

1H 2008: Business growth in
challenging markets

**BZWBK Group performance
for the 1st half 2008**

30/07/2008

Disclaimer



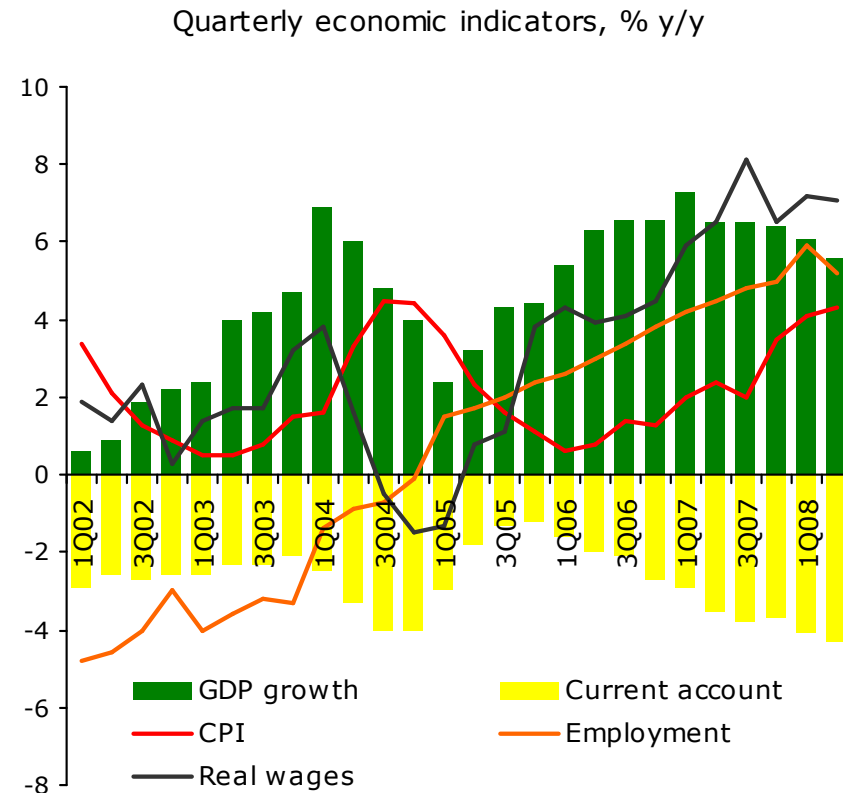
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Slowdown continues, inflation up



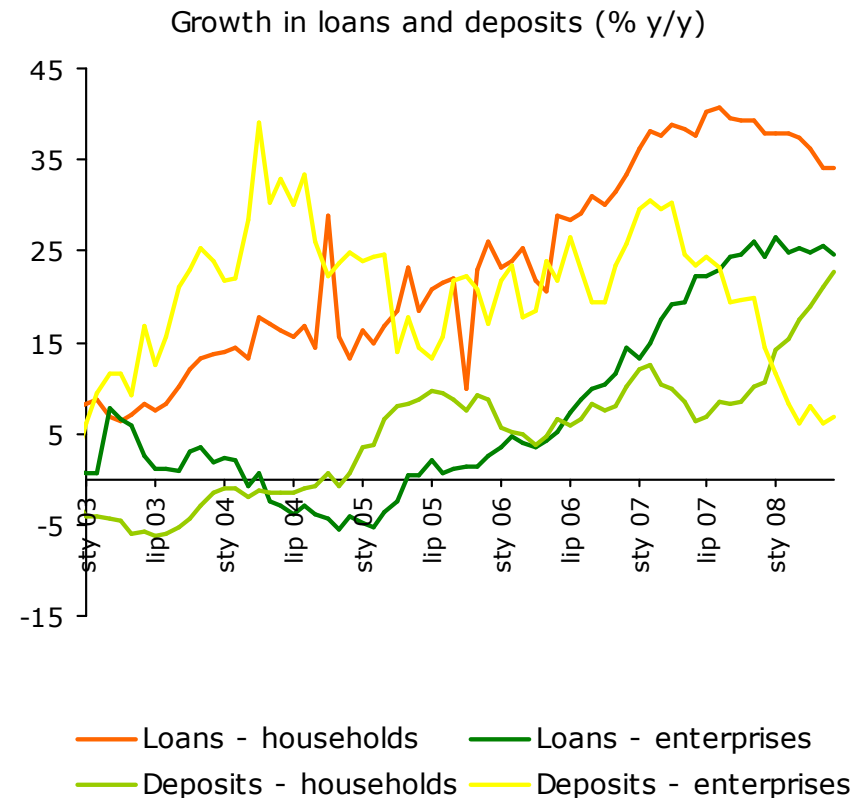
- Although in the first half of the year GDP growth was close to 6%, the Polish economy shows lower growth quarter by quarter
- We expect this trend to continue (GDP below 5% in H2 2008) due to global slowdown and monetary policy tightening (higher rates, stronger zloty)
- Slowdown in investment and export has been accompanied by strong growth in private consumption, supported by wage and employment growth
- ... this creates, however, risk for inflation prospects



Trends in credits and deposits maintained



- Despite economic slowdown the growth rate of credits maintains at the high level
- Moderate deceleration has been observed in the case of households' credits, driven by slower growth in mortgage credits
- After sharp decrease in firms' deposits in the first quarter, the following months showed some recovery
- At the same time, households' deposits continue the strong upward trend as a result of still uncertain situation in the equity markets



