

# Bank Zachodni WBK Group

III Q 2004 Performance

Investor Relations

*18 November 2004*



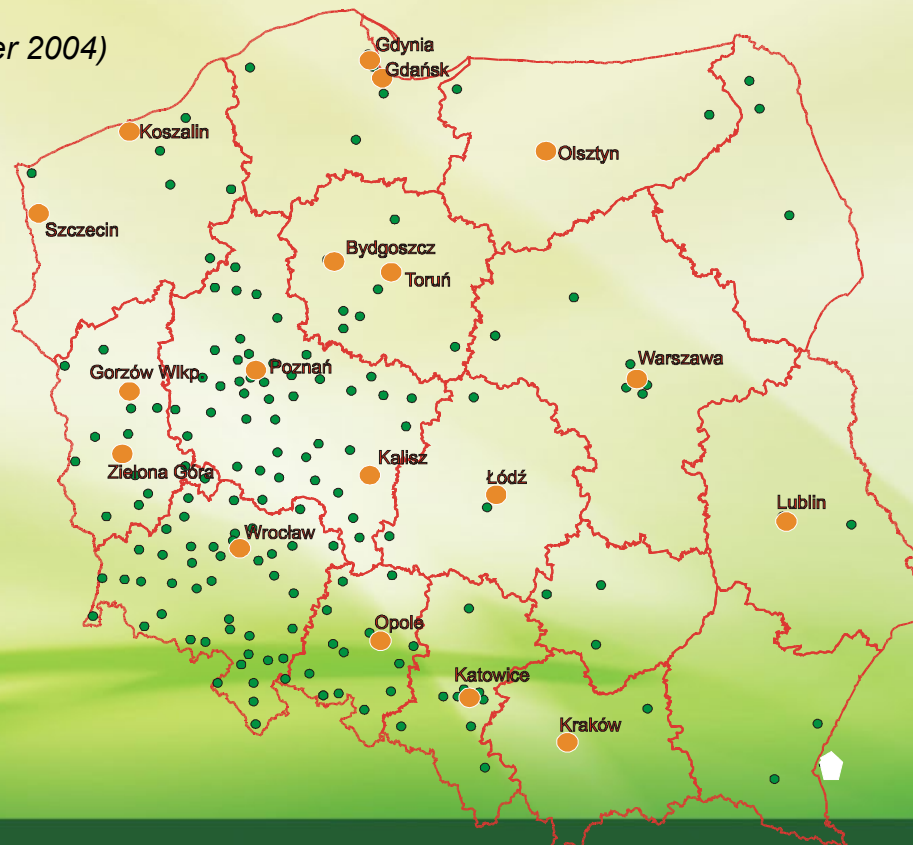
BZWBK Member of AIB Group

 **WBK** | Bank Zachodni WBK S.A.

**WARTO BYĆ RAZEM**

# Delivery Channels

- Bank Zachodni WBK S.A. is one of the largest banks operating in the Polish market.
  - 389 branches (as at the end of September 2004)
  - 5 Corporate Centres – Poznań, Warszawa, Wrocław, Gdańsk, Kraków
  - 571 ATMs (as at the end of September 2004)
- Assets (as at 30.06.04)
  - no. 7 in Poland
- Own Funds (as at 30.06.04)
  - no. 6 in Poland

