

# BANK ZACHODNI WBK – SELECTED ISSUES

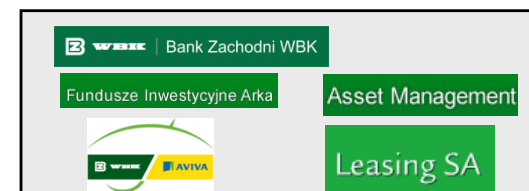


Loose slides

May 2010

Intelace Research

# BZ WBK BUSINESS IN POLAND IS WORTH IN TOTAL 13-15 BILLION PLN (EUR 3.3-3.8 BILLION)



## BZ WBK Group – Key subsidiaries and investments

Sector	Subsidiary	Business size (market share) 1Q2010, in PLN, (in %)	Valuation (May 2010)
<b>Banking &amp; Brokerage</b>	<ul style="list-style-type: none"> <li>BZ WBK S.A.</li> <li>DM BZ WBK S.A.</li> </ul>	<ul style="list-style-type: none"> <li>Assets: 54.2b (5.3%)</li> <li>Net profit*: 986m</li> </ul>	11-13
<b>Fund &amp; Asset Management</b>	<ul style="list-style-type: none"> <li>BZ WBK AIB TFI S.A.</li> <li>BZ WBK AIB AM S.A.</li> </ul>	<ul style="list-style-type: none"> <li>TFI AuM: 11.0b (11%)</li> <li>Other AuM: ~2b* (~20%)</li> </ul>	0.6-0.8
<b>Insurance (life, non-life)</b>	<ul style="list-style-type: none"> <li>BZ WBK AVIVA TU</li> <li>BZ WBK AVIVA TUnŻ</li> </ul>	<ul style="list-style-type: none"> <li>GWP life*: 170m (0.6%)</li> <li>GWP non-life*: 99m (0.5%)</li> </ul>	0.2-0.4
<b>Leasing</b>	<ul style="list-style-type: none"> <li>BZ WBK Leasing S.A.</li> <li>BZ WBK Finanse &amp; Leasing S.A.</li> </ul>	<ul style="list-style-type: none"> <li>Leased value*: 1.39 b (6%*)</li> </ul>	0.3-0.5
<b>Factoring</b>	<ul style="list-style-type: none"> <li>BZ WBK Faktor S.A.</li> </ul>	<ul style="list-style-type: none"> <li>Turnover*: 1.7 b (3%*)</li> </ul>	0.1-0.2
<b>Other</b>	<ul style="list-style-type: none"> <li>BZ WBK Inwestycje</li> <li>BZ WBK Nieruchomości</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>	n/a
<b>Investments (high value items only)</b>	<ul style="list-style-type: none"> <li>Aviva PTE (pension, 10% stake)</li> <li>Aviva TUnŻ (life insurance, 10% stake)</li> <li>Aviva TUO (property insurance, 10% stake)</li> </ul>		0.8-1.6

**Total:  
PLN 13-15 billion**

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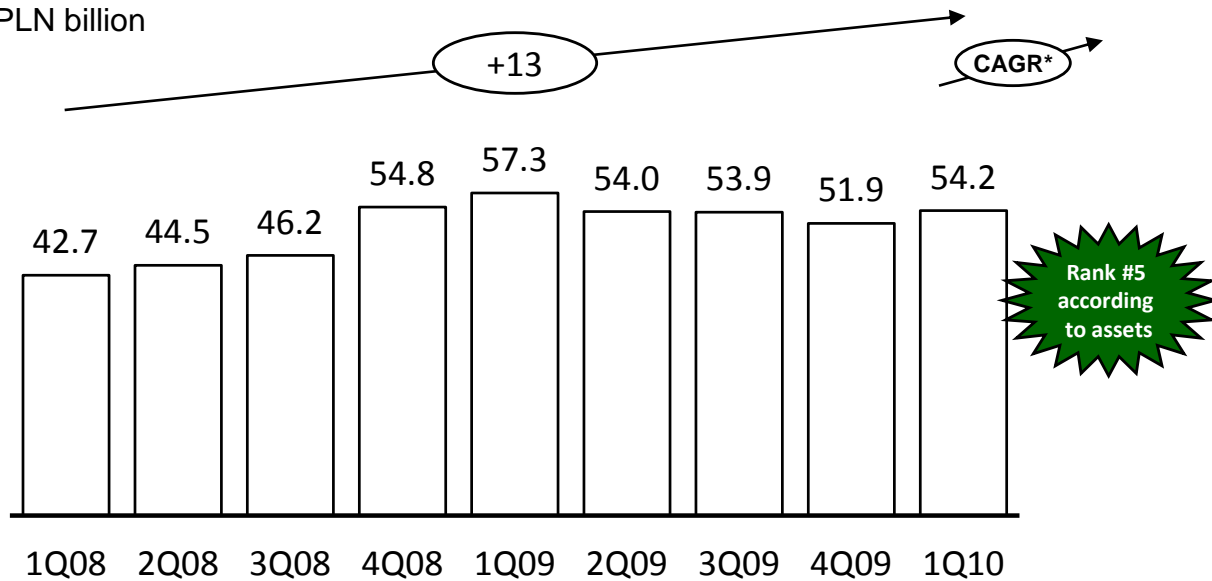
\* Data for the full year 2009  
Source: BZ WBK, Rzeczpospolita, Intelcace

