

**REPORT OF  
BANK ZACHODNI WBK GROUP  
FOR QUARTER 1 2013**

2013



**WBK**

| Bank Zachodni WBK S.A.

FINANCIAL HIGHLIGHTS		PLN k		EUR k		
		for reporting period ended:	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Consolidated financial statements						
I	Net interest income		752 837	556 924	180 372	133 395
II	Net fee and commission income		429 242	330 119	102 842	79 070
III	Operating profit		476 132	407 549	114 076	97 617
IV	Profit before tax		476 476	410 710	114 159	98 374
V	Net profit attributable to owners of BZ WBK S.A.		373 616	314 150	89 515	75 246
VI	Total net cash flow		729 781	(735 158)	174 848	(176 086)
VII	Total assets		103 530 687	59 009 817	24 783 523	14 179 598
VIII	Deposits from banks		7 056 609	5 223 780	1 689 235	1 255 234
IX	Deposits from customers		77 109 560	43 485 794	18 458 745	10 449 297
X	Total liabilities		89 712 658	51 214 948	21 475 716	12 306 552
XI	Total equity		13 818 029	7 794 869	3 307 806	1 873 046
XII	Non-controlling interests in equity		100 813	72 512	24 133	17 424
XIII	Profit of the period attributable to non-controlling interests		7 447	7 753	1 784	1 857
XIV	Number of shares		93 545 089	73 076 013		
XV	Net book value per share in PLN/EUR		147,72	106,67	35,36	25,63
XVI	Solvency ratio		14,32%	15,18%		
XVII	Profit per share in PLN/EUR		4,03	4,30	0,97	1,03
XVIII	Diluted earnings per share in PLN/EUR		4,03	4,29	0,97	1,03
XIX	Declared or paid dividend per share in PLN/EUR		7,60	8,00	1,82	1,92
Stand alone financial statements						
I	Net interest income		712 868	520 475	170 796	124 665
II	Net fee and commission income		373 757	280 968	89 548	67 298
III	Operating profit		421 755	421 904	101 048	101 055
IV	Profit before tax		421 755	421 904	101 048	101 055
V	Profit for the period		337 832	344 118	80 941	82 423
VI	Total net cash flow		730 238	(732 247)	174 958	(175 389)
VII	Total assets		102 557 466	58 245 464	24 550 550	13 995 930
VIII	Deposits from banks		7 052 514	5 116 236	1 688 254	1 229 392
IX	Deposits from customers		77 254 971	43 639 585	18 493 554	10 486 252
X	Total liabilities		89 476 983	51 030 689	21 419 300	12 262 276
XI	Total equity		13 080 483	7 214 775	3 131 250	1 733 654
XII	Number of shares		93 545 089	73 076 013		
XIII	Net book value per share in PLN/EUR		139,83	98,73	33,47	23,72
XIV	Solvency ratio		14,39%	14,65%		
XV	Profit per share in PLN/EUR		3,64	4,71	0,87	1,13
XVI	Diluted earnings per share in PLN/EUR		3,64	4,70	0,87	1,13
XVII	Declared or paid dividend per share in PLN/EUR		7,60	8,00	1,82	1,92

FINANCIAL HIGHLIGHTS		Consolidated statement of financial position		Statement of financial position	
for the period ended 31.12.2012		PLN k	EUR k	PLN k	EUR k
I	Total assets	60 019 177	14 681 077	59 196 103	14 479 747
II	Deposits from banks	1 351 050	330 476	1 291 655	315 947
III	Deposits from customers	47 077 094	11 515 360	47 162 169	11 536 170
IV	Total liabilities	51 041 463	12 485 070	50 912 042	12 453 413
V	Total equity	8 977 714	2 196 007	8 284 061	2 026 335
VI	Non-controlling interests in equity	93 347	22 833	-	-

The following rates were applied to determine the key EUR amounts for selected financials:

- for balance sheet items – 4.1774 PLN rate to EUR as at 29.03.2013 stated by National Bank of Poland (NBP), 4.0882 PLN rate to EUR as at 31.12.2012; 4.1616 PLN rate to EUR as at 30.03.2012
- for profit and loss items – as at 31.03.2013: 4.1738 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2013), as at 31.03.2012: 4.1750 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2012)

As at 31.03.2013, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 063/A/NBP/2013 dd. 29.03.2013.

**CONSOLIDATED FINANCIAL  
STATEMENTS OF  
BANK ZACHODNI WBK GROUP  
FOR QUARTER 1 2013**

2013



**WBK**

| Bank Zachodni WBK S.A.

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## Consolidated income statement

	for reporting period:	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Interest income		1 391 008	943 861
Interest expenses		( 638 171)	( 386 937)
<b>Net interest income</b>	Note 4	<b>752 837</b>	<b>556 924</b>
Fee and commission income		499 845	381 059
Fee and commission expenses		( 70 603)	( 50 940)
<b>Net fee and commission income</b>	Note 5	<b>429 242</b>	<b>330 119</b>
Dividend income		-	1
Net trading income and revaluation	Note 6	54 345	40 034
Gains (losses) from other financial securities	Note 7	89 736	2 652
Other operating income		24 447	16 367
Impairment losses on loans and advances	Note 8	( 196 038)	( 80 806)
Operating expenses incl.:		( 678 437)	( 457 742)
<i>Bank's staff, operating expenses and management costs</i>	Notes 9, 10	( 606 927)	( 417 104)
<i>Depreciation/amortisation</i>		( 56 989)	( 36 865)
<i>Other operating expenses</i>		( 14 521)	( 3 773)
<b>Operating profit</b>		<b>476 132</b>	<b>407 549</b>
Share in net profits (loss) of entities accounted for by the equity method		344	3 161
<b>Profit before tax</b>		<b>476 476</b>	<b>410 710</b>
Corporate income tax	Note 11	( 95 413)	( 88 807)
<b>Profit for the period</b>		<b>381 063</b>	<b>321 903</b>
of which:			
<i>attributable to owners of BZ WBK S.A.</i>		373 616	314 150
<i>attributable to non-controlling interests</i>		7 447	7 753
<b>Net earnings per share (PLN/share)</b>			
Basic earnings per share		4,03	4,30
Diluted earnings per share		4,03	4,29

## Consolidated statement of comprehensive income

	for reporting period:	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>Profit for the period</b>		<b>381 063</b>	<b>321 903</b>
<b>Other comprehensive income which can be transferred to the profit and loss account:</b>			
Available-for sale financial assets valuation		(81 405)	85 066
<i>including deferred tax</i>		15 467	(16 163)
Cash flow hedges valuation		(29 259)	(26 033)
<i>including deferred tax</i>		5 559	4 946
<b>Other comprehensive income for the period, net of income tax</b>		<b>(89 638)</b>	<b>47 816</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>291 425</b>	<b>369 719</b>
Attributable to:			
<i>owners of BZ WBK S.A.</i>		283 959	361 759
<i>non-controlling interests</i>		7 466	7 960

## Consolidated statement of financial position

as at:		31.03.2013	31.12.2012	31.03.2012
<b>ASSETS</b>				
Cash and balances with central banks	Note 12	5 093 574	4 157 274	2 802 875
Loans and advances to banks	Note 13	1 256 493	1 458 128	1 405 496
Financial assets held for trading	Note 14	2 910 822	831 715	3 278 976
Hedging derivatives		284 706	253 553	134 487
Loans and advances to customers	Note 15	67 887 205	39 867 554	38 121 961
Investment securities	Note 16	21 529 590	11 716 133	11 760 175
Investments in associates and joint ventures	Note 17	116 029	115 685	107 673
Intangible assets		366 700	127 338	137 787
Goodwill	Note 28	1 688 516	-	-
Property, plant and equipment		641 804	479 811	487 406
Current income tax assets		21 792	-	-
Net deferred tax assets	Note 18	661 496	258 037	242 023
Assets classified as held for sale	Note 19	5 709	-	82 621
Investment property		15 891	-	-
Other assets	Note 20	1 050 360	753 949	448 337
<b>Total assets</b>		<b>103 530 687</b>	<b>60 019 177</b>	<b>59 009 817</b>
<b>LIABILITIES</b>				
Deposits from banks	Note 21	7 056 609	1 351 050	5 223 780
Hedging derivatives		496 185	321 950	333 331
Financial liabilities held for trading	Note 14	2 015 454	728 831	659 912
Deposits from customers	Note 22	77 109 560	47 077 094	43 485 794
Subordinated liabilities	Note 23	1 400 942	409 110	415 857
Current income tax liabilities		223 913	154 916	44 339
Other liabilities	Note 24	1 409 995	998 512	1 051 935
<b>Total liabilities</b>		<b>89 712 658</b>	<b>51 041 463</b>	<b>51 214 948</b>
<b>Equity</b>				
<b>Equity attributable to owners of BZ WBK S.A.</b>		<b>13 717 216</b>	<b>8 884 367</b>	<b>7 722 357</b>
Share capital		935 451	746 376	730 760
Other reserve funds		10 114 901	5 704 680	4 789 488
Revaluation reserve		782 743	872 400	592 927
Retained earnings		1 510 505	127 064	1 295 032
Profit of the current period		373 616	1 433 847	314 150
<b>Non-controlling interests in equity</b>		<b>100 813</b>	<b>93 347</b>	<b>72 512</b>
<b>Total equity</b>		<b>13 818 029</b>	<b>8 977 714</b>	<b>7 794 869</b>
<b>Total equity and liabilities</b>		<b>103 530 687</b>	<b>60 019 177</b>	<b>59 009 817</b>



## Movements in consolidated equity

Movements in consolidated equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
<b>Opening balance as at 31.12.2012</b>	<b>746 376</b>	<b>5 704 680</b>	<b>872 400</b>	<b>1 560 911</b>	<b>93 347</b>	<b>8 977 714</b>
Total comprehensive income	-	-	( 89 657)	373 616	7 466	291 425
Issue of shares*	189 075	4 354 766	-	-	-	4 543 841
Transfer to other capital	-	50 406	-	( 50 406)	-	-
Share scheme charge	-	5 059	-	-	-	5 059
Other	-	( 10)	-	-	-	( 10)
<b>As at 31.03.2013</b>	<b>935 451</b>	<b>10 114 901</b>	<b>782 743</b>	<b>1 884 121</b>	<b>100 813</b>	<b>13 818 029</b>

As at the end of the period revaluation reserve in the amount of PLN 782 743 k comprises of debt securities and equity shares classified as available for sale of PLN 402 400 k and PLN 332 249 k respectively and additionally cash flow hedge activities of PLN 48 094 k.

\* Detailed information on "Issue of shares" is included in Note 29.

Movements in consolidated equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
<b>Opening balance as at 31.12.2011</b>	<b>730 760</b>	<b>4 698 884</b>	<b>545 318</b>	<b>1 380 613</b>	<b>127 385</b>	<b>7 482 960</b>
Total comprehensive income	-	-	327 082	1 433 847	28 795	1 789 724
Issue of shares	15 616	316 384	-	-	-	332 000
Transfer to other capital	-	668 941	-	( 668 941)	-	-
Dividend relating to 2011	-	-	-	( 584 608)	( 62 833)	( 647 441)
Share scheme charge	-	20 471	-	-	-	20 471
<b>As at 31.12.2012</b>	<b>746 376</b>	<b>5 704 680</b>	<b>872 400</b>	<b>1 560 911</b>	<b>93 347</b>	<b>8 977 714</b>

As at the end of the period revaluation reserve in the amount of PLN 872 400 k comprises of debt securities and equity shares classified as available for sale of PLN 402 635 k and PLN 402 475 k respectively and additionally cash flow hedge activities of PLN 67 290 k.

Movements on consolidated equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Non-controlling interests in equity	Total
<b>Opening balance as at 31.12.2011</b>	<b>730 760</b>	<b>4 698 884</b>	<b>545 318</b>	<b>1 380 613</b>	<b>127 385</b>	<b>7 482 960</b>
Total comprehensive income	-	-	47 609	314 150	7 960	369 719
Transfer to other capital	-	85 581	-	( 85 581)	-	-
Dividend relating to 2011	-	-	-	-	( 62 833)	( 62 833)
Share scheme charge	-	5 023	-	-	-	5 023
<b>As at 31.03.2012</b>	<b>730 760</b>	<b>4 789 488</b>	<b>592 927</b>	<b>1 609 182</b>	<b>72 512</b>	<b>7 794 869</b>

As at the end of the period revaluation reserve in the amount of PLN 592 927 k comprises of debt securities and equity shares classified as available for sale of PLN 151 820 k and PLN 410 257 k respectively and additionally cash flow hedge activities of PLN 30 850 k.



## Consolidated statement of cash flows

	for reporting period:	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>Profit before tax</b>		<b>476 476</b>	<b>410 710</b>
<b>Total adjustments:</b>			
Share in net profits (losses) of entities accounted for by the equity method		( 344)	( 3 161)
Depreciation/amortisation		56 989	36 865
Impairment losses		496	2
Gains (losses) on exchange differences		6 739	18 754
(Profit) loss from investing activities		( 87 853)	( 2 239)
		<b>452 503</b>	<b>460 931</b>
<b>Changes in:</b>			
Provisions		( 11 978)	( 77 925)
Trading portfolio financial instruments		( 635 838)	( 604 289)
Loans and advances to banks		235 030	20 062
Loans and advances to customers		( 466 547)	( 104 788)
Deposits from banks		500 282	2 743 263
Deposits from customers		(1 056 345)	(3 385 636)
Equity arising from share issue for the acquisition purposes		4 543 841	-
Other assets and liabilities		( 475 716)	( 78 171)
		<b>2 632 729</b>	<b>(1 487 484)</b>
Interests and similar charges		( 52 915)	( 2 888)
Dividend received		-	( 1)
Paid income tax		( 85 223)	( 32 001)
<b>Net cash flow from operating activities</b>		<b>2 947 094</b>	<b>(1 061 443)</b>
<b>Inflows</b>		<b>60 000 827</b>	<b>4 354 069</b>
Sale/maturity of investment securities		60 000 232	4 353 243
Sale of intangible assets and property, plant and equipment		595	825
Dividend received		-	1
<b>Outflows</b>		<b>(62 138 773)</b>	<b>(4 008 176)</b>
Purchase of investment securities		(62 116 071)	(4 004 113)
Purchase of intangible assets and property, plant and equipment		( 22 702)	( 4 063)
<b>Net cash flow from investing activities</b>		<b>(2 137 946)</b>	<b>345 893</b>
<b>Inflows</b>		<b>42 980</b>	<b>41 948</b>
Drawing of long-term loans		42 980	41 948
<b>Outflows</b>		<b>( 122 347)</b>	<b>( 61 556)</b>
Repayment of long-term loans		( 80 187)	( 35 651)
Other financing outflows		( 42 160)	( 25 905)
<b>Net cash flow from financing activities</b>		<b>( 79 367)</b>	<b>( 19 608)</b>
<b>Total net cash flow</b>		<b>729 781</b>	<b>( 735 158)</b>
<b>Cash at the beginning of the accounting period</b>		<b>7 704 551</b>	<b>7 257 589</b>
<b>Cash acquired in a business combination</b>		<b>1 834 726</b>	<b>-</b>
<b>Cash at the end of the accounting period</b>		<b>10 269 058</b>	<b>6 522 431</b>

## Income statement of Bank Zachodni WBK

for reporting period:	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Interest income	1 355 904	914 496
Interest expenses	( 643 036)	( 394 021)
<b>Net interest income</b>	<b>712 868</b>	<b>520 475</b>
Fee and commission income	426 367	313 761
Fee and commission expenses	( 52 610)	( 32 793)
<b>Net fee and commission income</b>	<b>373 757</b>	<b>280 968</b>
Dividend income	-	62 834
Net trading income and revaluation	53 051	39 024
Gains (losses) from other financial securities	89 739	2 666
Other operating income	22 409	16 525
Impairment losses on loans and advances	( 192 057)	( 81 413)
Operating expenses incl.:	( 638 012)	( 419 175)
<i>Bank's staff, operating expenses and management costs</i>	<i>( 571 613)</i>	<i>( 385 834)</i>
<i>Depreciation/amortisation</i>	<i>( 54 521)</i>	<i>( 31 523)</i>
<i>Other operating expenses</i>	<i>( 11 878)</i>	<i>( 1 818)</i>
<b>Operating profit</b>	<b>421 755</b>	<b>421 904</b>
<b>Profit before tax</b>	<b>421 755</b>	<b>421 904</b>
Corporate income tax	( 83 923)	( 77 786)
<b>Profit for the period</b>	<b>337 832</b>	<b>344 118</b>
<b>Net earnings per share (PLN/share)</b>		
Basic earnings per share	3,64	4,71
Diluted earnings per share	3,64	4,70

## Statement of comprehensive income of Bank Zachodni WBK

for reporting period:	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>Profit for the period</b>	<b>337 832</b>	<b>344 118</b>
<b>Other comprehensive income which can be transferred to the profit and loss account:</b>		
Available-for sale financial assets valuation	(82 235)	77 364
<i>including deferred tax</i>	15 625	(14 699)
Cash flow hedges valuation	(29 259)	(26 033)
<i>including deferred tax</i>	5 559	4 946
<b>Other comprehensive income for the period, net of income tax</b>	<b>(90 310)</b>	<b>41 578</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>247 522</b>	<b>385 696</b>

## Statement of financial position of Bank Zachodni WBK

as at:	31.03.2013	31.12.2012	31.03.2012
<b>ASSETS</b>			
Cash and balances with central banks	5 093 570	4 157 270	2 802 870
Loans and advances to banks	1 253 135	1 454 313	1 402 477
Financial assets held for trading	2 878 542	818 581	3 265 309
Hedging derivatives	284 630	253 553	134 487
Loans and advances to customers	67 384 555	39 464 701	37 529 677
Investment securities	21 510 970	11 697 393	11 722 617
Investments in subsidiaries, associates and joint ventures	388 081	264 658	264 599
Intangible assets	342 436	113 678	124 989
Goodwill	1 688 516	-	-
Property, plant and equipment	632 535	468 028	474 056
Current income tax assets	21 588	-	-
Net deferred tax assets	550 005	172 445	163 805
Assets classified as held for sale	2 819	-	82 604
Investment property	14 197	-	-
Other assets	511 887	331 483	277 974
<b>Total assets</b>	<b>102 557 466</b>	<b>59 196 103</b>	<b>58 245 464</b>
<b>LIABILITIES</b>			
Deposits from banks	7 052 514	1 291 655	5 116 236
Hedging derivatives	496 185	322 252	333 366
Financial liabilities held for trading	2 015 456	728 831	659 938
Deposits from customers	77 254 971	47 162 169	43 639 585
Subordinated liabilities	1 400 942	409 110	415 857
Current income tax liabilities	225 462	160 417	38 564
Other liabilities	1 031 453	837 608	827 143
<b>Total liabilities</b>	<b>89 476 983</b>	<b>50 912 042</b>	<b>51 030 689</b>
<b>Equity</b>			
Share capital	935 451	746 376	730 760
Other reserve funds	9 652 700	5 292 875	4 387 148
Revaluation reserve	786 911	877 221	594 247
Retained earnings	1 367 589	-	1 158 502
Profit of the current period	337 832	1 367 589	344 118
<b>Total equity</b>	<b>13 080 483</b>	<b>8 284 061</b>	<b>7 214 775</b>
<b>Total equity and liabilities</b>	<b>102 557 466</b>	<b>59 196 103</b>	<b>58 245 464</b>

## Movements in equity of Bank Zachodni WBK

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2012</b>	<b>746 376</b>	<b>5 292 875</b>	<b>877 221</b>	<b>1 367 589</b>	<b>8 284 061</b>
Total comprehensive income	-	-	( 90 310)	337 832	247 522
Issue of shares*	189 075	4 354 766	-	-	4 543 841
Share scheme charge	-	5 059	-	-	5 059
<b>As at 31.03.2013</b>	<b>935 451</b>	<b>9 652 700</b>	<b>786 911</b>	<b>1 705 421</b>	<b>13 080 483</b>

As at the end of the period revaluation reserve in the amount of PLN 786 911 k comprises of debt securities and equity shares classified as available for sale of PLN 332 248 k and PLN 406 569 k respectively and additionally cash flow hedge activities of PLN 48 094 k.

\* Detailed information on "Issue of shares" is included in Note 29.

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2011</b>	<b>730 760</b>	<b>4 382 125</b>	<b>552 669</b>	<b>1 158 502</b>	<b>6 824 056</b>
Total comprehensive income	-	-	324 552	1 367 589	1 692 141
Issue of shares	15 616	316 384	-	-	332 000
Transfer to other capital	-	573 894	-	( 573 894)	-
Transfer to dividends for 2011	-	-	-	( 584 608)	( 584 608)
Share scheme charge	-	20 472	-	-	20 472
<b>As at 31.12.2012</b>	<b>746 376</b>	<b>5 292 875</b>	<b>877 221</b>	<b>1 367 589</b>	<b>8 284 061</b>

As at the end of the period revaluation reserve in the amount of PLN 877 221 k comprises of debt securities and equity shares classified as available for sale of PLN 402 635 k and PLN 407 296 k respectively and additionally cash flow hedge activities of PLN 67 290 k..

