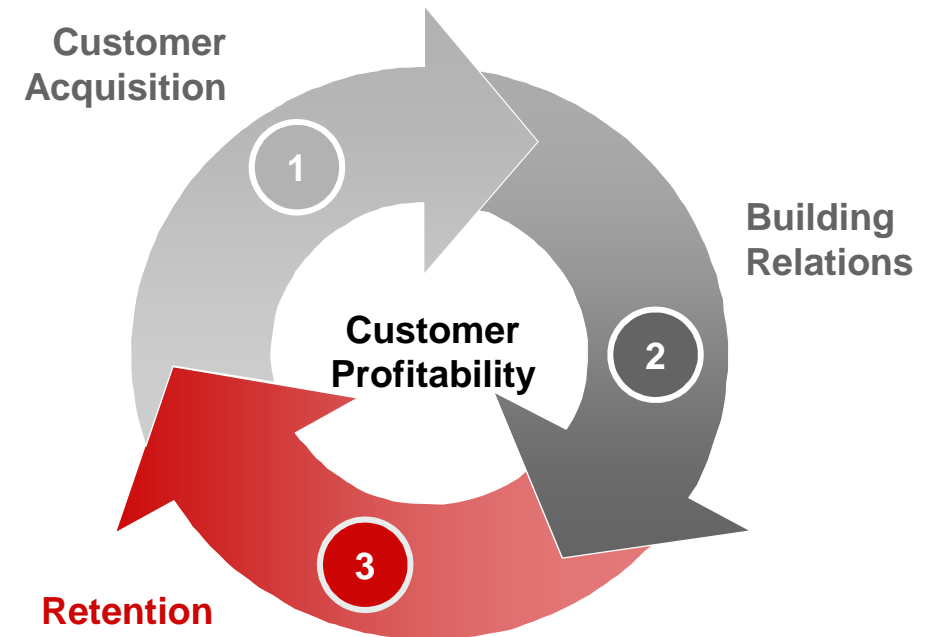
- Growth and success based on customer satisfaction and trust – promoting transactionality and cross-selling

3

### Retention

- Managing customer base using CRM and CLM tools and methodology with the focus on customer profitability growth

## ... Throughout Customer Lifetime Cycle



Customer strategy is focused on profitable customer relationships

# Excellent Customer Acquisition & Retention

## 1 Strong Marketing Campaigns...



## 3 ...And Excellent CRM



## 2 ...And Innovative Products & Technology





# BZ WBK's Continued Leadership in Retail Banking

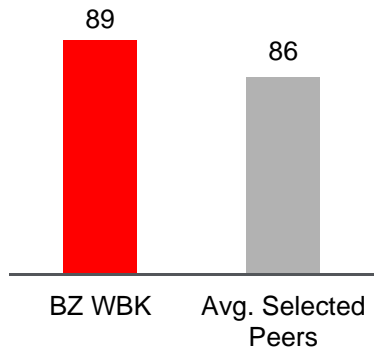
## The Right Organisational Setup...



## ... And Strong Focus on SME...

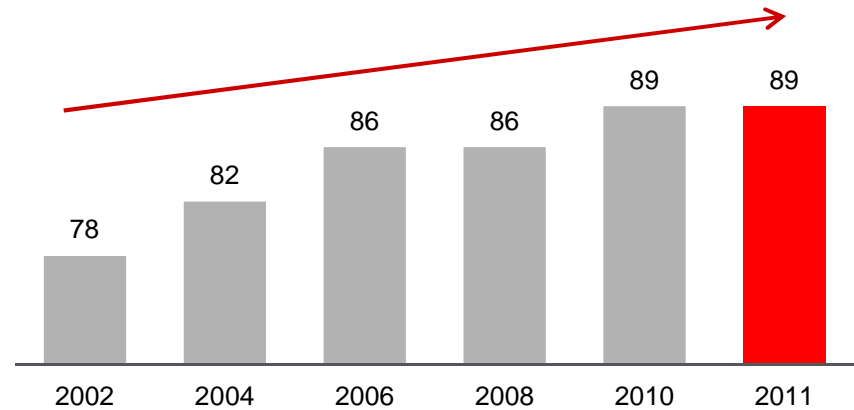
- Continuous growth in number of active customers as well as income per customer
- Diversified income generation
- Outperforming the market

SME – Customer Satisfaction Index (CSI), 2011 Results <sup>1</sup>



## ... Improve Customer Satisfaction...

BZ WBK – Retail Customer Satisfaction Index (CSI) <sup>2</sup>



## ... As Demonstrated by Key Awards



Repeatedly awarded as one of Poland's leading banks in Service Quality and Customer Friendliness

Notes: 1. CATI telephone survey of BZ WBK and competitor customers incl. PKO BP, Pekao, ING Slaski, Millennium. Scale 1 to 100. Scale 1 to 100. Analysed areas: Efficiency, Attitude, Accuracy and Dependability, Electronic Services, Functioning of the Bank. 2. CATI telephone survey of BZ WBK customers (individuals and SME) conducted since 2002.

# Leading Brokerage and One of the Biggest Asset Managers

## Brokerage House

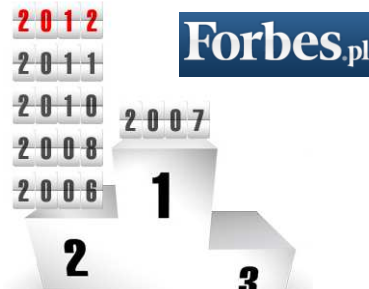
### Trading

- Local and foreign equities
- Futures and options
- Mutual funds
- Forex & CFDs
- Active traders' dedicated accounts

### Advisory

- Strategic Investment Advisory
- Active Investment Advisory
- Advisory Account
- Coverage of 60 companies
- Over 300 technical analyses per month

- 115k clients
- 17.5% options market share<sup>1</sup>
- 11.4% futures market share<sup>1</sup>
- 7.3% cash equity market share<sup>1</sup>
- Top 3 Position in Bonds, Futures and Options<sup>1</sup>



### Highest Notes by Forbes in:

- ✓ Analyses
- ✓ Internet Platform
- ✓ Customer Service

**Best Brokerage House in Poland**

## Asset Management

### BZ WBK TFI S.A. and BZ WBK Asset Management S.A.

- One of the **biggest asset managers** in Poland as of 31 December 2012:
  - Investment Funds: PLN 10.0bn
  - Individual portfolios: PLN 0.6bn
- One of the **most experienced** institutions in Poland with investment operations since 1998 and rich market experience
- **Broad products portfolio** includes:
  - Arka branded open-ended funds
  - Individual portfolios
  - Property Market Funds
  - The first player to introduce white-label Fund: Credit Agricole (formerly: LUKAS)
- **Strong expertise in Central and Eastern Europe** with market operations since 2003

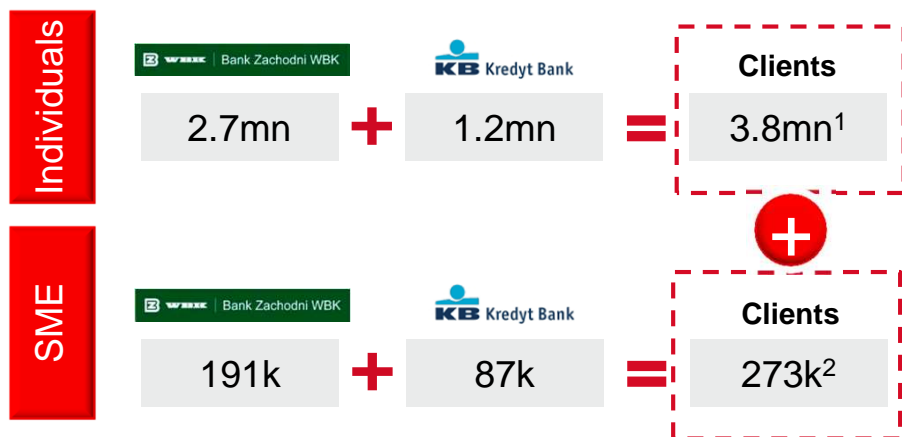


**6 Golden Wallets for Best Asset Management Specialists**

Note: 1. Based on Warsaw Stock Exchange data for FY2012.

# Combination Provides a More Powerful Platform

## Combined Customer Base

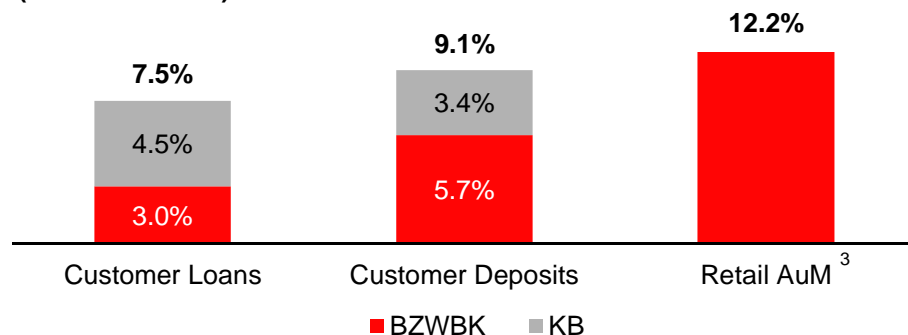


Combined: Over 4 million customers

Source: Company information. Note: 1. 100k customers shared. 2. 5k customers shared.

## Market Shares (Retail)

(December 2012)



Source: Company information, NBP. Market shares are calculated based on NBP market data and NBP reporting data (WEBIS) for BZ WBK.  
3. Based on Analityz Online data. Regards "retail" segment of investment funds i.e with any entry restrictions on potential investors.