1H 2008 summary



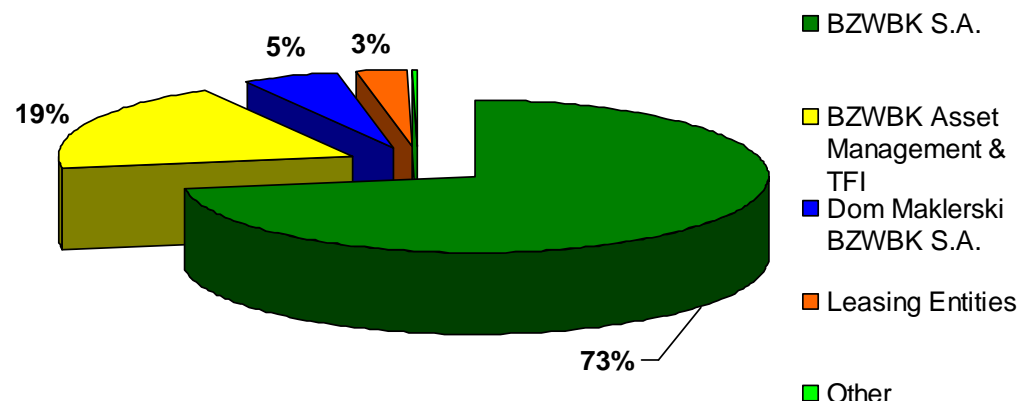
<i>PLN m</i>	1H 2007	1H 2008	Change
Profit before tax	779	788	1%
Profit attributable to shareholders	559	568	2%
Income	1 472	1 653	12%
C/I ratio	48,7%	51,1%	+2,4 p.p.
Total loans	20 650	28 273	37%
Total deposits	25 218	33 724	34%
ROE	25,97%	23,96%	-2,01 p.p.
Solvency ratio	13,34%*	10,99%	-2,35 p.p.

* Under Basel I

PBT of BZWBK S.A. Group



By legal entity



- Contribution of BZWBK bank increases – was 65% in 1H 2007)
- Decreasing combined share of AM&TFI and Dom Maklerski (was 32% in 1H 2007)

By business segment

PLN m	1H 2007	1H 2008	Change
Branch and corporate operations	426	486	14%
Treasury operations	65	83	28%
Investment banking	324	264	-19%
Leasing operations	17	21	24%
Total segments gross profit	832	854	3%
Unallocated costs	-53	-66	25%
Profit before tax	779	788	1%

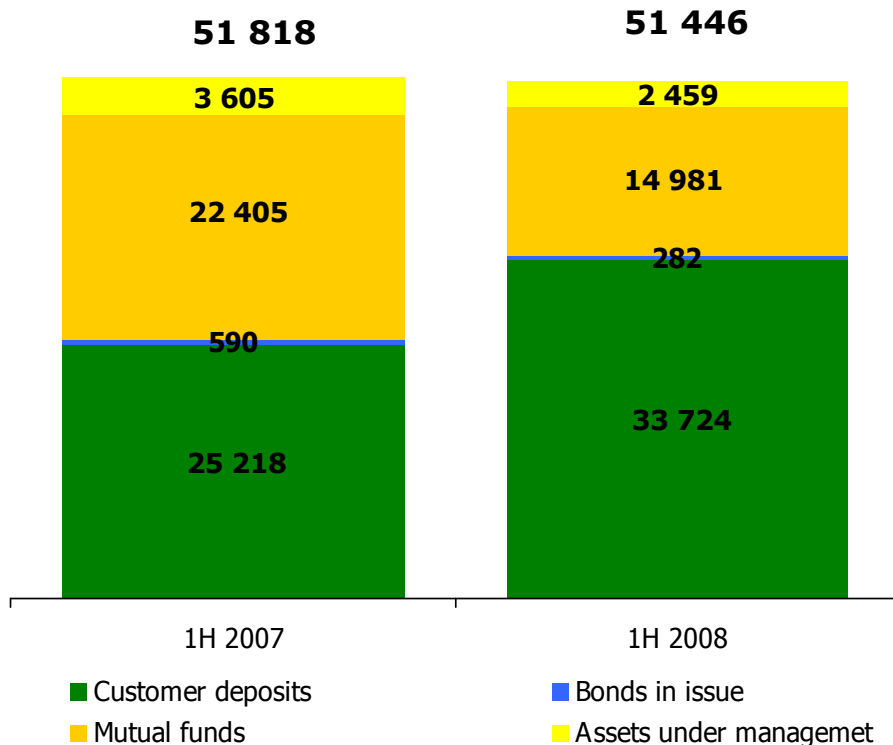
- Strong growth in Branch and corporate operations +14%, now represents 57% of total segment gross profit
- Increasing contribution of Treasury Operations – 10% of segments profit
- Contribution of investment banking reduced by 19% due to difficult market environment

Total Customer Funds in excess PLN 51bn



Total Customer Funds

PLNm



- Total Customer Funds of BZWBK Group y/y driven by:
 - Customer deposits +34%
 - Mutual funds -33%
- Total Customer Funds of BZWBK Group lower by 9% in 1H 2008
 - mutual funds -34%
 - assets under management -33 %
 - Banking deposits +13%
- Reduction by 2% in Q2
 - mutual funds -11%
 - Banking deposits +5%