Movements on equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2011</b>	<b>730 760</b>	<b>4 382 125</b>	<b>552 669</b>	<b>1 158 502</b>	<b>6 824 056</b>
Total comprehensive income	-	-	41 578	344 118	385 696
Share scheme charge	-	5 023	-	-	5 023
<b>As at 31.03.2012</b>	<b>730 760</b>	<b>4 387 148</b>	<b>594 247</b>	<b>1 502 620</b>	<b>7 214 775</b>

As at the end of the period revaluation reserve in the amount of PLN 594 247 k comprises of debt securities and equity shares classified as available for sale of PLN 151 820 k and PLN 411 577 k respectively and additionally cash flow hedge activities of PLN 30 850 k.

## Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>Profit before tax</b>		<b>421 755</b>	<b>421 904</b>
<b>Total adjustments:</b>			
Depreciation/amortisation		54 521	31 523
(Profit) loss from investing activities		( 90 379)	( 2 203)
Impairment losses		496	-
		<b>386 393</b>	<b>451 224</b>
<b>Changes in:</b>			
Trading portfolio financial instruments		( 630 009)	( 645 962)
Loans and advances to banks		235 030	20 170
Loans and advances to customers		( 366 177)	( 107 481)
Deposits from banks		495 232	2 754 803
Deposits from customers		(1 071 782)	(3 352 494)
Provisions		( 7 322)	( 55 001)
Equity arising from share issue for the acquisition purposes		4 543 841	-
Other assets and liabilities		( 562 707)	( 95 224)
		<b>2 636 106</b>	<b>(1 481 189)</b>
Interests and similar charges		( 58 580)	( 6 028)
Dividend received		-	( 1)
Paid income tax		( 72 424)	( 22 549)
<b>Net cash flow from operating activities</b>		<b>2 891 495</b>	<b>(1 058 543)</b>
<b>Inflows</b>		<b>59 999 547</b>	<b>4 353 084</b>
Sale/maturity of investment securities		59 999 234	4 352 543
Sale of intangible assets and property, plant and equipment		313	540
Dividend received		-	1
<b>Outflows</b>		<b>(62 138 029)</b>	<b>(4 004 021)</b>
Purchase of investment securities		(62 116 071)	(4 000 608)
Purchase of intangible assets and property, plant and equipment		( 21 958)	( 3 413)
<b>Net cash flow from investing activities</b>		<b>(2 138 482)</b>	<b>349 063</b>
<b>Inflows</b>		<b>22 300</b>	<b>-</b>
Drawing of long-term loans		22 300	-
<b>Outflows</b>		<b>( 45 075)</b>	<b>( 22 767)</b>
Repayment of long-term loans		( 8 018)	-
Other financing outflows		( 37 057)	( 22 767)
<b>Net cash flow from financing activities</b>		<b>( 22 775)</b>	<b>( 22 767)</b>
<b>Total net cash flow</b>		<b>730 238</b>	<b>( 732 247)</b>
<b>Cash at the beginning of the accounting period</b>		<b>7 700 732</b>	<b>7 251 655</b>
<b>Cash acquired in a business combination</b>		<b>1 834 726</b>	<b>-</b>
<b>Cash at the end of the accounting period</b>		<b>10 265 696</b>	<b>6 519 408</b>



# Additional notes to consolidated financial statements

## 1. Basis of preparation of interim financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK Group for the year 2012.

The consolidated financial statements of the Group for the year 2012 are available at the Bank's official website: [ir.bzwbk.pl](http://ir.bzwbk.pl).

### Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2013 to 31 March 2013 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 as amended), the Bank has an obligation to publish its results for Q1 2013, which is deemed to be the current interim reporting period.

### Accounting policies

The condensed interim consolidated financial statements are presented in PLN, rounded to the nearest thousand.

The accounting policies have been applied consistently by Group entities.

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

### Comparability with results of previous periods

Pursuant to the accounting regulations, the comparable date only include financial data of BZWBK Group in accordance with the Q1 and Q4 2012 reports.

"The Consolidated Financial Statements of Bank Zachodni WBK Group for the First Quarter of 2013" are the first financial statements prepared after the merger with Kredyt Bank on 4 January 2013. The comparative data are derived from the consolidated financial statements of Bank Zachodni WBK as the acquiring entity.

### Changes in judgments and estimates

Compared with the consolidated financial statements for 2012, in Q1 2013 there were no material changes in Bank Zachodni WBK Group's accounting estimates or judgments.

## New standards and interpretations or changes to existing standards or interpretations which can be applicable to BZ WBK Group and are not yet effective or have neither been implemented earlier

IFRS	Description of changes	Effective from	Impact on the Group
IFRS 9 Financial Instruments	Changes in classification and measurement - the existing categories of financial instruments to be replaced by two measurement categories, i.e. amortised cost and fair value.	1 January 2015	The Group has not completed its analysis of changes.
IFRS 10 Consolidated Financial Statements	New standard supersedes the previous version of IAS 27 (2008) Consolidated and Separate Financial Statements as far as presentation and preparation of <b>consolidated</b> financial statements is concerned.	1 January 2014	The Group has not completed its analysis of changes.
IFRS 11 Joint Arrangements	Supersedes SIC –13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures.	1 January 2014	The Group has not completed its analysis of changes.
IFRS 12 Disclosures of Interests in Other Entities	New standard requires the disclosure of information that enables users of financial statements to evaluate: -the nature of, and risks associated with, its interests in other entities; - the effects of those interests on its financial position, financial performance and cash flows.	1 January 2014	The Group has not completed its analysis of changes.
IAS 27 Separate Financial Statements	IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate <b>(non-consolidated)</b> financial statements.	1 January 2014	The Group has not completed its analysis of changes.
IAS 28 Investments in Associates and Joint Ventures	The change prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2014	The Group has not completed its analysis of changes.
IAS 32 Financial Instruments: Presentation	IAS clarifies its requirements for offsetting financial instruments.	1 January 2014	The Group has not completed its analysis of changes.
Transition Guidance (Amendments to IFRS 10)	The amendments clarify transition guidance in IFRS 10 and also provide additional transition relief in IFRS 10, IFRS 11, IFRS 12.	1 January 2014	The Group has not completed its analysis of changes.
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendment exempts from consolidation "investment entities" such as mutual funds.	1 January 2014	The Group has not completed its analysis of changes.



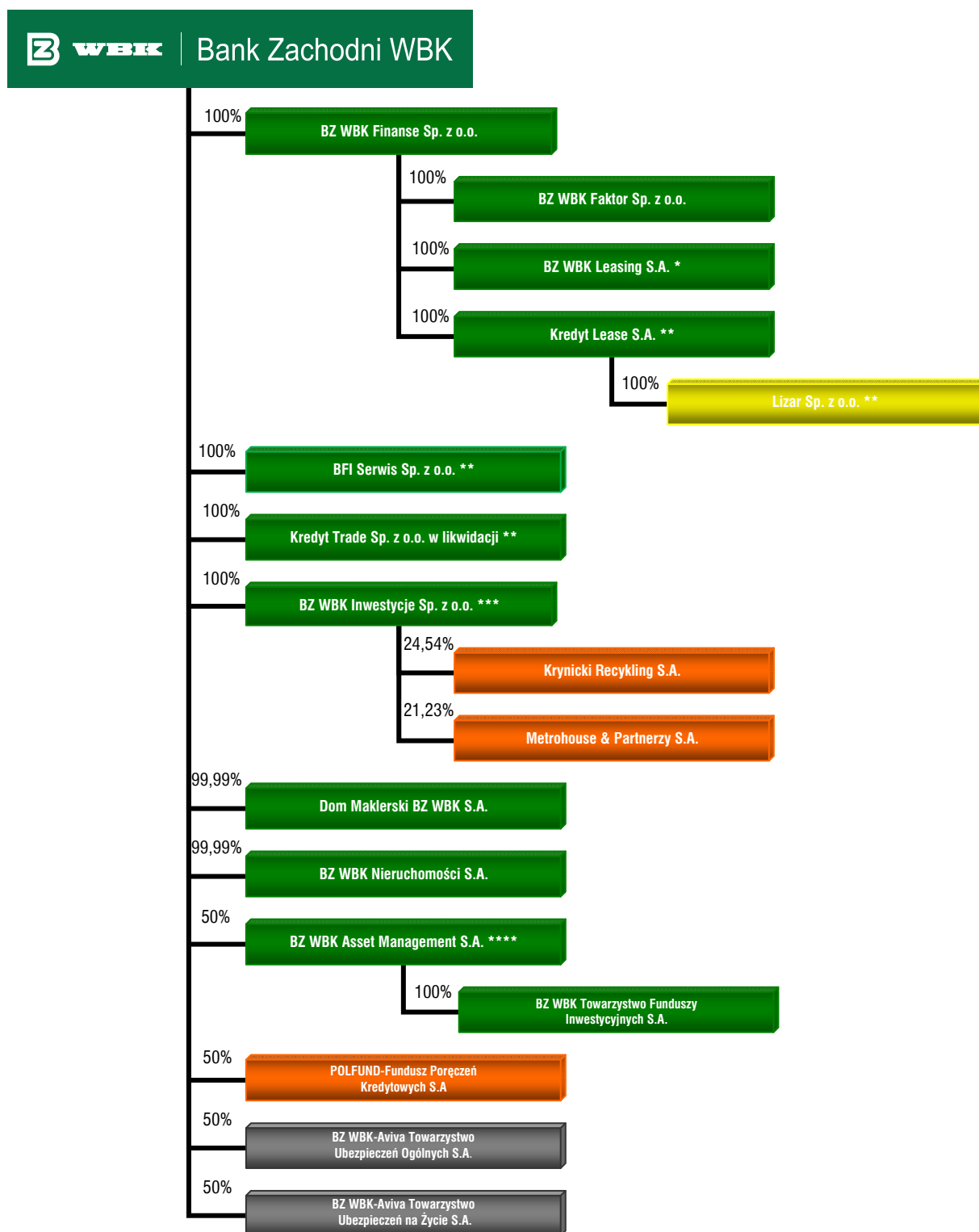
## Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2013

IFRS	Description of changes	Effective from	Impact on the Bank
IFRS 13 Fair Value Measurement	IFRS establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs.	1 January 2013	Amendments have not had material impact on the financial statements.
IAS 1 Presentation of Financial Statements	The amendments requires preparing presentation of items of other comprehensive income (OCI) in financial statements.	1 January 2013	Amendments have not had material impact on the financial statements.
IFRS 7 Financial instruments: disclosures	The amendments introduce the change in the disclosure requirements with regard to the effects of offsetting of financial assets and financial liabilities.	1 January 2013	Amendments have not had material impact on the financial statements.
Improvements to IFRSs (2009-2011)	Subject of amendment: IAS 1 - Clarification of requirement for comparative information; IAS 16 Classification of servicing equipment; IAS 32 Income tax consequences of distributions to holders of an equity instrument; IAS 34 segment information for total asset.	1 January 2013	Amendments have not had material impact on the financial statements.
IAS 19 Employee Benefits	The standard modifies the rules of settlement of the defined benefits plans and the employment termination benefits. It introduces changes to disclosures.	1 January 2013	Amendments have not had material impact on the financial statements.



## 2. Description of organization of Bank Zachodni WBK Group

Graphical representation of the Group's organization structure and information about types of connection within the Group as at 31.03.2013:







\* On 29 March 2013, the BZWBK leasing companies merged in accordance with Article 492 (1) (1) of the Code of Companies and Partnerships. The merger was effected by acquisition of BZ WBK Finanse & Leasing S.A. by BZ WBK Leasing S.A., being the acquiring entity,

and by transfer of the whole of the assets of BZ WBK Finanse & Leasing S.A. to BZ WBK Leasing S.A. in exchange for shares to be issued by BZ WBK Leasing S.A. to the existing partner in BZ WBK Finanse & Leasing S.A.

- \*\* Subsidiaries Kredyt Lease S.A., Kredyt Trade Sp. z o.o. in liquidation, BFI Serwis Sp. z o.o. and Lizar Sp. z o.o. were acquired in a merger of BZ WBK and Kredyt Bank
- \*\*\* Associated undertakings of BZ WBK Inwestycje Sp. z o.o., Metrohouse & Partnerzy S.A. and Krynicki Recykling S.A. are classified as BZ WBK associates since the bank has a significant impact on their operations. The respective shareholdings were acquired as part of the bank's strategy to build a portfolio of "pre-IPO" investments.
- \*\*\*\* As at 31 March 2013, Bank Zachodni WBK was a co-owner of BZ WBK Asset Management S.A., together with Banco Santander S.A. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Bank Zachodni WBK exercises control over the company and its subsidiary, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., because through it Banco Santander pursues its policy in Poland. Consequently, the company is treated as a subsidiary.

#### Legend:

%	Voting power
	Subsidiaries (fully consolidated with BZ WBK)
	Subsidiary (unconsolidated due to irrelevance of their business operations and financial data)
	Associates
	Joint ventures

## 3. Segment reporting

Operational activity of Bank Zachodni WBK Group has been divided into four segments: Retail Banking, Business and Corporate Banking, Global Banking and Markets, and ALM (Assets and Liabilities Management) and Centre. They were identified based on customers and product types.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for the Group and may be assigned to a given segment either directly or based on reasonable assumptions.

Settlements among business segments relate to rewarding for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by agreements between segments, which are based on single rates for specific services or breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for the operational activity and may be assigned to the segment directly or on a reasonable basis.

The principles of income and cost identification, as well as assets and liabilities for segmental reporting purposes are consistent with the accounting policy applied in Bank Zachodni WBK Group.

## Retail Banking

Retail Banking segment includes products and services targeted at individual customers as well as small and micro companies.

In the offer for customers of this segment there are a wide range of savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, GSM phones top-ups, foreign payments and Western Union and private-banking services. For small and micro companies, the segment provides, among others, lending and deposit taking services, cash management services, leasing, factoring, letters of credit and guarantees. Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios. It also covers insourcing services provided to retail customers based on mutual agreements with other banks and financial institutions.

## Business and Corporate Banking

Business and Corporate Banking segment covers products and activities targeted at business entities, local governments and the public sector. In addition to banking services covering lending and deposit activities, the segment provides services in the areas of cash management, leasing, factoring, trade financing and guarantees.

## Global Banking and Markets

In the Global Banking and Markets segment, the Group derives income from the sale of products and services to the largest international and local corporations, including:

- transactional banking with such products as cash management, deposits, leasing, factoring, letters of credit, guarantees, bilateral lending and trade finance;
- lending, including project finance, syndicated facilities and bond issues;
- FX and interest rate risk management products;
- underwriting and financing of securities issues, financial advice and brokerage services related to the activities of the Brokerage House.

Through its presence in the wholesale market, Global Banking and Markets also generates revenues from interest rate and FX risk positioning activity.

## ALM and Centre

The segment covers central operations such as financing of other Group's segments, including liquidity, interest rate risk and FX risk management. It also includes managing the Bank's strategic investments and transactions generating income and/or costs that cannot be directly or reasonably assigned to a given segment.

**Consolidated income statement (by business segments)**

01.01.2013-31.03.2013	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
<b>Net interest income</b>	<b>494 589</b>	<b>170 627</b>	<b>28 144</b>	<b>59 477</b>	<b>752 837</b>
incl. internal transactions	2 217	( 31 593)	7 631	21 745	-
<b>Other income</b>	<b>332 463</b>	<b>68 216</b>	<b>78 833</b>	<b>118 258</b>	<b>597 770</b>
incl. internal transactions	13 320	9 756	( 21 557)	( 1 519)	-
<b>Operating costs</b>	<b>( 458 810)</b>	<b>( 75 699)</b>	<b>( 47 745)</b>	<b>( 39 194)</b>	<b>( 621 448)</b>
incl. internal transactions	( 486)	( 1 032)	( 961)	2 479	-
<b>Depreciation/amortisation</b>	<b>( 44 339)</b>	<b>( 7 594)</b>	<b>( 3 416)</b>	<b>( 1 640)</b>	<b>( 56 989)</b>
<b>Impairment losses on loans and advances</b>	<b>( 137 521)</b>	<b>( 59 581)</b>	<b>( 1 708)</b>	<b>2 772</b>	<b>( 196 038)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>456</b>	<b>-</b>	<b>( 134)</b>	<b>22</b>	<b>344</b>
<b>Profit before tax</b>	<b>186 838</b>	<b>95 969</b>	<b>53 974</b>	<b>139 695</b>	<b>476 476</b>
Corporate income tax					( 95 413)
Non-controlling interests					( 7 447)
<b>Profit for the period</b>					<b>373 616</b>

**Consolidated statement of financial position (by business segment)**

31.03.2013	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
Loans and advances to customers	41 839 137	22 828 986	3 108 519	110 563	67 887 205
Investments in associates and joint ventures	54 494	-	19 779	41 756	116 029
Other assets	2 411 674	1 018 117	3 837 275	28 260 387	35 527 453
<b>Total assets</b>	<b>44 305 305</b>	<b>23 847 103</b>	<b>6 965 573</b>	<b>28 412 706</b>	<b>103 530 687</b>
Deposits from customers	56 737 677	15 928 913	4 402 994	39 976	77 109 560
Other liabilities and equity	6 539 263	5 247 250	4 066 097	10 568 517	26 421 127
<b>Total equity and liabilities</b>	<b>63 276 940</b>	<b>21 176 163</b>	<b>8 469 091</b>	<b>10 608 493</b>	<b>103 530 687</b>

**Consolidated income statement (by business segments)**

01.01.2012-31.03.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
<b>Net interest income</b>	<b>372 353</b>	<b>139 390</b>	<b>22 877</b>	<b>22 304</b>	<b>556 924</b>
incl. internal transactions	2 929	( 30 379)	8 826	18 624	-
<b>Other income</b>	<b>263 510</b>	<b>35 238</b>	<b>63 112</b>	<b>27 312</b>	<b>389 172</b>
incl. internal transactions	11 753	6 266	( 15 858)	( 2 161)	-
<b>Dividend income</b>	-	-	-	1	1
<b>Operating costs</b>	<b>( 322 670)</b>	<b>( 43 772)</b>	<b>( 38 890)</b>	<b>( 15 545)</b>	<b>( 420 877)</b>
incl. internal transactions	( 515)	( 1 005)	( 986)	2 506	-
<b>Depreciation/amortisation</b>	<b>( 27 338)</b>	<b>( 4 100)</b>	<b>( 4 024)</b>	<b>( 1 403)</b>	<b>( 36 865)</b>
<b>Impairment losses on loans and advances</b>	<b>( 53 574)</b>	<b>( 28 437)</b>	<b>( 47)</b>	<b>1 252</b>	<b>( 80 806)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>1 649</b>	-	<b>843</b>	<b>669</b>	<b>3 161</b>
<b>Profit before tax</b>	<b>233 930</b>	<b>98 319</b>	<b>43 871</b>	<b>34 590</b>	<b>410 710</b>
Corporate income tax					( 88 807)
Non-controlling interests					( 7 753)
<b>Profit for the period</b>					<b>314 150</b>

**Consolidated statement of financial position (by business segment)**

31.03.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
Loans and advances to customers	18 290 482	17 257 921	2 467 516	106 042	38 121 961
Investments in associates and joint ventures	44 479	-	63 194	-	107 673
Other assets	1 230 252	437 563	1 489 257	17 623 111	20 780 183
<b>Total assets</b>	<b>19 565 213</b>	<b>17 695 484</b>	<b>4 019 967</b>	<b>17 729 153</b>	<b>59 009 817</b>
Deposits from customers	33 539 808	8 446 927	1 499 059	-	43 485 794
Other liabilities and equity	2 875 939	4 136 123	2 092 375	6 419 586	15 524 023
<b>Total equity and liabilities</b>	<b>36 415 747</b>	<b>12 583 050</b>	<b>3 591 434</b>	<b>6 419 586</b>	<b>59 009 817</b>

## 4. Net interest income

	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>Interest income</b>		
Loans and advances to enterprises	456 679	363 594
Loans and advances to individuals, of which:	532 951	283 881
<i>Home mortgage loans</i>	212 690	100 741
Debt securities incl.:	224 585	186 589
<i>Investment portfolio available for sale</i>	213 047	145 550
<i>Trading portfolio</i>	11 538	41 039
Leasing agreements	46 459	44 259
Loans and advances to banks	32 607	21 904
Public sector	6 518	5 945
Reverse repo transactions	5 049	1 857
Interest recorded on hedging IRS	86 160	35 832
<b>Total</b>	<b>1 391 008</b>	<b>943 861</b>
<b>Interest expenses</b>		
Deposits from individuals	( 387 563)	( 211 719)
Deposits from enterprises	( 170 984)	( 116 832)
Repo transactions	( 23 246)	( 28 409)
Deposits from public sector	( 33 617)	( 18 462)
Deposits from banks	( 10 430)	( 5 691)
Subordinated liabilities	( 12 331)	( 5 824)
<b>Total</b>	<b>( 638 171)</b>	<b>( 386 937)</b>
<b>Net interest income</b>	<b>752 837</b>	<b>556 924</b>

## 5. Net fee and commission income

	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>Fee and commission income</b>		
eBusiness & payments	134 381	102 993
Current accounts and money transfer	88 559	59 246
Asset management fees	57 697	55 532
Foreign exchange commissions	63 052	54 466
Credit commissions	57 062	32 560
Insurance commissions	26 364	25 353
Brokerage commissions	28 961	24 418
Credit cards	19 610	18 873
Off-balance sheet guarantee commissions	8 044	3 112
Finance lease commissions	1 464	1 136
Issue arrangement fees	722	1 104
Distribution fees	10 906	1 103
Other commissions	3 023	1 163
<b>Total</b>	<b>499 845</b>	<b>381 059</b>
<b>Fee and commission expenses</b>		
eBusiness & payments	( 37 394)	( 23 161)
Distribution fees	( 7 961)	( 7 541)
Brokerage commissions	( 4 194)	( 5 498)
Credit cards	( 3 325)	( 2 859)
Asset management fees and other costs	( 1 975)	( 2 270)
Finance lease commissions	( 2 591)	( 2 142)
Commissions paid to credit agents	( 817)	( 1 275)
Other	( 12 346)	( 6 194)
<b>Total</b>	<b>( 70 603)</b>	<b>( 50 940)</b>
<b>Net fee and commission income</b>	<b>429 242</b>	<b>330 119</b>

## 6. Net trading income and revaluation

Net trading income and revaluation	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Profit/(loss) on derivative instruments	( 166 897)	4 138
Profit on interbank FX transactions	220 552	29 862
Other FX related income	( 6 746)	2 955
Profit on market maker activity	1 325	1 986
Profit on equity instruments	3 598	325
Profit on debt instruments	2 513	768
<b>Total</b>	<b>54 345</b>	<b>40 034</b>

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 2 418 k for 1Q 2013 and PLN 409 k for 1Q 2012.