## Key Focus

**BZ WBK: Giving more to customers and working harder than other banks**

- Continue to increase sales dynamics and efficiency across all channels supported by high-tech solutions
- Focus on profitable customer segments
- Leverage large client base and balance sheet
- Maintain focus on cost discipline

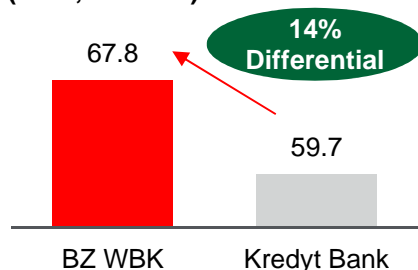
## Strategic Goal

**Universal first choice bank, with aspirational 10% market share in retail loans**

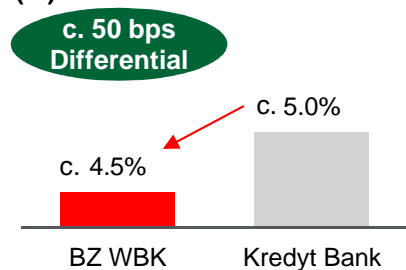
# Opportunities: Customer Deposits and Personal Loans

## Customer Deposits

Retail and SME Deposits / Branch (2012, PLN mn)

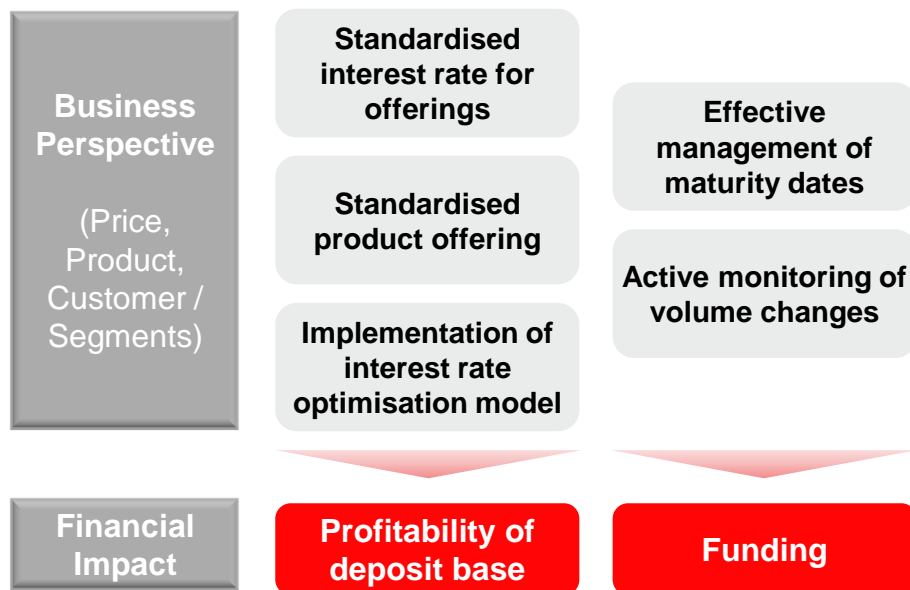


Average Term PLN Deposit Rate <sup>1</sup> (%)



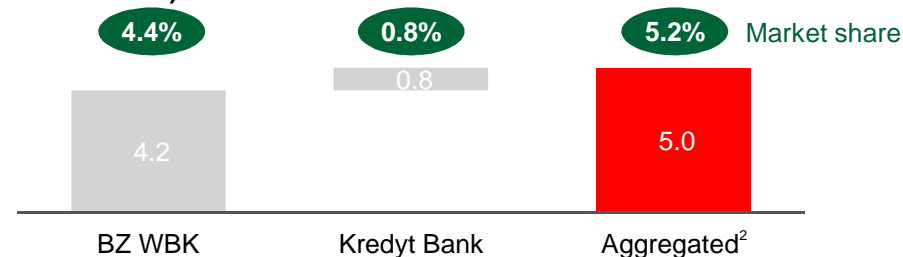
Source: Company and management information.

### Current Focus



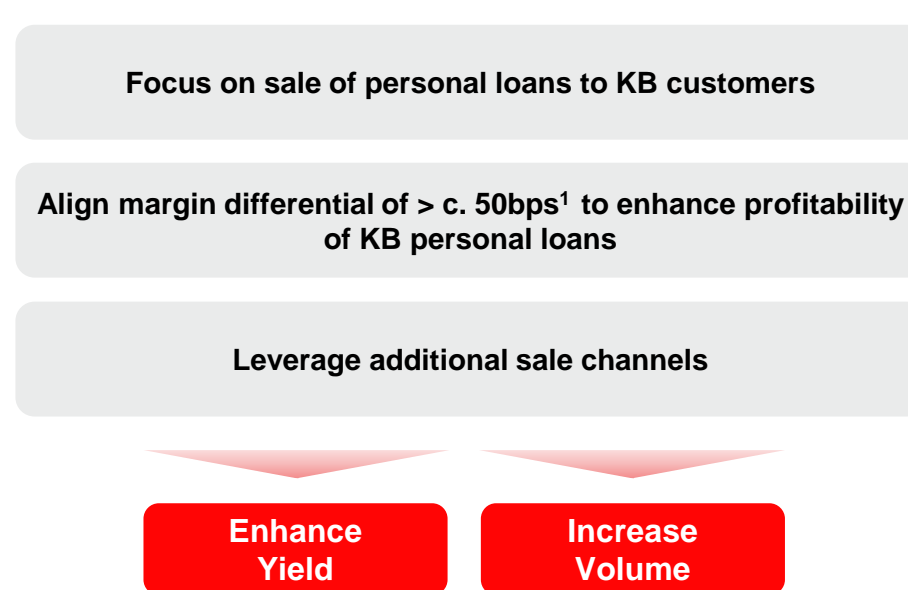
## Personal Loans

Portfolio Size (PLN bn) and market share in Personal Loans (December 2012)



Source: Management information, NBP.

### Current Focus



Source: Company and management information, NBP. Market shares are calculated based on NBP market data and NBP reporting data (WEBIS) for BZ WBK.

Notes: 1. Based on management estimates. 2. Sum of BZ WBK and KB unaudited financials, excluding merger and fair value adjustments.

# Opportunities: Bancassurance and Asset Management

## Bancassurance

Leverage High Quality Business



Synergy Potential

- Utilise potential of KB Sales network and KB Customers and reach BZ WBK "natural" sales effectiveness
- Develop sales of stand-alone products (life, home, motor insurance and ADB)
- Utilise complementary channels (internet, call-centres)

Target

**Reach 10% of bancassurance market share by the end of 2015 (currently c. 6%)<sup>1</sup>**

## Asset Management

Key Focus

Standardised offering of structured products

Max. number of advisors authorised to sell investment products

**Maximise sale / profitability of investment products from larger customer base**

Standardised model of selling investment products

Intense development of Arka fund sales network

**Increase AuM by c. PLN 1.3bn<sup>2</sup> and leverage BZ WBK expertise**

Source: Company information. Note: 1. Polish Insurance Chamber as of 3Q2012 and company calculations. 2. By 2015.

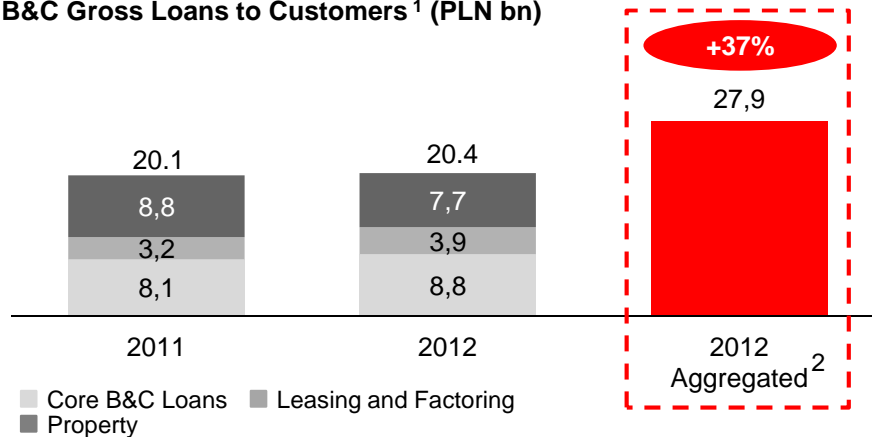
# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform <sup>37</sup>

- Strategic Vision for the New BZ WBK
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# B&C – Summary Financials

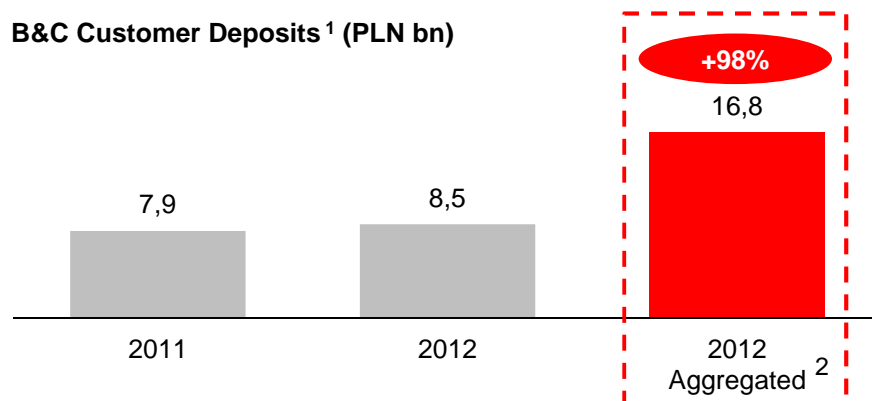
## Strong Loans Growth in Core B&C

B&C Gross Loans to Customers <sup>1</sup> (PLN bn)



## Growing Deposit Base

B&C Customer Deposits <sup>1</sup> (PLN bn)



## Outperformance of Pre-Merger BZ WBK

2012 vs. 2011 Growth Rates



Sector <sup>3</sup>

Core B&C Loans	9%	4%
Property Loans	(12%)	5%
Finance Lease	20%	0%
Factoring	75%	26%
Customer Deposits	8%	(8%)

Source: Company and management information based on internal segmentation. Notes: 1. Property/Leasing and Factoring /Core B&C split based on internal segmentation. B&C customer deposits excluding funding received from European Investment Bank of PLN 1.4bn and PLN 1.7bn in 2011 and 2012 respectively. 2. Sum of BZ WBK and KB unaudited financials, excluding merger and fair value adjustments. 3. KNF, Polish Leasing Association, Polish Factors Association. Growth rates year on year based on outstanding balance as of Nov-12 except for Factoring, based on 2012 turnover and Finance Lease based on 2012 new assets.