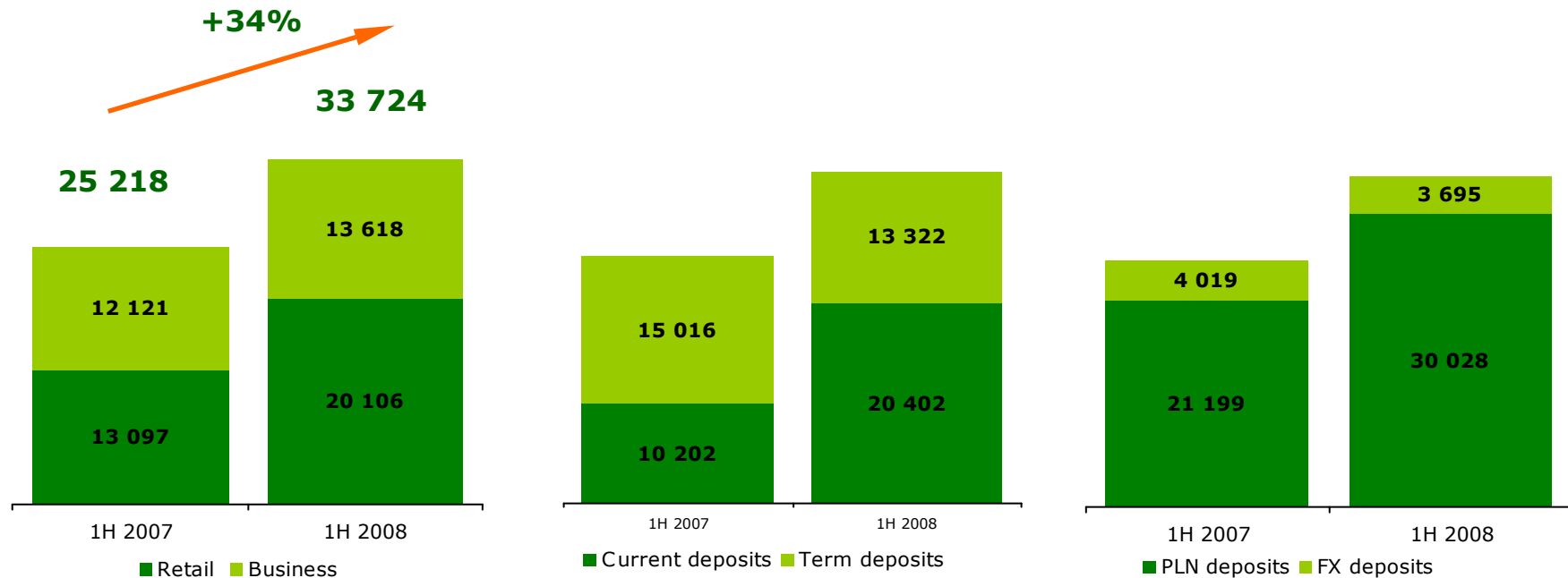
Customer deposits +34% y/y



- Exceptional growth of retail deposits y/y +54%, strong growth in business deposits +12%, both ahead of market
- Attractive offer of savings accounts and positive promotional campaign, resulting in PLN 5 bn (+33%) added to total retail deposits in 1H
- Constant currency increase +37% y/y

Customer deposits

PLNm

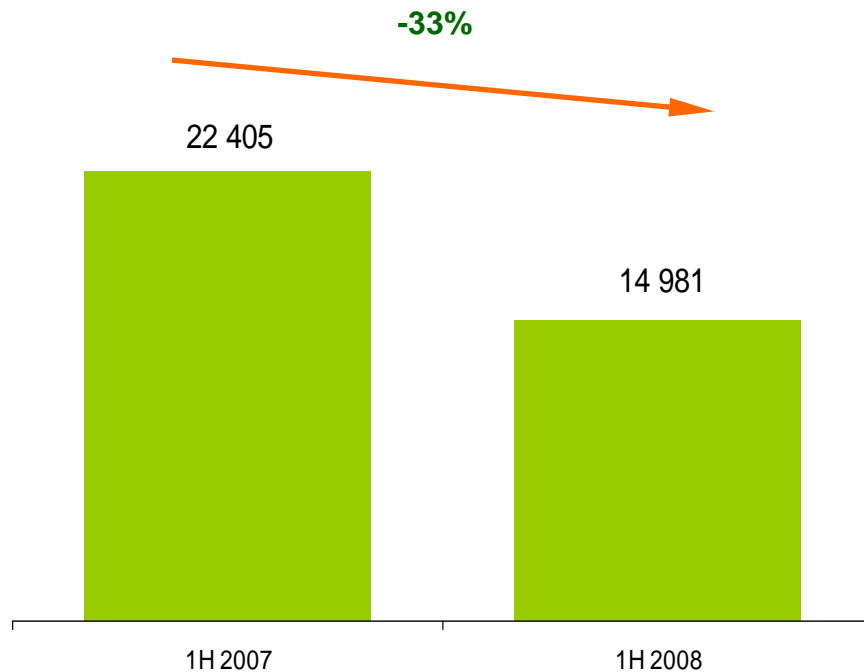


Mutual Funds -33% y/y



Net Assets of BZWBK AIB TFI Mutual Funds

PLNm



- Challenging market conditions (WIG decreased by 38% y/y)
- Mutual fund market decreased by 30%
- Strong 2nd position in the market maintained at 15.4%
- Excellent customer retention program in place for redemptions supporting retail deposit growth
- Limited sales activity