## 7. Gains (losses) from other financial securities

Gains (losses) from other financial securities	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Profit on sale of equity shares	( 1)	( 1)
Profit on sale of debt securities	89 384	2 072
Charge due to impairment losses	( 496)	-
<b>Total profit (losses) on financial instruments</b>	<b>88 887</b>	<b>2 071</b>
Change in fair value of hedging instruments	1 802	1 135
Change in fair value of underlying hedged positions	( 953)	( 554)
<b>Total profit (losses) on hedging and hedged instruments</b>	<b>849</b>	<b>581</b>
<b>Total</b>	<b>89 736</b>	<b>2 652</b>

## 8. Impairment losses on loans and advances

Impairment losses on loans and advances	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Collective and individual impairment charge	( 226 679)	( 87 542)
Incurred but not reported losses charge	49 152	( 2 810)
Recoveries of loans previously written off	1 338	1 416
Off-balance sheet credit related facilities	( 19 849)	8 130
<b>Total</b>	<b>( 196 038)</b>	<b>( 80 806)</b>

## 9. Employee costs

Employee costs	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Salaries and bonuses	( 281 134)	( 193 818)
Salary related costs	( 52 655)	( 34 448)
Staff benefits costs	( 7 477)	( 5 041)
Professional trainings	( 2 095)	( 3 365)
Retirement fund, holiday provisions and other employee costs	( 1 738)	( 1 184)
<b>Total</b>	<b>( 345 099)</b>	<b>( 237 856)</b>

## 10. General and administrative expenses

General and administrative expenses	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Maintenance and rentals of premises	( 88 289)	( 56 505)
Marketing and representation	( 20 926)	( 27 216)
IT systems costs	( 33 762)	( 22 492)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	( 24 380)	( 14 037)
Postal and telecommunication costs	( 12 198)	( 11 277)
Consulting fees	( 14 112)	( 10 327)
Cars, transport expenses, carriage of cash	( 15 078)	( 8 191)
Other external services	( 15 298)	( 7 086)
Stationery, cards, cheques etc.	( 5 049)	( 5 517)
Sundry taxes	( 5 832)	( 3 821)
Data transmission	( 6 274)	( 3 770)
KIR, SWIFT settlements	( 4 191)	( 3 111)
Security costs	( 4 870)	( 2 400)
Costs of repairs	( 4 834)	( 930)
Other	( 6 735)	( 2 568)
<b>Total</b>	<b>( 261 828)</b>	<b>( 179 248)</b>

## 11. Corporate income tax

Corporate income tax	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Current tax charge	( 125 670)	( 97 027)
Deferred tax	30 257	8 220
<b>Total</b>	<b>( 95 413)</b>	<b>( 88 807)</b>

Corporate total tax charge information	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Profit before tax	476 476	410 710
Tax rate	19%	19%
Tax calculated at the tax rate	( 90 530)	( 78 035)
Non-deductible expenses	( 3 838)	( 2 125)
Sale of receivables	( 1 316)	( 742)
Non-tax deductible bad debt provisions	1 119	( 6 046)
Non-taxable write offs	( 784)	( 1 583)
Other	( 64)	( 276)
<b>Total income tax expense</b>	<b>( 95 413)</b>	<b>( 88 807)</b>

Deferred tax recognised directly in equity	31.03.2013	31.03.2012
The amount of deferred tax recognised directly in equity totaled:		
Relating to equity securities available-for-sale	( 94 373)	( 96 258)
Relating to debt securities available-for-sale	( 77 935)	( 35 612)
Relating to cash flow hedging activity	( 11 281)	( 7 238)
<b>Total</b>	<b>( 183 589)</b>	<b>( 139 108)</b>



## 12. Cash and balances with central banks

Cash and balances with central banks	31.03.2013	31.12.2012	31.03.2012
Cash	1 579 201	1 084 107	791 651
Current accounts in central banks	3 509 372	3 073 167	2 011 224
Term deposits	5 001	-	-
<b>Total</b>	<b>5 093 574</b>	<b>4 157 274</b>	<b>2 802 875</b>

BZ WBK holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of the monthly average balance of the customers' deposits, which in all the covered periods was 3.5%.

In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

## 13. Loans and advances to banks

Loans and advances to banks	31.03.2013	31.12.2012	31.03.2012
Loans and advances	156 092	916 567	135 658
Current accounts, other	648 830	473 748	477 379
Buy-sell-back transaction	451 571	67 813	792 459
<b>Total</b>	<b>1 256 493</b>	<b>1 458 128</b>	<b>1 405 496</b>

## 14. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2013		31.12.2012		31.03.2012	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Trading derivatives</b>	<b>1 249 532</b>	<b>1 526 221</b>	<b>641 051</b>	<b>711 669</b>	<b>694 785</b>	<b>627 609</b>
<b>Interest rate operations</b>	<b>1 030 748</b>	<b>1 268 704</b>	<b>365 874</b>	<b>371 136</b>	<b>258 147</b>	<b>266 672</b>
Options	742	742	564	564	614	614
IRS	999 548	1 232 045	356 991	358 516	251 786	261 469
FRA	30 458	35 917	8 319	12 056	5 747	4 589
<b>FX operations</b>	<b>217 532</b>	<b>256 617</b>	<b>275 177</b>	<b>340 533</b>	<b>436 638</b>	<b>360 937</b>
CIRS	64 151	145 304	75 561	152 711	50 153	114 588
Forward	18 512	26 022	27 050	22 343	43 665	28 139
FX Swap	105 492	56 146	142 466	135 140	260 648	136 140
Spot	1 072	831	901	1 140	1 126	1 024
Options	28 305	28 314	29 199	29 199	81 046	81 046
<b>Transactions concerning precious metals and commodities</b>	<b>1 252</b>	<b>900</b>	-	-	-	-
<b>Debt and equity securities</b>	<b>1 661 290</b>	-	<b>190 664</b>	-	<b>2 584 191</b>	-
<b>Debt securities</b>	<b>1 614 994</b>	-	<b>176 963</b>	-	<b>2 556 550</b>	-
Government securities:	1 613 988	-	175 487	-	602 851	-
- bills	917 893	-	-	-	-	-
- bonds	696 095	-	175 487	-	602 851	-
Central Bank securities:	-	-	-	-	1 949 306	-
- bills	-	-	-	-	1 949 306	-
Other securities:	1 006	-	1 476	-	4 393	-
- bonds	1 006	-	1 476	-	4 393	-
<b>Equity securities:</b>	<b>46 296</b>	-	<b>13 701</b>	-	<b>27 641</b>	-
- listed	24 088	-	13 701	-	27 641	-
- unlisted	22 208	-	-	-	-	-
<b>Short sale</b>	-	<b>489 233</b>	-	<b>17 162</b>	-	<b>32 303</b>
<b>Total financial assets/liabilities</b>	<b>2 910 822</b>	<b>2 015 454</b>	<b>831 715</b>	<b>728 831</b>	<b>3 278 976</b>	<b>659 912</b>

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN 0 as at 31.03.2013, PLN (30) k as at 31.12.2012 and PLN (344) k as at 31.03.2012.

## 15. Loans and advances to customers

Loans and advances to customers	31.03.2013	31.12.2012	31.03.2012
Loans and advances to enterprises	33 790 016	25 280 604	24 381 032
Loans and advances to individuals, of which:	34 448 079	13 708 551	12 643 448
<i>Home mortgage loans</i>	25 805 406	8 080 532	7 570 006
Finance lease receivables	2 944 949	2 289 852	2 278 939
Loans and advances to public sector	226 489	105 366	165 301
Buy-sell-back transaction	53 556	15 234	54 340
Other	69 113	12 154	5 175
<b>Gross receivables</b>	<b>71 532 202</b>	<b>41 411 761</b>	<b>39 528 235</b>
Impairment write down	(3 644 997)	(1 544 207)	(1 406 274)
<b>Total</b>	<b>67 887 205</b>	<b>39 867 554</b>	<b>38 121 961</b>

Movements on impairment losses on loans and advances to customers	31.03.2013	31.12.2012	31.03.2012
<b>Individual and collective impairment</b>			
As at the beginning of the period	(1 207 321)	(1 069 296)	(1 069 296)
Individual and collective impairment acquired in a business combination	(1 667 026)	-	-
Charge/write back of current period	( 226 679)	( 538 908)	( 87 542)
Write off/Sale of receivables	33 949	381 667	99 468
Transfer	( 69 607)	16 215	( 1 718)
F/X differences	( 1 272)	3 001	2 519
Other changes	590	-	-
<b>Balance at the end of the period</b>	<b>(3 137 366)</b>	<b>(1 207 321)</b>	<b>(1 056 569)</b>
<b>IBNR</b>			
As at the beginning of the period	( 336 886)	( 345 949)	( 345 949)
IBNR acquired in a business combination	( 198 305)	-	-
Charge/write back of current period	49 152	19 263	( 2 810)
Transfer	( 18 755)	( 13 018)	( 2 992)
F/X differences	( 1 172)	2 818	2 046
Other changes	( 1 665)	-	-
<b>Balance at the end of the period</b>	<b>( 507 631)</b>	<b>( 336 886)</b>	<b>( 349 705)</b>
<b>Impairment write down</b>	<b>(3 644 997)</b>	<b>(1 544 207)</b>	<b>(1 406 274)</b>

## 16. Investment securities available for sale

Investment securities available for sale	31.03.2013	31.12.2012	31.03.2012
<b>Available for sale investments - measured at fair value</b>			
<b>Debt securities</b>	<b>20 872 609</b>	<b>11 048 024</b>	<b>11 068 727</b>
Government securities:	14 655 161	7 711 424	10 624 261
- bills	-	-	142 326
- bonds	14 655 161	7 711 424	10 481 935
Central Bank securities:	3 968 829	2 099 256	364 772
- bills	3 968 829	2 099 256	364 772
Commercial securities:	2 248 619	1 237 344	79 694
-bonds	2 248 619	1 237 344	79 694
<b>Equity securities</b>	<b>628 708</b>	<b>627 180</b>	<b>637 770</b>
- listed	14 099	13 441	27 865
- unlisted	614 609	613 739	609 905
<b>Investment certificates</b>	<b>28 273</b>	<b>40 929</b>	<b>53 678</b>
<b>Total</b>	<b>21 529 590</b>	<b>11 716 133</b>	<b>11 760 175</b>

## 17. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	31.03.2013	31.12.2012	31.03.2012
<b>Balance at 1 January</b>	<b>115 685</b>	<b>104 512</b>	<b>104 512</b>
Share of profits/(losses)	344	19 746	3 161
Sale/acquisition	-	( 4 541)	-
Dividend	-	( 4 032)	-
<b>Balance at the end of the period</b>	<b>116 029</b>	<b>115 685</b>	<b>107 673</b>

Balance sheet value of associates and joint ventures	31.03.2013	31.12.2012	31.03.2012
Polfund - Fundusz Poręczeń Kredytowych S.A.	41 755	41 733	39 134
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	25 991	26 536	23 248
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	28 504	27 502	21 231
Krynicky Recykling S.A.	15 447	15 408	14 621
Metrohouse & Partnerzy S.A.	4 332	4 506	4 659
Holicon Group S.A.	-	-	4 780
<b>Total</b>	<b>116 029</b>	<b>115 685</b>	<b>107 673</b>

## 18. Net deferred tax assets

Deferred tax asset	31.03.2013	31.12.2012	31.03.2012
Provisions for loans	492 533	168 286	188 197
Unrealized liabilities due to derivatives	401 032	214 291	84 842
Other provisions which are not yet taxable costs	83 785	56 085	50 027
Deferred income	101 721	96 420	89 462
Difference between balance sheet and taxable value of leasing portfolio	93 972	69 001	66 775
Unrealized interest on credits, loans and securities	131 077	115 773	59 997
Depreciation, amortisation - effects of a change in estimate	32 601	14 771	15 126
Unrealised FX translation differences from b/s valuation of receivables and liabilities	( 133)	405	640
Other	25 580	2 477	5 346
<b>Total</b>	<b>1 362 168</b>	<b>737 509</b>	<b>560 412</b>
Deferred tax liability	31.03.2013	31.12.2012	31.03.2012
Revaluation of financial instruments available for sale*	( 190 053)	( 188 832)	( 131 870)
Unrealised receivables on derivatives	( 285 249)	( 170 315)	( 81 737)
Unrealised interests from loans, securities and interbank deposits	( 142 002)	( 85 780)	( 70 070)
Provision due to application of investment relief	( 3 054)	( 3 088)	( 3 180)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	( 2 816)	( 3 437)	( 5 906)
Difference between balance sheet and taxable value of intangible assets	( 39 474)	-	-
Cash flow hedges valuation	( 11 281)	( 15 784)	( 7 236)
Other	( 26 743)	( 12 236)	( 18 390)
<b>Total</b>	<b>(700 672)</b>	<b>(479 472)</b>	<b>(318 389)</b>
<b>Net deferred tax assets</b>	<b>661 496</b>	<b>258 037</b>	<b>242 023</b>

\*Changes in deferred tax liabilities were recognised in the consolidated statement of comprehensive income.

As at 31 March 2013 the calculation of deferred tax asset did not include purchased receivables of PLN 14 321 k and loans that will not be realised of PLN 51 181 k.

As at 31 March 2012 the calculation of deferred tax asset did not include purchased receivables of PLN 14 770 k and loans that will not be realised of PLN 86 901 k.

## 19. Assets classified as held for sale

Assets classified as held for sale	31.03.2013	31.12.2012	31.03.2012
Land and buildings	5 707	-	82 511
Equipment	2	-	110
<b>Total</b>	<b>5 709</b>	<b>-</b>	<b>82 621</b>

On 31.12.2012 the Group reclassified assets held for sale of PLN 74 764k to others assets - repossessed assets. It was a result of not meeting requirements described in IFRS 5.

## 20. Other assets

Other assets	31.03.2013	31.12.2012	31.03.2012
Sundry debtors	437 802	512 439	276 453
Settlements of stock exchange transactions	285 120	44 287	68 153
Interbank and interbranch settlements	119 409	76 800	19 445
Prepayments	132 818	44 994	83 480
Repossessed assets*	74 764	74 764	-
Other	447	665	806
<b>Total</b>	<b>1 050 360</b>	<b>753 949</b>	<b>448 337</b>

\* On 31.12.2012 the Group reclassified assets held for sale of PLN 74 764k to others assets - repossessed assets. It was a result of not meeting requirements described in IFRS 5.

## 21. Deposits from banks

Deposits from banks	31.03.2013	31.12.2012	31.03.2012
Repo/sell-buy-back transactions	6 326 971	668 150	4 674 756
Term deposits	454 185	331 073	112 941
Loans from other banks	4 087	59 388	106 522
Current accounts	271 366	292 439	329 561
<b>Total</b>	<b>7 056 609</b>	<b>1 351 050</b>	<b>5 223 780</b>

## 22. Deposits from customers

Deposits from customers	31.03.2013	31.12.2012	31.03.2012
<b>Deposits from individuals</b>	<b>46 942 385</b>	<b>28 636 346</b>	<b>27 541 899</b>
Term deposits	22 529 496	15 991 323	14 391 349
Current accounts	24 354 199	12 605 499	13 118 482
Other	58 690	39 524	32 068
<b>Deposits from enterprises</b>	<b>26 648 575</b>	<b>16 538 707</b>	<b>13 996 789</b>
Term deposits	13 815 035	9 224 568	8 158 137
Current accounts	9 962 391	5 618 926	4 361 054
Sell-buy-back transaction	-	205 033	156 524
Credits	2 427 036	1 186 187	1 029 183
Other	444 113	303 993	291 891
<b>Deposits from public sector</b>	<b>3 518 600</b>	<b>1 902 041</b>	<b>1 947 106</b>
Term deposits	1 680 785	648 281	897 304
Current accounts	1 836 043	1 251 996	1 047 928
Other	1 772	1 764	1 874
<b>Total</b>	<b>77 109 560</b>	<b>47 077 094</b>	<b>43 485 794</b>



## 23. Subordinated liabilities

Subordinated liabilities	Nominal value	Currency	Redemption date	As at the end of the period
Tranche 1	100 000	EUR	05.08.2020	417 304
Tranche 2	100 000	CHF	15.06.2018	342 940
Tranche 3	165 000	CHF	28.06.2019	565 718
Tranche 4	75 000	PLN	30.01.2019	74 980
<b>Total</b>				<b>1 400 942</b>

Movements in Subordinated Liabilities	31.03.2013	31.12.2012	31.03.2012
<b>As at the beginning of the period</b>	<b>409 110</b>	<b>441 234</b>	<b>441 234</b>
<b>Subordinated liabilities acquired in a business combination</b>	<b>978 237</b>	-	-
<b>Increase (due to):</b>	<b>27 020</b>	<b>20 263</b>	<b>5 824</b>
- interest on subordinated loan	12 339	20 263	5 824
- FX differences	14 681	-	-
<b>Decrease (due to):</b>	<b>( 13 425)</b>	<b>( 52 387)</b>	<b>( 31 201)</b>
- interest repayment	( 13 425)	( 19 560)	( 5 611)
- FX differences	-	( 32 827)	( 25 590)
<b>as at the end of the period</b>	<b>1 400 942</b>	<b>409 110</b>	<b>415 857</b>
Short-term	3 741	4 378	3 858
Long-term (over 1 year)	1 397 201	404 732	411 999

## 24. Other liabilities

Other liabilities	31.03.2013	31.12.2012	31.03.2012
Settlements of stock exchange transactions	47 805	63 490	97 712
Interbank and interbranch settlements	237 414	217 711	353 433
Provisions:	393 998	226 696	167 162
<i>Employee provisions</i>	<i>239 614</i>	<i>190 865</i>	<i>130 633</i>
<i>Provisions for legal claims</i>	<i>44 893</i>	<i>15 912</i>	<i>16 148</i>
<i>Provisions for off balance sheet credit facilities</i>	<i>100 055</i>	<i>16 619</i>	<i>13 081</i>
<i>Other</i>	<i>9 436</i>	<i>3 300</i>	<i>7 300</i>
Sundry creditors	362 834	250 671	102 430
Other deferred and suspended income	118 032	106 727	117 632
Declared dividend	-	-	62 833
Public and law settlements	104 449	43 711	56 257
Accrued liabilities	113 582	67 121	76 827
Financial lease related settlements	31 460	21 650	17 251
Other	421	735	398
<b>Total</b>	<b>1 409 995</b>	<b>998 512</b>	<b>1 051 935</b>

Change in provisions	31.03.2013	31.12.2012	31.03.2012
<b>As at the beginning of the period</b>	<b>226 696</b>	<b>252 387</b>	<b>252 387</b>
Employee provisions	190 865	206 274	206 274
Provisions for legal claims	15 912	17 590	17 590
Provisions for off balance sheet credit facilities	16 619	21 223	21 223
Other	3 300	7 300	7 300
<b>Provision acquired in a business combination</b>	<b>193 453</b>	-	-
Employee provisions	94 766	-	-
Provisions for legal claims	28 961	-	-
Provisions for off balance sheet credit facilities	63 175	-	-
Other	6 551	-	-
<b>Provision charge</b>	<b>140 927</b>	<b>226 677</b>	<b>48 170</b>
Employee provisions	60 897	183 058	40 578
Provisions for legal claims	893	711	83
Provisions for off balance sheet credit facilities	79 137	42 908	7 509
Other	-	-	-
<b>Utilization</b>	<b>( 106 755)</b>	<b>( 185 847)</b>	<b>( 117 067)</b>
Employee provisions	( 106 734)	( 184 201)	( 115 718)
Provisions for legal claims	( 25)	( 1 622)	( 1 336)
Provisions for off balance sheet credit facilities	6	( 24)	( 13)
Other	( 2)	-	-
<b>Write back</b>	<b>( 60 315)</b>	<b>( 66 521)</b>	<b>( 16 328)</b>
Employee provisions	( 180)	( 14 266)	( 501)
Provisions for legal claims	( 848)	( 767)	( 189)
Provisions for off balance sheet credit facilities	( 59 287)	( 47 488)	( 15 638)
Other	-	( 4 000)	-
<b>Other changes</b>	<b>( 8)</b>	-	-
Employee provisions	-	-	-
Provisions for legal claims	-	-	-
Provisions for off balance sheet credit facilities	405	-	-
Other	( 413)	-	-
<b>Balance at the end of the period</b>	<b>393 998</b>	<b>226 696</b>	<b>167 162</b>
<b>Employee provisions</b>	<b>239 614</b>	<b>190 865</b>	<b>130 633</b>
<b>Provisions for legal claims</b>	<b>44 893</b>	<b>15 912</b>	<b>16 148</b>
<b>Provisions for off balance sheet credit facilities</b>	<b>100 055</b>	<b>16 619</b>	<b>13 081</b>
<b>Other</b>	<b>9 436</b>	<b>3 300</b>	<b>7 300</b>

## 25. Contingent liabilities

### Significant court proceedings

As at 31.03.2013 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 317 581 k, which is ca 2.30 % of the Group's equity. This amount includes PLN 115 929 k claimed by the Group, PLN 167 423 k in claims against the Group and PLN 34 229 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2013 the amount of significant court proceedings which had been completed amounted to PLN 24 204 k.