# Broad Offering to Corporate Clients

## Customer Segments

## Products Offered

No. of customers,  
2012<sup>1</sup>

**Business &  
Corporate  
Banking**  
(Turnover:  
PLN 30mn-1bn)

6.9k

**Property**

0.2k

**Large  
Corporate**  
(Turnover:  
> PLN 1bn)

0.2k

- **Transactional banking products**

- Bank accounts
- Domestic and cross-border payment services
- Electronic banking products
- Letters of credit

- **Credit products**

- Investment and working capital financing products
- Technology loans

- **Treasury products and hedging services**

- **Leasing**
- **Factoring**

**Consistent client  
coverage through  
countrywide footprint**

**State-of-the-art client  
servicing quality with  
comprehensive product  
offering**

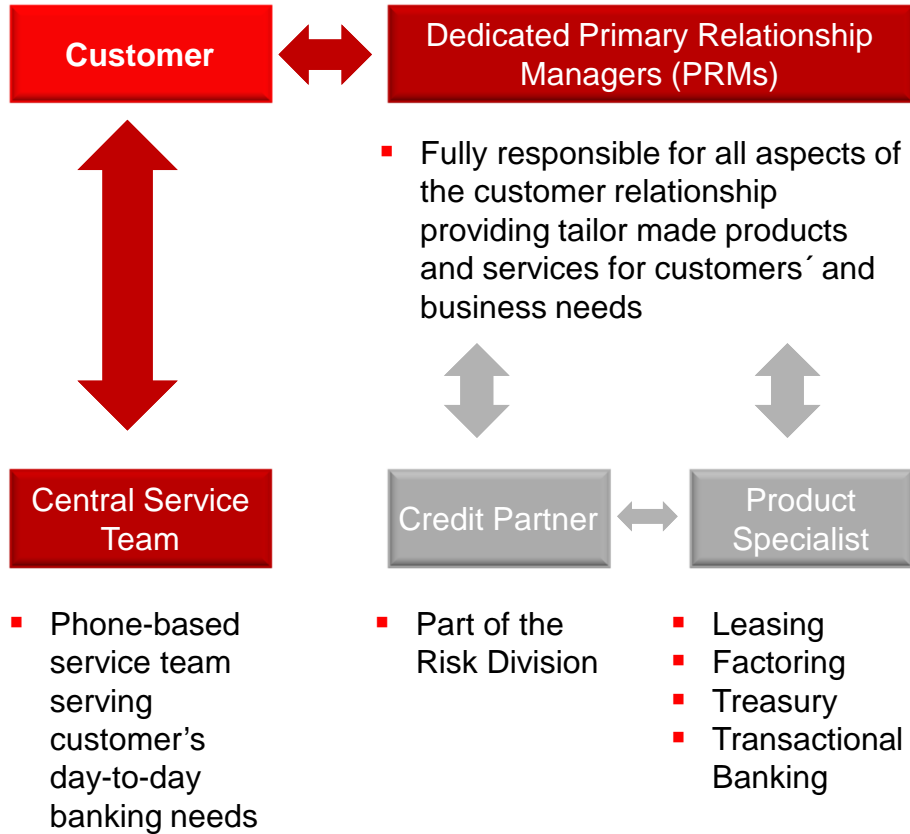
**Ambitious growth plan  
with identified objectives  
and strategy**

Source: Company information. Aggregate BZ WBK and KB.



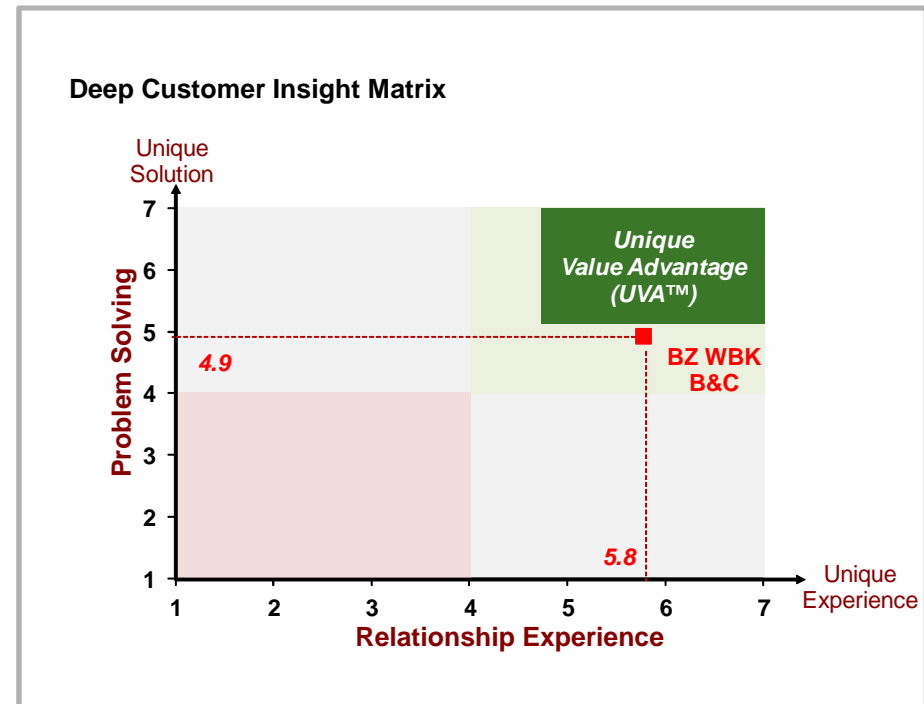
# BZ WBK – The Best Business Bank in Poland

## Successful Relationship Banking Model



## Highly Satisfied Customer Base

Independent research evaluated the BZ WBK relationship banking model as top quartile for service quality among European peers, with 65% of customers strongly recommending BZ WBK <sup>1</sup>

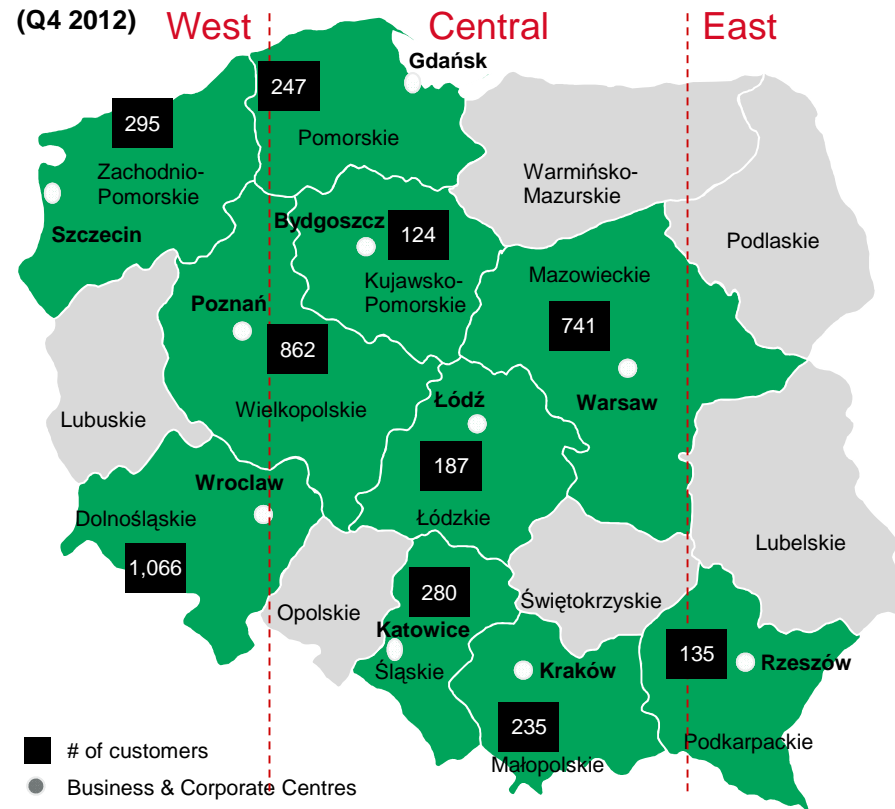


1. Source: Deep-Insight Consulting.

# Significantly Increased Firepower & Low Client Overlap

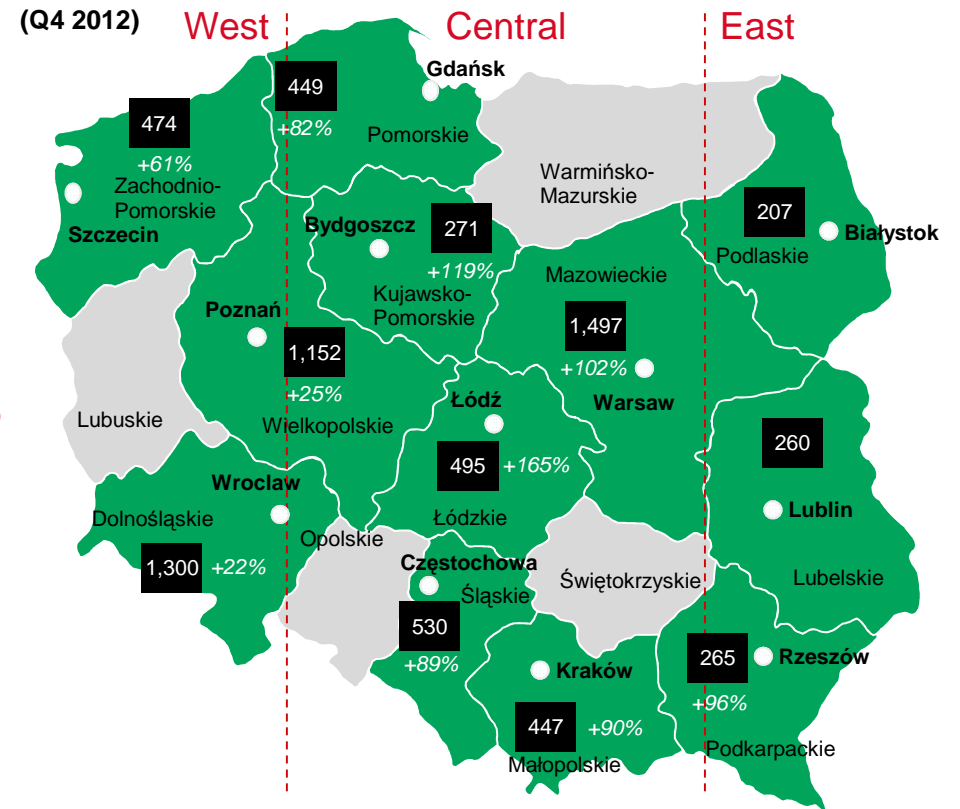
Ideal combination of BZ WBK West and South strength with KB strength in the east resulting in nationwide coverage and client overlap of only c. 10%<sup>1</sup>