# BZ WBK BANK HAS BEEN GROWING IN LINE WITH THE BANKING MARKET RECENTLY

UNCONSOLIDATED  
ACCOUNTS

## BZ WBK Bank assets evolution, 1Q2008-1Q2010

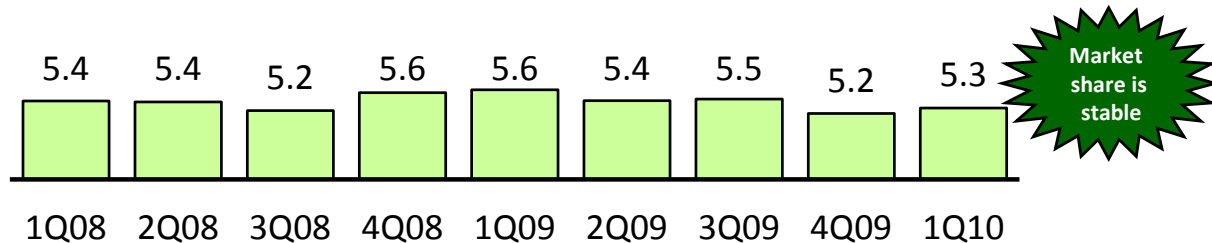
PLN billion



- BZ WBK was able to grow quickly until 1Q 2009. Since then, its assets have been stagnating
- Market share of BZ WBK is fluctuating in a narrow range of: 5.2% to 5.6%

## Market share evolution, 1Q2008-1Q2010

Percent (of commercial banks assets)

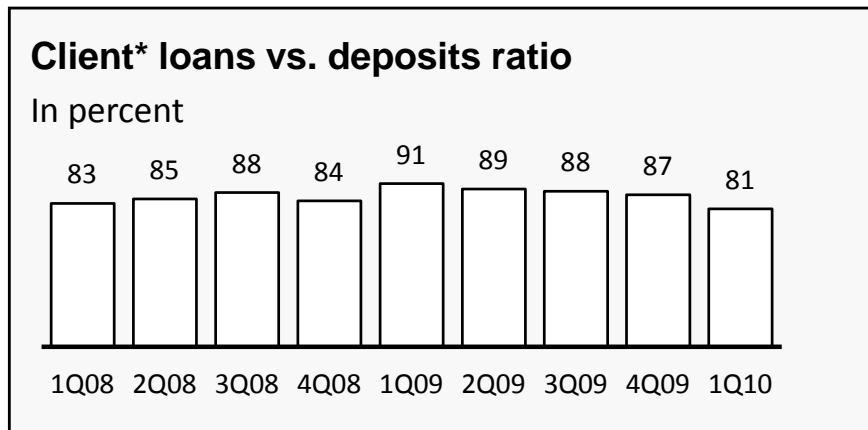
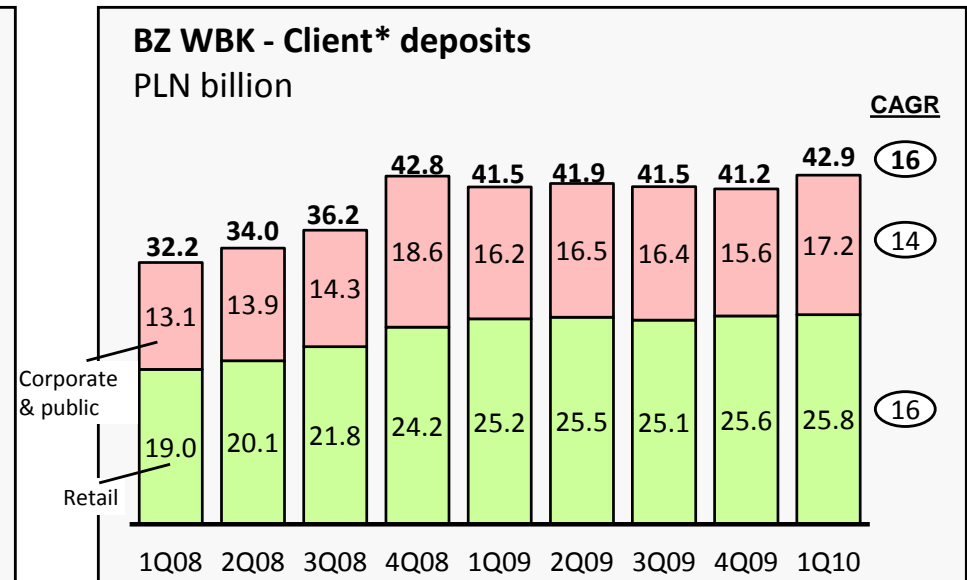
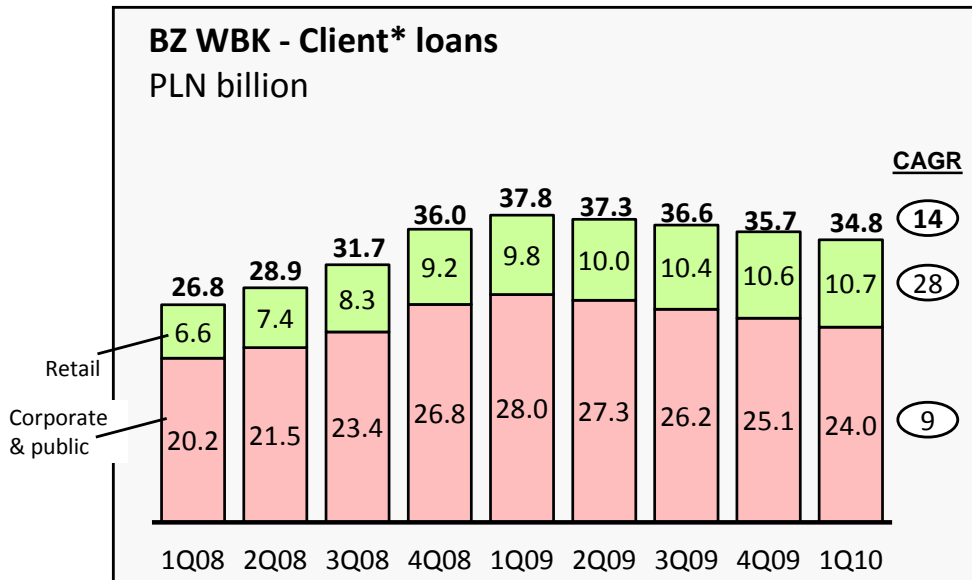