As at 31.03.2012 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 126 122 k, which is ca 1.62 % of the Group's equity. This amount includes PLN 40 518 k claimed by the Group, PLN 83 648 k in claims against the Group and PLN 1 956 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2012 the amount of court proceedings which had been completed amounted to PLN 71 403 k.


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

## Off balance sheet liabilities

The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations towards third parties.

Contingent liabilities - sanctioned	31.03.2013	31.12.2012	31.03.2012
<b>Liabilities sanctioned</b>			
- financial	15 748 709	10 842 863	7 952 264
- credit lines	13 641 697	9 637 360	6 861 614
- credit cards debits	1 766 369	1 109 436	1 010 151
- import letters of credit	251 510	96 067	80 499
- term deposits with future commencement term	89 133	-	-
- guarantees	4 556 513	2 221 092	1 601 316
<b>Total</b>	<b>20 305 222</b>	<b>13 063 955</b>	<b>9 553 580</b>

## 26. Off-balance sheet liabilities relating to derivatives' nominal values

The table below presents off-balance sheet liabilities relating to derivatives' nominal values.

Derivatives' nominal values	31.03.2013	31.12.2012	31.03.2012
<b>1. Term derivatives (hedging)</b>	<b>22 818 574</b>	<b>14 675 607</b>	<b>11 324 015</b>
a) Single-currency interest rate swaps	1 210 000	1 085 000	414 764
b) Macro cash flow hedge -purchased (IRS)	3 285 770	2 213 144	2 221 881
c) Macro cash flow hedge -purchased (CIRS)	9 005 578	5 585 823	4 182 628
d) Macro cash flow hedge -sold (CIRS)	9 317 226	5 791 640	4 504 742
<b>2. Term derivatives (trading)</b>	<b>148 507 696</b>	<b>67 094 143</b>	<b>82 164 988</b>
a) Interest rate operations	105 557 841	35 333 886	40 945 229
Single-currency interest rate swaps	74 886 007	27 982 342	27 826 726
FRA - purchased amounts	30 125 000	6 850 000	12 850 000
Options	546 834	501 544	268 503
b) FX operations	42 925 973	31 760 257	41 219 759
FX swap – purchased amounts	11 513 850	8 020 505	13 913 130
FX swap – sold amounts	11 456 271	8 008 784	13 766 282
Forward- purchased amounts	2 419 263	1 483 082	2 050 327
Forward- sold amounts	2 442 806	1 482 429	2 052 283
Cross-currency interest rate swaps – purchased amounts	5 302 195	4 965 537	2 288 085
Cross-currency interest rate swaps – sold amounts	5 391 066	5 033 742	2 353 656
FX options -purchased	2 200 261	1 383 089	2 397 998
FX options -sold	2 200 261	1 383 089	2 397 998
c) Transactions concerning precious metals and commodities	23 882	-	-
Commoditu swap - purchased amounts	12 117	-	-
Commoditu swap - sold amounts	11 765	-	-
<b>3. Currency transactions- spot</b>	<b>2 242 600</b>	<b>1 889 992</b>	<b>1 096 818</b>
Spot-purchased	1 121 463	944 898	548 460
Spot-sold	1 121 137	945 094	548 358
<b>4. Transactions on equity instruments</b>	<b>6 797</b>	<b>11 300</b>	<b>6 937</b>
Futures - sold	6 797	11 300	6 937
Futures - purchased	-	-	-
<b>Total</b>	<b>173 575 667</b>	<b>83 671 042</b>	<b>94 592 758</b>

In the case of single-currency transactions (IRS, FRA, non-FX options) only purchased amounts are presented.



## 27. Basis of FX conversion

As at 31.03.2013, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 063/A/NBP/2013 dd. 29.03.2013.

## 28. Merger of Bank Zachodni WBK S.A. and Kredyt Bank S.A.

### Transaction

On 4 January 2013 (date of merger) the Bank registered the business combination of Bank Zachodni WBK and Kredyt Bank S.A. The transaction was settled through the issue of merger shares. As a result, eligible shareholders of Kredyt Bank S.A. were entitled to acquire shares in accordance with the agreed exchange ratio of 6.96 Merger Shares for every 100 shares of the Kredyt Bank. This represents a total of 18 907 458 ordinary shares with a nominal value of PLN 10 each, with a total nominal value of PLN 189 074 580. For the purposes of the settlement, the price of the new shares was determined in the amount of PLN 240.32. This price was calculated on the basis of the average BZ WBK share price over the thirty trading days between 21 November 2012 and 8 January 2013, excluding trading days without required turnover. The table below shows the total amount of the consideration transferred in a business combination and its effects on the equity of the combined entity.

	as at: 04.01.2013
Share capital	189 074
Other reserve funds	4 354 766
<b>Total consideration</b>	<b>4 543 840</b>

The merger transaction was designed to implement the strategic objectives of the Bank and its major shareholder Banco Santander on the Polish market and has positioned the bank amongst the top three universal banks in Poland. As a result of the merger, there was an increase of the geographical scope of banking distribution network and the complementary businesses of the two banks were integrated. Bank increased scope of the services offered and expanded the customer base. This provided significant strengthening of the bank's market penetration potential and with the blended knowledge and experience of the two banks, the merged entity was more effective and achieved a higher quality of its solutions. With the economies of scale and harmonised risk management, the bank's profitability and effectiveness is increasing. Cost synergies are primarily achieving by improvement of processes, adoption of the most effective operational solutions, merger and optimisation of organisational structures and integration of IT systems. Revenue synergies are result from combination of the complementary offerings, cross-selling of the both banks' products, harmonisation of service styles and an increase in productivity.

### Analysis of acquired assets and liabilities on a merger day

As at the date of issuance of the Report of Bank Zachodni WBK Group for quarter 1 2013 Bank Zachodni WBK Group performed a preliminary and provisional valuation related to the Kredyt Bank acquisition.

The financial information as of 4 January 2013 of Kredyt Bank which formed the basis of this provisional settlement were audited by a qualified auditor. Bank Zachodni WBK has not completed the process of fair value estimation for the selected assets and liabilities of the Kredyt Bank S.A. such as loans and advances to customers, non-current assets, deposits from customers and contingent liabilities. Bank has not completed the fair value estimation of intangible assets that can be recognized in transaction. As a result, the total additional deferred tax asset and liabilities have been calculated based on the best estimates of the Management Board.

The auditor of Kredyt Bank, Ernst & Young Audit Sp. z o.o., has issued an audit opinion to Kredyt Bank Group consolidated financial statements for the year ended 31 December 2012 which contained the following qualification:

"As described in the note 4 to the attached consolidated financial statements the Management Board of Bank Zachodni WBK S.A. after the merger with Kredyt Bank S.A. has performed the analysis of the credit risk relating to Kredyt Bank S.A. loan portfolio as at 31 December 2012. The analysis has been based on new assumptions towards collection scenarios weighted by their probabilities and significantly discounted collaterals for selected individual exposures as well as changed parameters for the calculation of the collective impairment. As a result of the above analysis the Bank has increased the level of loan impairment allowances in the attached financial statements by approx. PLN 319 million for the loans assessed individually and by approx. PLN 258 million for the loans assessed collectively. We have performed a review of the above analysis and based on such review we concluded that we have not been presented with sufficient evidence supporting approx. PLN 333 million of the above increases of impairment allowances. Therefore, we are not able to give our opinion on the reasonableness of such part of the additional loan impairment allowances as at 31 December 2012, and the corresponding impairment charge in the profit and loss for the year ended 31 December 2012 as well as approx. PLN 61 million of deferred tax asset, which has been recognised in relation to such additional

loan impairment allowances and the corresponding tax credit in the profit and loss for 2012. Additionally, PLN 258 million out of the above increase in impairment allowances which relates to IBNR and collective impairment was presented in "Provisions" in the liabilities which is not compliant with the adopted accounting standards."

With regard to the qualification relating to the collective provisions and IBNR of PLN 258m, as at 31.03.2013 the presentation of the abovementioned provisions was amended to meet the requirements arising from the standards. The provisions reduce relevant asset classes.

The final purchase price allocation may differ from the preliminary allocation described below due to further refinement of the allocation of purchase price to the fair values of assets and liabilities acquired, and for any impacts resulting from the resolution of the qualification reported by Kredyt Bank Group's independent auditors, described above.

The following table shows the initial estimate of the fair value of acquired assets and liabilities.

	as at:	04.01.2013
<b>ASSETS</b>		
Cash and balances with central banks		1 429 283
Loans and advances to banks		680 206
Financial assets held for trading		1 152 738
Hedging derivatives		111 200
Loans and advances to customers		27 568 167
Investment securities		10 377 912
Intangible assets		233 831
Property, plant and equipment		191 063
Net deferred tax assets		352 177
Investment property		16 002
Assets classified as held for sale		5 709
Other assets		77 663
<b>Total assets</b>		<b>42 195 951</b>
<b>LIABILITIES</b>		
Deposits from banks		(5 760 512)
Hedging derivatives		( 78 970)
Financial liabilities held for trading		(1 130 233)
Deposits from customers		(31 044 324)
Subordinated liabilities		( 978 237)
Current income tax liabilities		( 7 238)
Other liabilities		( 341 113)
<b>Total liabilities</b>		<b>(39 340 627)</b>
<b>Fair value of identifiable net assets</b>		<b>2 855 324</b>

During the merger Bank recognized PLN 207 756 k of additional assets that meet the conditions for recognition as intangible assets. These assets resulted from the revaluation of the acquired deposits of individual and business customers as well as customer relationships created in former Kredyt Bank. As at the release date of these financial statements, Bank has not completed the process of identification of intangible assets, which would be recognized in accordance with the principles set out in IFRS 3.

#### **Non-controlling interest**

Due to the fact that the business combination considered all of the operations of former Kredyt Bank S.A. and the exchange covered 100% of Kredyt Bank S.A. shares, any non-controlling interests were recognized in the consolidated financial statements of combined entity for the transaction.

**Provisional calculation of goodwill**

	as at:	04.01.2013
<b>Goodwill</b>		
Total consideration		4 543 840
Less: fair value of identifiable net assets		(2 855 324)
<b>Total</b>		<b>1 688 516</b>

Goodwill arising on the date of the merger basically represents a premium for control, and results from a potential ability to achieve additional benefits resulting from expected synergies, revenue growth, gained market share, combining competences of employees and increase the efficiency of processes as compared to the fair value of the net assets acquired. These benefits were not recognized separate intangible assets as in this instance the conditions for their individual recognition have not been met.

Bank does not expect tax deductibility of goodwill in future periods.

**29. Shareholders with min. 5% voting power**

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the BZ WBK Annual General Meeting as at the publication date of the condensed interim consolidated report for 1Q 2013 /25.04.2013/ are Banco Santander S.A. and ING Otworthy Fundusz Emerytalny.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	25.04.2013	31.01.2013	25.04.2013	31.01.2013	25.04.2013	31.01.2013	25.04.2013	31.01.2013
Banco Santander S.A.	65 481 563	70 334 512	70,00%	75,19%	65 481 563	70 334 512	70,00%	75,19%
KBC Bank NV	-	15 125 966	-	16,17%	-	15 125 966	-	16,17%
ING Otworthy Fundusz Emerytalny	4 966 506	-	5,31%	-	4 966 506	-	5,31%	-
Other	23 097 020	8 084 611	24,69%	8,64%	23 097 020	8 084 611	24,69%	8,64%
<b>Total</b>	<b>93 545 089</b>	<b>93 545 089</b>	<b>100%</b>	<b>100%</b>	<b>93 545 089</b>	<b>93 545 089</b>	<b>100%</b>	<b>100%</b>

**Capital increase and admission of new shares to trading on the stock exchange**

- Until 4 January 2013 i.e. the date of the merger Santander held 70 334 512 shares of Bank Zachodni WBK which represented 94.23% of the share capital and the total number of votes at the general meeting of shareholders of Bank Zachodni WBK and from 4th January 2013 – due to the merger - the shares of Bank Zachodni WBK represented 75.19% of the share capital and the total number of voting rights at the annual general meeting of the shareholders of Bank Zachodni WBK.

Santander's subsidiaries do not hold shares of Bank Zachodni WBK.

- The Management Board of Bank Zachodni WBK announced that on 8 January 2013 it became aware that the management board of the KDPW adopted resolution No. 24/13 on the registration of 18,907,458 series J shares in the Bank, i.e. the shares in the Bank issued in connection with its merger with Kredyt Bank. Pursuant to the KDPW resolution, the registration of the series J shares under code PLBZ00000044 was conditional on the decision of the company operating the regulated market to introduce these shares to trading on the regulated market.

Furthermore, based on this resolution of the KDPW, the reference date was set at 9 January 2013. The information memorandum prepared by the Bank in connection with the merger defines the reference date as the date at which the number of shares in Kredyt Bank held by shareholders of Kredyt Bank will be determined in exchange for which the series J shares in the Bank will be allotted to such shareholders in accordance with an agreed exchange ratio.

- On 24 January 2013 the Management Board of Bank Zachodni WBK announced that it had received a message from the Operations Department of the National Depository for Securities (Dział Operacyjny Krajowego Depozytu Papierów Wartościowych S.A.) ("KDPW") stating that on 25 January 2013 the KDPW would register 18,907,458 series J shares in the Bank with a nominal value of PLN 10 each, i.e. the merger shares in the Bank issued in connection with its merger with Kredyt Bank which were assigned the code: PLBZ00000044 in compliance with resolution No. 24/13 of the Management Board of the KDPW dated 8 January 2013.

- On 22 March 2013, KBC Bank NV and Banco Santander S.A. announced a secondary offering for the shares of Bank Zachodni WBK. The offering was for 19,978,913 shares representing 21.4% of the bank's share capital, with 15,125,964 shares owned by KBC Bank NV, and 4,852,949 owned by Banco Santander S.A. The final price per share was set in a book-building process at PLN 245. The total value of the offering was PLN 4.9bn.
- On 28 March 2013, Bank Zachodni WBK was advised that all of its 15,125,964 shares held by KBC Bank NV, representing 16.7% of the bank's registered capital, had been sold directly. As a result of the transaction, neither KBC Bank NV nor KBC Group NV hold directly or indirectly any shares of Bank Zachodni WBK and effectively have no voting power at the bank's General Meeting.
- On 28 March 2013, the bank received a notice about disposal of 4,852,949 shares of Bank Zachodni WBK held by Banco Santander S.A. and reduction of the latter's share in the bank's registered capital and votes at its General Meeting by 5.19 p.p. to 70%.
- On 2 April 2013, Bank Zachodni WBK was notified by the open-ended pension fund ING OFE that it had purchased the bank's shares and consequently exceeded 5% of the total number of votes at the bank's General Meeting. Before the transaction, ING OFE held 903,006 of the bank's shares carrying 0.97% votes at the General Meeting. Now ING OFE holds 4,966,506 of the bank's shares, representing 5.31% of the share capital and voting power at the General Meeting of Bank Zachodni WBK.

### 30. Changes in shareholding of members of the Management and Supervisory Board

No. of Bank Zachodni WBK shares held and rights to them	As at 25.04.2013	As at 31.01.2013	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	49 627	49 627	-

Management Board members	25.04.2013		31.01.2013	
	No. of BZ WBK shares	Rights	No. of BZ WBK shares	Rights
Mateusz Morawiecki	3 591	10 120	3 591	10 120
Andrzej Burliga	1 606	4 282	1 606	4 282
Eamonn Crowley	-	4 003	-	4 003
Michael McCarthy	-	4 875	-	4 875
Juan de Porras Aguirre	-	-	-	-
Piotr Partyga	-	2 855	-	2 855
Marcin Prell	2 530	3 704	2 530	3 704
Marco Antonio Silva Rojas	-	-	-	-
Miroslaw Skiba	1 575	4 282	1 575	4 282
Feliks Szyszkowiak	1 755	4 449	1 755	4 449
<b>Total</b>	<b>11 057</b>	<b>38 570</b>	<b>11 057</b>	<b>38 570</b>

### 31. Related party disclosures

Transactions with associates and joint ventures	31.03.2013	31.12.2012	31.03.2012
<b>ASSETS</b>	<b>824</b>	<b>788</b>	<b>748</b>
Loans and advances to customers	-	-	75
Other assets	824	788	673
<b>LIABILITIES</b>	<b>215 500</b>	<b>480 770</b>	<b>406 384</b>
Deposits from customers	215 258	480 588	406 127
Other liabilities	242	182	257
<b>INCOME</b>	<b>30 256</b>	<b>114 472</b>	<b>25 859</b>
Interest income	8 995	24 266	3 747
Fee and commission income	21 248	89 893	22 018
Gains (losses) from other financial securities	-	21	73
Other operating income	13	292	21
<b>EXPENSES</b>	<b>3 278</b>	<b>25 787</b>	<b>5 771</b>
Interest expenses	2 099	22 439	5 161
Fee and commission expenses	696	1 572	198
Operating expenses incl.:	483	1 776	412
<i>General and administrative expenses</i>	<i>483</i>	<i>1 768</i>	<i>412</i>

Transactions with:	Santander Group		
	31.03.2013	31.12.2012	31.03.2012
<b>ASSETS</b>	<b>94 214</b>	<b>335 686</b>	<b>108 787</b>
Loans and advances to banks, incl:	15 714	283 789	46 666
<i>deposits</i>	815	197 009	453
<i>current accounts</i>	14 899	86 780	46 213
Financial assets held for trading	75 029	48 729	60 884
Hedging derivatives	1 457	3 109	1 237
Loans and advances to customers	-	2	-
Other assets	2 014	57	-
<b>LIABILITIES</b>	<b>123 245</b>	<b>167 326</b>	<b>331 608</b>
Deposits from banks incl.:	43 212	36 328	165 015
<i>current accounts</i>	43 212	36 328	127 109
<i>repo transactions</i>	-	-	37 906
<i>deposits</i>	-	-	-
Hedging derivatives	10 149	-	4 483
Financial liabilities held for trading	54 081	121 440	88 536
Deposits from customers	14 257	9 089	10 631
Other liabilities	1 546	469	62 943
<b>INCOME</b>	<b>( 31 088)</b>	<b>( 24 131)</b>	<b>( 47 251)</b>
Interest income	3 800	14 964	1 009
Fee and commission income	2 201	307	70
Other operating income	165	591	125
Net trading income and revaluation	( 37 254)	( 39 993)	( 48 455)
<b>EXPENSES</b>	<b>10 736</b>	<b>5 873</b>	<b>368</b>
Interest expenses	121	319	11
Operating expenses incl.:	10 615	5 554	357
<i>Bank's staff, operating expenses and management costs</i>	10 615	5 554	357
<b>CONTINGENT LIABILITIES</b>	<b>238 636</b>	<b>259 418</b>	<b>242 040</b>
Sanctioned:	137 083	158 175	149 995
- <i>guarantees</i>	137 083	158 175	149 995
Received:	101 553	101 243	92 045
- <i>guarantees</i>	101 553	101 243	92 045
<b>DERIVATIVES' NOMINAL VALUES</b>	<b>14 356 110</b>	<b>11 079 645</b>	<b>10 831 685</b>
Cross-currency interest rate swaps – purchased amounts	2 495 753	1 872 728	830 160
Cross-currency interest rate swaps – sold amounts	2 522 240	1 909 243	830 160
Single-currency interest rate swaps	2 780 527	1 748 351	728 732
Options	475 583	468 004	251 315
FX swap – purchased amounts	2 410 698	1 808 349	3 065 119
FX swap – sold amounts	2 396 491	1 882 817	3 131 931
FX options -purchased	726 956	663 176	932 319
FX options -sold	539 902	719 912	1 056 430
Spot-purchased	3 983	3 508	2 767
Spot-sold	3 977	3 557	2 752

## 32. Acquisitions and disposals of investments in subsidiaries, associates and joint ventures

In 1Q 2013 and in 1Q 2012, BZ WBK Group did not engage in any transactions impacting its equity investment in the subsidiary, joint venture or associated undertakings.

### **33. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs**

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost.

### **34. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period**

No such events took place in the reporting period and the comparable period.

### **35. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments**

No transfers were made in the reporting period and the comparable period.

### **36. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets**

In the reporting period no such changes were made.