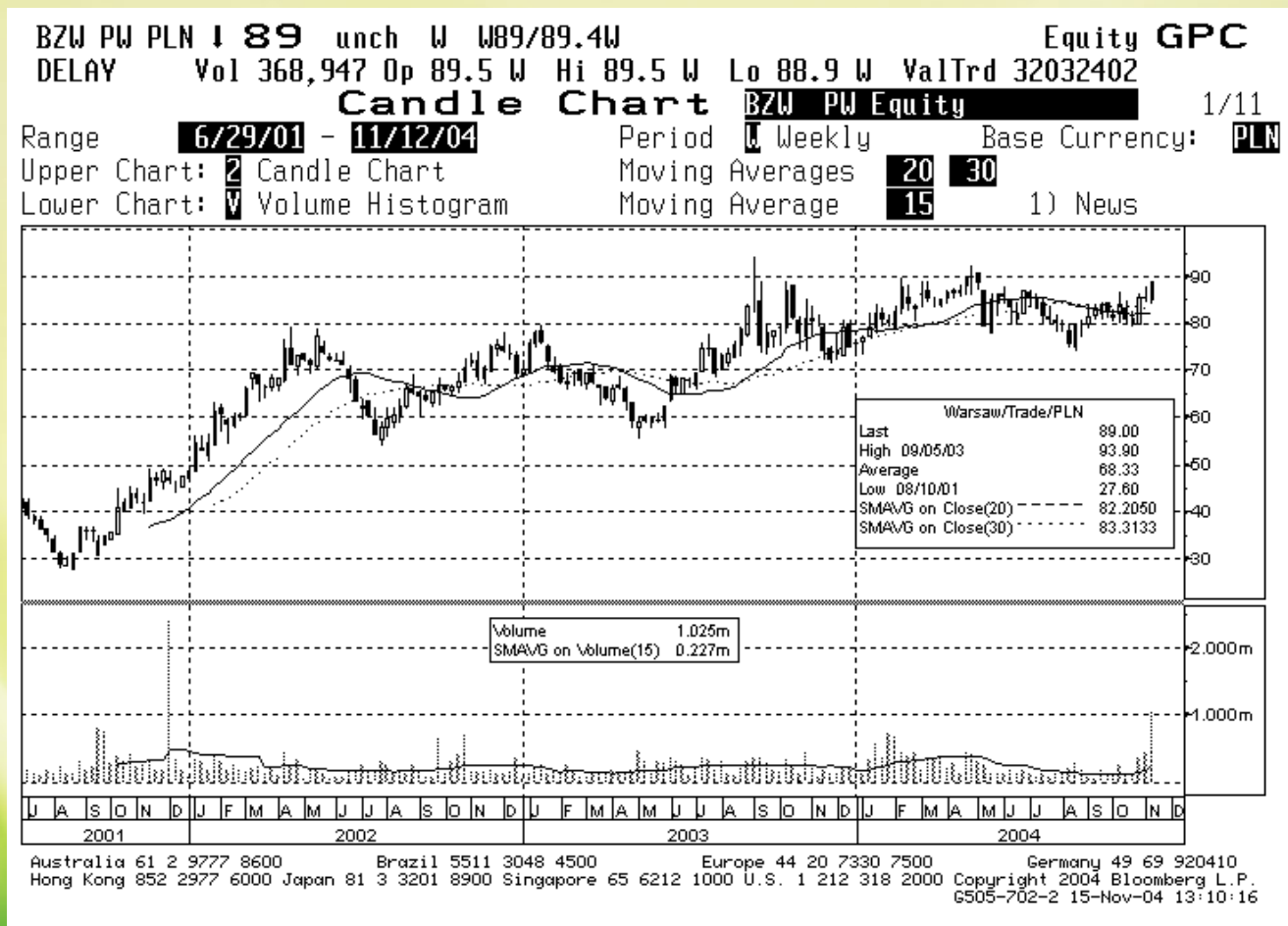


 **WBK** | Bank Zachodni WBK S.A.

WARTO BYĆ RAZEM

# BZWBK shareholders and share price

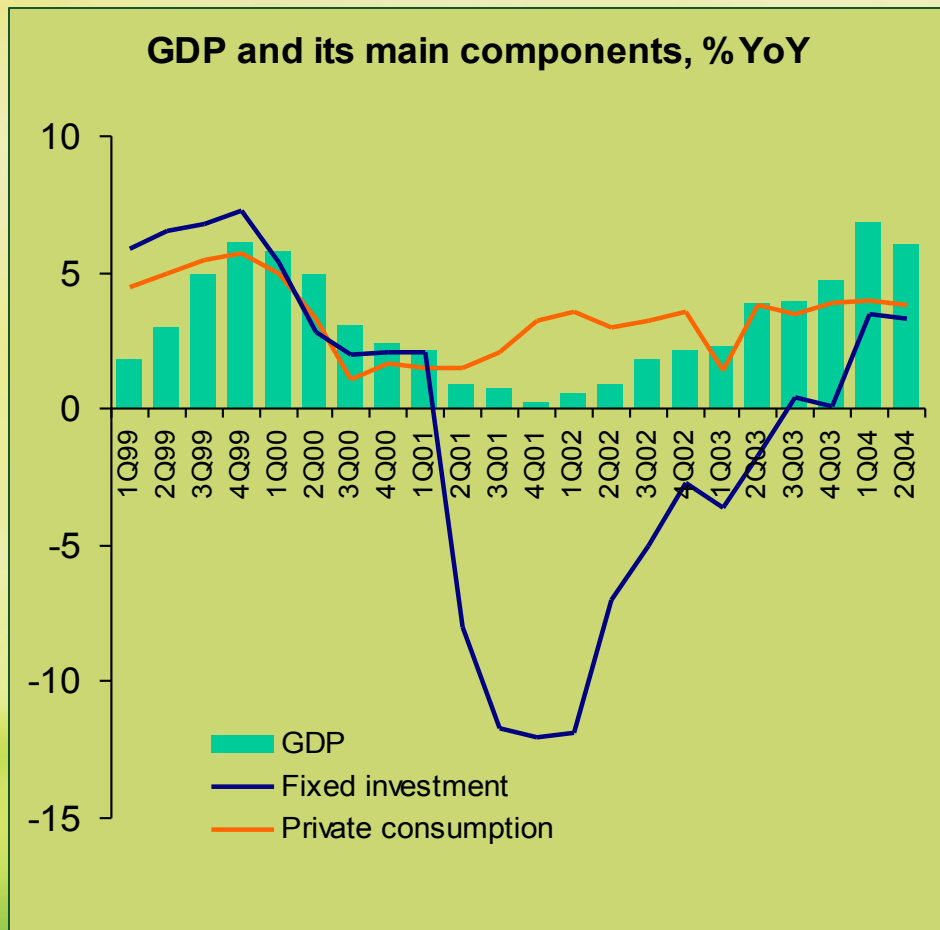
BZWBK is one of WIG20 companies.



**BWBK** | Bank Zachodni WBK S.A.

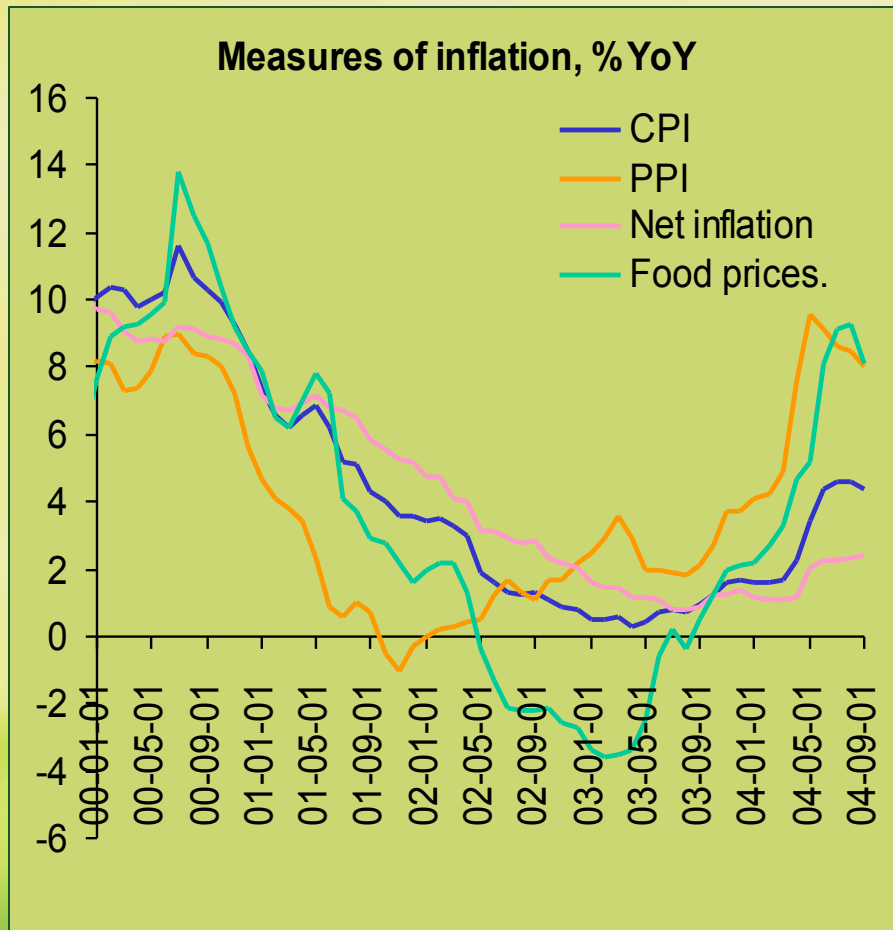
WARTO BYĆ RAZEM

# The economy has gained momentum...



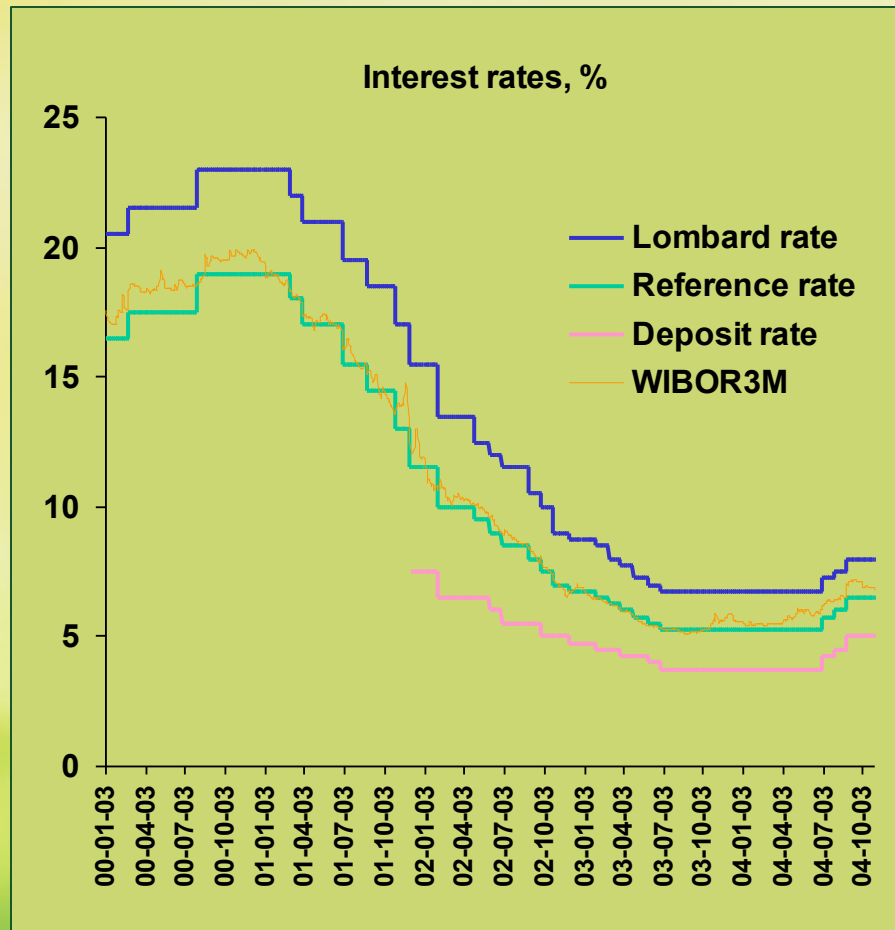
- GDP growth in Q1 2004 at the highest level since 1997 – 6.9%YoY, Q2 slightly decelerated but still high – 6.1%YoY
- ... in both quarters good results were to large extent aided by sharp increase in inventories
- However, investments picked up as well (over 3%YoY), and consumption growth remained at stable level of around 4%
- GDP growth probably decelerated substantially in Q3, but only temporarily
- Systematic pickup in domestic demand growth expected in the following quarters
- Both 2004 and 2005 should see average GDP growth close to 6%