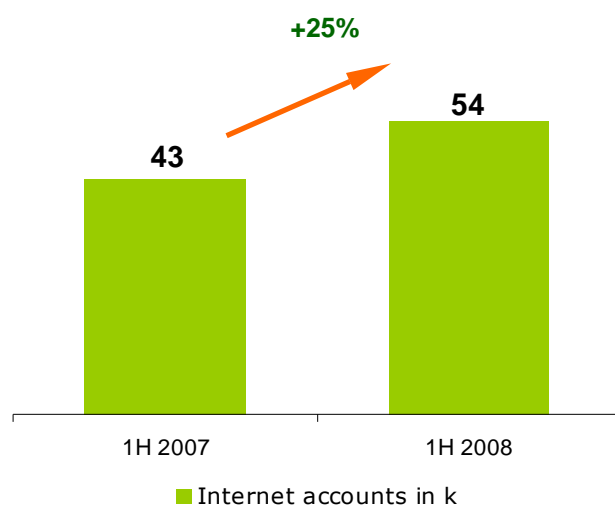
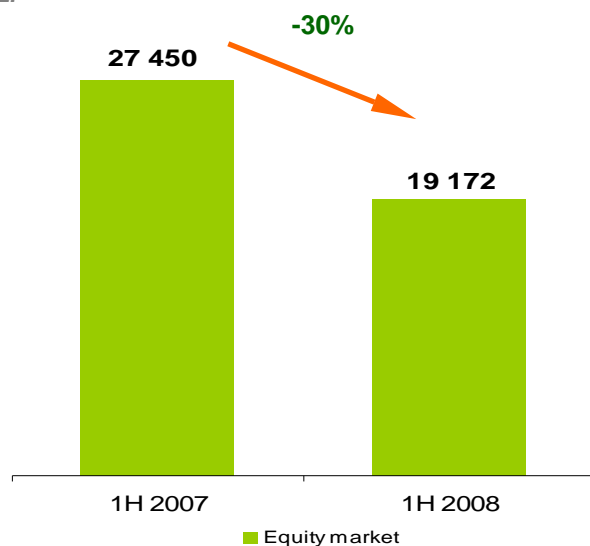
Assets of BZWBK AIB TFI Funds – structure by type

	1 H 2007	1 H 2008
Closed	2,2%	5,3%
Equity	28,5%	26,0%
Mixed	61,1%	51,4%
Bonds	1,3%	3,3%
Money Market	6,8%	13,9%

Dom Maklerski: maintaining market share



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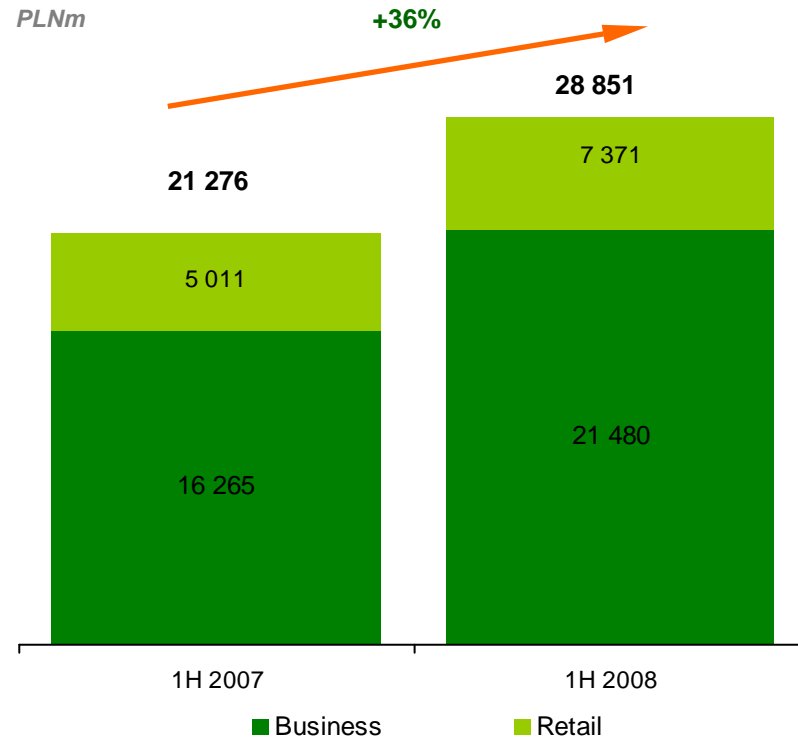


- Highly challenging market:
 - turnover on the equities market in 1H'08 – PLN 170bn, decreased by 30% vs. 1H'07
- Success of primary offer activity in 2Q
- 3rd position in the equity market in 1H 2008 with 11.25% market share
- 3rd position on futures market in 1H 2008 with 10.78% market share
- Strong competition especially in institutional clients segment

Total gross loans +36% y/y

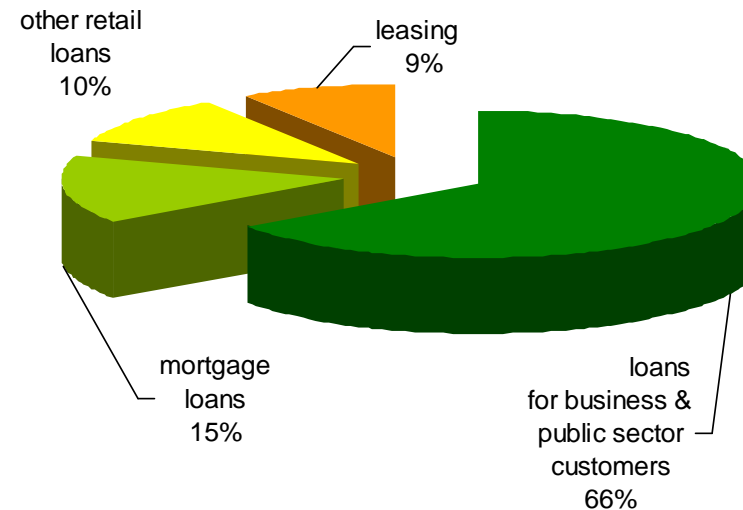


Total gross loans y/y



- Gross loans were higher by 36% y/y (+ PLN 7.6 bn)
- Growth driven by retail +47% and business sector +32%
- Growth in constant currency +4.3 p.p. on nominal rates