### **37. Comments concerning the seasonal or cyclical character of the annual activity**

The business activity of Bank Zachodni WBK and its subsidiary undertakings has no material seasonal character.

### **38. Character and amounts of items which are extraordinary due to their nature, volume or occurrence**

Merger of BZWBK leasing companies

On 29 March 2013, the BZWBK leasing companies merged in accordance with Article 492 (1) (1) of the Code of Companies and Partnerships. The merger was effected by acquisition of BZ WBK Finanse & Leasing S.A. by BZ WBK Leasing S.A., being the acquiring entity, and by transfer of the whole of the assets of BZ WBK Finanse & Leasing S.A. to BZ WBK Leasing S.A. in exchange for shares to be issued by BZ WBK Leasing S.A. to the existing partner in BZ WBK Finanse & Leasing S.A.

The merger did not have any impact on the structure of the consolidated balance sheet or the financial results, as presented in this report.

Detailed information on the merger of Bank Zachodni WBK SA and Kredyt Banku SA is presented in point 28.

## 39. Issues, repurchases and repayments of debt and equity securities

**31.03.2013**

### ***Registration and admission of new shares to trading on the stock exchange***

- The Management Board of Bank Zachodni WBK announced that on 8 January 2013 it became aware that the management board of the KDPW adopted resolution No. 24/13 on the registration of 18,907,458 series J shares in the Bank, i.e. the shares in the Bank issued in connection with its merger with Kredyt Bank. Pursuant to the KDPW resolution, the registration of the series J shares under code PLBZ00000044 was conditional on the decision of the company operating the regulated market to introduce these shares to trading on the regulated market.

Furthermore, based on this resolution of the KDPW, the reference date was set at 9 January 2013. The information memorandum prepared by the Bank in connection with the merger defines the reference date as the date at which the number of shares in Kredyt Bank held by shareholders of Kredyt Bank will be determined in exchange for which the series J shares in the Bank will be allotted to such shareholders in accordance with an agreed exchange ratio.

- On 24 January 2013 the Management Board of Bank Zachodni WBK announced that it had received a message from the Operations Department of the National Depository for Securities (Dział Operacyjny Krajowego Depozytu Papierów Wartościowych S.A.) ("KDPW") stating that on 25 January 2013 the KDPW would register 18,907,458 series J shares in the Bank with a nominal value of PLN 10 each, i.e. the merger shares in the Bank issued in connection with its merger with Kredyt Bank which were assigned the code: PLBZ00000044 in compliance with resolution No. 24/13 of the Management Board of the KDPW dated 8 January 2013.

Detailed information on the merger of Bank Zachodni WBK SA and Kredyt Banku SA is presented in point 28.

**31.03.2012**

### ***Conclusion of an agreement with the European Bank for Reconstruction and Development***

- On 29 March 2012, Bank Zachodni WBK (BZ WBK) signed an investment agreement with the European Bank for Reconstruction and Development (EBRD) and Banco Santander S.A., whereby EBRD agreed to subscribe for PLN 332 m worth of BZ WBK shares of new issue to support the planned BZ WBK - Kredyt Bank merger.
- The shares were taken up by virtue of Resolution of the Annual General Meeting of Bank Zachodni WBK dated 10 May 2012 regarding the increase of the share capital through the issue of series I shares.
- In line with the Subscription Agreement dated 6 July 2012, EBRD acquired 1 561 618 of BZ WBK shares in a private placement offer. The pre-emptive rights of the existing shareholders were waived. The issue price was PLN 212.60, which is a reference price for BZ WBK shares of PLN 226.40 determined in the Investment Agreement between Banco Santander S.A. and KBC Bank NV, without the right to dividend (recommended for 2011), and reduced by the customary discount applicable in similar private placement deals.

## 40. Dividend per share

On 17 April 2013, The Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 710 943 k to dividend for shareholders, from the net profit for 2012, which meant that the dividend is PLN 7.6 per share.  
The Bank has issued 18 907 458 shares that are entitled to dividend from 2012 profit.

On 10 May 2012, the Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 584 608 k to dividend for shareholders, from the net profit for 2011, which meant that the proposed dividend was PLN 8 per share.

## 41. Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 31.03.2013 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.



## 42. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets

As at 31.03.2013 and as at 31.03.2012, either Bank Zachodni WBK or its subsidiaries did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets other than those disclosed in Note 25.

## 43. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets

In 1Q 2013 and in 1Q 2012, either Bank Zachodni WBK or its subsidiaries did not sell or purchase any material tangible fixed assets. Also, no material liabilities arose on account of purchase of tangible fixed assets.

## 44. Events which occurred subsequently to the end of the interim period

### *Notification of the ING Otwarty Fundusz Emerytalny*

On 2 April 2013, Bank Zachodni WBK was notified by the open-ended pension fund ING OFE that it had purchased the bank's shares and consequently exceeded 5% of the total number of votes at the bank's General Meeting. Before the transaction on 27 March 2013, ING OFE held 903,006 of the bank's shares carrying 0.97% votes at the General Meeting. Now ING OFE holds 4,966,506 of the bank's shares, representing 5.31% of the share capital and voting power at the General Meeting of Bank Zachodni WBK.

### *Supervisory Board Member resignation*

In relation to the sale of the entire stake in Bank Zachodni WBK by KBC Bank NV, on 2 April 2013, Mr. Guy Libot resigned as a member of the Supervisory Board, effective from 2 April 2013.

### *General Meeting of Bank's Shareholders*

On 17 April 2013, the Annual General Meeting of Bank Zachodni WBK Shareholders was convened which:

1. Accepted the financial accounts and consolidated financial accounts of the Bank Zachodni WBK S.A. Group for the period between 1 January 2012 to 31 December 2012.
2. Accepted the financial accounts and consolidated financial accounts of the Kredyt Bank S.A. Group for the period between 1 January 2012 to 31 December 2012.
3. Accepted the Management Board's report on the Bank's Zachodni WBK S.A. and Management Board's report on the BZ WBK Group activities for 2012.
4. Accepted the Management Board's report on the Kredyt Bank S.A. and Management Board's report on the Kredyt Bank Group activities for 2012.
5. Divided the net profit generated by the Bank in the year between 1 January 2012 to 31 December 2012 in the following way:
  - the amount allocated to shareholders dividend totaled PLN 710 942 676,40
  - the amount allocated to the reserve capital totaled PLN 656 646 239,50

The dividend per one share amounted to PLN 7,60 and will be paid on 17 May 2013 to the shareholders who owned shares of Bank Zachodni WBK S.A. on the day the right for a dividend was set, i.e. 2 May 2013.

6. Granted the word of approval to the Members of the Bank Zachodni WBK S.A. and Kredyt Bank S.A. Management Board and the Supervisory Board.

7. Resolved to amend the Bank's Statutes and to adopt the uniform text of the Bank's Statutes.
8. Approved the BZ WBK Supervisory Board's report on its activities in 2012, the BZ WBK Supervisory Board's report on the examination of: BZ WBK financial statements for 2012, consolidated financial statements of the BZ WBK Group for 2012; report on BZ WBK and BZ WBK Group operations.

***Completion of the stabilization actions with respect to shares of Bank Zachodni WBK S.A.***

Bank Zachodni WBK released the notification received on 12th April 2013 from Deutsche Bank AG, London Branch as the stabilising manager concerning ending on 11th April 2013 stabilising actions with respect to the Company's shares, in connection with the secondary public offering of 19 978 913 existing shares of the Company.

## 45. Description of external environment in Q1 2013

### Economic growth

In the first quarter of 2013, economic growth in Poland was still very weak. Based on available monthly data, it can be estimated that GDP growth reached the level of ca. 0.8% YoY (0.7% YoY in Q4 2012 according to the data after revision). Tendencies visible in previous quarters were continued: global economic slowdown, especially in the euro zone, was negatively affecting confidence of domestic entrepreneurs and consumers. Domestic demand most likely recorded a negative growth rate for the fourth consecutive quarter. This was due to weak growth of consumer demand, contracting investments and slower growth of inventories. Situation of the construction and assembly sector is extraordinarily weak, as it recorded a drop in the output at ca. 16% YoY (as compared to ca. -13% YoY in Q4 2012). The industrial sector was doing relatively better, with output falling by ca. 2% YoY in Q1. However, it is visible that in the face of the weakening growth of demand from the European Union and from Poland, Polish companies have intensified their search for new markets and this trend has considerably improved results of exports and mitigated the impact of economic slowdown.

At the beginning of 2013 some improvement for leading indicators for the world's main economies was observed, which positively affected moods on financial markets and supported hopes for an imminent economic recovery. Data released later in the quarter weakened the expectations for a soon improvement of economic situation, but one can still expect that global economic activity will not deteriorate quickly, though the recovery will not be quick. As regards the domestic economy, one should not expect the consumer spending and investment outlays to recover soon. However, a potential revival in the euro zone, combined with enhanced pool of importers of Polish goods should translate into acceleration of Polish exports, which will probably be the main driver of improvement in the Polish economy throughout 2013.

### Inflation

CPI inflation rate was moving in a downward trend and amounted to 1.0% at the end of the quarter (below NBP target at 2.5%), which is the lowest reading since 2006. Other indicators of price change, like core inflation and PPI inflation, were also running on low levels. This shows that upward pressure on prices was weak both on the demand side (due to weaker economic growth and, especially, domestic demand) and on the supply side (slower increase of commodity prices and slight weakening of PLN).

### Labour market

Labour market was still stagnating. Average employment in the enterprise sector was declining and was running ca. 1% below the level recorded in Q1 2012. At the same time, wage growth was moderate, at ca. 2% YoY. Still, marked decline of inflation provided a support for wage growth in real terms. Registered unemployment rate slightly fell in March to 14.3%, mainly due to intervention of the Labour Ministry. Seasonally adjusted unemployment rate according to the LFS in February amounted to 10.6% (slightly higher on the end of 2012). Both gauges stayed at the highest level in ca. 6 years.

### Monetary policy

In reaction to a significant decline of inflation and deceleration of economic growth, the Monetary Policy Council began a monetary policy easing cycle in November 2012. The strengthening economic slowdown and stagnation in the labour market implied lack of inflationary pressure and no risk of second-round effects. Until March 2013, the main interest rates were cut by 150bps in total, bringing the NBP reference rate to the lowest level in history (3.25%). The MPC did not rule out further downward adjustment of interest rates, should development of the economic situation prove to be worse than expected in the NBP projections.

### Credit and deposit markets

Credit market saw a continuation of weak growth of loans, and this regarded loans to both households and companies. Companies and households are not eager to borrow loans given the weak economic outlook. Pace of total loan growth decelerated to ca. 3.5% YoY in March 2013 from ca. 5% YoY in December 2012, which is the lowest growth rate since 2003. The growth rate of loans for companies declined from ca. 5% YoY at the end of 2012 to ca. 2% YoY in March 2013, while loans for households slowed down only slightly and maintained their growth rate at ca. 3% YoY. The growth rate of households' deposits still runs at relatively high level and recorded some acceleration vs. the end of 2012 (9.0% YoY in March 2013 vs. 8.5% YoY in December 2012). Deposits of companies were still contracting, but pace of decline was slower than at the end of 2012 (-1.1% YoY in March 2013 as compared to -6.5% YoY in December 2012). All data in this section have been provided after FX adjustment.

## Financial market

Moods on the global financial markets were rather volatile in Q1. At the beginning of the year some signals of economic improvement appeared and they were acknowledged by the main central banks (ECB, Fed). A part of euro zone's banks decided for an earlier payback of funds borrowed as part of LTRO, which was interpreted as a proof that situation of the banking system had improved. However, later investors began to worry that positive data from the USA will encourage the FOMC to end the quantitative easing programme (QE3) as early as in 2013 and disappointing data from the euro zone triggered doubts about economic recovery. The market uncertainty was additionally generated by political deadlock in Italy (problems with government formation) and risk of insolvency of Cyprus. Still, tendency of declining risk aversion was predominating, which is best shown by the behavior of the US stock index S&P500, which was moving in an upward trend throughout Q1 and reached the all-time high.

The EUR/PLN exchange rate was relatively immune to swings in global risk aversion, but was more vulnerable to domestic events, especially expectations about the MPC monetary policy. Weak macroeconomic data and dovish bias of the MPC were keeping the EUR/PLN at an elevated level, but it remained rather stable in 4.10-4.20 range. On the other hand, the USD/PLN exchange rate was moving in an upward trend and climbed from ca. 3.05 at the beginning of the year to ca. 3.25 at the end of the quarter. This move was primarily due to depreciation of the euro against the dollar.

In Q1, the domestic money market was mainly driven by expectations about monetary policy easing. Expectations for interest rate cuts, the continuation of inflow of foreign portfolio capital to Polish Treasury papers market and high coverage of domestic borrowing needs were helping Polish bond yields to run close to all-time lows, even though some temporary increases were recorded, especially on the front end of the curve. IRS rates were also oscillating close to historical lows, while WIBOR rates set new all-time lows. Value of non-residents' holdings of Polish treasuries increased in February 2013 to the record-high level of more than PLN 200bn, which makes almost 37% of total outstanding marketable debt.

## 46. Activities of Bank Zachodni WBK Group in Q1 2013

### Legal merger and the ensuing changes in the shareholding structure

#### Legal merger and the issue of merger shares

- On 4 January 2013, the District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register, registered the merger of Bank Zachodni WBK and Kredyt Bank, the increase of the share capital of the acquiring bank and the amendment to its statutes passed by the Extraordinary General Meeting of Shareholders of 30 July 2012. At the same time, Bank Zachodni WBK (the acquiring bank) assumed all rights and obligations of Kredyt Bank (the acquired bank) which had been dissolved without a liquidation procedure.
- The merger took place under Article 492 §1 item 1 of the Civil Companies Code, through the transfer of all assets of Kredyt Bank to Bank Zachodni WBK (merger through acquisition), in exchange for a new issue of J-series shares distributed to all shareholders of Kredyt Bank at the exchange ratio of 6.96 merger shares for 100 of Kredyt Bank shares. On 8 January 2013, 18,907,458 merger shares (code:PLBZ00000044) were admitted by the National Depository for Securities (KDPW). The shares were registered pursuant to the resolution of 22 January 2013 issued by GPW w Warszawie S.A. (Warsaw Stock Exchange) to float these instruments on the regulated market on 25 January 2013.
- Following the issue of J-series shares, the share capital of Bank Zachodni WBK was topped up from PLN 746,376,310 to PLN 935,450,890, i.e. by PLN 189,074,580. The share capital comprised 93,545,089 ordinary bearer shares of PLN 10 each.

#### Changes in the structure of share capital after the legal merger

- On 22 March 2013, KBC Bank NV and Banco Santander S.A. announced a secondary offering for the shares of Bank Zachodni WBK. The offering was for 19,978,913 shares representing 21.4% of the bank's share capital, with 15,125,964 shares owned by KBC Bank NV, and 4,852,949 owned by Banco Santander. The final price per share was set in a book-building process at PLN 245. The total value of the offering was PLN 4.9bn.

- The offering was addressed to selected institutional investors in Poland and abroad, including in the United States. Participants of the transaction included reputable financial institutions acting as underwriters, managers or global co-ordinators: Deutsche Bank AG (London Branch), Citigroup Global Markets Limited, Morgan Stanley & Co. International plc, Merrill Lynch International, Credit Swiss Securities (Europe) Limited, KBC Securities NV, Santander Investment S.A., Goldman Sachs International, UBS Limited, RBC Europe Limited, Powszechna Kasa Oszczędności Bank Polski S.A., Dom Maklerski PKO Banku Polskiego w Warszawie, ING Bank NV, Société Générale, Dom Maklerski Banku Handlowego SA, Dom Maklerski BZ WBK S.A. and ING Securities S.A. Under the underwriting agreement of 22 March 2013 with KBC Bank NV, Banco Santander S.A. and Bank Zachodni WBK S.A., the above-named entities undertook to take actions to acquire buyers for the offered shares, and if such efforts turned out to be unsuccessful - to acquire a stated number of the shares offered. Furthermore, Deutsche Bank AG (London Branch) was authorised to act as a stabilisation manager, i.e. to buy on the Warsaw Stock Exchange, during the close period, up to 10% of the offered shares of Bank Zachodni WBK to stabilise their market price. The selling banks undertook to comply with the contractual restrictions on share disposal during 90 days (KBC Bank NV and Santander Bank S.A.) or 180 days (Bank Zachodni WBK) after the offering was closed.
- On 28 March 2013, Bank Zachodni WBK was advised that all of its 15,125,964 shares held by KBC Bank NV, representing 16.7% of the bank's registered capital, had been sold directly. As a result of the transaction, neither KBC Bank NV nor KBC Group NV hold directly or indirectly any shares of Bank Zachodni WBK and effectively have no voting power at the bank's General Meeting. On the same day the bank received a notice about disposal of 4,852,949 shares of Bank Zachodni WBK held by Banco Santander S.A. and reduction of the latter's share in the bank's registered capital and votes at its General Meeting by 5.19 p.p. to 70%.
- As a result of the above-mentioned transactions, the total number of the bank's shares in free float increased to approx. 30%, so that Bank Zachodni WBK can be reintroduced to the MSCI Poland Index and WIG 20 Index.
- On 2 April 2013, Bank Zachodni WBK was notified by the open-ended pension fund ING OFE that it had purchased the bank's shares and consequently exceeded 5% of the total number of votes at the bank's General Meeting. Following the transaction, ING OFE holds 4,966,506 of the bank's shares, representing 5.31% of the share capital and voting power at the General Meeting of Bank Zachodni WBK.

## Business integration – general

- The legal merger marked the formal combination of the central units of the two banks and the full integration of selected operating areas. With the application of a single settlement system, on 1 February 2013 the handling of local and foreign payments was harmonised. The Branch Banking structures became fully integrated in the first quarter of 2013 while the Business and Corporate Banking completed the integration process in April 2013.
- In the first quarter of 2013, intensive efforts were made to integrate the product and price offerings of the merged banks, with significant progress achieved by the end of March 2013. Customers were offered free transfers between accounts held in both branch networks and free-of-charge withdrawals from the ATMs of the merged entity. The branches of the former Kredyt Bank started to offer the Western Union Money Transfer service, cash loan, the new "Recommendable Account" with its ancillary products, Arka mutual funds, structured deposits and negotiated deposits.
- The work on brand migration (harmonisation of the bank's image and market offering) and operational merger (implementation of common customer service processes, customer data and product migration, etc.) will be continued until full integration is achieved. All the business and IT projects are part of the Integration Programme and follow the adopted schedules. Their execution is supervised by the Steering Committee.

## Retail Banking Development

### Personal Loans

- In the first quarter of 2013, selected features of the mortgage loans offered via the network with the Kredyt Bank logo were adjusted to comply with the conditions applicable at Bank Zachodni WBK. Full harmonisation of the products and processes is to take place in the second quarter of 2013. Despite the unfavourable market trends (sustained reduction of apartment prices, low number of new transactions, end of the programme of State-subsidised loans) as well as the existing regulatory requirements, the sale of mortgages in that period was higher than expected.
- In the period from 1 February to 14 March 2013, a multimedia campaign (via the TV, Internet and press) was conducted to promote a retail loan offered by the merged bank under the slogan "Hurry up – the cash is waiting!" ("Nie zwlekaj, gotówka czeka!").

### Credit Cards

- As part of the integration, in the first quarter of 2013 a scenario was prepared for harmonisation of the credit cards portfolio and an effective and friendly customer migration process was designed. Furthermore, a pre-approved offer was implemented for the customers of the branches with the Kredyt Bank logo. The offer is based on the rules similar to those used by Bank Zachodni WBK with respect to the preliminary credit limits.
- On 1 February 2013, new rules were introduced for the interest rate on the credit limit in the credit card account, whereby interest on the utilised credit limit will be charged at the variable interest rate, linked to the NBP Lombard Loan rate.

### Current Accounts with Associated Products and Services

- On 15 March 2013, the merged bank implemented across its network a unique and attractive current account called Recommendable Account.
  - ✓ As expected by customers, the account is free-of-charge, regardless of the monthly turnover. Likewise, no fees are charged for the associated products and services, including: debit card, sticker for contactless payments, BZWBK24 transfers, standing orders, direct debits, withdrawals from the ATMs of BZ WBK, Kredyt Bank and PKO BP.
  - ✓ The account comes with debit cards (MasterCard Omni or MasterCard PAYBACK Omni) and modern stickers for contactless payments (MasterCard Omni or MasterCard PAYBACK Omni). The customers who will opt for the MasterCard PAYBACK sticker or card will participate in the PAYBACK programme.
  - ✓ The customers who open an account as part of a package containing also BZWBK24 electronic banking and the contactless sticker, will be covered by the promotion, from 15 March 2013 to 10 May 2013, titled "Even 700 is Waiting for You" ("Nawet 700 zł czeka na Ciebie").
  - ✓ On 1 April 2013, a sweeping marketing campaign was launched to promote the new offering. The campaign ends on 10 May 2013.
  - ✓ In the first weeks after the launch of the Recommendable Account, the sale of personal accounts doubled in both networks of Bank Zachodni WBK.