# ...but Inflation getting higher...



- Surprisingly strong inflation rebound after EU entry
- High prices of food, fuels, energy, and household maintenance among the main inflation drivers
- ... while demand pressure is still non-existent
- Producer prices also surged to very high levels
- CPI growth started descending since September
- However, it would remain very high, well above the central bank's inflation target (2.5%) even until the end of 2005

# ...and Monetary Policy Council raising rates!



- Main interest rates up in June-August by 125 basis points
- Rate hike aimed mostly at curbing inflation expectations
- More interest rate hikes are likely in the near future – the next 25pbs likely before year-end
- ... because the CPI is expected to remain above the inflation target for a number of months
- ... and medium-term inflation perspectives would be undermined by expected revival in domestic demand growth



# 2004 Key Features

- *Excellent results achieved due to growth in income coupled with reducing cost base.*
- *Excluding once-offs, Quarter 3 Gross Profit at the highest level.*
- *Increase in deposits and dynamic increase in mutual funds*
- *Solid loan growth with improved loan book quality*
- *Good results and market position of subsidiaries*
  - *Dynamic development of leasing subsidiaries*
  - *Dom Maklerski*
  - *Asset Management*
  - *TFI*
- *Higher income from capital investments: CU dividend, CardPoint sale*
- *Lower tax (CIT) rate*

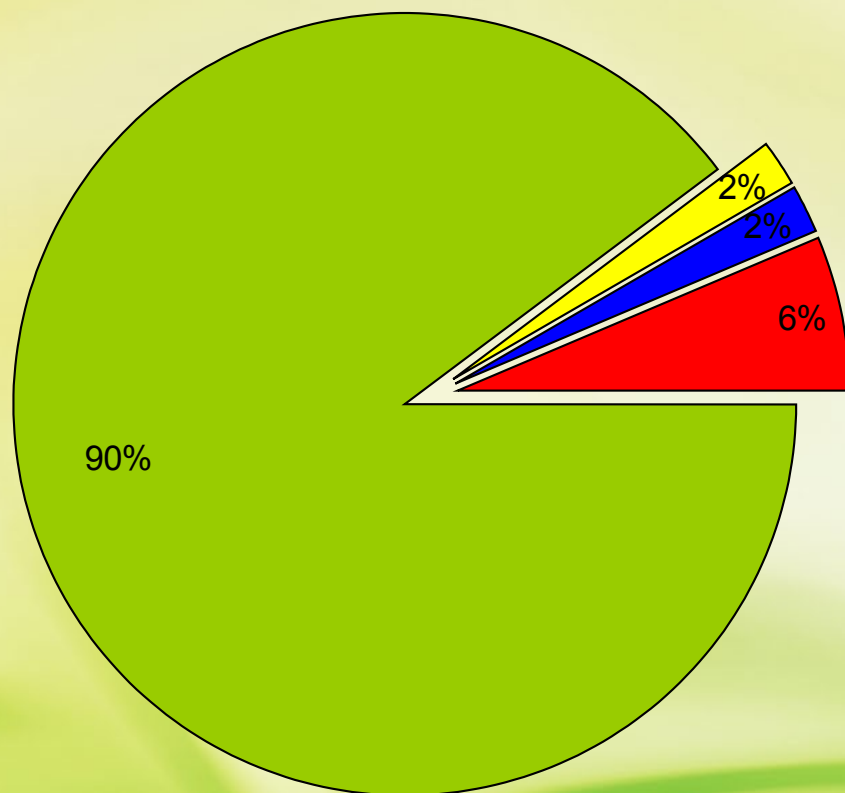
# Performing Loans PLN 13.3bn



- Increase of the Performing loan portfolio in comparison to September 2003 +8.4%
  - Mortgage loans +17%
  - Credit cards +21%
  - Leasing +37%
  - Business Loans +4%
- The ratio of NPL's to Total Loans decreased from 13.3% in September 2003 to 10.7% in the end of September 2004



# Loan portfolio structure Sep'04 vs. Sep'03



■ Performing Loans

■ Sub-standard

■ Doubtful

■ Lost

**4% growth of total loan portfolio with a 22% drop in NPL's**

□ Technical NPL's portfolio PLN 35m (declined by PLN 79m)

□ Central write-downs PLN 514m (PLN 256m Sep'03)

□ Impact of changes in regulations

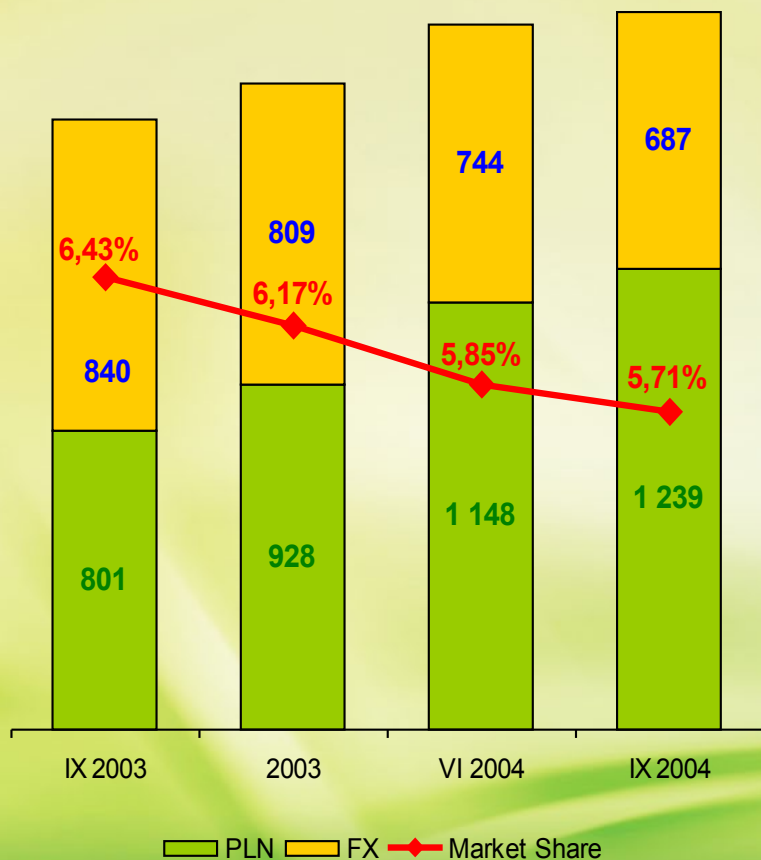


**WBK**

Bank Zachodni WBK S.A.