BANK ZACHODNI WBK - SELECTED ISSUES

\* Compound Annual Growth Rate

Source: BZ WBK, Rzeczpospolita, Intelace Research

# BZ WBK FOLLOWS A BALANCED GROWTH STRATEGY

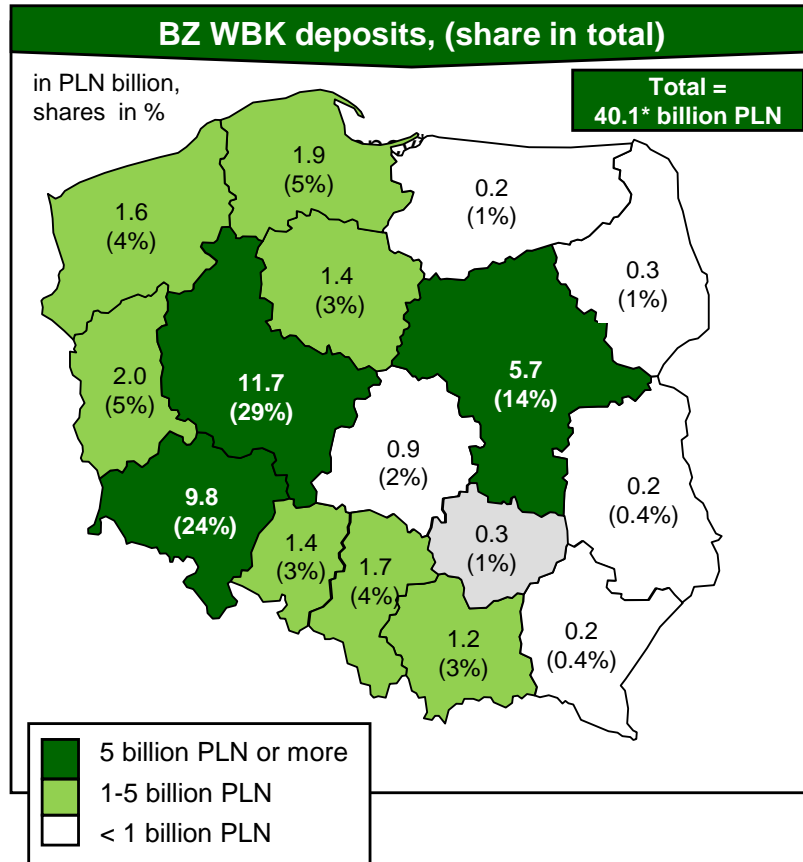


- Retail volumes increase faster than corporate volumes.
- BZ WBK is financing its loans primarily with client deposits and not on the interbank market. The loans-to-deposits ratio remains low (80-90%)

\* All types of clients including retail, corporate and public sector but excluding banks  
 Source: BZ WBK, Intelace Research