Gross loans portfolio structure in 1H 2008



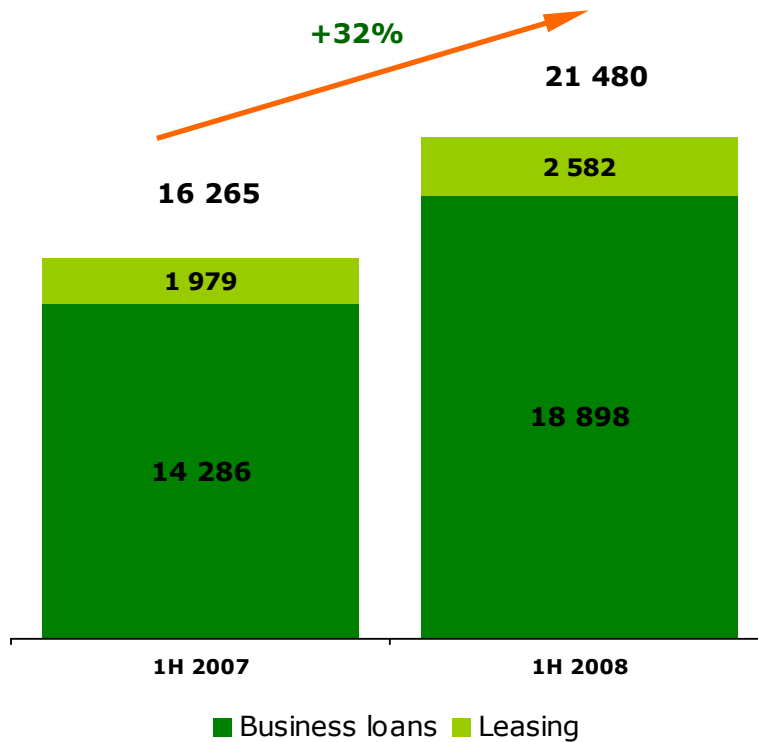
- Property contributes 29% of total loans portfolio (June 2007: 24%)
- Housing loans make up 15% of the gross loan-book
- NPL's ratio reduced from 3.9% in 1H 2007 to 2.4% in the end of 1H 2008

Business lending 32% y/y



Total gross loans y/y

PLNm

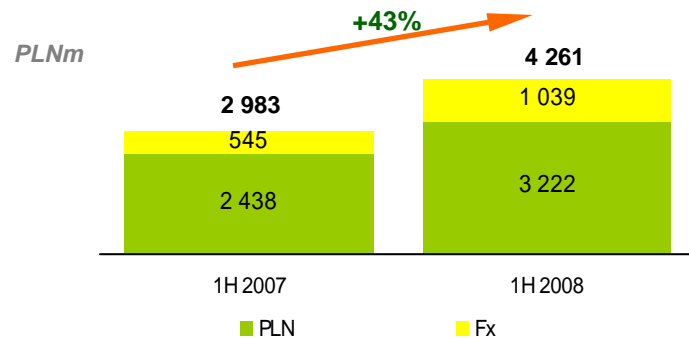


- Outperformance against market growth
- Continued success of Corporate Banking Centre structures (nearly 80% of portfolio managed)
 - Property related lending +62% confirms the Group's strong presence in this market
- SME loan portfolio growth 38% y/y
- New focus on medium / commercial business launched
- Leasing advances increased by + 30% y/y
 - total net assets leased y/y grew by 15% to PLN 931m
- Excellent quality notwithstanding portfolio growth (NPL: 2.6% vs. 4.7% in June 2007)

Total retail loans +47% y/y

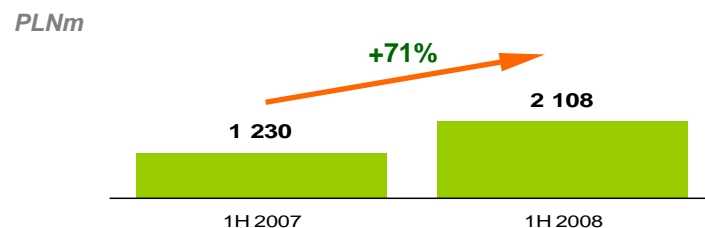


Mortgage loans



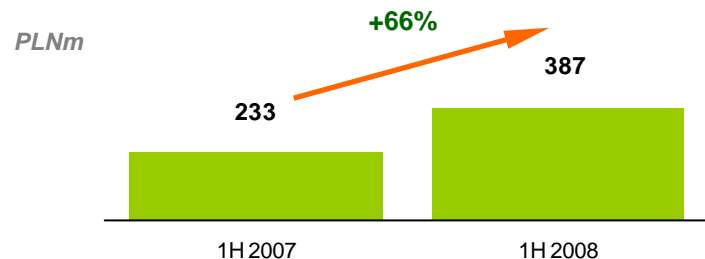
- Mortgage loans increased +43%:
 - PLN mortgage loans increased by 30%
 - Demand for FX +90% y/y.
 - FX mortgages represent 24% of portfolio
 - NPL: 0.8% vs. 1.5% in June 2007