**WARTO BYĆ RAZEM**

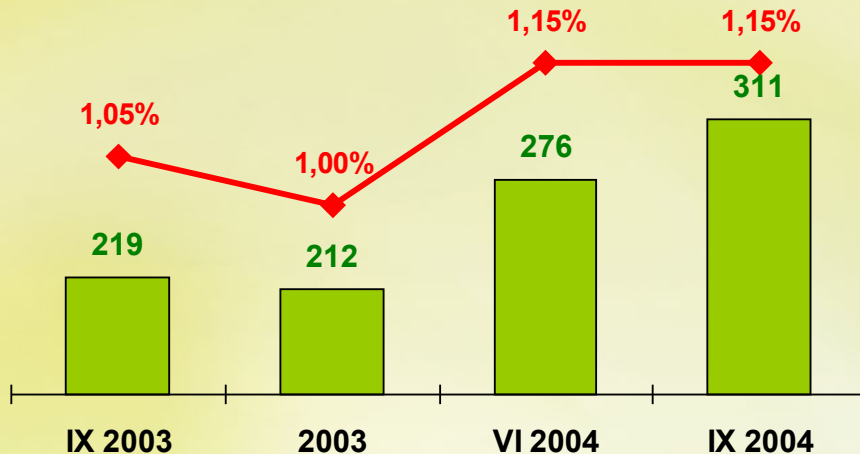
# Mortgage loans PLN 1.93bn



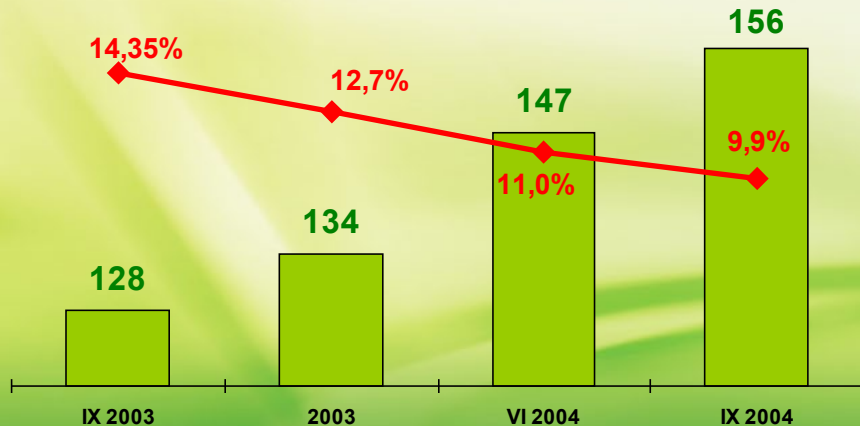
- Performing Mortgage loans portfolio increased by 17.4% in comparison to the balance end of September 2003
- Conservative policy of granting loans
- Good quality of the mortgage loans portfolio (NPL's 3.16% of total Mortgage portfolio)
- FX Mortgage lending
  - FX portfolio was 51% in September 2003 now 36% in September 2004
  - Only 8.4% of sales in 2004 was FX
- BZWBK is a leader in PLN mortgages pricing. Current Share in PLN Mortgage Market 8.69% (Sep'03 9.49%)
- 2<sup>nd</sup> position in the mortgage ranking of weekly „Wprost” published on 9 September 2004

# Cash loans and credit cards

Performing Cash loans in PLNm and Market Share



Number of cards in k and Market Share



## Cash loans

- The performing portfolio increased by 42% YoY driven by enhanced product offerings
- In 2004 BZWBK increased the flexibility in granting cash loans
- New product „Cash right now/Gotówka od zaraz” – in 24h

## Credit cards

- Number of cards issued increased by 22% in comparison to IX 2003
- Cards issued in 3rd Qtr 2004 15.9k (+23.6% on Qtr2)
- Card issuing time reduced to 7 days
- Migration to chip technology - pilot started in IIIQ 2004
- Market share impacted by growing level of low margin electronic cards in the Market.

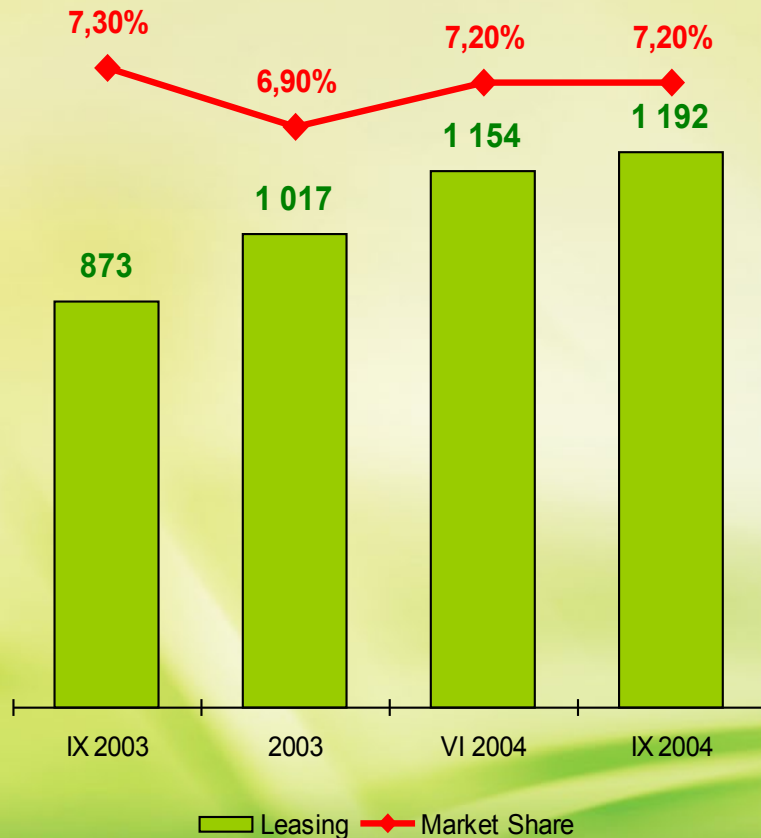


WBK

Bank Zachodni WBK S.A.