# OVER HALF OF ALL CLIENT DEPOSITS OF BZ WBK COME FROM TWO KEY REGIONS: POZNAŃ AND WROCLAW

## Client deposits by region, 2009

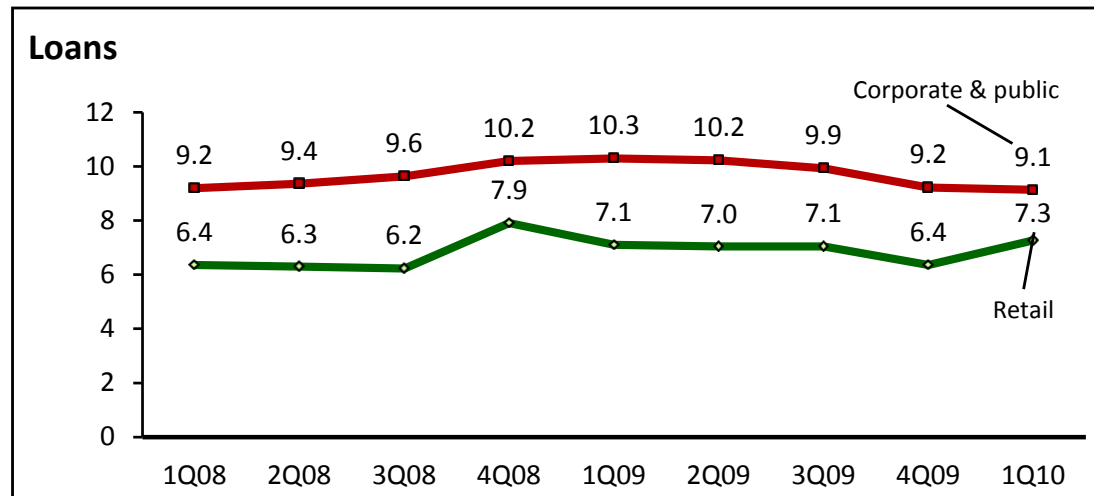
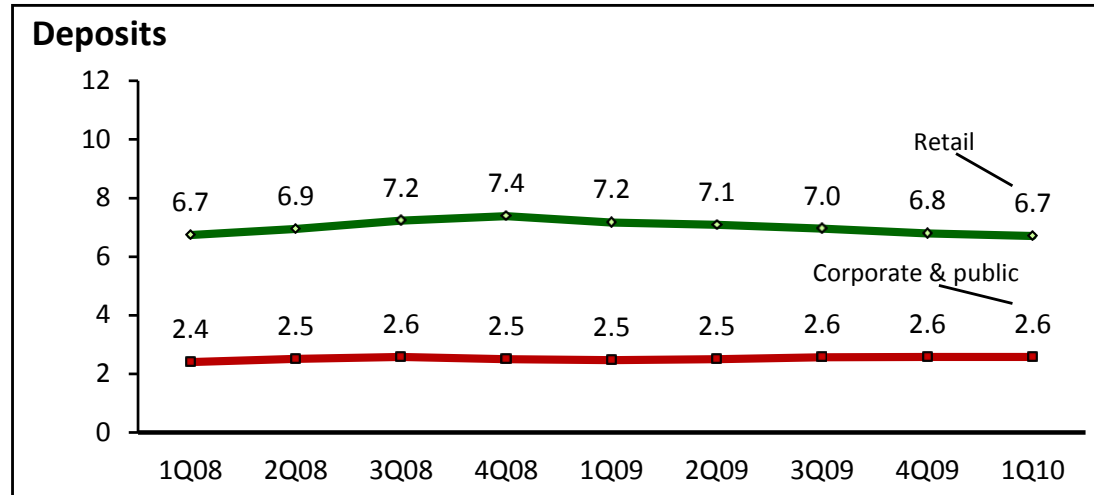


- BZ WBK is collecting most of its deposits in selected regions only.
- BZ WBK is traditionally very strong in Poznań and Wrocław regions, where bank's historical headquarters were located.
- Continued expansion in Warsaw region also paid off with significant volume of deposits attracted.
- Volumes collected in eastern regions are still very low.

\* Excluding a small share of client deposits that could not be attributed to any particular region  
Source: BZ WBK , Rzeczpospolita, Intelace Research

# BZ WBK WAS ABLE TO KEEP A STABLE MARKET POSITION IN ALL MAJOR CLIENT / PRODUCT SEGMENTS DURING LAST TWO YEARS

**BZ WBK - Market share by segment / type of business**



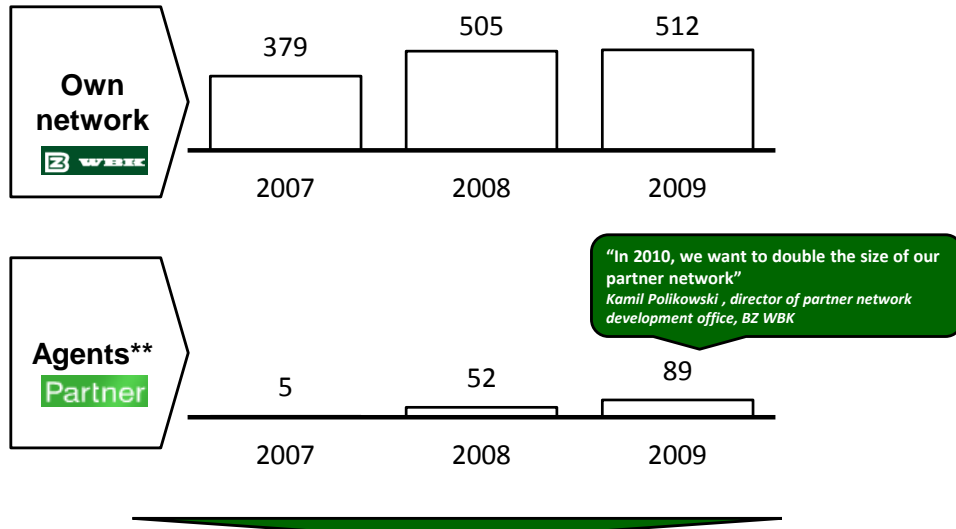
- Position of BZ WBK in major product/client categories has not changed significantly during last 2 years.
- Market shares in retail loans and in corporate deposits are increasing slightly.
- Market shares in retail deposits and in corporate loans have been stagnating.