Other retail loans +53% y/y, Main item: Cash loans



- Higher cash loans +71% driven by:
 - competitive proposition: increased availability of the loans, pricing starting from 7.99%
 - intensive marketing campaigns
 - new direct channels: accessible via phone and Internet
 - NPL: 4.2% vs. 3.1% in June 2007

Credit cards



- Credit cards increased by 66%:
 - central mailing to the customers of the bank with - presanctioning
 - cross-selling packages - promotional pricing, promotional interest rate
 - motivation system for branches

BZWBK SA Distribution Power



- **451 branches nationwide** (as at 30th of June 2008)

- 23 BZWBK branches opened in 2Q 2008 (45 in 2008)
- targeting 200 branches until 2011



- **6 corporate centres**

- Poznan, Warszawa, Wrocław; Kraków, Gdańsk, Łódź, and offices in Szczecin and Katowice

- **835 multifunctional ATMs, 674 in the end of 2008**



- **Direct banking in BZWBK**

- e-banking: 1,257k customers (1,122k individual, 135k business)
- integration and activation
 - integration between branches and e-channels
 - sales activation programme

BZWBK SA New Business Lines



▪ **Private Banking**

- Wide offer of investment products, along with high profiled lending services
- Private bankers teams, mobile services,
- Dedicated IT platform
- Brokerage services

▪ **Bancassurance**

- Acceleration of sales and product development
- BZWBK & AVIVA joint-venture
- Property insurance market share at 14%
- Income increased by 73% - PLN 33m 1H 2008

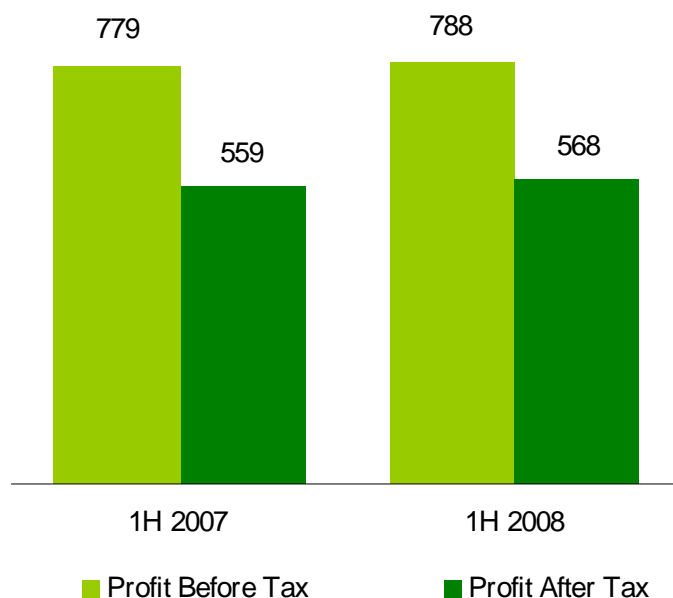
▪ **Commercial Business Banking Centers**

- 10 large and medium cities
- Successful pilot in Warsaw and Gdańsk
- SME loan sales higher by 68%
- 17k of new customers

Financial highlights - P&L



PLNm

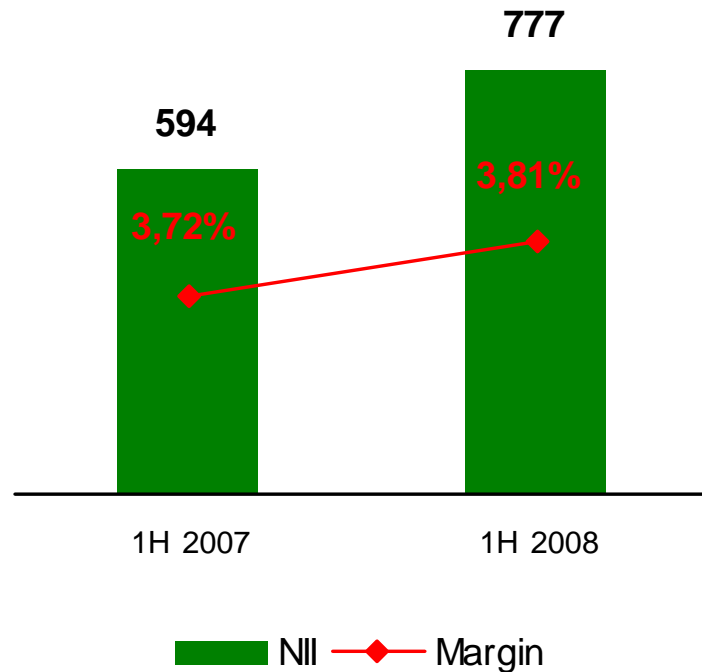


PLN m	1H2007	1H 2008	y/y
Total income	1 472	1 653	12%
Net interest income	594	777	31%
Net fee & commision income	756	713	-6%
Other income	122	163	34%
Total costs	-717	-845	18%
Operating surplus	755	808	7%
Provisions	24	-20	-183%
PBT	779	788	1%
Taxation	-147	-160	9%
Minority interests	-73	-60	-18%
Profit attributable to shareholders	559	568	2%

Net interest income +31% y/y



PLNm



- Strong growth in Net Interest Income +31%
- Significant volume increase:
 - average Customer Loans +7.1bn, +36%
 - average Customer Deposits +7.2bn, +30%
- Rate environment increasing
- Product Mix / Product Margin factors
- Net interest Margin* improved y/y and stable q/q