WARTO BYĆ RAZEM

# Leasing



- Leasing performing portfolio increased by 37% comparing to the end of September 2003
- Strong growth in the market share to 7.2% (IIQ 2004) from 6.9% in the end of December 2003
- 3<sup>rd</sup> position on the market:
  - Net value of leased assets
  - Car leasing
- For car leasing – decision in 24h

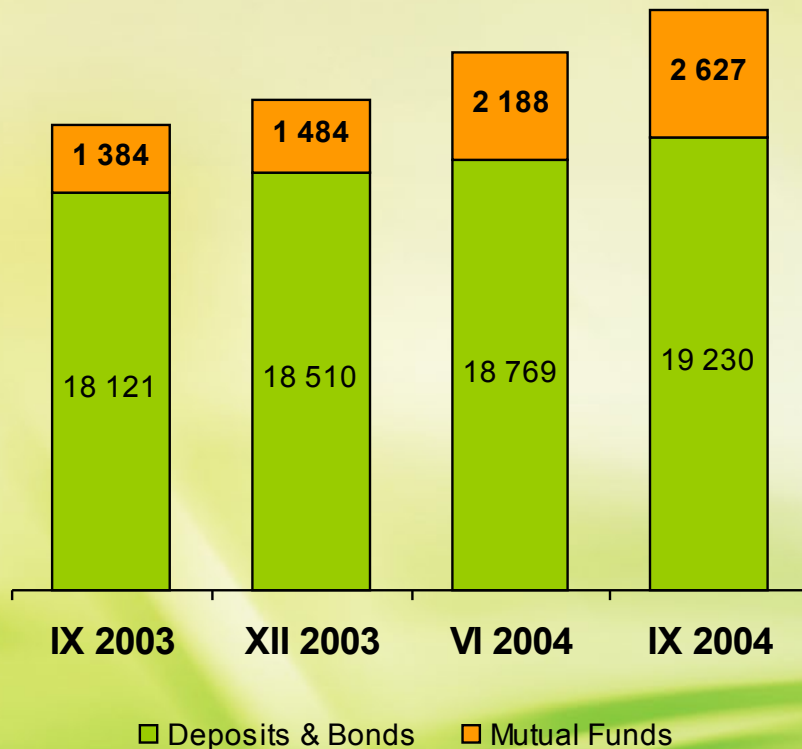


WBK

Bank Zachodni WBK S.A.

WARTO BYĆ RAZEM

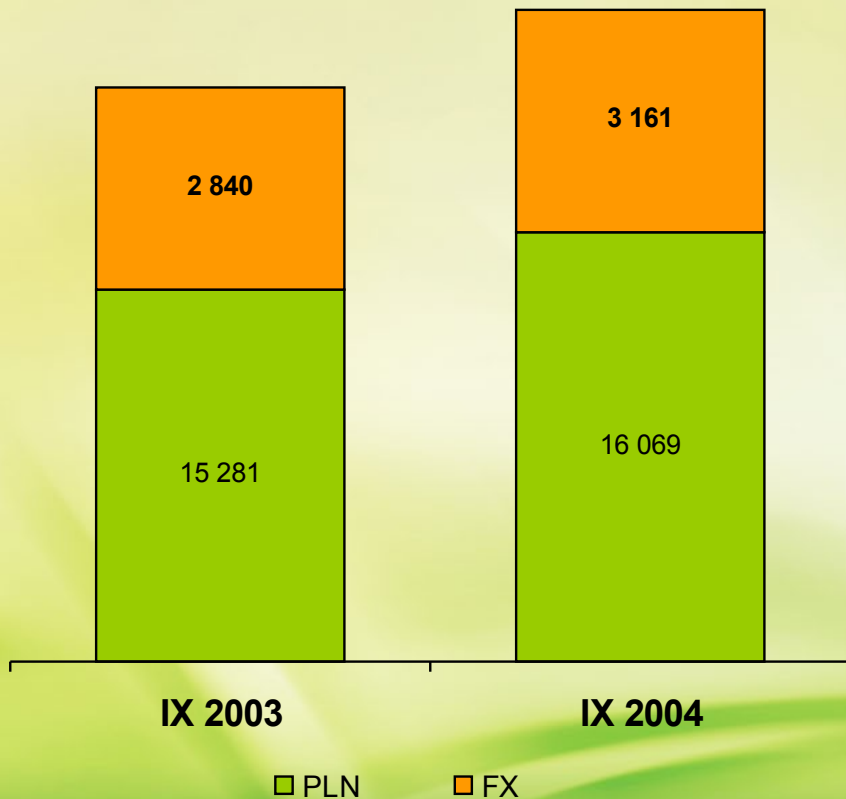
# Customers' funds PLN 21.9bn



- █ Customer's funds entrusted BZWBK Group (incl. new Property Fund) increased by 12% comparing to the end of September 2003.
- █ Total deposits comparing to the end of September 2003 increased by 6%
  - █ Current Accounts + 3%
  - █ Term Deposits + 4%
  - █ Savings and leasing bonds +54%
- █ Mutual Funds increased by 90% comparing to end of September 2003



# Deposits Profile



- Deposits (incl. Issued Bonds) in PLN increased 5% September 2004 vs. September 2003
- FX deposits grew by 11% YoY.
- Constant currency growth
  - FX deposits +21%
  - Total deposits +7% (actual +6%)
- PLN Deposits
  - Business deposits +23%, market +26%
  - Household deposits -6%, market -1%

# Mutual funds



- Increase in market share from 3.92% in the end of IX 2003 to 7.51% in the end of IX 2004
- 4th position on the market
- TFI BZ WBK AIB – the best TFI according to „Rzeczpospolita”
- The first on the market: ARKA BZWBK Fundusz Rynku Nieruchomości - PLN 344m
  - Individual customers – 43.5%
  - Institutional customers – 56.5%
- ARKA Funds: Equity Fund and Balanced Fund have been the highest yielding funds in respective categories: Portfel Akcji Fundamentalny - 96,1% annually and Indywidualny Portfel Akcyjny - 93,7%.

# 9 months 2004 - Results

## Gross profit

	1st Qtr	2nd Qtr	3rd Qtr	Total
2004	155m	147m	127m	<b>429m</b>
2003	71m	89m	69m	<b>229m</b>
Increase	117%	67%	83%	<b>87%</b>

## Net profit

	1st Qtr	2nd Qtr	3rd Qtr	Total
2004	129m	123m	96m	<b>348m</b>
2003	48m	61m	38m	<b>147m</b>
Increase	166%	101%	156%	<b>137%</b>