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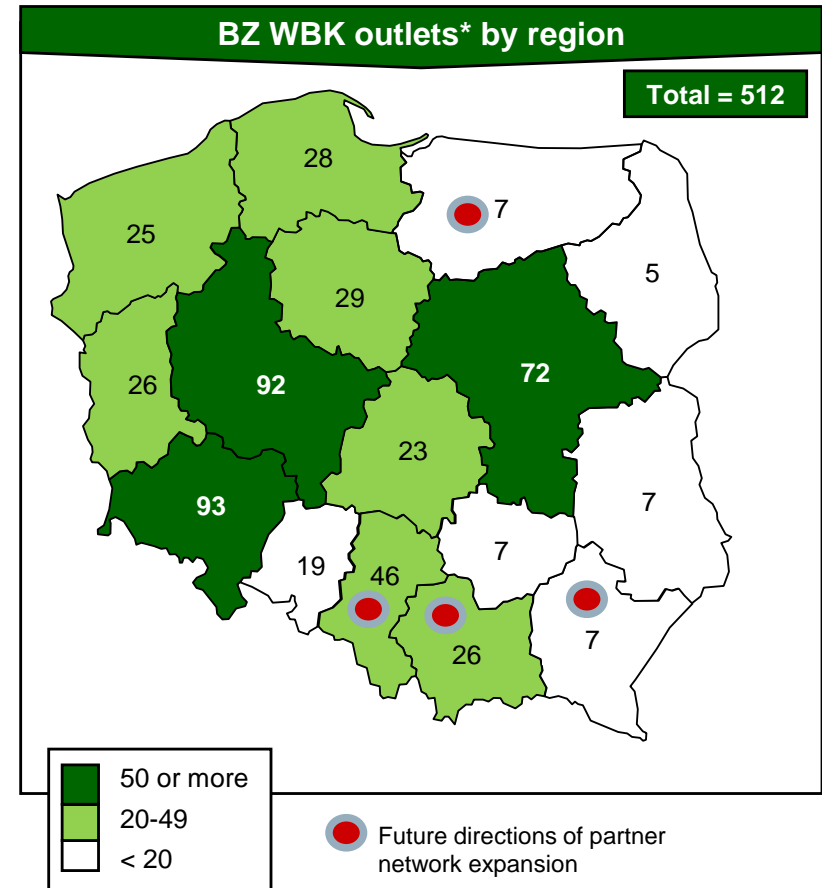
\* All types of clients including retail, corporate and public sector but excluding banks  
 Source: BZ WBK, Intelcace Research

# DISTRIBUTION NETWORK OF BZ WBK IS FOCUSED ON WESTERN AND CENTRAL POLAND

## Outlets by type, 2007-2009



- After reaching ~500 outlets in 2008, BZ WBK has significantly slowed down further expansion of own branches.
- Future growth of the distribution network will be primarily based on franchising concept – “BZ WBK Partner” outlets.
- BZ WBK regards selected southern and northern regions as still very attractive for network development. The key factor is apparently low saturation with financial services.



BANK ZACHODNI WBK – SELECTED ISSUES

\* Only own outlets (no partner outlets) are shown on the map  
 \*\* Previously branded as: “minibank,” since 2009 called : “BZ WBK Partner”  
 Source: BZ WBK , Rzeczpospolita, Intelace Research

# BZ WBK IS RANKED #5 IN TERMS OF ASSETS...

UNCONSOLIDATED  
ACCOUNTS

## Top 12 commercial banks in Poland, as of 2009

Majority local capital

Bank	Assets, EUR billion	Share by Assets*, %	Major Shareholder
1  PKO BP	37.4	15.4	State Treasury
2  Pekao	30.9	12.7	UniCredit
3  BRE	17.7	7.3	Commerzbank
4  ING BSK	14.5	6.0	ING
5  BZ WBK	12.6	5.2	Allied Irish Banks
6  BGK	12.3	5.1	State Treasury
7  Millennium	10.7	4.4	BCP
8  KB	9.5	3.9	KBC
9  CITI BH	8.9	3.6	Citibank Overseas
10  BPH**	8.3	3.4	GE Corp.
11  Getin Noble**	8.0	3.3	Getin Holding (L. Czarnecki)
12  BGZ	5.9	2.4	Rabobank
Total TOP 12 = 176.8		72.7	

\* Market share among commercial banks and foreign bank branches (cooperative banks excluded)