## BZ WBK Pre-Merger



**4.2k Customers**   **125 PRMs**   **10 Business & Corp. Centres**

## BZ WBK / KB Aggregated



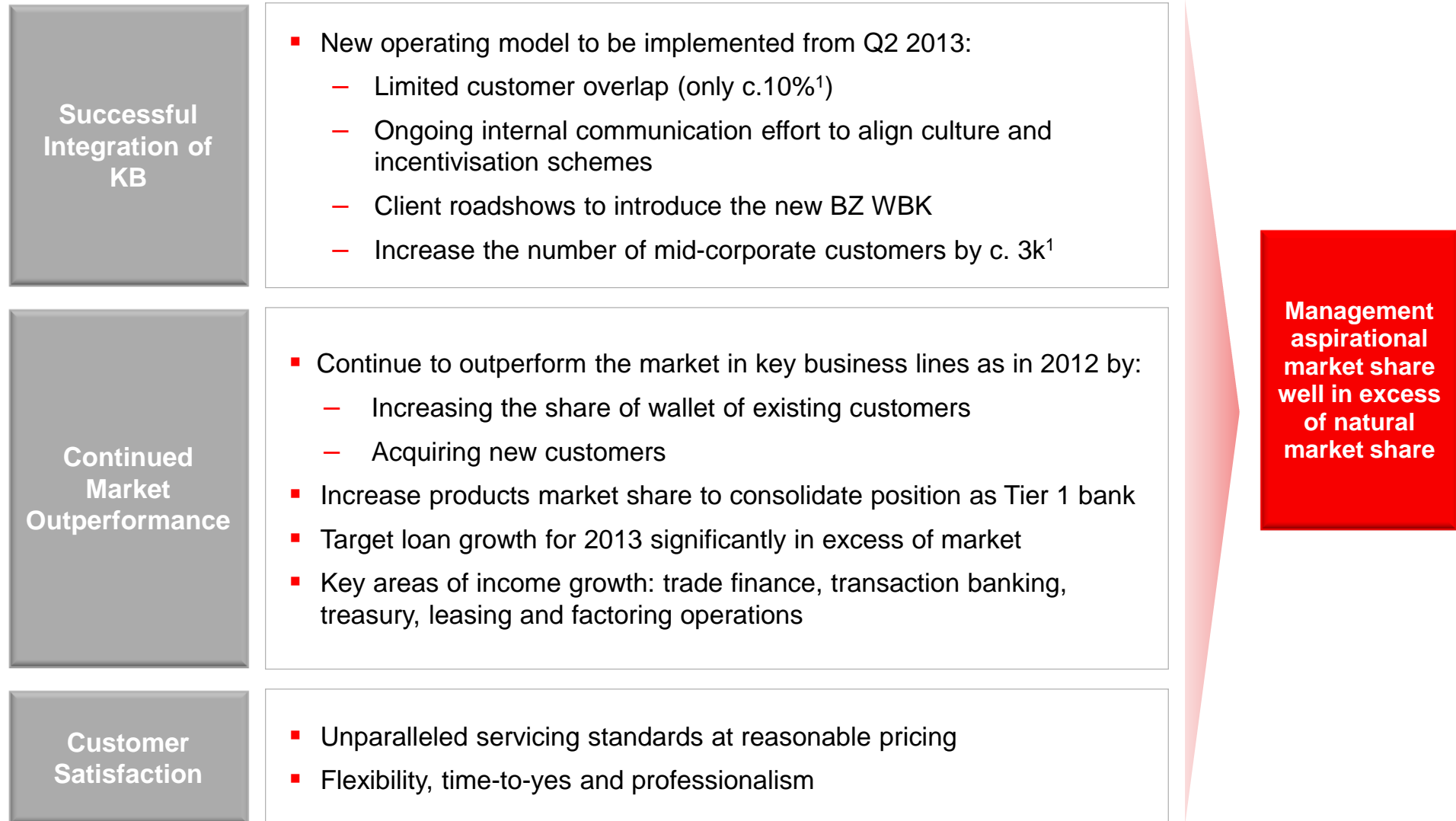
**7.3k Customers**   **190 PRMs**   **12 Business & Corp. Centres<sup>2</sup>**

**1.7x Increase**   **1.5x Increase**   **1.2x Increase<sup>2</sup>**

Source: Management information.

Notes: 1. Management estimate. 2. Post restructuring (April 2013). KB currently operates through 13 business & corporate centres.

# Clear Objectives and Strategy



Notes: 1. Management estimate.

# Initiatives to Crystallise Potential

## Upside KB vs. BZ WBK <sup>1</sup>

### Pre-Merger Growth and Increased Critical Mass

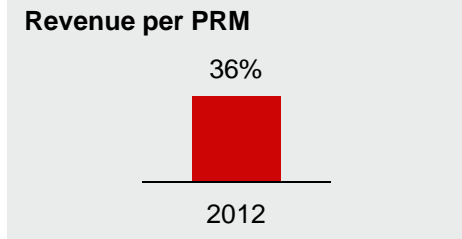
- Almost doubled customers post integration of KB
- Room to further develop BZ WBK's customer base
- Expand profitability of existing KB customers
- Repricing KB loans portfolio (44% short term) with BZ WBK margin

**Credit Margin**

*Credit margins to be increased from KB to BZ WBK levels*

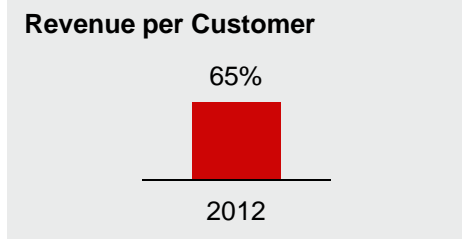
### Efficiency

- Streamline internal processes to optimise time for sale for PRMs
- Simplify current segmentation
- Reorganisation of Business & Corporate Centres network with target of 12 centres vs. 23 post merger



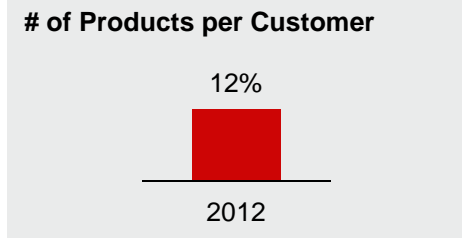
### Increased Product Suite and Best Practice Sharing

- Offer new products to KB customers
- Implement Credit Partner Model in KB to improve Time to Yes and Time to Cash
- Capitalise on respective best practices and strengths



### Focus on Cross Selling Opportunities

- Leverage KB's underpenetrated customer base
- Strengthen specific sales forces



Note: 1. FY 2012, figures based on management information.

# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform 44

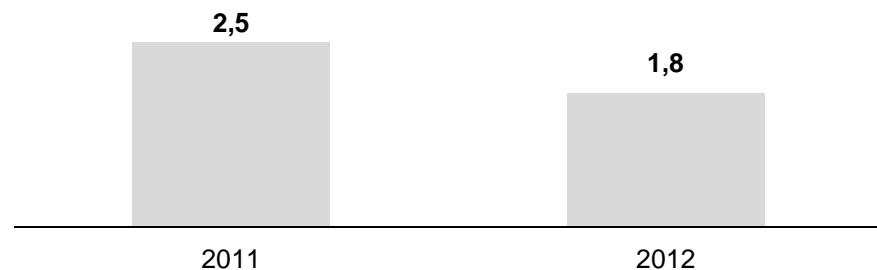
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# GB&M – Summary Financials

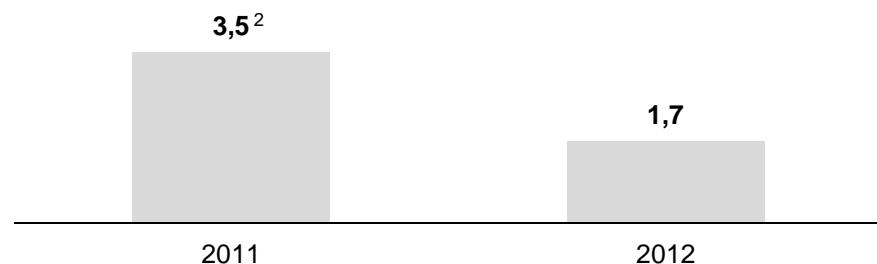
## GB&M Loans Evolution

GB&M Gross Loans to Customers (PLN bn)



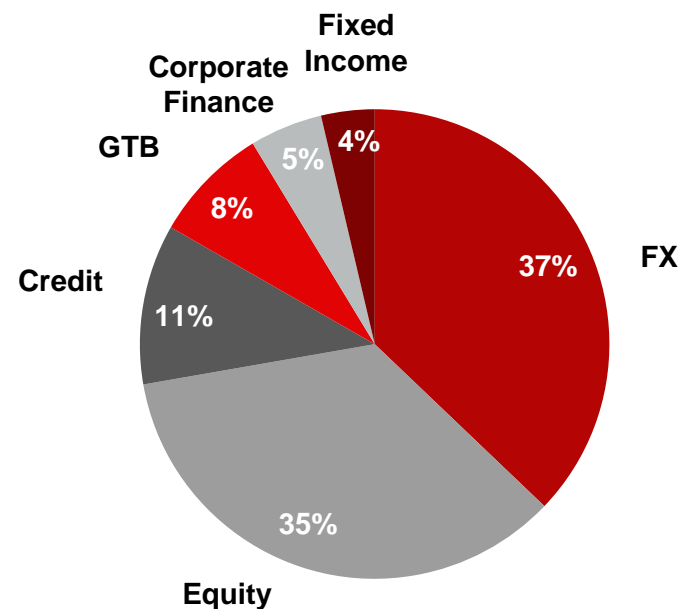
## GB&M Deposits Evolution

GB&M Customer Deposits (PLN bn)



Source: Company and management information based on internal segmentation.  
Notes: 1. Management information. 2. Includes large deposit before an acquisition

## BZ WBK Pre-Merger Net Banking Income by Product<sup>1</sup>



Strong growth expected from Credit, Global Transaction Banking (GTB), Fixed Income and Corporate Finance