### Deposits

- The merger of Bank Zachodni WBK and Kredyt Bank began a process of harmonisation of the standard and negotiated deposit and investment products, as well as their pricing.
  - ✓ On 5 January 2013, in the branches marked with the Kredyt Bank logo and in the KB24 electronic banking channel, Bank Zachodni WBK started to offer a new deposit product – a PLN personal savings account called "Extra Savings Account" ("Konto Ekstra – oszczędnościowe") with the interest rate depending on the deposit value.
  - ✓ As part of the integration process, in March 2013 the deposit negotiation process was standardised across the merged bank, so that all customers are now able to negotiate customised rates at the same rules.

- Towards the end of January 2013, the bank offered its customers another deposit product with a progressive interest rate, the so-called "5-Month Fast Earning Deposit" ("5-miesięczna Lokata Dynamicznie Zarabiająca"). The deposit is very popular among customers given its attractive pricing and the monthly capitalisation of interest.
- In the first quarter of 2013, Bank Zachodni WBK was making changes to the pricing of term deposits and savings accounts to reflect the prevailing trends in the interest rates market.

### Structured Products

- On 8 February 2013, the combined branch network of Bank Zachodni WBK started to sell investment deposits (structured deposits). By the end of March 2013, in individual subscriptions the bank offered a total of twelve 6-month deposits, whose interest rate was linked to the EUR/PLN or the USD/PLN rate, a maximum of 12%. All the products guaranteed 100% capital protection on maturity and were made available in three options, allowing the investors to earn on an increase, decrease or stabilisation of the currency rate, respectively.

### Investment Funds

- On 21 January 2013, the sale of Arka mutual funds was launched in the selected branches with the Kredyt Bank logo. By the end of March, 593 Advisors based in 265 branches of the former Kredyt Bank were authorised (through certified trainings) to distribute Arka funds. The offering included a full range of products of BZ WBK Towarzystwo Funduszy Inwestycyjnych (BZ WBK TFI), including the open-ended umbrella Arka BZ WBK FIO fund, the open-ended specialist umbrella Arka Prestiż SFIO fund, Arka Optima – a programme for optimisation of investments into equity funds, Personal Pension Accounts and Systematic Savings Programmes.
- As expected, in the first quarter of 2013 the rates of return of the funds investing in Treasury bonds were much lower than those recorded in 2012, which led to the outflow of funds from the Treasury bonds sub-funds, mainly to Arka BZ WBK Capital Protection sub-fund, corporate bonds sub-funds and Arka BZ WBK Turkish Shares sub-fund.
- The correction in the domestic equity market started at the beginning of the year (over the first quarter of 2013, WIG and WIG 20 decreased by 4.9% and 8.2%, respectively) had a negative impact on the performance of the funds partly investing in Polish shares, including the Arka BZ WBK Equity subfund. At the same time, the funds investing in the shares of the Central and South-Eastern Europe (Turkey) recorded positive rates of return and a growth in net assets.
- As at 31 March 2013, the total value of net assets under the management of BZ WBK TFI was PLN 10.2bn, an increase of 1.7% QoQ and 19.1% YoY.

### Wealth Management

- The Wealth Management Department managed more than PLN 1.5bn worth of assets of the most affluent customers of BZ WBK Group, including the assets of the private financial instruments portfolios offered by BZ WBK Asset Management. In the first quarter of 2013, customers became more attracted to investment products, especially mutual funds, an effect of the falling trend in the interest rates on term deposits.

### Selected Distribution Channels for Retail Customers

#### Branch network and complementary channels

- At the start of 2013, the bank introduced a new organisational structure of the BZ WBK Branch Banking to enhance effective management of the network and further increase the bank's sales potential. Branches were subordinated to regions, managed by macroregions. The only exceptions are the 3 largest branches (Poznań 6, Wrocław 1 and Wrocław 5), which report directly to their respective macroregions.
- As at 31 March 2013, Bank Zachodni WBK had a network of 877 branches in 12 macroregions and 85 regions. For a comparison, as at the merger date (4 January 2013) the bank had 889 branches, including 519 branches of Bank Zachodni WBK and 370 branches of Kredyt Bank.
- At the end of the first quarter of 2013, the bank's branch network was supported by 107 Partner outlets (109 outlets as at 31 December 2012).



**ATM network**

- At the end of March 2013, the ATM network of Bank Zachodni WBK comprised 1,440 machines, including 1,055 ATMs of the former BZ WBK network (vs. 1,059 ATMs as at the end of December 2012) and 385 ATMs of the former Kredyt Bank network. The integration process is underway, which is expected to end in the second/third quarter of 2013, with a full harmonisation of services offered to customers.

**Telephone and Electronic Banking Centre**

- Late in 2012 / early in 2013, a new video channel was launched whereby customers are able to buy the Bank's products in a direct video conversation with an advisor.
- In the first quarter of 2013, the bank reviewed the resources, processes and solutions used by the Telephone Centre of the former Kredyt Bank in Lublin, and provisionally merged the operations of the unit with the Telephone and Electronic Banking Centre in Poznań, starting the first joint sales activities.

**BZ WBK24 Electronic Banking for retail customers**

- In January 2013, the bank offered its customers the BZWBK24mobile application for another mobile platform - Windows Phone. The application may be used to make transfers to pre-defined accounts and top up GSM mobiles. It also has a geolocation functionality.
- On 15 March 2013, internet applications for a new product package became available on the web sites [bzwbk.pl](http://bzwbk.pl) and [kredytbank.pl](http://kredytbank.pl). The packages include the Recommendable Account ("Konto Godne Polecenia") with its associated electronic banking services, a card and a sticker for contactless payments. The Recommended Account was also made available in the "buy-by-click" formula.
- In the first quarter of 2013, a number of promotional campaigns were held to encourage a stronger customer activity and to increase the value of non-cash transactions. The campaigns were targeted both at selected customer groups and the entire population ("3% Bonus for the Active"/"3% premii dla aktywnych" – campaign for the Visa Aktywni 50+ card holders, "Wintery 7%" / "Zimowe 7%" – campaign of card payments over the Internet; the "50 for 500" / "50 za 500" - competition for credit and debit card holders).
- On 13 March 2013, in the 6th edition of the technological competition of *Gazeta Bankowa* ("Hits of the Year 2013"), Bank Zachodni WBK was awarded in the "Products" category for its credit products available in the "buy-by-click" formula.

**BZ WBK24 Electronic Banking for business customers**

- In the first quarter of 2013, the following promotional campaigns were addressed to the business customers who used the bank's cards and / or electronic banking services: the "50 for 500" campaign; promotional offer of "My Company Plus" / "Moja Firma Plus" business package involving a return of up to 100% of the first non-cash card transaction).

**Services for Financial Institutions**

- As part of its outsourcing services to external financial institutions, Bank Zachodni WBK co-operates with more than 20 banks operating in international and domestic markets.
- In the first quarter of 2013, co-operation with new entities began, and the relationship with the existing partners was expanded (220 ATMs of one of the commercial banks were added to the network handled by Bank Zachodni WBK and the Dynamic Currency Conversion was implemented for another co-operative bank).

**Business and Corporate Banking****Business integration**

- As part of the legal merger, the Corporate Banking Area of the former Kredyt Bank was incorporated into the Business and Corporate Banking Division of Bank Zachodni WBK. This helped to ensure the continuity of business and top quality of services provided to Kredyt Bank customers in the interim period.



- In the first quarter of 2013, the focus was on getting ready to implement the new operational model for the Division and integrate the sales functions of the two banks. Another item on the agenda was the migration of Kredyt Bank brand and customers to the target solutions applicable at the post-merger Bank Zachodni WBK. To that end, efforts were taken to harmonise the product proposition, pricing policy, customer service model and training procedures.
- Over the last quarter, Bank Zachodni WBK held a series of road shows for corporate customers where they were informed about the rationale for the merger, the benefits for customers as well as future growth prospects of the Bank. The meetings were conducted by the bank's senior executives in 12 locations of BZ WBK Corporate Banking Centres.

### Changes to segmentation and organisational structure

- On 1 April 2013, new segmentation criteria and divisional structure were introduced as a result of development of the new operational model for Business and Corporate Banking.
- The following three segments were identified on the basis of the turnover criteria:
  - ✓ Corporate Segment, including customers with a turnover between PLN 40m and PLN 500m;
  - ✓ Large Corporate Segment, including customers with a turnover above PLN 500m (excluding GBM customers);
  - ✓ Property Finance Segment.
- In the new structure, the management of Large Corporate Customers and Property Finance Segment is centralised in the Large Corporate Department and Corporate Property Department, respectively. The Corporate Banking Area is divided into three regions of provincial scope: North Region, Central Region and South Region. In each region, the support is provided via four Corporate Banking Centres. In addition, the Product Sales Department was set up to maximise cross-selling opportunities and grow non-interest income in such areas as transactional banking, trade finance and treasury. The Department provides support to all segments via sales representatives in twelve Corporate Banking Centres, the Large Corporate Department and Corporate Property Department. The Business and Corporate Banking Division also comprises the Product Development and Operations Department.

### Expansion of product offering

- The bank's proposition for business and corporate customers was expanded to include MasterCard Corporate card (debit and charge) which is used to make non-cash payments (including online) and cash withdrawals in ATMs around the world. The card facilitates expense management through individual limits and provides an opportunity to view the transactions in iBiznes24 on an ongoing basis. MasterCard Corporate charge cards additionally offer a 21-day interest-free repayment period.

### Leasing business

- In pursuit of BZ WBK Group's strategy aimed to provide customers with comprehensive leasing services via a dedicated unit, on 29 March 2013, BZ WBK Leasing S.A. was merged with BZ WBK Finanse & Leasing pursuant to Article 492 §1 (1) of Commercial Companies Code, i.e. through the transfer of all assets of BZ WBK Finanse & Leasing to BZ WBK Leasing (merger by acquisition) in exchange for 868,600 newly issued registered shares at the nominal value of PLN 100 each, taken up by BZ WBK Finanse (former shareholder of BZ WBK Finanse & Leasing). In the second quarter of 2013, the Group looks to merge BZ WBK Leasing and Kredyt Lease, a subsidiary of the former Kredyt Bank.
- In Q1 2013, the merged BZ WBK Leasing provided funding towards PLN 416.5m worth of net assets, including machines and equipment of PLN 227.1m and vehicles of PLN 181.5m. The most pronounced sales growth was reported by the vehicles segment (+21.1% YoY). The value of the net assets leased by Kredyt Lease over the same period totalled PLN 47.9m.

### Factoring business

- In Q1 2013, the turnover of BZ WBK Faktor came in at PLN 2,010m and was up 284.3% YoY, i.e. much above the market growth rate. This helped the company strengthen its market share (from 3% in Q1 2012 to 10% in Q1 2013), as a result of which it was ranked fifth among the members of the Polish Association of Factoring Companies. As at the end of March 2013, the exposure totalled PLN 946m, i.e. up 47% YoY.

## Global Banking & Markets

- Global Banking & Markets Division provides an end-to-end support to the largest businesses allocated to that segment based on turnover. In Q1 2013, the customer base managed by the GBM Division was stable and included entities from energy, financial, FMCG, pharmaceutical and household appliances sectors, among others.
- The GBM Division operates within the global framework of Santander Group, which facilitates entering into and maintaining relationships with customers operating globally.

### Global Transactional Services

- Global Transaction Services offer support to GBM customers in respect of current accounts, deposits and working capital needs. The proposition includes also factoring, bank guarantees and leasing.
- As at the end of Q1 2013, the volume of funds under cash management increased YoY, both in terms of current and deposit accounts. Likewise, the total value of guarantees went up, with the highest exposure to household appliances and energy sectors.
- The leasing liabilities held steady YoY, whereas the factoring debt of GBM customers were on the rise.

### Credit Markets

- Credit Markets Department provided funding towards medium and long-term investment projects delivered by customers of the GBM Division through loans and debt issue.
- In Q1 2013, the Department concluded new agreements with GBM customers operating in the mining and trade sectors, among others. It also provided co-funding and advice to groups of companies in Poland and abroad.

### Rates

- Following the legal merger with Kredyt Bank, in early January, the treasury functions of the two banks were integrated, specifically the dealing rooms were combined and the trading activity was migrated to the transactional and settlement platform used by Bank Zachodni WBK.
- In Q1 2013, the Rates Area continued the income diversification strategy propped up by development of interest rate hedges. It also delivered an extensive information campaign among corporate and SME customers to attract them to interest rate and FX hedges with Bank Zachodni WBK.

### Equity

#### Corporate Finance Area

- In Q1 2013, the Corporate Finance Area acted as an advisor in a number of transactions, mainly mergers and acquisitions, public offerings and private placements. It advised, inter alia, on the acquisition of an entity from the energy sector and arranged an IPO of International Personal Finance plc, effected with Dom Maklerski BZ WBK. The bank was also involved in the public offering of Polski Holding Nieruchomości S.A.
- The Corporate Finance Area provided analytical and advisory services to all interested customers and was also engaged as a financial/transactional advisor.
- Under the agreement entered into with the European Investment Bank, the bank managed the Urban Regeneration Fund for Greater Szczecin (JESSICA Programme).

**Dom Maklerski BZ WBK**

- Q1 2013 performance of Dom Maklerski BZ WBK (DM BZ WBK), as measured by the stock exchange trading volume, was as follows:
  - ✓ The share of DM BZ WBK in stock trading totalled 8.5% and was up 2.0 p.p. YoY due to its involvement in the sale of Bank Zachodni WBK shares by Banco Santander S.A. and KBC Bank NV, and also in the tender offer for Zelmex shares announced by BSH Bosch und Siemens Hausgeräte GmbH. With this performance DM BZ WBK secured the third position in the equity market.
  - ✓ The company's share in the futures market totalled 13.7% (up 1.9 p.p. YoY), giving the company the third position in Poland.
  - ✓ DM BZ WBK had a 12.5% share in the futures options market, i.e. down 6.4 p.p. YoY, taking the fourth position. The decrease is attributable to the institutionalisation of the turnover in this market, whereas DM BZ WBK provides services to retail customers only and is not engaged in market making.
- In Q1 2013, DM BZ WBK won the following accolades:
  - ✓ DM BZ WBK took the third position in the ranking of the best personal brokerage account published by *Puls Biznesu*;
  - ✓ The representatives of DM BZ WBK came top in the ranking of analysts published by *Parkiet*, taking the first position in the industrial sector (including chemical industry), the third position in the telecommunication, IT and media category, and the second position among technical analysts;
  - ✓ The company was awarded by the Warsaw Stock Exchange for the highest share in derivative trading (futures and options) in 2012, excluding market making;
  - ✓ DM BZ WBK came third in terms of net profit in the ranking of Polish brokerage houses published by *Parkiet* on 23-24 March 2013.

**Other key information****Capital Adequacy**

- The table below shows the capital requirement for the Bank Zachodni WBK Group as of 31 March 2013 and 31 March 2012:

		PLN m	
		31.03.2013	31.03.2012
I	Total capital requirement	6 641,7	3 723,5
II	Own funds after reductions	11 884,9	7 066,5
	<b>CAD [II/(I*12.5)]</b>	<b>14,32%</b>	<b>15,18%</b>

**Employment**

- As at 31 March 2013, the number of FTEs in Bank Zachodni WBK Group was 13,124 as a result of the merger with Kredyt Bank.

**Changes in the composition of the Supervisory Board**

- In relation to the sale of the entire stake in Bank Zachodni WBK by KBC Bank NV, on 2 April 2013, Mr. Guy Libot resigned as a member of the Supervisory Board, effective from 2 April 2013.

**Awards**

- On 7 March 2013, Bank Zachodni WBK was named the Financial Brand of 2013 by *Gazeta Finansowa*, in the "Bank" category. The bank was awarded for the sustainable and coherent development, innovation and friendly relationship with personal and business customers. The smooth delivery of the merger with Kredyt Bank was acknowledged as well.

- In January 2013, Bank Zachodni WBK received the “Socially Devoted” certificate from Socialbakers, in recognition of the top customer communication standards in social media.
- Bank Zachodni WBK was among the winners of 2012 IT Leader of Financial Institution Awards, an 11th edition of the competition organised by *Gazeta Bankowa*. The bank won an accolade in the “Back-office Systems” category of 2012 IT Leader of Banking for end-to-end design and implementation of MIS Corpo for the Business and Corporate Banking Division.

## 47. Overview of BZ WBK Group performance after the first quarter of 2013

“The Consolidated Financial Statements of Bank Zachodni WBK Group for the First Quarter of 2013” are the first financial statements prepared after the merger with Kredyt Bank on 4 January 2013. The comparative data are derived from the consolidated financial statements of Bank Zachodni WBK as the acquiring entity, which accounts for significant variances in individual financial items.

### Financial and business highlights

- Total income increased by 42.8% YoY to PLN 1,350.6m.
- Total costs increased by 48.2% YoY to PLN 678.4m.
- Profit-before-tax was PLN 476.5m and up 16.0% YoY.
- Profit-after-tax attributable to the shareholders of Bank Zachodni WBK was PLN 373.6m and higher by 18.9% YoY.
- Capital Adequacy Ratio of 14.3% (16.5% as at 31 December 2012).
- Return on Equity was 12.1% (21.1% as at 31 December 2012) or 12.7% excluding the cost of integration with Kredyt Bank. The ROE ratio declined is a result of the significant capital increase through the issue of 18.9m merger shares.
- Cost to income ratio was 50.2% (compared with 48.4% in Q1 2012) or 48.3% excluding the cost of integration with Kredyt Bank.
- Net impairment losses on loans and advances amounted to PLN 196.0m compared with PLN 80.8m in Q1 2012.
- NPL ratio was 7.6% (5.4% as at 31 December 2012), while the ratio of impairment losses to the average gross credit volumes was 1.1% (1.2% as at 31 December 2012).
- Loans to deposits ratio was 88% as at 31 March 2013 compared with 84.7% as at 31 December 2012.
- Gross loans to customers increased by 72.7% QoQ to PLN 71,532.2m due to the expansion of loans to individuals (+151.3% QoQ) and loans to enterprises and public sector (+34% QoQ) to PLN 34,448.1m and PLN 34,016.5m, respectively.
- Deposits from customers increased by 63.8% QoQ to PLN 77,109.6m as a result of the expansion of deposits from individuals (+63.9% QoQ) and deposits from enterprises and public sector (+63.6% QoQ) to PLN 46,942.4m and PLN 30,167.2m.
- Net value of assets held by mutual funds and private portfolios grew by 0.8% QoQ and by 14.7% YoY to PLN 10.7bn.
- The number of customers using the BZWBK24 and KB24 electronic banking services amounted to 2.8m (+27.5% QoQ), while the BZ WBK payment card base included ca. 3.2m debit cards (+17.9% QoQ).

### External factors affecting financial results in the first quarter of 2013

- Deceleration of economic growth (GDP growth estimated below 1% YoY in Q1), among others due to contracting domestic demand, including fixed investment.
- Contracting industrial output and construction output; declining activity of investors in residential construction; financial problems of the construction sector companies.
- Low pace of growth of retail sales and a paltry growth of private consumption related to rising saving rate of households worried about deteriorating labour market situation.
- Further stagnation on the labour market; gradual decrease in employment in the enterprise sector; moderate level of wage growth rate.
- Reduction of NBP interest rates by 100 bps in Q1 (by 150bps from November 2012), including a cut by 50bps in March.

- Low yields of Polish bonds due to the rising non-residents' demand for Polish assets and growing expectations for NBP interest rate cuts; drop in WIBOR money market rates to the all-time lows.
- Weakening of the zloty against the dollar and its relative stability against the euro.
- Weak growth of households' and companies' loans.
- Quite strong increase of households' deposits and a contraction of companies' deposits.
- Continuation of downward trend in home prices in most main cities, resulting from falling demand accompanied by still high supply of dwellings.

## Income Statement of Bank Zachodni WBK Group

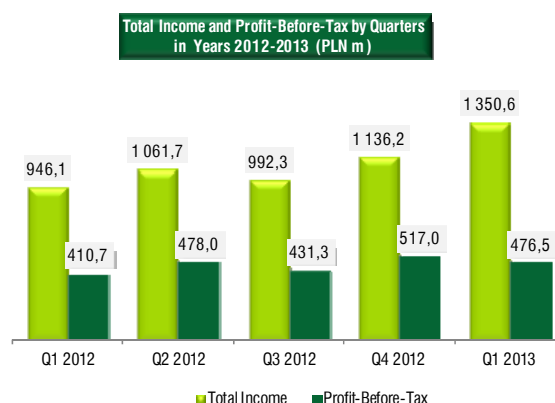
### Profit earned by Bank Zachodni WBK Group in the first quarter of 2013

PLN m			
Condensed Income Statement (for analytical purposes)	Q1 2013 *	Q1 2012	YoY Change
<b>Total income</b>	<b>1 350,6</b>	<b>946,1</b>	<b>42,8%</b>
- Net interest income	752,8	556,9	35,2%
- Net fee & commission income	429,2	330,1	30,0%
- Other income	168,6	59,1	185,3%
<b>Total costs</b>	<b>(678,4)</b>	<b>(457,8)</b>	<b>48,2%</b>
- Staff, general and administrative expenses	(606,9)	(417,1)	45,5%
- Depreciation/amortisation	(57,0)	(36,9)	54,5%
- Other operating expenses	(14,5)	(3,8)	281,6%
<b>Impairment losses on loans and advances</b>	<b>(196,0)</b>	<b>(80,8)</b>	<b>142,6%</b>
Profit/loss attributable to the entities accounted for using equity method	0,3	3,2	-90,6%
<b>Profit-before-tax</b>	<b>476,5</b>	<b>410,7</b>	<b>16,0%</b>
Tax charges	(95,4)	(88,8)	7,4%
<b>Net profit for the period</b>	<b>381,1</b>	<b>321,9</b>	<b>18,4%</b>
- <b>Net profit attributable to BZ WBK shareholders</b>	<b>373,6</b>	<b>314,2</b>	<b>18,9%</b>
- Net profit attributable to non-controlling shareholders	7,5	7,7	-2,6%

\* Financial data for Q1 2013 present BZ WBK Group's performance following the merger with Kredyt Bank on 4.01.2013.