\*\* Figures after recent M&A activity

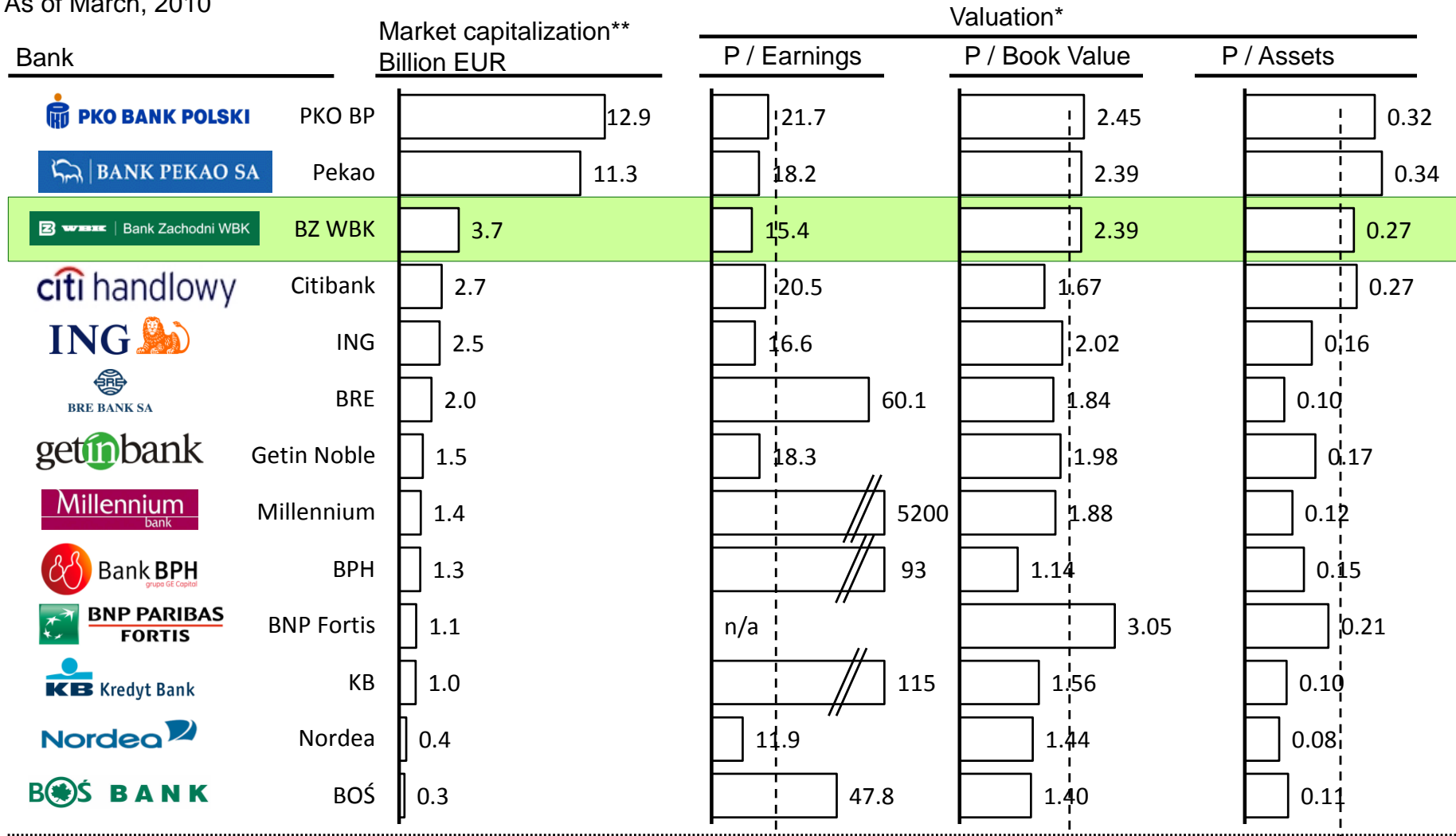
Source: KNF, banks, press, Intelace Research



# ...BUT, IT IS THE THIRD MOST VALUABLE BANK IN POLAND, ACCORDING TO THE STOCK MARKET VALUATIONS

CONSOLIDATED ACCOUNTS

As of March, 2010



Weighted average,  
3/2010 vs. (3/2009)

23.3 (6.3)

2.14 (1.13)

0.23 (0.10)