# Local Capabilities Enhanced Based on Santander Expertise

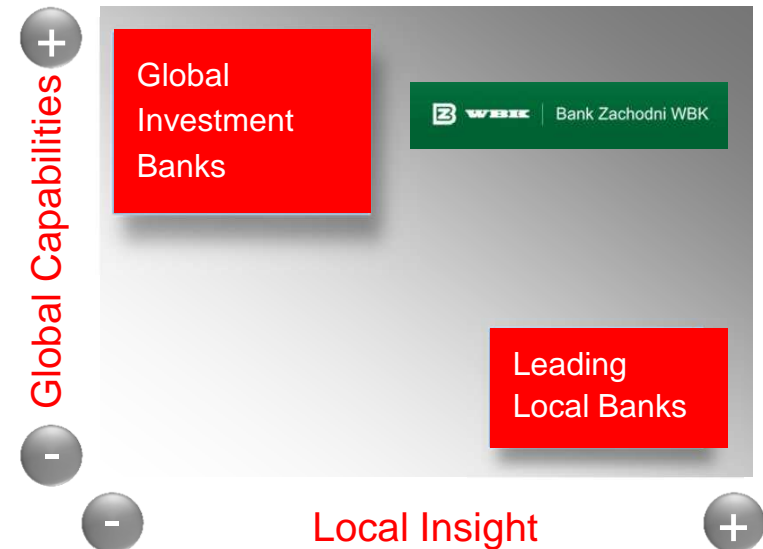
Implemented in 2011 in BZ WBK, Global Banking & Markets is responsible for enhancing the offering to the largest corporate customers offering more sophisticated products drawing on skills and expertise of Santander

## BZ WBK

- Servicing 26 Polish large corporates representing 550 customers <sup>1</sup>
- Leverage BZ WBK's state-of-the-art cash management platform
- Leverage Poland's position as a gateway into Eastern Europe
- Products written locally and held on BZ WBK balance sheet
- Strong contribution to financing of assets

## Global Santander Contribution

- Integrated client coverage
- Global product and distribution capabilities
- Shared infrastructure



## Local BZ WBK Contribution

- Local funding
- Local management
- Retail distribution
- Local insight
- Local infrastructure and systems

Note: 1. As of December 2012 including international subsidiaries.

# Specialised Product Factory with Key Early Wins













Sophisticated  
Cross Segment  
Products

Specialised and  
sophisticated  
services through  
full on the ground  
capability

Centre of  
excellence  
providing services  
across all segments  
and increasing  
cross-selling

High paced growth  
and facilitating  
access to largest  
corporates in  
particular

Relationship with 18 of Top 20 Companies in Poland

<p> 2012</p> <p></p> <p>Bond / Loan programme</p> <p><b>PLN 7,050mn</b></p> <p>Issue Underwriter, Payment Sub-Agent, Sub- Depository</p> <p> Bank Zachodni WBK</p>	<p> 2012</p> <p></p> <p>Bond / Loan programme</p> <p><b>PLN 4,000mn</b></p> <p>Issue Underwriter, Payment Sub-Agent, Sub- Depository</p> <p> Bank Zachodni WBK</p>	<p> 2012</p> <p></p> <p>Syndicated Loan Refinancing</p> <p><b>GBP 86.4mn</b></p> <p>Mandated Lead Arranger</p> <p> Bank Zachodni WBK</p>	<p> 2012</p> <p></p> <p>Bond Program</p> <p><b>PLN 1,500mn</b></p> <p>Issue Underwriter, Payment Sub-Agent, Sub- Depository</p> <p> Bank Zachodni WBK</p>
<p> 2012</p> <p></p> <p>M&amp;A and Deal guarantee</p> <p><b>PLN 800mn</b></p> <p>Financial Advisor to BSH</p> <p> Bank Zachodni WBK</p>	<p> 2012</p> <p></p> <p>EMTN</p> <p><b>PLN 4,000mn</b></p> <p>Co-Book runner</p> <p> Bank Zachodni WBK</p>	<p> 2012</p> <p></p> <p>Confirming</p> <p><b>PLN 200mn</b></p> <p>Mandated Lead Arranger</p> <p> Bank Zachodni WBK</p>	<p> 2012</p> <p></p> <p>Accelerated Book Building</p> <p><b>EUR 86mn</b></p> <p>Advisor and execution</p> <p> Bank Zachodni WBK</p>



# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform 48

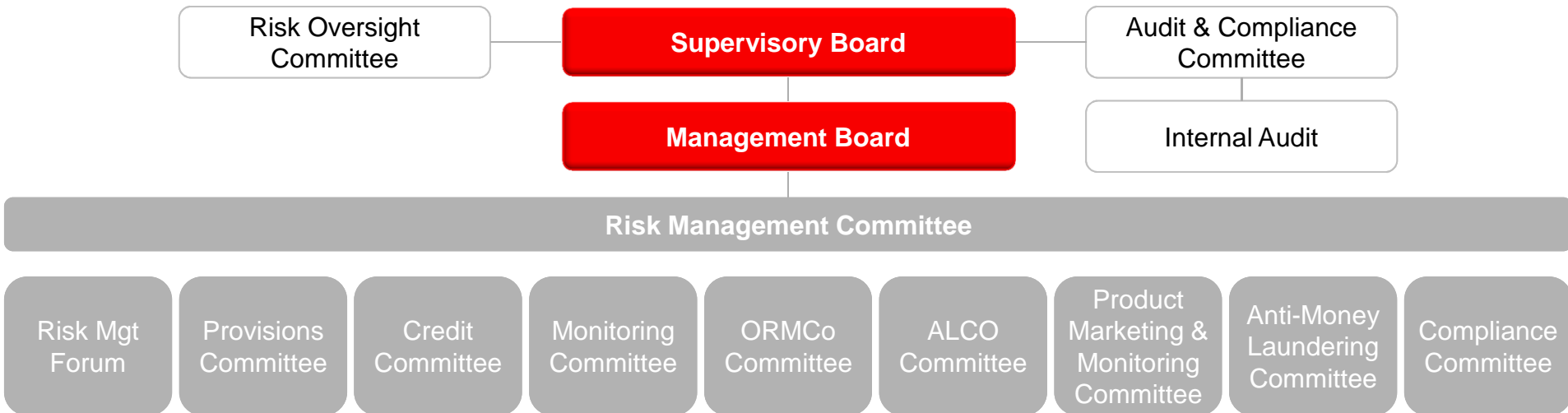
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# Risk Reward Appetite Underpinning Strategic Value Creation

## Risk Strategy Embedded In Strategic Decision Making



## Best-In-Class Organisation



# Credit Process Adapted to Customer Risks

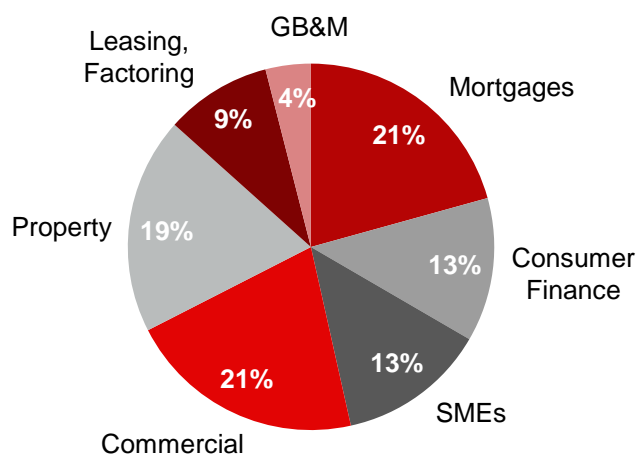
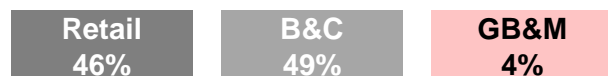
	Personal	SME	B&C
Decision Making Process	<ul style="list-style-type: none"> <li>Centralised and automated</li> </ul>	<ul style="list-style-type: none"> <li>Automated for small SMEs / branches</li> <li>Credit Partner for largest SMEs</li> </ul>	<ul style="list-style-type: none"> <li>Local Decision Forums chaired by Credit Partners</li> <li>Credit Committee when above PLN 25m<sup>1</sup></li> </ul>
Decision Support Process	<ul style="list-style-type: none"> <li>Dedicated application</li> <li>Behavioural scoring cards</li> </ul>		<ul style="list-style-type: none"> <li>Rating systems</li> </ul>
Pricing	<ul style="list-style-type: none"> <li>Risk based pricing for cash loans and mortgages</li> </ul>	<ul style="list-style-type: none"> <li>Pricing, security cover and maximum credit limits calculated by the system</li> </ul>	<ul style="list-style-type: none"> <li>Pricing (incl. RORAC/EVA threshold) calculated by dedicated tools</li> </ul>
Provisioning	<ul style="list-style-type: none"> <li>Automated, collective approach for IBNR and Specific portfolio</li> </ul>		<ul style="list-style-type: none"> <li>Individual provisioning for specific portfolio</li> <li>Collective approach for IBNR portfolio</li> </ul>
Collection & Recovery	<ul style="list-style-type: none"> <li>Centralised and automated, default prevention aimed, supported by advanced statistical models</li> </ul>		

Note: 1. Certain cases depending on loan amount, security and risk profile are consulted with Credit Committees at Santander level.

# Diversification Key to Value Creation

## BZ WBK Pre-Merger

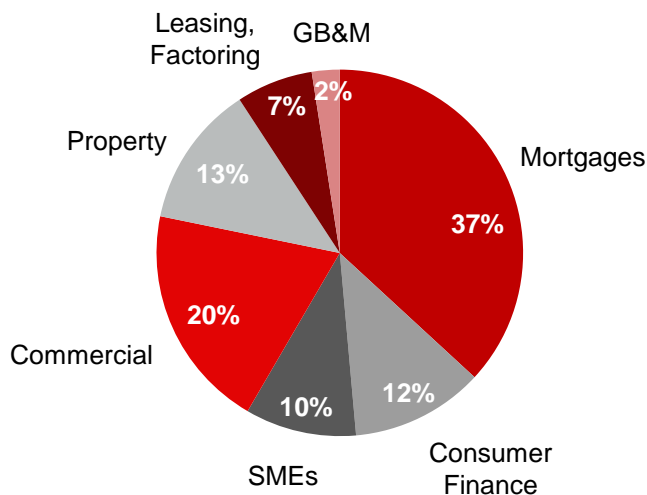
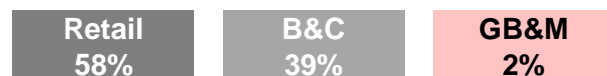
(Gross Customer Loans, FY2012)



PLN 41.4bn

## BZ WBK / KB Aggregated<sup>1</sup>

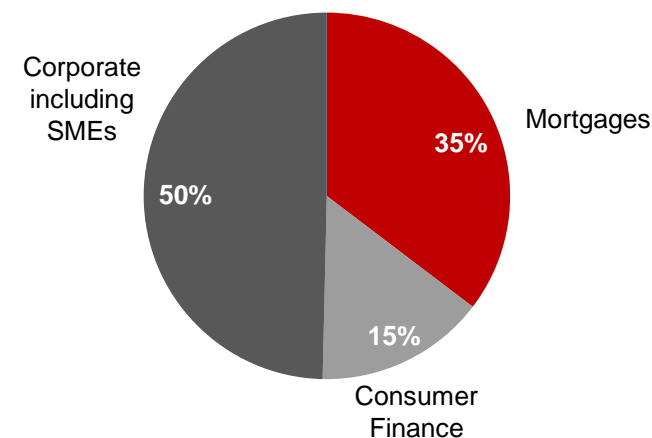
(Gross Customer Loans, FY2012)



PLN 71.3bn

## Polish Market

(Gross Customer Loans, FY2012)



Source: Company information, based on internal segmentation, NBP.