In the first quarter of 2013, Bank Zachodni WBK Group posted a profit-before-tax of PLN 476.5m, an increase of 16% on the corresponding period of 2012. The net profit attributable to Bank Zachodni WBK shareholders was PLN 373.6m and higher by 18.9% YoY.

Apart from the impact of the Kredyt Bank acquisition and integration, the Group's financial result was affected by macroeconomic conditions, in particular the weakening of economic growth in Poland and gradual decline of interest rates. The sustained declining interest rate trend caused the net interest margin to shrink and reduced the attractiveness of bank deposits for customers. At the same time, however, it facilitated the repositioning of the debt securities portfolio in line with the investment policy pursued by the Group. The economic slowdown curtailed the demand for long term investment loans while increasing loan impairment write-downs. The negative pressure from external factors was mitigated by the Group's extensive business diversification, flexible adjustment of the offering to the changing conditions, active management of the balance sheet structure and effective business acquisition (e.g. new credit exposures in the Business and Corporate Banking, and the Global Banking and Markets segments, an increase in the mutual fund assets and balances in the savings accounts).



### Structure of PBT earned by BZ WBK Group - by companies

PLN m					
Structure of Profit-Before-Tax by Contributing Entities	Q1 2013	Structure Q1 2013*	Q1 2012	Structure Q1 2012*	Change YoY
<b>Bank **</b>	<b>421,8</b>	<b>88,6%</b>	<b>421,9</b>	<b>80,3%</b>	<b>0,0%</b>
<b>Subsidiaries, of which:</b>	<b>54,3</b>	<b>11,4%</b>	<b>103,5</b>	<b>19,7%</b>	<b>-47,5%</b>
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	18,3	3,8%	73,4	14,0%	-75,1%
BZ WBK Leasing S.A., BZ WBK Finanse & Leasing S.A., Kredyt Lease S.A. and BZ WBK Finanse Sp. z o.o.	14,7	3,1%	18,7	3,5%	-21,4%
Dom Maklerski BZ WBK S.A.	17,1	3,6%	10,8	2,1%	58,3%
Other subsidiaries ***	4,2	0,9%	0,6	0,1%	600,0%
Intercompany and consolidation adjustments	0,4	-	(114,7)	-	-
<b>Total</b>	<b>476,5</b>	<b>-</b>	<b>410,7</b>	<b>-</b>	<b>16,0%</b>

\* Percentage share in BZ WBK Group profit-before-tax, intercompany and consolidation adjustments.

\*\* Unconsolidated profit before tax of Bank Zachodni WBK S.A. (following the merger effective from 4.01.2013).

\*\*\* BZ WBK Faktor Sp. z o.o., BZ WBK Inwestycje Sp. z o.o., Nieruchomości S.A., Kredyt Trade Sp. z o.o. in liquidation.

The unconsolidated profit-before-tax of Bank Zachodni WBK for the first quarter of 2013 was flat on a year-on-year basis due to the impact of the merger with Kredyt Bank and non-occurrence of a dividend income posted in the corresponding period last year (PLN 62.8m from BZ WBK Asset Management). Likewise, a significant part of the 47.5% decrease in the subsidiaries' profits was attributable to the early recognition of a dividend income by BZ WBK Asset Management in the first quarter of 2012 (PLN 54.2m from BZ WBK Towarzystwo Funduszy Inwestycyjnych). Both dividends were eliminated from the consolidated accounts of the Group for the first quarter of 2012, which is reflected in the line "Intercompany and consolidation adjustments".

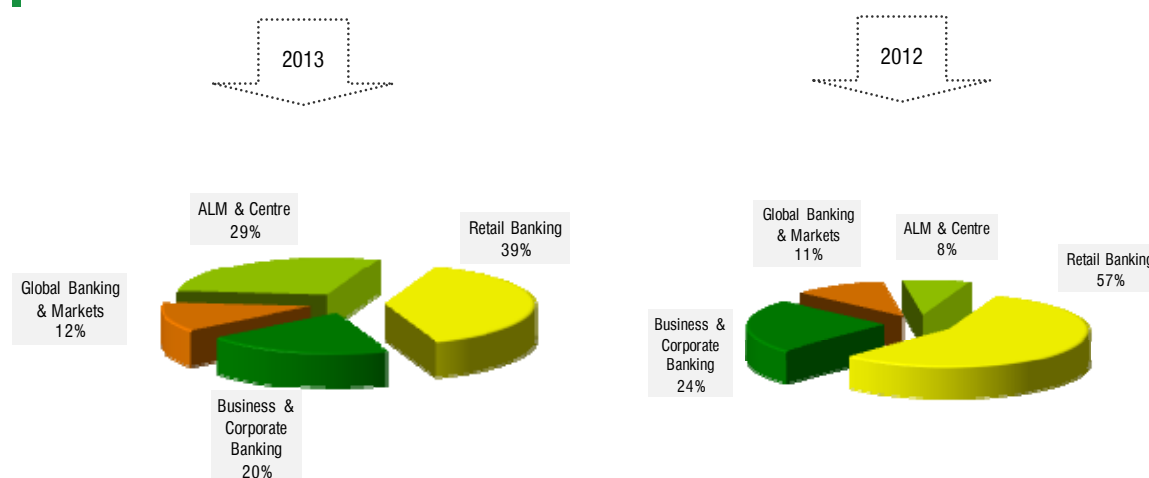
Excluding the dividend income, the profit-before-tax of BZ WBK Asset Management and BZ WBK Towarzystwo Funduszy Inwestycyjnych decreased by 4.7% YoY on account of lower net interest and fee income amid the falling interest rates and faster growth rate of the fee expense than income following the revision of distribution fees and the rules of their sharing with the business partners. It should be noted that total average net assets under management of the two companies increased in the first quarter of 2013 by 17.2% YoY.

Leasing companies, with its controlling entity BZ WBK Finanse, generated a 21.4% lower pre-tax-profit on a YoY basis due to the narrowing of margins earned on their financing activities in line with the interest rates movement.

At the same time, Dom Maklerski WBK reported higher profitability by 58.3% YoY driven by the increased secondary market fee income from participation in the sales of Bank Zachodni WBK shares held by Banco Santander and KBC Bank NV.

**Structure of PBT earned by BZ WBK Group - by segments**

Structure of PBT earned by BZ WBK Group after Q1 2013 and Q1 2012 – by segments

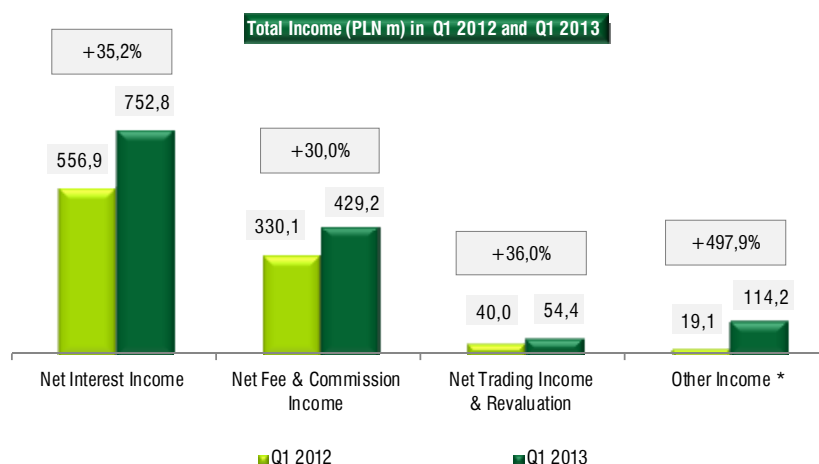


In the first quarter of 2013, the Retail Banking segment decreased its contribution to the PBT due to the higher growth rate of its operating costs and impairment charge compared with total income.

The increased contribution of the ALM and Central Operations segment to the PBT results from the high gains on the sale of debt securities from the available-for-sale portfolio managed by the Assets and Liabilities Management Department.

**Total income**

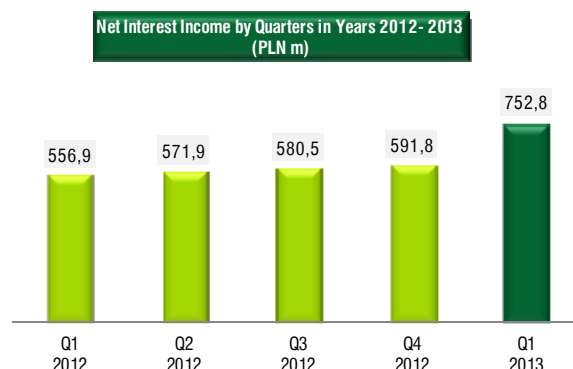
The total income achieved by Bank Zachodni WBK Group in the first quarter of 2013 was PLN 1,350.6m and up 42.8% YoY.



\* The other components of total income include income from other financial instruments and other operating income

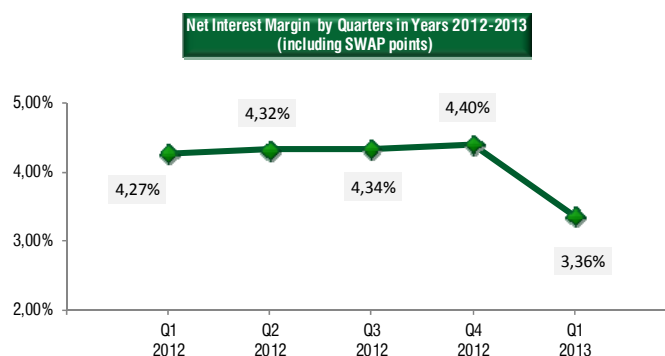
**Net interest income**

Over the first three months of 2013, the net interest income increased by 35.2% YoY to PLN 752.8m.



The net interest income includes interest income of PLN 73.2m (PLN 32.4m in Q1 2012) from CIRS transactions designated as hedging instruments under cash flow hedge accounting, which is disclosed in Note 4 "Net interest income" in the line item "Interest income from IRS hedges" showing PLN 86.2m in Q1 2013 and PLN 35.8m in Q1 2012.

Taking into account the Group's other interest-related income, specifically the income from FX Swaps and non-hedging CIRS transactions (PLN 26.6m for Q1 2013 and PLN 30.2m for Q1 2012), reported under "Net trading income and revaluation", the underlying net interest income increased by 32.8% YoY.



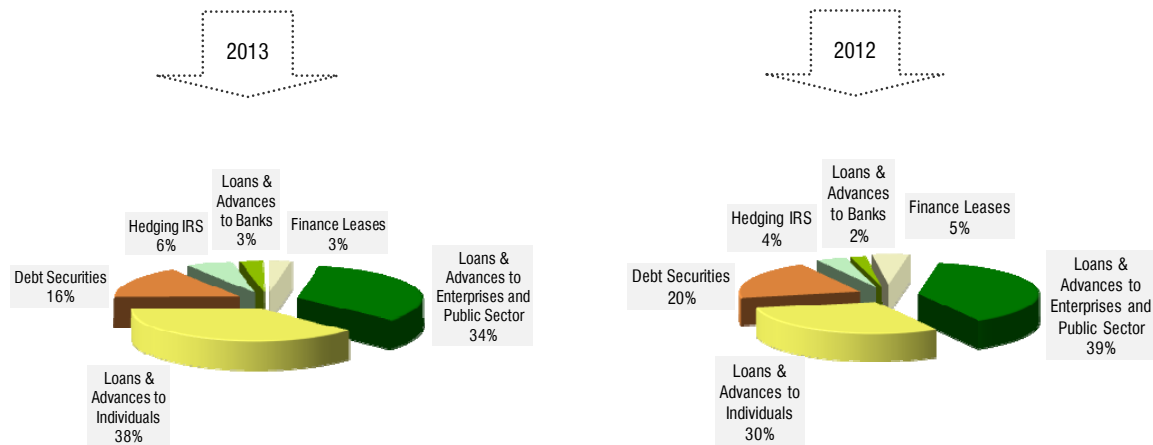
In the period from January to March 2013, the quarterly net interest margin of Bank Zachodni WBK Group was 3.36%, down 0.91p.p. on Q1 2012 under the impact of the prevailing market trends and development of the balance sheet structure.

The shrinking margin was influenced, among others, by lower market interest rates following a series of rate cuts by the Monetary Policy Council, which reduced the reference rate from 4.5% in Q1 2012 to 3.25% in March 2013. During the quarter under review, Bank Zachodni WBK Group was adjusting its pricing proposition to the changing market conditions, trying to keep the balance between customers' expectations, the competitive pressure, regulatory requirements and own objectives with regard to the management of funding sources, balance sheet structure, risk, capital and profits.

The structural factors that had the strongest impact on the reported interest income and expense included the significant expansion of the low margin mortgage loans portfolio as a result of the merger with Kredyt Bank, the higher value of cash loans following the record sales in 2012, an increase in the value of credit exposure to customers managed by Global Banking and Markets, and Corporate and Business Banking, a growth in the savings accounts of personal customers and the repositioning of the debt securities portfolios as part of the Group's liquidity and balance sheet structure management.



## Structure of interest income of BZ WBK Group after Q1 2013 and Q1 2012



## Structure of interest expense of BZ WBK Group after Q1 2013 and Q1 2012



Over the first three months of 2013, the interest income increased by 47.4% YoY to PLN 1,391.0m and was developing at a slower pace than the interest expense which increased by 64.9% to PLN 638.2m. The interest income was driven by mortgage loans (+111.1% YoY), other personal loans (+74.9% YoY), interest on IRS hedges (+140.5% YoY) and loans to banks (+48.9% YoY). The increase in interest expense was mainly attributable to the deposits from individuals (+83.1% YoY), deposits from banks (+83.3% YoY) and deposits from enterprises (+46.4% YoY).

**Net Fee and Commission Income**

PLN m

Net Fee and Commission Income	Q1 2013*	Q1 2012	Change YoY
E-Business and payments **	97,0	79,8	21,6%
Account maintenance and cash transactions	88,6	59,2	49,7%
FX fees	63,0	54,5	15,6%
Asset management and distribution	58,7	46,8	25,4%
Credit fees ***	55,1	30,3	81,8%
Insurance fees	26,4	25,4	3,9%
Brokerage fees	24,8	18,9	31,2%
Other ****	15,6	15,2	2,6%
<b>Total</b>	<b>429,2</b>	<b>330,1</b>	<b>30,0%</b>

Includes:

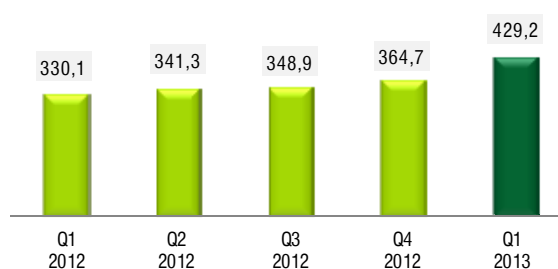
\* Components of net fee and commission income of BZ WBK Group after the merger with Kredyt Bank effective from 4.01.2013.

\*\* Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third parties as well as other electronic &amp; telecommunications services.

\*\*\* Fees related to lending, leasing and factoring activities which are not amortised to interest income.

\*\*\*\* Credit card fees, guarantees &amp; sureties, issue arrangement fees and others.

**Net Fee & Commission Income by Quarters in Years 2012-2013**  
(PLN m)



In the first quarter of 2013, net fee and commission income came in at PLN 429.2m, a 30% increase YoY.

The first quarter performance shows a notable increase in the net credit fee income (+81.8% YoY), including a 47.1% YoY underlying growth reported by Bank Zachodni WBK network and attributable to the one-off fee income (not eligible for recognition under the effective interest rate method) from transactions with large customers of the Global Banking and Markets, and Business and Corporate Banking Division.

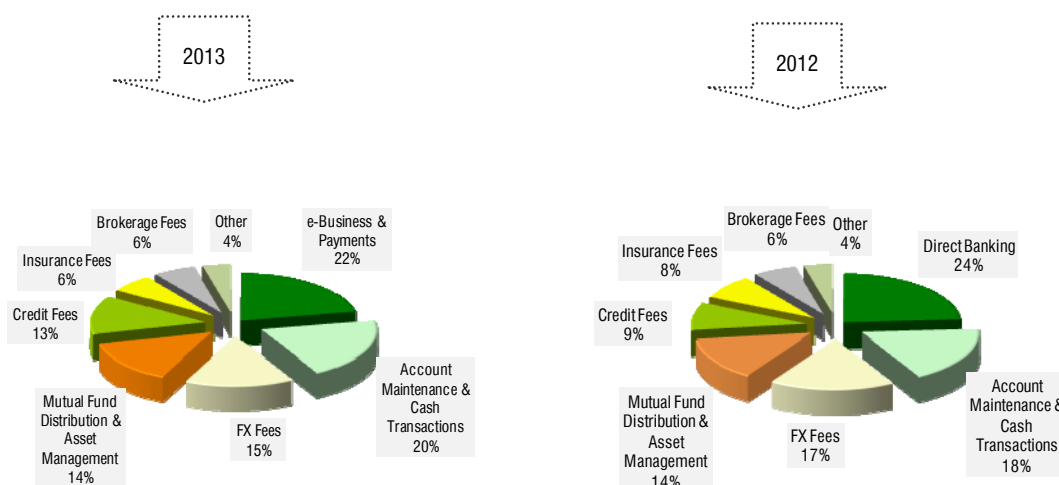
The net brokerage fee income went up by 31.2% YoY on account of high remuneration earned by Dom Maklerski BZ WBK in the secondary market in return for the brokerage services, particularly with respect to the sale of Bank Zachodni WBK shares by Banco Santander S.A. and KBC Bank NV as well as a tender for shares in Zelmer S.A. announced by BSH Bosch und Siemens Hausgeräte GmbH.

The net fee income from distribution and management of assets increased by 25.4% YoY along with the growth in the average net value of assets held by mutual funds managed by BZ WBK Towarzystwo Funduszy Inwestycyjnych, which effective from January 2013 were also available in selected outlets of the former Kredyt Bank.

The net insurance commission income grew by 3.9% YoY due to a well-diversified insurance offer amid lower cash loan insurance income driven by insurance premium recoveries by borrowers making premature loan repayments.

The growth in the "e-Business and payments" and "Account maintenance and cash transactions" line items is attributable to the contribution of the former Kredyt Bank. Excluding the impact of an increased scale of operations (i.e. performance of the branches with Kredyt Bank logo), the underlying net fee and commission income was stable in both product lines despite the competitive pressure and lower interchange fee rate.

## Structure of the net fee and commission income earned by BZ WBK Group in Q1 2013 and Q1 2012

**Other Income****Net Trading Income and Revaluation**

Net trading income and revaluation amounted to PLN 54.3m and increased by 36% YoY in line with the market developments.

In Q1 2013, the Group reported a loss of PLN 166.9m on derivative trading caused by volatility of the interest rate market. The pricing of swaps which plunged towards 2012 year-end clearly rebounded in the first two months of 2013, only to hit all-time lows in March in the wake of MPC decision to cut interest rates by 50 b.p.

The above-mentioned loss was offset by a gain of PLN 220.6m from interbank transactions in the FX market, following the reversal of the zloty appreciation tendency observed in the previous quarter.

Total income on the wholesale FX and derivative trading discussed above came in at PLN 53.7m in Q1 2013 vs. PLN 34m in Q1 2012. Included in this figure was interest-related income from the wholesale FX swaps and non-hedging CIRS transactions, which added up to PLN 26.6m in Q1 2013 compared with PLN 30.2m in Q1 2012.

**Other Income Items**

Other income of Bank Zachodni WBK Group, i.e. gains on the sale of other financial instruments and other operating income, totalled PLN 114.2m and went up by PLN 95.1m YoY.

This performance was driven primarily by the gains on other financial instruments, which increased by PLN 87.3m YoY to PLN 89.4m on the back of the sale of available-for-sale debt securities. In the first quarter of 2013, the Group's available-for-sale portfolio increased significantly after the merger with Kredyt Bank and in order to re-align the investment profile of the enlarged portfolio, the Group continued its strategy of managing the duration of the investment portfolio, leveraging the prevailing downward trend in interest rates.

**Impairment charges**

In the first quarter of 2013, the loan impairment charge to the profit and loss account was PLN 196.0m compared with PLN 80.8m in the corresponding period last year.

The balance of impairment allowance for identified losses (individual and collective) was PLN 226.7m and up PLN 139.1m YoY. The ensuing increase in provisions is mainly the effect of decelerated economic growth in Poland, liquidity problems of enterprises and weakening financial standing of companies from the sectors that carry a heightened credit risk. The impairment charge was also affected by the implementation of a new impairment calculation model in the individual approach, based on multi-scenario analyses.



The balance of provisions for incurred but not reported losses (IBNR) was positive at PLN 49.2m (-PLN 2.8m in Q1 2012), reflecting the revision of parameters used in the models of IBNR provisions calculation.