\* Based on consolidated figures for FY2009

\*\* As of March 30, 2010

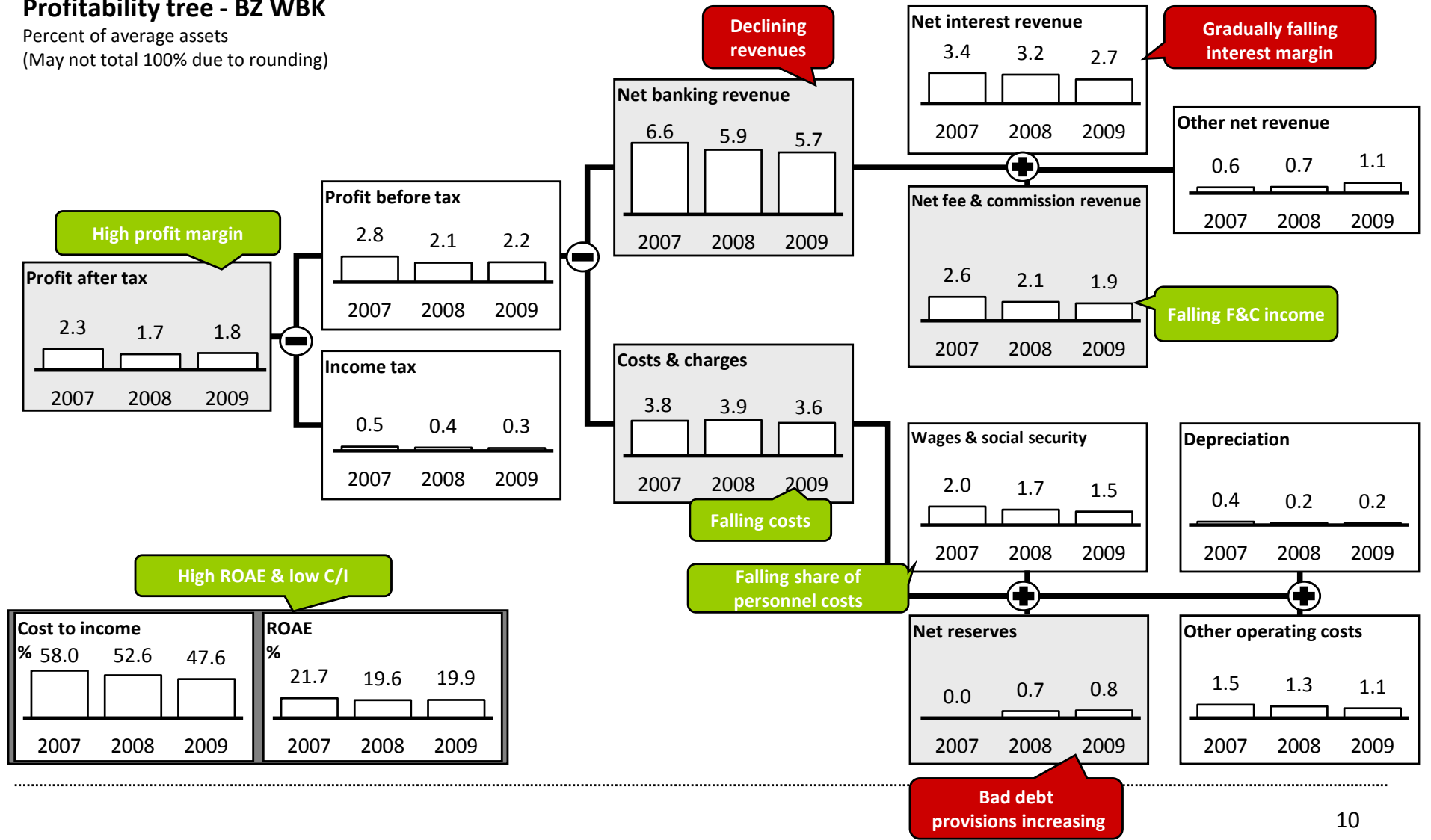
Source: WSE, Banks, Intelcace Research

# IN THE PAST THREE YEARS, BZ WBK BANK WAS VERY PROFITABLE

UNCONSOLIDATED ACCOUNTS

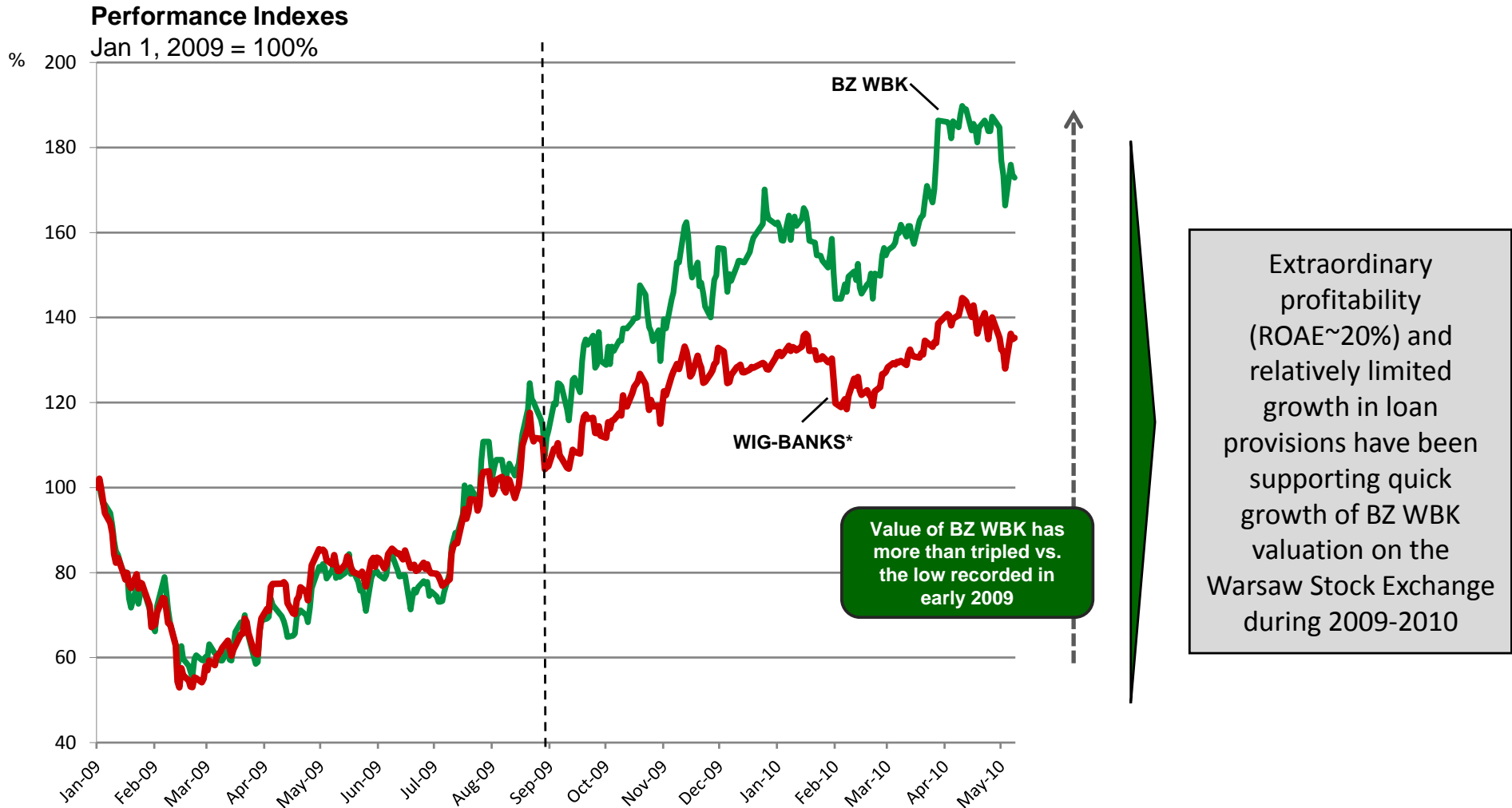
## Profitability tree - BZ WBK

Percent of average assets  
(May not total 100% due to rounding)



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# SINCE MID-2009, BZ WBK HAS BEEN OUTPERFORMING THE BANKING INDEX ON THE WARSAW STOCK EXCHANGE



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# THE BUYER OF BZ WBK WILL ACQUIRE A HEALTHY, HIGHLY PROFITABLE BANK WITH GOOD PROSPECTS FOR FUTURE GROWTH

## BZ WBK : SWOT Analysis

### Strengths

- Strong presence / high clients' respect on core markets: Poznań and Wrocław
- Balanced business development. Low level of client loans in relation to client deposits, low dependence on external funds /inter-bank market/
- Well developed, functional remote channels including: internet/wap/sms, broad online offer
- Large advertising campaigns dedicated to new products, increasing brand recognition
- High and stable profitability over last 3 years

### Opportunities

- Further expansion of distribution network and elimination of white spots on the map will help change the regional character of the bank and may increase scale-related benefits
- Improved IT infrastructure and broader online banking offer may help BZ WBK to challenge current internet banking leaders (mBank, ING) and win new retail clients