Notes: 1. Sum of BZ WBK and KB unaudited financials, excluding merger and fair value adjustments. KB allocation as per BZ WBK management assessment. 2. Includes SMEs.

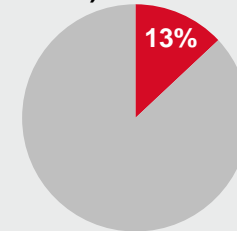
# Credit Risk – Focus on Property, Construction & FX Mortgages

BZ WBK / KB Aggregated<sup>1</sup>

## Property

- Active management of total portfolio, limiting exposure in the total book
- Active management of exposure within property portfolio. Further reduction of exposure to land and development
- KB portfolio additionally secured with risk sharing agreements with KBC
- Conservative LTV ratios maintained

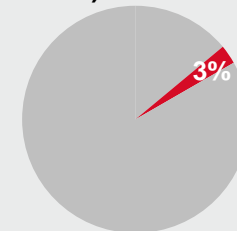
(Property Loans / Total Gross Loans, FY2012)



## Construction

- Very limited share of the portfolio in the total book - new production ceased
- Scale of problems limited when comparing against peers
- BZ WBK problem cases provisioned in 2012
- KB portfolio was reviewed - satisfying level of security but more conservative strategy required for some cases due to observed slowdown

(Construction Loans / Total Gross Loans, FY2012)



## FX Mortgages

- Current offer of FX mortgages is a niche product, which meets regulator expectations regarding FX products for retail customers
- Implementation of BZ WBK best practices in the recovery process
- CHF funding agreement with KBC for up to 10 years mitigating impact on profitability

(FX Mortgages / Total Gross Loans, FY2012)



Note: 1. Sum of BZ WBK and KB unaudited financials, excluding merger and fair value adjustments. KB allocation as per BZ WBK management assessment

# Liquidity Risk and Market Risk Analysis

## Trading Book

- Conservative approach to trading risk both in exposures and range of products
- IR and FX risk managed by Treasury, equity by brokerage house; option book back to back
- Activity focused on client facilitation / market making, minor proprietary activity; Polish Government bonds Primary Market Dealer status in 2013
- Activity constraints through VAR, BPV, positions size and stop-loss limits

## Banking Book

- Banking Book well balanced - moderate risk
- Pre-payment risk very limited as loan book mainly based on variable rate
- Medium-, Long-term investment in Polish government bonds offset by stable deposit base profile
- Monitoring and control based on Net Interest Margin (NIM) sensitivity and Market Value of Equity (MVE) sensitivity

## Liquidity and Funding

- Strong liquidity buffer with aggregated loan to deposit ratio below 90%<sup>1</sup>
- FX net assets funded by well diversified maturities of CIRS and currency repo
- Regulatory ratios over required minimum

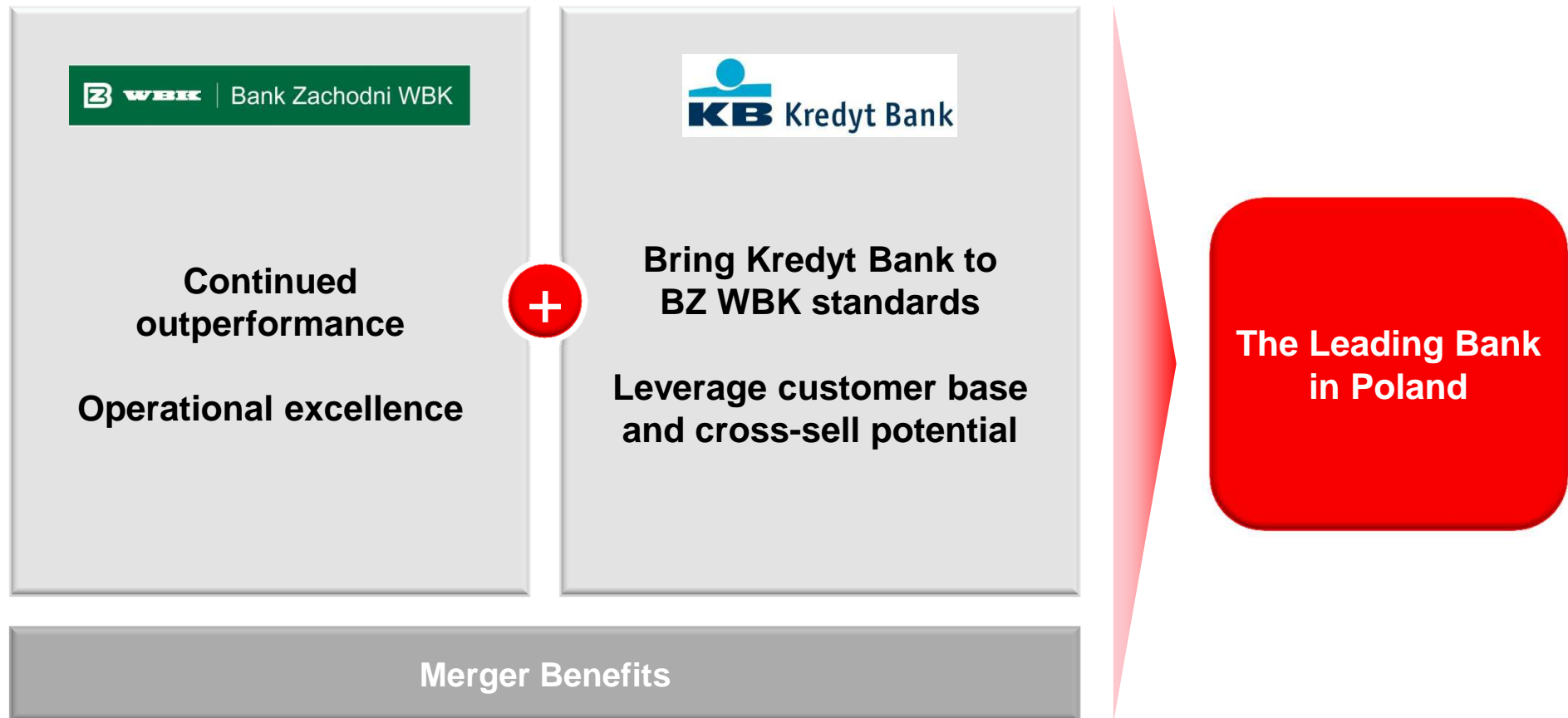
Note: 1. Sum of BZ WBK and KB unaudited financials, excluding merger and fair value adjustments.

# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform 54

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- Strategic Vision for the New BZ WBK
- Execution Plan for the New BZ WBK Platform
- Business Operations Overview
  - Retail Banking
  - Business & Corporate Banking
  - Global Banking & Markets
  - Risk Management
- Mid-Term Outlook
- Appendix

# Driving Sustainable Earnings Growth Off a Larger Platform





# Aggregated Financial Information for the Combined Entity

## Basis of Preparation

- The annual audit of the BZ WBK and Kredyt Bank financial statements has not been finalised and therefore the numbers are subject to possible change
- The aggregated financial information has been prepared by adding the financial information of BZ WBK to the respective financial information of Kredyt Bank and does not include any adjustments relating to the merger, including the unification of accounting policies and fair value adjustments or intra-company eliminations

FY2012, PLN mn  
(Unaudited)

		BZ WBK	Kredyt Bank	Aggre- gated
Balance Sheet	Total Assets	60,019	40,959	100,978
	Gross Customer Loans	41,412	29,863	71,275
	Customer Deposits	47,077	30,393	77,470
Income Statement	Net Interest Income	2,301	788	3,089
	Net Fee Income	1,385	341	1,726
	Total Income <sup>1</sup>	4,136	1,604	5,740
	Operating Expenses	1,817	998	2,815
	Loan Loss Provisions	502	166	668
	Net Profit	1,463	336	1,799

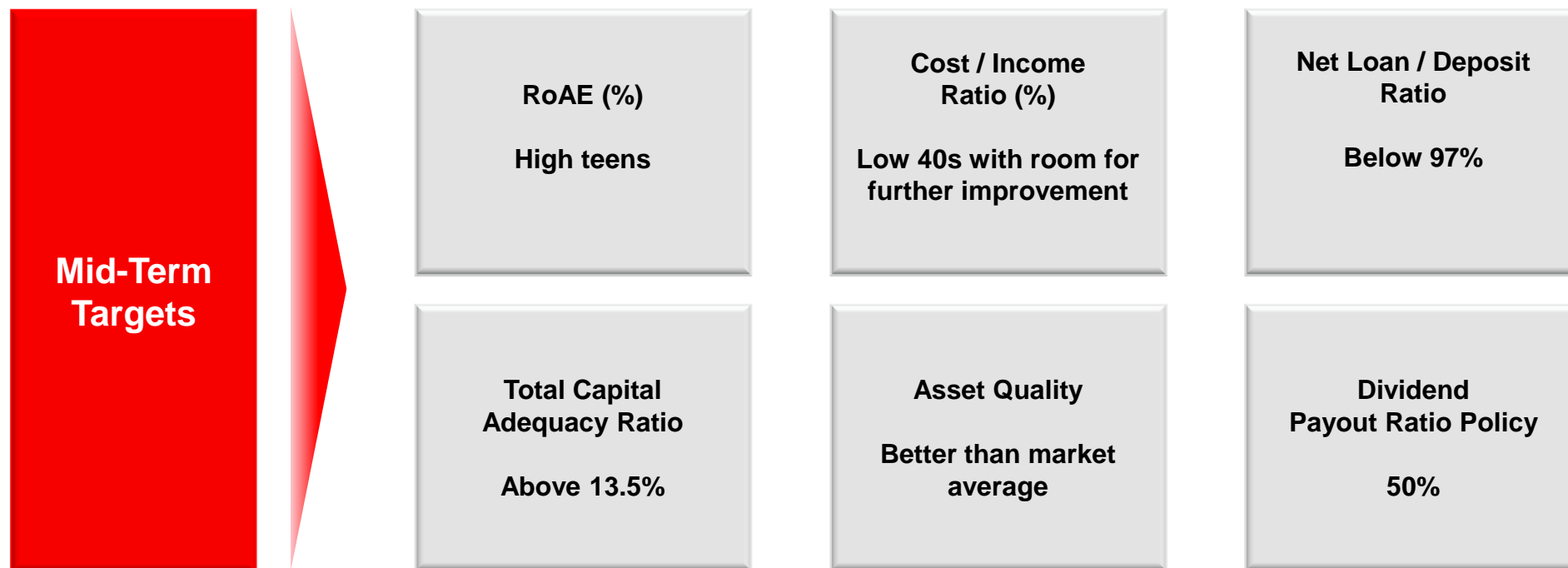
Source: Company information.