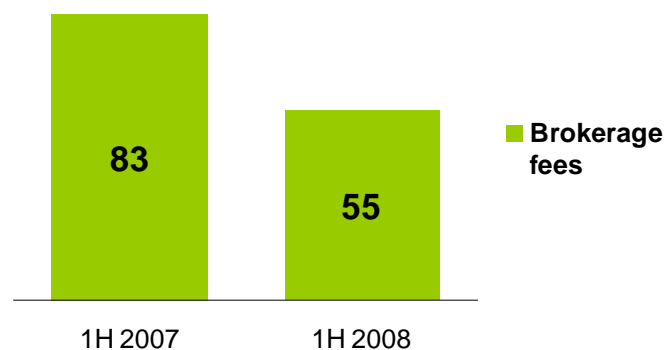
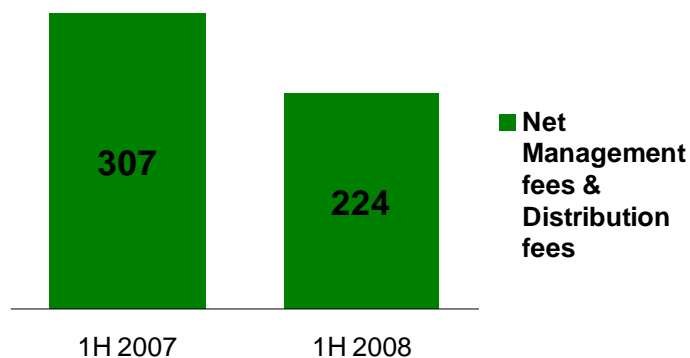
* Based on average interest earning assets

Fees and Commissions -6%

Key Components



PLNm



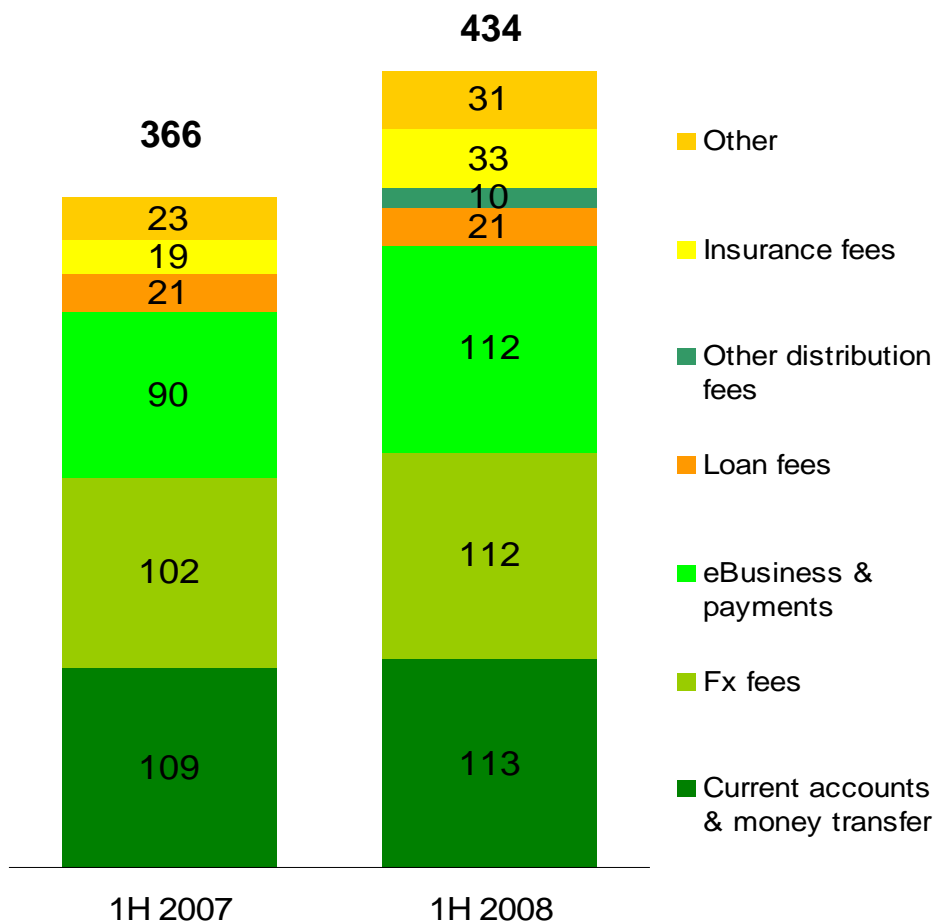
- Combined Net Management & Distribution Fees -27%
- Gross Distribution Fee lower
 - Lower sales PLN 1,179m (-79%)
- Average Arka volumes at PLN 17.4bn, -15%
- Average AUM PLN 2.8bn, -4%

- Total Net Brokerage fees -34%
 - Secondary Market Fees -39%
 - Primary Market activities -28% (PLN 7.6 m in 1H 2008)