- More advanced affluent and private banking offer could help to better serve wealthy customers and would increase competitiveness vs. key competitors

### Weaknesses

- Weak distribution network in the East
- Product offer based on few key products, in particular deposits and current accounts/cards. Relatively weak lending offer.
- Bank is losing co-branding partners in favor of competitors (e.g., case Orange)

### Threats

- Currently high margins may not be sustainable in the future since competition in the sector is constantly increasing and bank will need to offer more value to its clients
- Expensive new client acquisition program in the retail segment will result in lower margins and increasing operating costs in the future
- Should the sale process of the bank by AIB take longer, bank will risk loss of key employees and falling performance (as was the case with AIG bank)

## About this report

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## About Intelace Research

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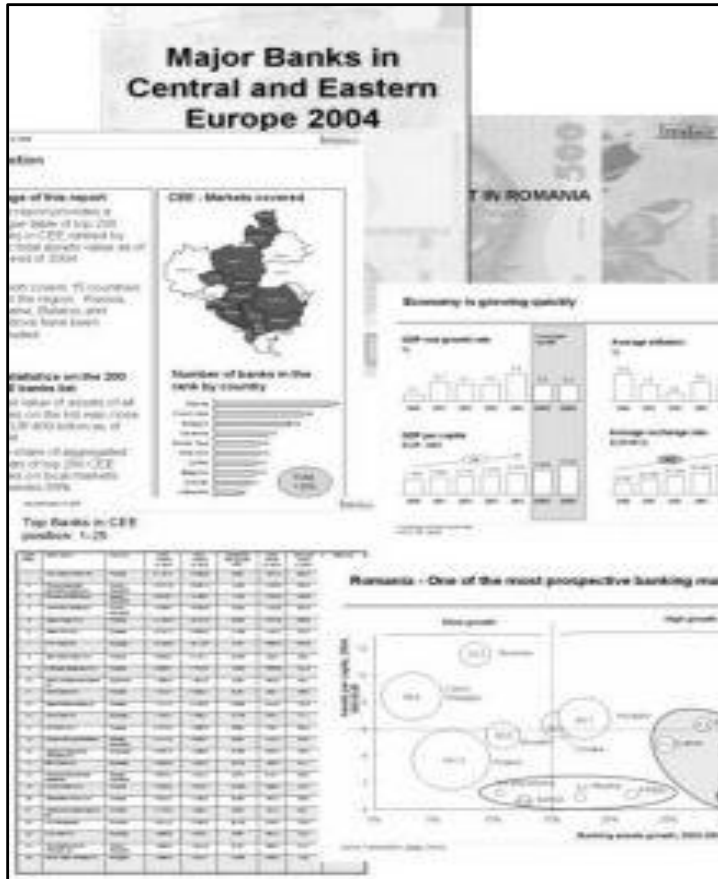
Our company specializes in value-added research services and tailored business intelligence solutions.

Through our customized research services we help our clients to better understand their customers, competitors and overall market dynamics.

The lead researcher and founder of Intelace Research is Marcin Mazurek.

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