Note: 1. Includes net interest income, net fee & commission income, dividend income and other income.

# Drivers for Earnings Growth



# Mid-Term Targets



**Achieve natural market share in key selected products**

**Deliver significant earnings growth**

# Conclusion

- **Poland remains a long-term attractive market with significant potential**

- ✓ Maintains growth differential compared to other European economies
- ✓ Under-penetrated banking sector with room to grow

- **New BZ WBK is well positioned**

- ✓ Top three player in Polish banking sector by most metrics
- ✓ Further operating leverage from larger platform
- ✓ Strong capital and liquidity position
- ✓ Management strength and stable shareholder base
- ✓ Combined entity well positioned to leverage growth opportunities and market share gains

- **Execution plan clear and expected to obtain significant results**

- ✓ Merger benefits are defined
- ✓ Implementation is well underway



**The Leading  
Bank in Poland**

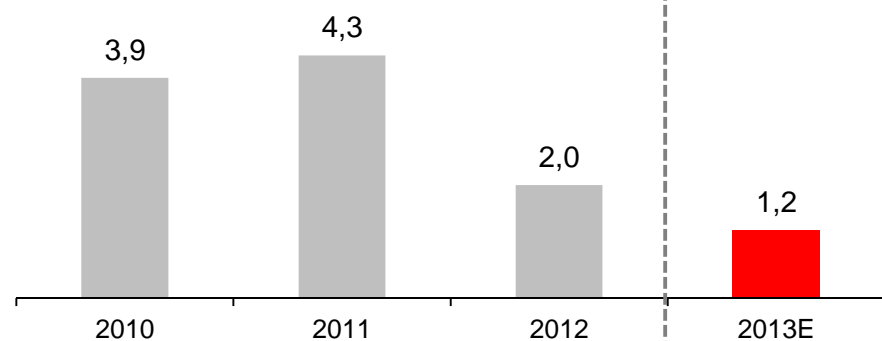
# Agenda: Driving Sustainable Earnings Growth Off a Larger Platform <sup>60</sup>

- Strategic Vision for the New BZ WBK
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- Business Operations Overview
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# Macroeconomic Scenario

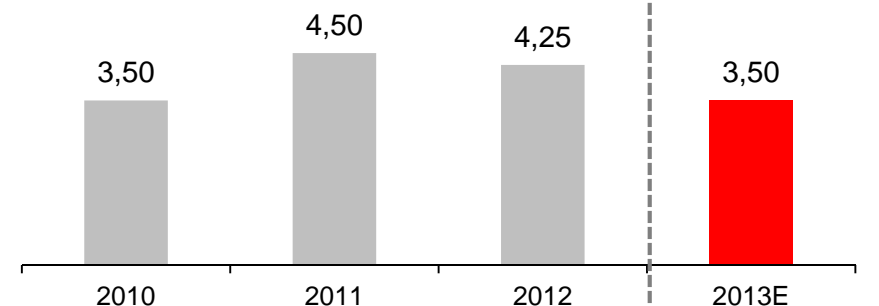
## GDP

Real Annual Growth Rate (%)



## Interest Rates

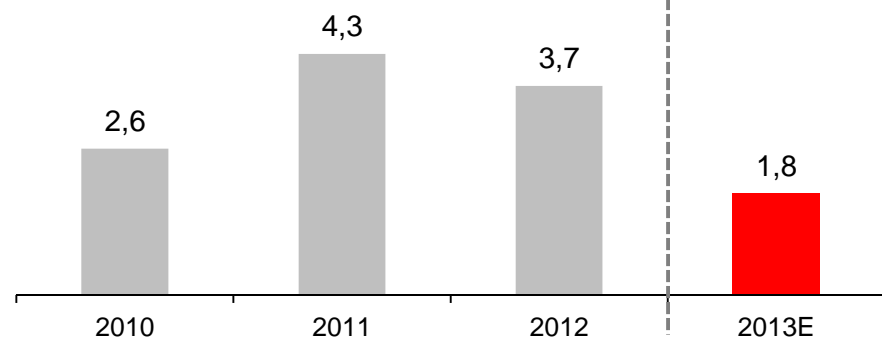
NBP Reference Rate (%)



End of period

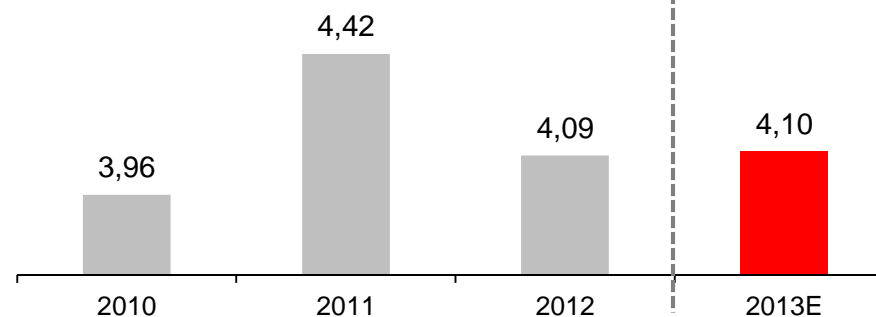
## Inflation

CPI (%)



## Exchange Rate

PLN / EUR FX Rate

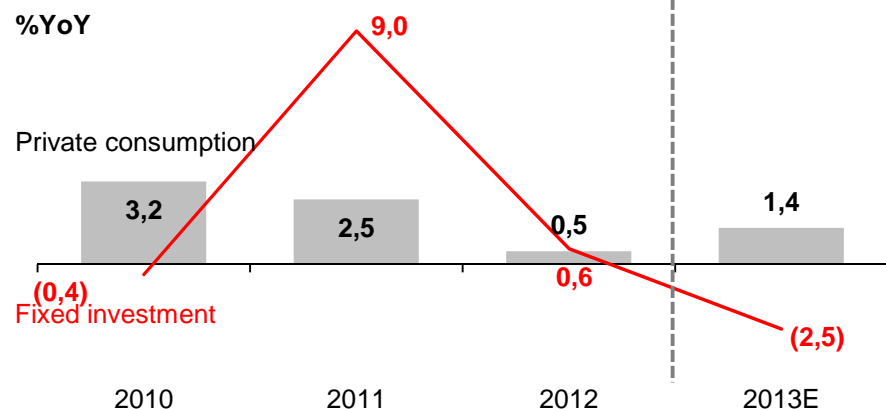


End of period

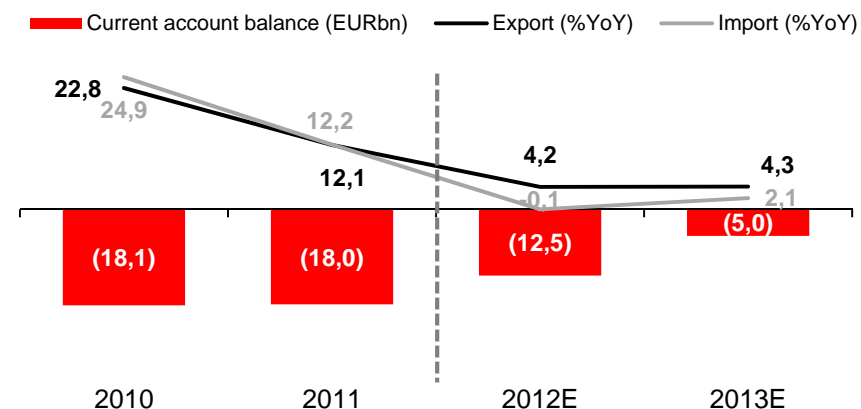
Source: National Bank of Poland, Central Statistical Office, In-house BZ WBK Research.

# Macroeconomic Scenario

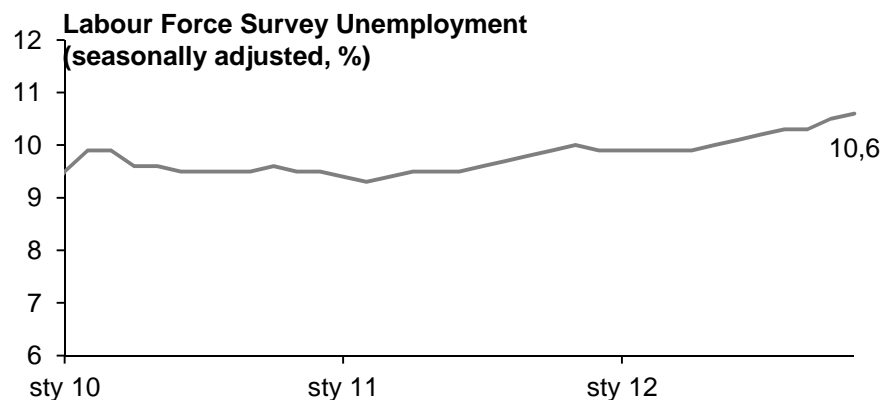
## Investments and Consumption



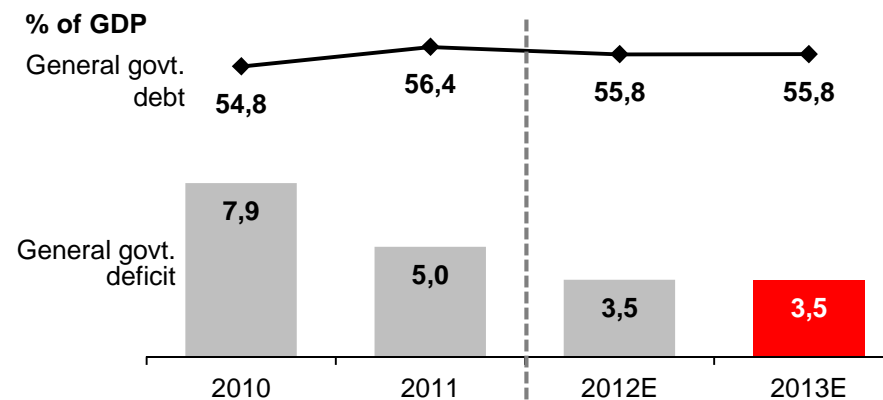
## C/A Balance and Foreign Trade Turnover