Net Fee and Commission other components



PLNm

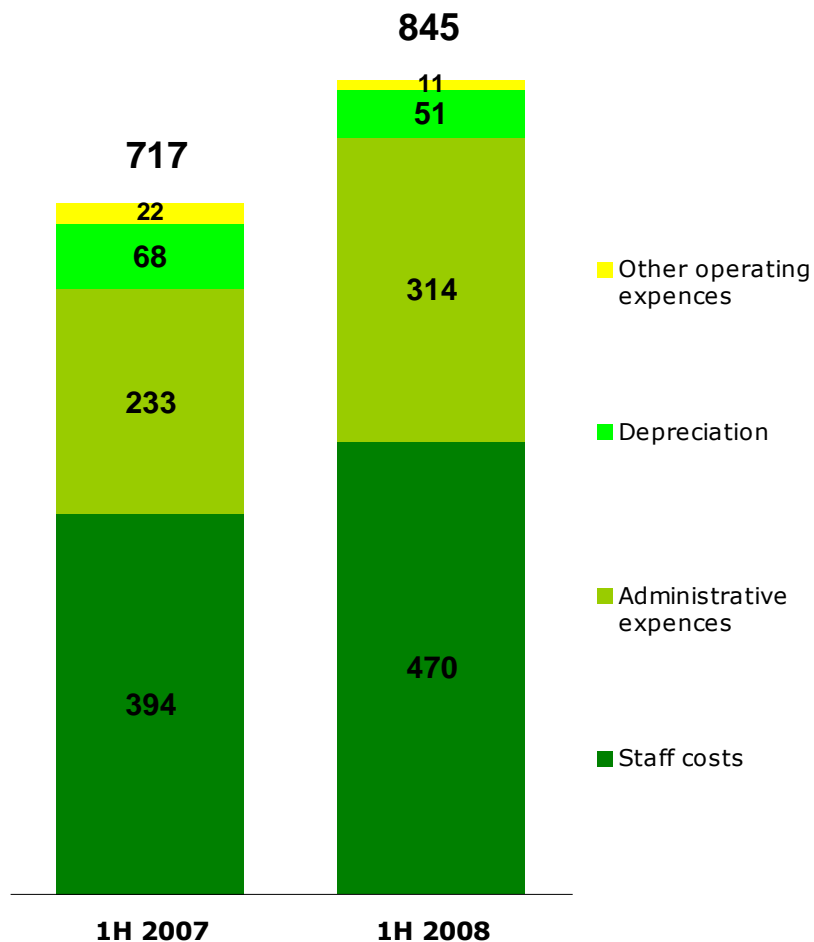


- Account fees + 4%:
- Fx fees increased by +10%
 - driven by Branch & Corporate activity
- eBusiness & payments +24%
 - Debit cards +29%
 - Third party services +42%
- Insurance fees +74%
 - Sale of Investment Policies
 - Cash Loans
- IPO activity from Capital Markets: PLN 7m vs. PLN 8m in June 2007

Total Costs PLN 845m +18% y/y



PLNm



- Staff costs +19%
 - Higher staff number +18% (9,726 FTE's 1H 2008), supporting business development
 - Salary increase from 2008
 - Staff training and development

- Increase in administrative expenses +34%
 - Marketing & promotion +80% to PLN 59.5m
 - Maintenance and buildings rentals +28%
 - Branch Network development costs PLN 19.7m
 - IT cost +30%

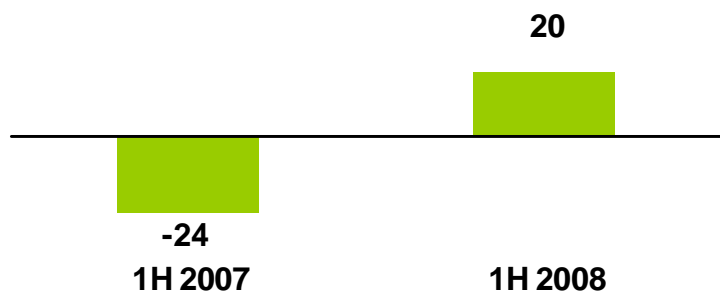
- Depreciation decreased by 26%

Consistent improvement of loan quality



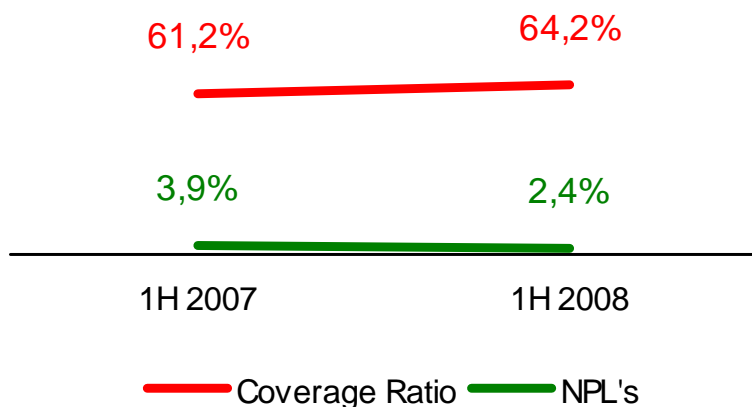
Impairment charges

PLN m



NPLs, Coverage ratio

PLN m



- Net Impairment charges represented -0.15% of average credit principal vs. -0.25% in 1H 2007
- NPL ratio significantly improved from 3.9% in June 2007 to 2.4% in June 2008 due to:
 - Significant asset growth
 - Strong economic climate
 - Reduced nominal level of NPL's
- Impaired loans provision cover at – 64,2% vs. 61,2% in comparable period

Capital Management



- 1H 2008 BASEL II solvency ratio 10.99% calculated using standardised approach
- Impact of BASEL II application to Dec 2007 solvency ratio approximately –180 b.p.
- Growth of credit RWA in 1 H 2008 + PLN 4.5 bn; +16%
- Profit generation largely matching RWA growth
- Movement in long term yields impacting revaluation reserve

1H 2008 summary



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Net profit	632	628	-1%
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Income	1 472	1 653	12%
Costs	-717	-845	18%
C/I ratio	48,7%	51,1%	+2,4 p.p.


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