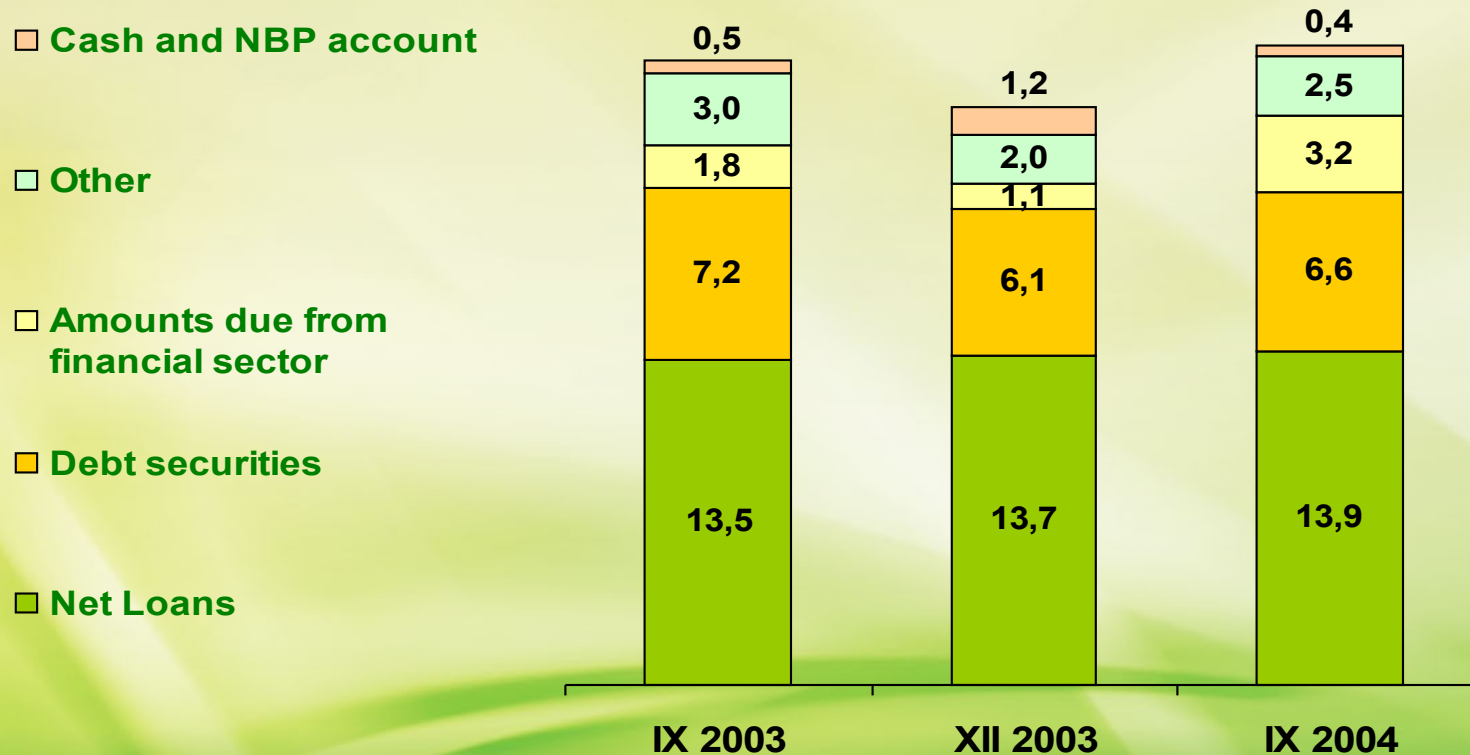
**WBK**

Bank Zachodni WBK S.A.

**WARTO BYĆ RAZEM**

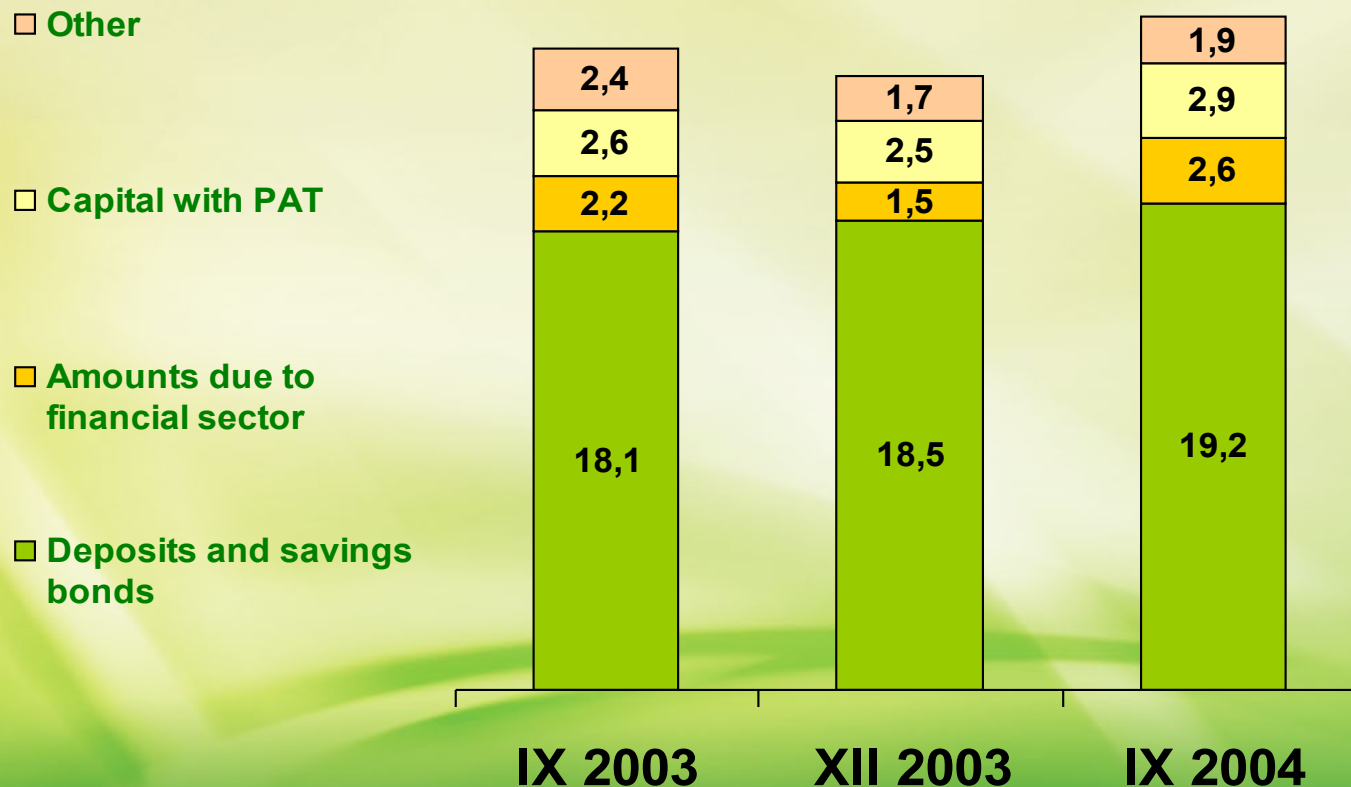
# Balance sheet - Assets

Total Assets PLN 26.6 bn increased by 5.2% YoY



# Balance sheet - Liabilities

Total Liabilities 26.6 bn increased by 5.2% YoY





# Profit & Loss Statement YTD

PLN m	9 months 2004	9 months 2003	Growth Y'04/Y'03
<b>Total Income</b>	<b>1,433</b>	<b>1,299</b>	<b>+10.4%</b>
<b>Total Costs</b>	<b>874</b>	<b>974</b>	<b>-10.3%</b>
<b>Operating Surplus</b>	<b>560</b>	<b>325</b>	<b>+72.3%</b>
<b>Provisions</b>	<b>-133</b>	<b>-98</b>	<b>+35%</b>
<b>PBT</b>	<b>429</b>	<b>229</b>	<b>+87.4%</b>