In Q1 2013, Bank Zachodni WBK Group sold retail business loan portfolio with a total principal value of PLN 37.2m.

The Group's cost of risk was 1.1% for Q1 2013 vs. 0.8% in Q1 2012.

## Total Costs

PLN m			
Total costs	Q1 2013*	Q1 2012	Change YoY
Staff, general and administrative expenses, of which:	(606,9)	(417,1)	45,5%
- Staff expenses	(345,1)	(237,9)	45,1%
- General and administrative expenses	(261,8)	(179,2)	46,1%
Depreciation/amortisation	(57,0)	(36,9)	54,5%
Other operating expenses	(14,5)	(3,8)	281,6%
<b>Total</b>	<b>(678,4)</b>	<b>(457,8)</b>	<b>48,2%</b>

\* The main components of total expenses of BZ WBK Group after the merger with Kredyt Bank effective from 4.01.2013.

In Q1 2013, the total costs of Bank Zachodni WBK Group amounted to PLN 678.4m, and were 48.2% higher YoY as a result of an increased scale of operations. With costs outpacing income growth (+42.8% YoY), the Group's cost-to-income ratio increased from 48.4% in Q1 2012 to 50.2% in Q1 2013.

The Group's total cost base includes the integration expenses of PLN 26.5m associated with the process of combining Bank Zachodni WBK and Kredyt Bank into a homogeneous entity in terms of organisation and operations. Excluding the impact of these expenses, the Group's cost-to-income ratio was 48.3%.

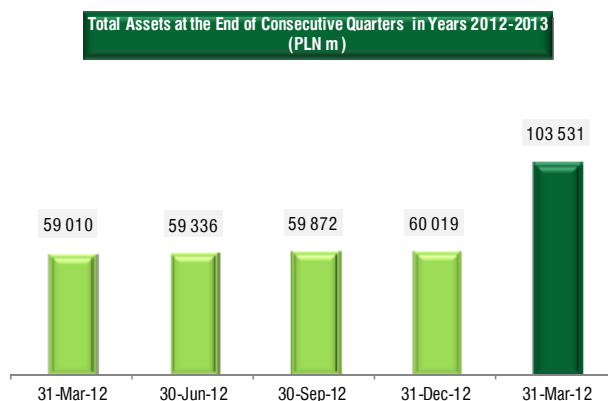
Staff and general & administrative expenses, which have the highest share in the Group's total costs (89.5%), amounted to PLN 606.9m, of which:

- The Group's staff expenses amounted to PLN 345.1m and went up by 45.1% YoY, mainly as a result of an increase in Bank Zachodni WBK Group's headcount through incorporation of the former Kredyt Bank Group's staff.
- The general and administrative expenses amounted to PLN 261.8m and were 46.1% higher YoY as a result of an increased scale of operations. The most pronounced growth in value terms was recorded in the maintenance and lease of premises line (+56.2%) and was attributable to PLN 32.7m worth of costs generated by units of the former Kredyt Bank. Higher fees paid to market regulators (+73.7% YoY) were triggered by an increase in the computation basis following the merger of business volumes of the two banks. Other notable increases, which arise from the expansion of operations and delivery of integration projects, include: repair of machines (+419.8 YoY), other third party services (+115.9% YoY), security (+102.9% YoY), cars, transport and valuables in transit (+84.1% YoY), data transmission (+66.4 YoY), IT systems (+50.1% YoY) and consultancy and advisory services (+36.7% YoY).

## Financial position

### Assets

As at 31 March 2013, total assets of Bank Zachodni WBK Group amounted to PLN 103,530.7m, growing by 72.5% QoQ. The value and structure of the Group's statement of financial position is mainly affected by the parent company, which accounts for 99.1% of the consolidated total assets.



The table below presents major developments in the key categories of the consolidated assets of Bank Zachodni WBK Group as at 31 March 2013 versus 31 December 2012 and 31 March 2012.

Assets (condensed presentation for analytical purposes)	PLN m							
	31.03.2013*	Structure 31.03.2013	31.12.2012	Structure 31.12.2012	31.03.2012	Structure 31.03.2012	Change QoQ	Change YoY
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers **	67 887,2	65,6%	39 867,6	66,4%	38 122,0	64,6%	70,3%	78,1%
Investment securities	21 529,6	20,8%	11 716,1	19,5%	11 760,2	19,9%	83,8%	83,1%
Cash and operations with Central Banks	5 093,6	4,9%	4 157,3	6,9%	2 802,9	4,7%	22,5%	81,7%
Loans and advances to banks	1 256,5	1,2%	1 458,1	2,4%	1 405,5	2,4%	-13,8%	-10,6%
Financial assets held for trading	2 910,8	2,8%	831,7	1,4%	3 279,0	5,6%	250,0%	-11,2%
Fixed and intangible assets	2 697,0	2,6%	607,1	1,0%	625,2	1,1%	344,2%	331,4%
Hedging derivatives	284,7	0,3%	253,6	0,4%	134,5	0,2%	12,3%	111,7%
Other assets	1 871,3	1,8%	1 127,7	2,0%	880,7	1,5%	65,9%	112,5%
<b>Total</b>	<b>103 530,7</b>	<b>100,0%</b>	<b>60 019,2</b>	<b>100,0%</b>	<b>59 009,8</b>	<b>100,0%</b>	<b>72,5%</b>	<b>75,4%</b>

\* Financial data of BZ WBK Group as at 31.03.2013 after the merger with Kredyt Bank effective from 4.01.2013.

\*\* Includes impairment write-down.

The increases in individual line items of the consolidated assets, as observed in the current reporting period, result from the expansion of the Group's activities. As the merger involved two entities of similar business profile, the prior asset structure was not affected in any material respect.

The goodwill arising on the acquisition of Kredyt Bank, which in the table above is disclosed in the aggregate line "Tangible and intangible fixed assets", was PLN 1,688.5m as at 31 March 2013.

The first quarter of 2013 witnessed fluctuations of the financial assets held for trading as part of ongoing management of debt instruments that is flexibly adjusted to the market development directions and the volume of liquid assets managed by the Rates Department.

Net loans and advances to customers increased by 70.3% QoQ to PLN 67,887.2m and at the end of March 2013 accounted for 88% of the deposits from non-financial entities funding them, as compared with 84.7% at the end of December 2012.

**Credit portfolio**

	PLN m				
Gross Loans and Advances to Customers	31.03.2013*	31.12.2012	30.03.2012	Change QoQ	Change YoY
Loans and advances to individuals	34 448,1	13 708,6	12 643,4	151,3%	172,5%
Loans and advances to enterprises and public sector customers	34 016,5	25 386,0	24 546,3	34,0%	38,6%
Finance lease receivables	2 944,9	2 289,9	2 278,9	28,6%	29,2%
Other	122,7	27,3	59,6	349,5%	105,9%
<b>Total</b>	<b>71 532,2</b>	<b>41 411,8</b>	<b>39 528,2</b>	<b>72,7%</b>	<b>81,0%</b>

\* Financial data of BZ WBK Group as at 31.03.2013 after the merger with Kredyt Bank effective from 4.01.2013

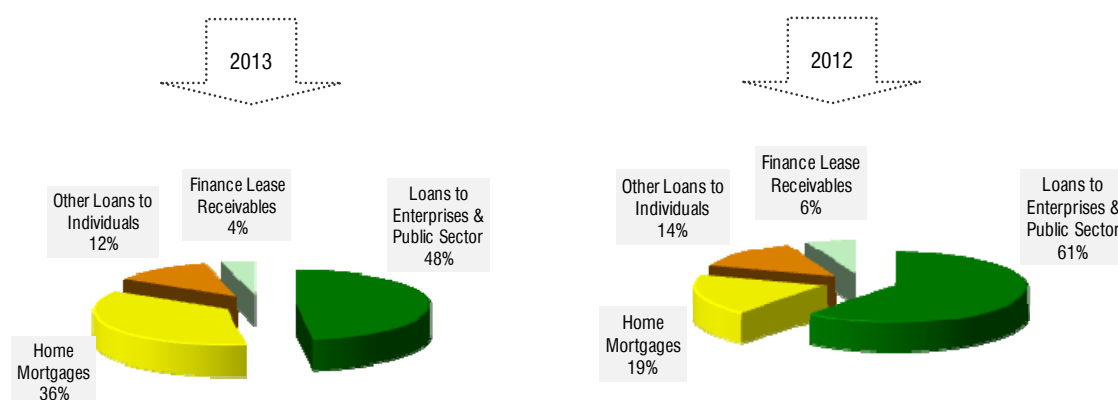
As at 31 March 2013, gross loans and advances to customers amounted to PLN 71,532.2m, increasing by 72.7% QoQ

The loans and advances to individuals amounted to PLN 34,448.1m and advanced to the first position in the structure of the Group's gross loans and advances, leaving behind loans and advances to enterprises and public sector. The strong increase in the line (+151.3% QoQ) was primarily due to the combination of the mortgage loan-books built by the pre-merger banks. The combined portfolio amounted to PLN 25,805.4m at the end of March 2013, growing threefold compared with the end of 2012. Cash loans, another major contributor to the credit portfolio under review, increased to PLN 5,439.5m from PLN 4,195.9m at the end of 2012.

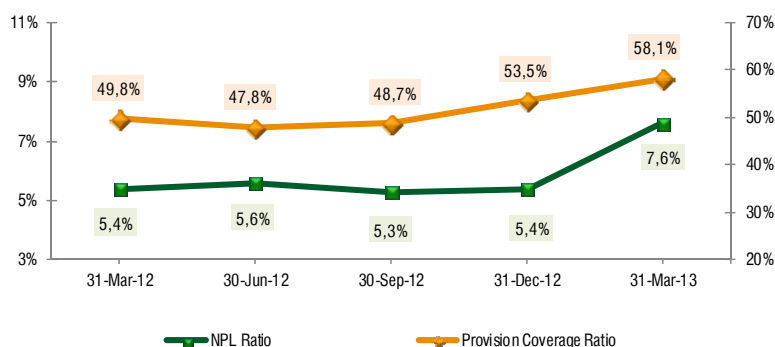
The loans and advances to enterprises and public sector customers, totalling PLN 34,016.5m, grew at a slower rate (+34.0% QoQ) compared with the loans and advances to individuals as the acquired bank had a relatively low exposure to enterprises. As a result of the efforts to attract new business, the increases were observed over the first quarter of 2013 in the balance of overdrafts and term loans.

At the end of March 2013, the finance lease receivables, including the Kredyt Lease portfolio of PLN 661.5m, totalled PLN 2,944.9m.

Loans and advances to customers of BZ WBK Group as at 31.03.2013 and 31.12.2012



The Group's NPL and provision cover ratio at the end of individual quarters in the period from 31.03.2012 to 31.03.2013



As at 31 March 2013, non-performing (impaired) loans to customers accounted for 7.6% of the gross portfolio vs. 5.4% at the end of December 2012. The provision cover for the impaired loans was 58.1% compared with 53.5% three months before.

## Equity and liabilities

The table below presents major developments in key categories of the consolidated equity and liabilities of Bank Zachodni WBK Group at 31 March 2013 versus 31 December 2012 and 31 March 2012.

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	31.03.2013*	Structure 31.03.2013	31.12.2012	Structure 31.12.2012	31.03.2012	Structure 31.03.2012	Change QoQ	Change YoY
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	77 109,6	74,5%	47 077,1	78,4%	43 485,8	73,7%	63,8%	77,3%
Deposits from banks	7 056,6	6,8%	1 351,1	2,3%	5 223,8	8,8%	422,3%	35,1%
Financial liabilities held for trading	2 015,5	1,9%	728,8	1,2%	659,9	1,1%	176,5%	205,4%
Subordinated liabilities	1 400,9	1,4%	409,1	0,7%	415,9	0,7%	242,4%	236,9%
Hedging derivatives	496,2	0,5%	322,0	0,5%	333,3	0,6%	54,1%	48,9%
Other liabilities	1 633,9	1,6%	1 153,4	1,9%	1 096,3	1,9%	41,7%	49,0%
Total equity	13 818,0	13,3%	8 977,7	15,0%	7 794,9	13,2%	53,9%	77,3%
<b>Total</b>	<b>103 530,7</b>	<b>100,0%</b>	<b>60 019,2</b>	<b>100,0%</b>	<b>59 009,8</b>	<b>100,0%</b>	<b>72,5%</b>	<b>75,4%</b>

\* Financial data of BZ WBK Group as at 31.03.2013 after the merger with Kredyt Bank S.A. effective from 4.01.2013

In the consolidated equity and liabilities as at 31 March 2013, the highest QoQ growth was noted in "Deposits from banks" line item (+422.3% QoQ) as a result of the bank's more intensive securities trading under repo agreements. The subordinated liabilities (+242.4% QoQ) were increased by the loans with a carrying amount of PLN 983.6m that were received by former Kredyt Bank from KBC NV, Dublin Branch. The expansion of the hedging derivatives portfolio, driven by interest rate hedges, contributed to the growth of the financial liabilities held for trading (+176.5% QoQ). Total equity increased by 53.9% as a result of registration of the share capital increase of Bank Zachodni WBK following the issue of 18 907 458 J-series merger shares, allotted to the shareholders of the former Kredyt Bank. The nominal value of the shares of PLN 189.1m increased the share capital, while the share premium of PLN 4,354.8m was recognised in the supplementary capital.



**WBK**

**Bank Zachodni WBK S.A.**

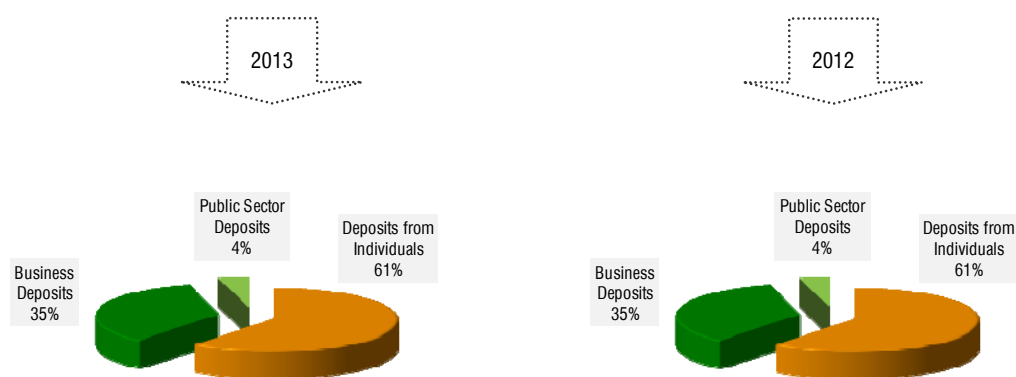
**Deposit base**

	PLN m				
Deposits from Customers	31.03.2013*	31.12.2012	31.03.2012	Change QoQ	Change YoY
Deposits from individuals	46 942,4	28 636,3	27 541,9	63,9%	70,4%
Deposits from enterprises and public sector customers	30 167,2	18 440,8	15 943,9	63,6%	89,2%
<b>Total</b>	<b>77 109,6</b>	<b>47 077,1</b>	<b>43 485,8</b>	<b>63,8%</b>	<b>77,3%</b>

\* Financial data of BZ WBK Group as at 31.03.2013 after the merger with Kredyt Bank effective from 4.01.2013

Deposits from customers, which represent 74.5% of the Group's total equity and liabilities are the primary source of funding the Group's lending business. As at 31 March 2013, these liabilities included the balances of the customers from the branches with the Kredyt Bank logo, and amounted to PLN 77,109.6m, an increase of 63.8% QoQ.

Deposits from customers of BZ WBK Group as at 31.03.2013 and 31.12.2012

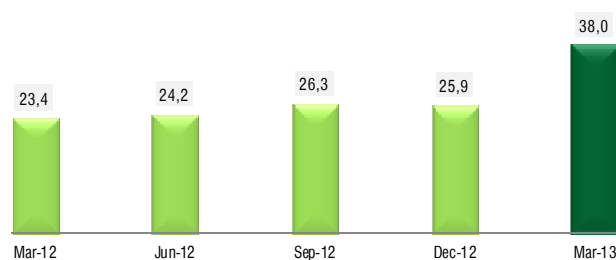


Deposits from individuals amounted to PLN 46,942.4m, up 63.9% QoQ. In the first quarter of 2013, the most rapid growth was observed in savings accounts, recognised as a component of current accounts. As for term deposits, personal customers were most attracted by the 5M Fast Earning Deposit ("Lokata Dynamicznie Zarabiająca"), with a progressive interest rate.

Deposits from enterprises & public sector customers increased by 63.6% QoQ to PLN 30,167.2m. The growth of term deposit balances observed in the first quarter of 2013 was mainly driven by large corporate clients.

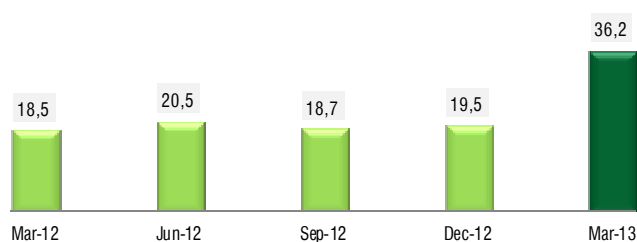
In the total amount of deposits from customers, term deposits were PLN 38,025.3m and up 47% QoQ, current accounts were PLN 36,152.6m and up 85.6% QoQ, while other liabilities increased by 68.8% to PLN 2,931.6m. The latter item represents the credit facilities extended by the European Investment Bank to the former Bank Zachodni WBK and Kredyt Bank for their lending activity.

Term Deposits at the End of Consecutive Quarters of 2012 and 2013 (PLN bn)





Current Accounts at the End of Consecutive Quarters of 2012 and 2013 (PLN bn)



## Financial ratios

Selected Financial Ratios	31.03.2013	31.12.2012	31.03.2012
Total costs/Total income *	50,2%	43,9%	48,4%
Net interest income/Total income	55,7%	55,6%	58,9%
Net interest margin **	3,4%	4,3%	4,3%
Net commission income/Total income	31,8%	33,5%	34,9%
Customer loans/Customer deposits	88,0%	84,7%	87,7%
NPL ratio	7,6%	5,4%	5,4%
NPL coverage ratio	58,1%	53,5%	49,8%
Credit risk ratio ***	1,1%	1,2%	0,8%
ROE ****	12,1%	21,1%	18,9%
ROA *****	1,5%	2,4%	2,1%
Capital adequacy ratio	14,3%	16,5%	15,2%
Book value per share (in PLN)	147,7	120,3	106,7
Earnings per share (in PLN) *****	4,0	19,4	4,3

\* Excluding integration costs of PLN 26.5m, the adjusted cost-to-income ratio was 48.3% for Q1 2013.

\*\* Annualised net interest income (including Swap points) to average quarterly interest-bearing assets (starting with the balance as at the previous year-end), net of impairment write-down.

\*\*\* Annualised impairment losses on loans and advances to average gross loans and advances to customers.

\*\*\*\* Annualised net profit attributable to the shareholders of BZ WBK (for 4 consecutive quarters) to average equity calculated based on total equity (as at the beginning and end of the current reporting period), net of the current period profit, non-controlling interests and dividend due to BZ WBK shareholders. In calculations of the ratio as at 31.03.2013, the combined pro forma equity as at 31.12.2012 was used as presented in unaudited "Condensed Consolidated Financial Pro Forma Information" published in the current report on 8.01.2013.

Excluding costs of integration with Kredyt Bank S.A. (PLN 26.5m), adjusted ROE as at 31.03.2013 was 12.7%.

\*\*\*\*\* Net profit attributable to the shareholders of BZ WBK to average total assets. The calculation method is analogous to that applied for ROE.

\*\*\*\*\* Net profit attributable to the shareholders of BZ WBK divided by the number of ordinary shares.

## 48. Factors which may affect financial results of the issuer in the next quarter and beyond

The most important factors which may affect financial results of Bank Zachodni WBK Group in the near future are:

- Predicted gradual improvement of economic growth in the world economy, in particular in the euro zone, which implies improving prospects for Polish exports.
- Stagnation in the labour market in the first months of the year, which may negatively affect the quality of households' loans portfolio and limit the demand for new consumer loans and mortgage loans.
- Rising growth rate of real households' income due to quickly falling inflation, moderately high pension indexation and some recovery in domestic labour market in H2 thanks to improving results of exporters.
- Strong decline in public sector's investment spending due to continued fiscal consolidation, which may deepen a slump in construction sector; financial problems of construction companies.



- Risk of further interest rate cuts by the MPC in response to a worse-than-expected economic growth and prospects that inflation will be running below the NBP target in medium term.
- Changes of assets' financing cost depending on the pace and scale of changes of main interest rates, changes of the zloty exchange rate, development of liquidity situation of the banking sector and intensity of price competition between the banks regarding collection of deposits.
- Possible increase of volatility of financial markets in case of disappointment over the pace of solving debt crisis in the euro zone, lower than expected pace of global economic revival, or negative scenario of social or political developments (social unrest in the southern European states).
- Further developments on the global stock market and their impact on customer willingness to purchase investment funds units or keeping savings in safe bank deposits as an alternative.

Signature of a person who is responsible for maintaining the book of account			
Date	Name	Function	Signature
22.04.2013	Marco Antonio Silva Rojas	Member of the Management Board	
22.04.2013	Wojciech Skalski	Financial Accounting Area Director	