## Unemployment Rate



## Fiscal Policy Indicators

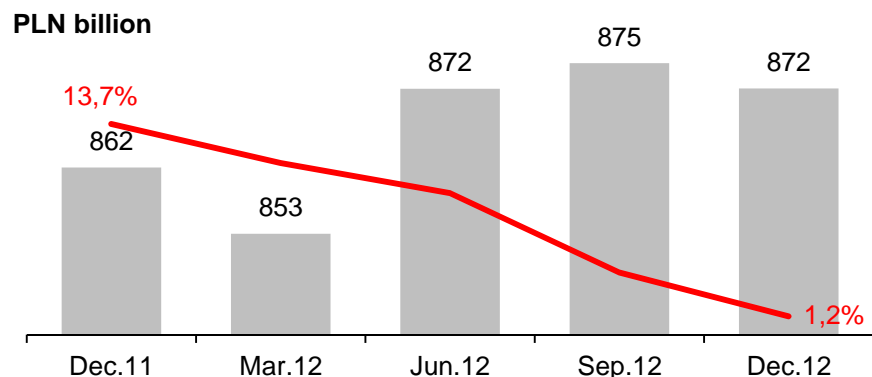


Source: National Bank of Poland, Central Statistical Office, Eurostat, In-house BZ WBK Research.

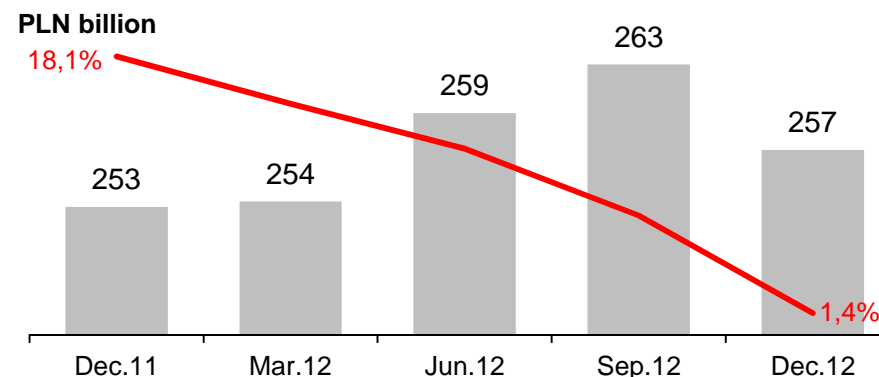
# Financial System: Credit Evolution

## Credit Growth

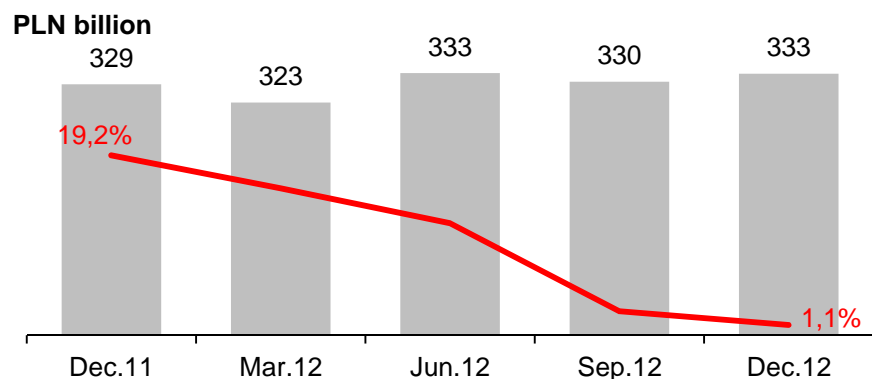
### Total Loans



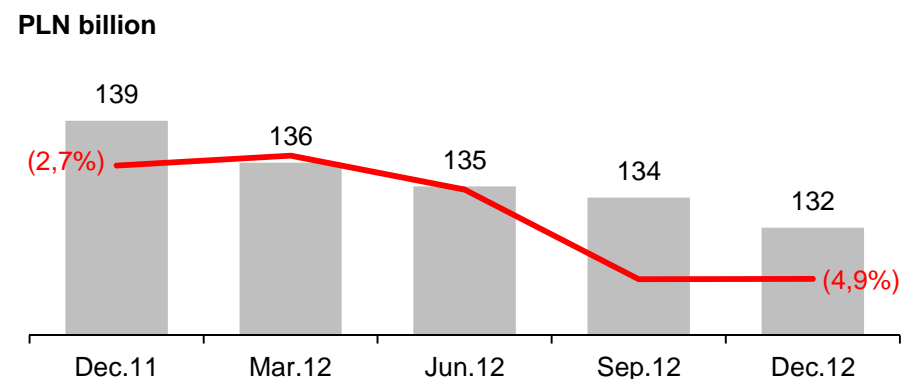
### Loans to Corporations



### Loans to Households (Mortgage Credit)



### Loans to Households (Consumer Credit)



Volume

Y-o-Y Variation %

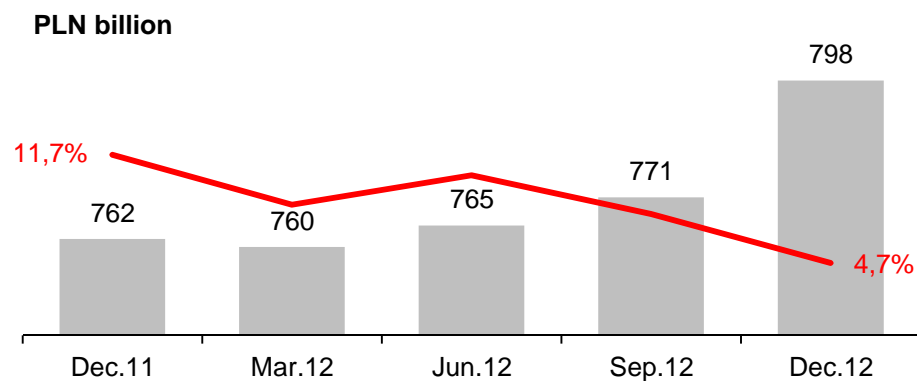
Source: National Bank of Poland.



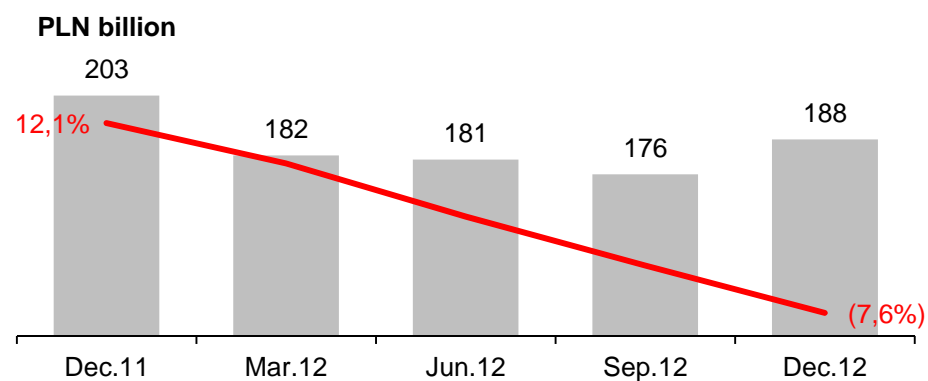
# Financial System: Deposit Evolution

## Deposit Growth

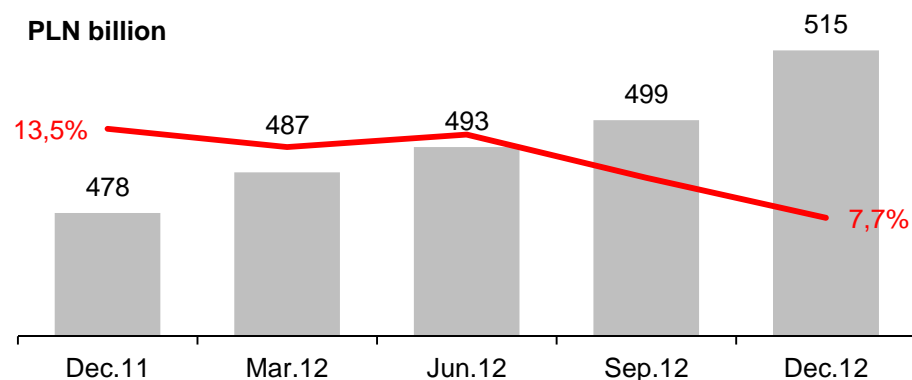
### Total Deposits



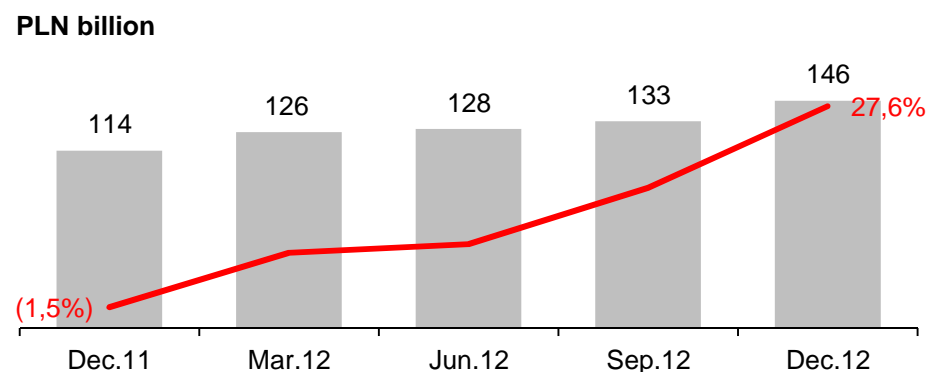
### Corporate Deposits



### Household Deposits



### Mutual Funds



■ Volume

—◆— Y-o-Y Variation %

Source: National Bank of Poland.