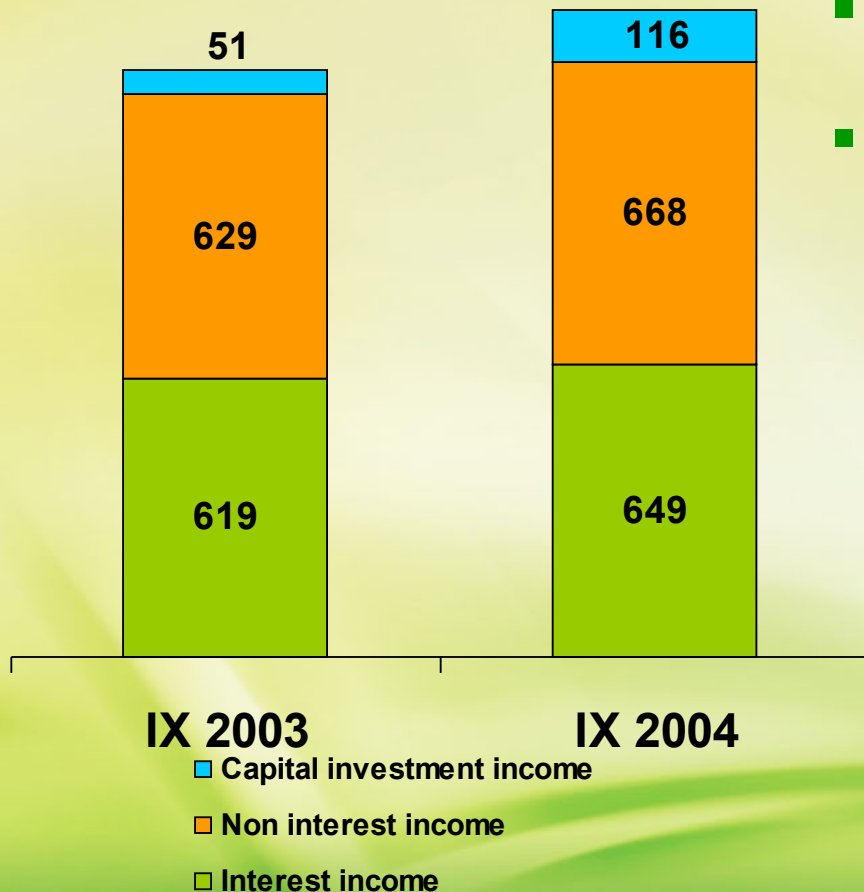
# P&L Quarterly split

PLN m	1 <sup>st</sup> Qtr 2004	2 <sup>nd</sup> Qtr 2004	3 <sup>rd</sup> Qtr 2004	Total
<b>Total Income</b>	<b>487*</b>	<b>500**</b>	<b>446</b>	<b>1,433</b>
<b>Total Costs</b>	<b>299</b>	<b>291</b>	<b>284</b>	<b>874</b>
<b>Operating Surplus</b>	<b>188</b>	<b>209</b>	<b>162</b>	<b>560</b>
<b>Provisions</b>	<b>-34</b>	<b>-62</b>	<b>-36</b>	<b>-133</b>
<b>PBT</b>	<b>154</b>	<b>147</b>	<b>126</b>	<b>429</b>
Excl. exceptionals	101	92	126	331

\* Include PLN 53m dividend

\*\* Include PLN 55m from Subs. disposal

# Total Income PLN 1,433m +10.4% YoY



- Economic activity translating into development in all business lines.
- Total Income growth driven by:
  - Net Interest Income +4.8% led by
    - Faster lending growth than deposit growth
    - Higher rate environment
    - Business mix
  - Non Interest Income +6% main drivers
    - Account fees            + 7%
    - Payments                + 38%
    - Credit Cards            + 11%
    - Mutual Funds fees    +113%
  - Exceptional high Income from Capital Investments PLN +65m



**WBK**

**Bank Zachodni WBK S.A.**

**WARTO BYĆ RAZEM**

# Total Income quarterly split

## ■ Key factors influencing Total Income:

□ Net Interest Income Qtr 1 favorably impacted by

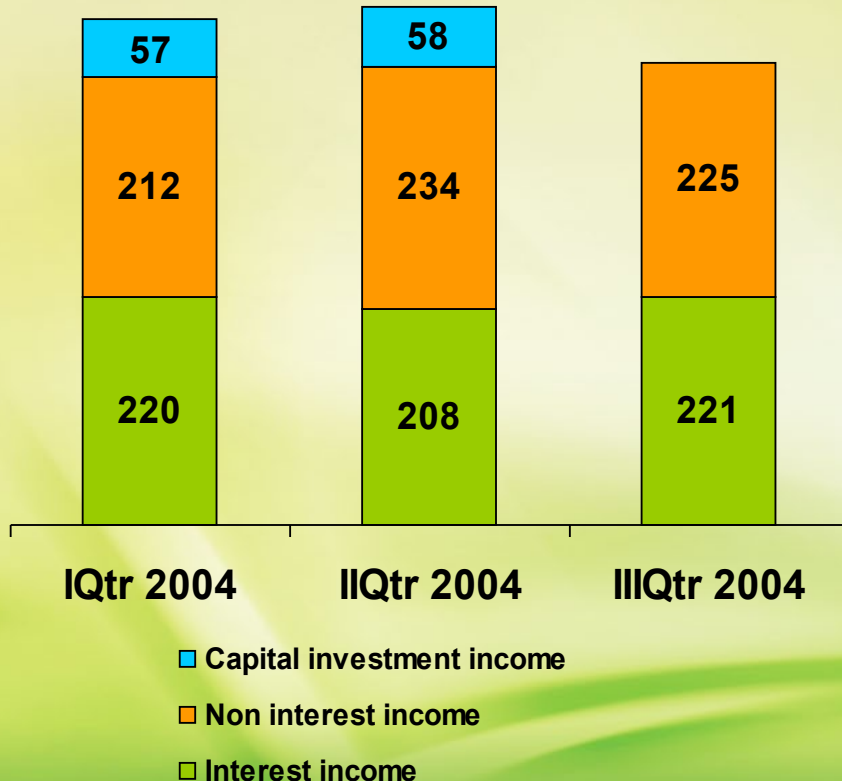
- Changes in NBP classifications
- Higher Income from NPL's

□ Non-Interest Income driven by

- FX profit
- Good Treasury performance in Qtr2
- Subsidiaries (DM, Inwestycje, Fund & Asset Management)

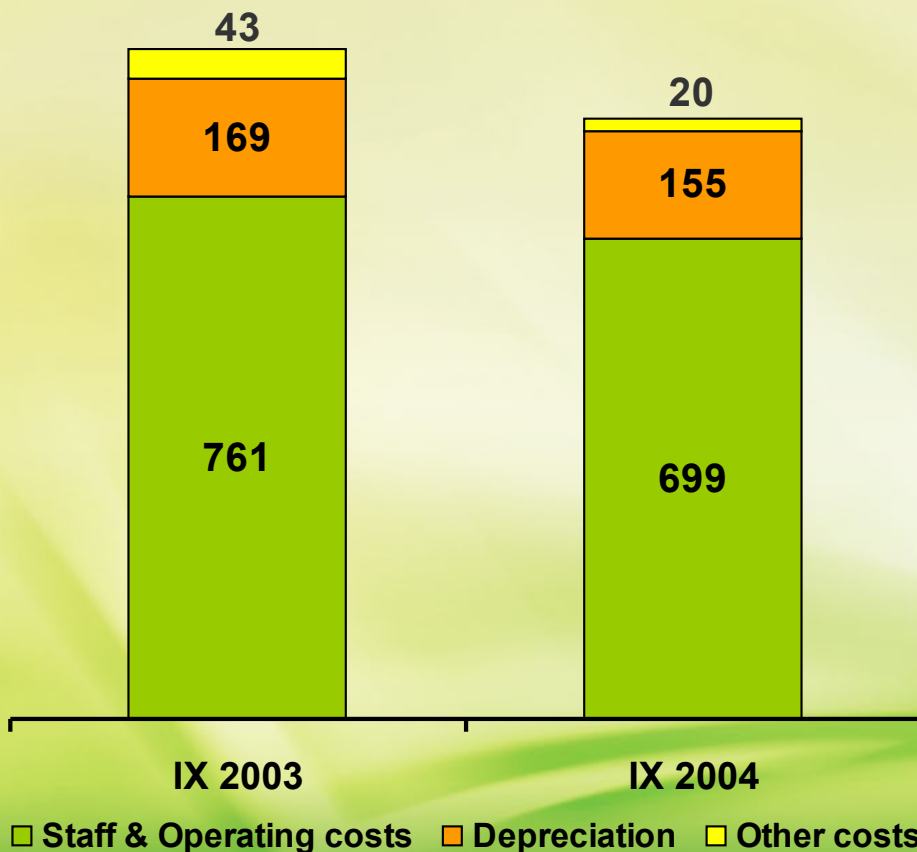
□ Income from Capital Investments include

- CU Dividend PLN 53m (PLN 23m in 2003)
- Subsidiary Disposal PLN 55m (PLN 17m in 2003)



Total Costs PLN 874m

-10.3% YoY



**Savings initiatives were successfully implemented**

- Lower staff costs and operating costs by 8%
- Lower depreciation by 8%
- Other operating costs include loss of asset disposal



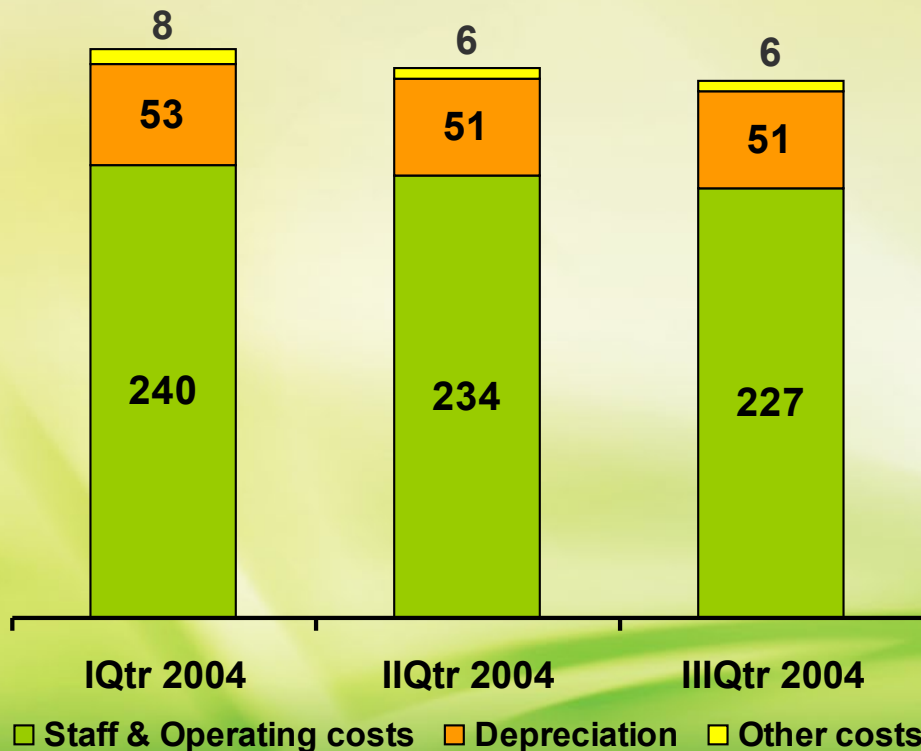
WBK

Bank Zachodni WBK S.A.

WARTO BYĆ RAZEM



# Total Costs by quarter



□ Benefits from savings initiatives still coming through.

□ Total costs

□ Qtr1 PLN 299m

□ Qtr2 PLN 291m

□ Qtr3 PLN 284m

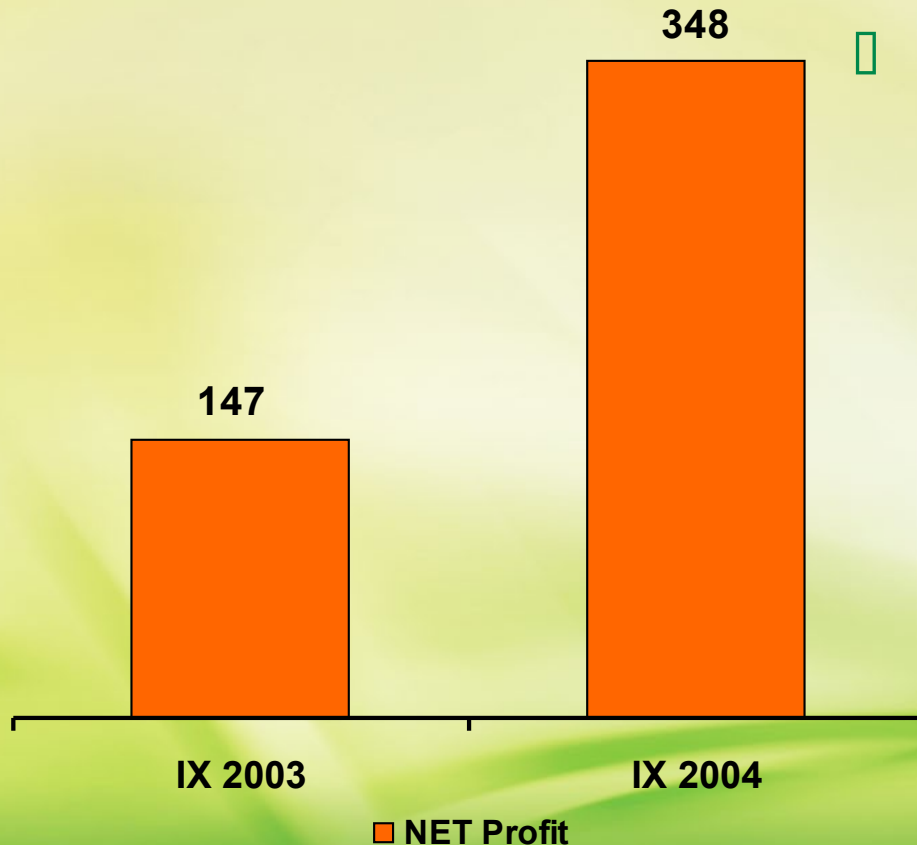


**WBK**

Bank Zachodni WBK S.A.

**WARTO BYĆ RAZEM**

# Bottom Line – Net Profit +137%YoY



- Net Profit growth 137% driven by:
  - 87% growth in PBT
  - Reduced CIT Rate
  - Tax legislation and impact on Deferred Tax

## In summary

- Excellent recovery in 2004 performance resulting in:
  - PBT increasing by 87% YoY, excluding dividends and subsidiary disposals growth is 70%YoY
  - C/I Ratio reduced by 14 p.p. to 61% (excl. dividends and disposal C/I would reduce by 11.5 p.p.)
  - ROE targets being realised
  - Strong Solvency Ratio at 12.96%

# Contacts

**BZWBK Investor Relations will be happy to facilitate your requests  
for any further information**

Jędrzej Marciniak

[jedrzej.marciniak@bzwbk.pl](mailto:jedrzej.marciniak@bzwbk.pl)

☎ +48 (61)856 5400

Agnieszka Dowzycka

[agnieszka.dowzycka@bzwbk.pl](mailto:agnieszka.dowzycka@bzwbk.pl)

☎ +48 (61)856 4521