

**REPORT OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 4 2012**

2012



WBK

| Bank Zachodni WBK S.A.

FINANCIAL HIGHLIGHTS		PLN k		EUR k	
for reporting period ended:		31.12.2012	31.12.2011	31.12.2012	31.12.2011
Consolidated financial statements					
I	Net interest income	2 301 077	2 068 585	551 341	499 646
II	Net fee and commission income	1 384 986	1 357 672	331 844	327 932
III	Operating profit	1 817 293	1 531 326	435 426	369 877
IV	Profit before tax	1 837 039	1 542 430	440 157	372 559
V	Net profit attributable to owners of BZ WBK S.A.	1 433 847	1 184 347	343 552	286 067
VI	Total net cash flow	446 962	2 914 564	107 093	703 984
VII	Total assets	60 019 177	59 796 643	14 681 077	13 538 454
VIII	Deposits from banks	1 351 050	2 505 070	330 476	567 169
IX	Deposits from customers	47 077 094	46 829 482	11 515 360	10 602 582
X	Total liabilities	51 041 463	52 313 683	12 485 070	11 844 250
XI	Total equity	8 977 714	7 482 960	2 196 007	1 694 204
XII	Non-controlling interests in equity	93 347	127 385	22 833	28 841
XIII	Profit of the period attributable to non-controlling interests	28 788	42 520	6 898	10 270
XIV	Number of shares	74 637 631	73 076 013		
XV	Net book value per share in PLN/EUR	120,28	102,40	29,42	23,18
XVI	Solvency ratio	16,59%	15,10%		
XVII	Profit per share in PLN/EUR	19,21	16,21	4,60	3,92
XVIII	Diluted earnings per share in PLN/EUR	19,13	16,15	4,58	3,90
XIX	Declared or paid dividend per share in PLN/EUR*	-	8,00	-	1,81
Stand alone financial statements					
I	Net interest income	2 150 575	1 923 748	515 281	464 662
II	Net fee and commission income	1 195 784	1 090 749	286 511	263 460
III	Operating profit	1 703 995	1 427 118	408 279	344 706
IV	Profit before tax	1 703 995	1 427 118	408 279	344 706
V	Profit for the period	1 367 589	1 158 502	327 676	279 825
VI	Total net cash flow	449 078	2 916 257	107 600	704 393
VII	Total assets	59 196 103	59 016 847	14 479 747	13 361 902
VIII	Deposits from banks	1 291 655	2 361 433	315 947	534 648
IX	Deposits from customers	47 162 169	46 992 079	11 536 170	10 639 395
X	Total liabilities	50 912 042	52 192 791	12 453 413	11 816 879
XI	Total equity	8 284 061	6 824 056	2 026 335	1 545 023
XII	Number of shares	74 637 631	73 076 013		
XIII	Net book value per share in PLN/EUR	110,99	93,38	27,15	21,14
XIV	Solvency ratio	16,55%	14,60%		
XV	Profit per share in PLN/EUR	18,32	15,85	4,39	3,83
XVI	Diluted earnings per share in PLN/EUR	18,25	15,79	4,37	3,81
XVII	Declared or paid dividend per share in PLN/EUR*	-	8,00	-	1,81

*As of the date of publication of this report, the Management Board did not make a decision in respect of recommendation on dividend payout for 2012.

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

- for balance sheet items – 4,0882 PLN rate to EUR as at 31.12.2012 stated by National Bank of Poland (NBP), 4,4168 PLN rate to EUR as at 30.12.2011
- for profit and loss items – as at 31.12.2012: 4,1736 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2012), as at 31.12.2011: 4.1401 (an average PLN mid-rate to EUR in NBP on the last day of each month in 2011)

As at 31.12.2012, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 252/A/NBP/2012 dd. 31.12.2012.

**CONSOLIDATED FINANCIAL
STATEMENTS OF
BANK ZACHODNI WBK GROUP
FOR QUARTER 4 2012**

2012



WBK

| Bank Zachodni WBK S.A.

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Consolidated income statement

for reporting period:		01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Interest income		993 963	3 867 485	915 721	3 413 733
Interest expenses		(402 146)	(1 566 408)	(376 468)	(1 345 148)
Net interest income	Note 4	591 817	2 301 077	539 253	2 068 585
Fee and commission income		422 443	1 596 038	383 955	1 558 664
Fee and commission expenses		(57 806)	(211 052)	(53 930)	(200 992)
Net fee and commission income	Note 5	364 637	1 384 986	330 025	1 357 672
Dividend income		(1 766)	55 748	109	68 025
Net gain/(loss) on sale of subsidiaries and associates	Note 32	-	400	-	-
Net trading income and revaluation	Note 6	39 071	164 345	49 701	267 151
Gains (losses) from other financial securities	Note 7	131 586	180 052	4 923	11 713
Other operating income		10 810	49 672	9 147	49 804
Impairment losses on loans and advances	Note 8	(160 431)	(501 793)	(85 524)	(366 982)
Operating expenses incl.:		(466 265)	(1 817 194)	(570 618)	(1 924 642)
<i>Bank's staff, operating expenses and management costs</i>	Notes 9,10	(421 379)	(1 653 112)	(442 513)	(1 659 145)
<i>Depreciation/amortisation</i>		(33 556)	(137 940)	(109 793)	(215 875)
<i>Other operating expenses</i>		(11 330)	(26 142)	(18 312)	(49 622)
Operating profit		509 459	1 817 293	277 016	1 531 326
Share in net profits (loss) of entities accounted for by the equity method		7 556	19 746	3 474	11 104
Profit before tax		517 015	1 837 039	280 490	1 542 430
Corporate income tax	Note 11	(107 256)	(374 404)	(75 959)	(315 563)
Profit for the period		409 759	1 462 635	204 531	1 226 867
of which:					
<i>attributable to owners of BZ WBK S.A.</i>		404 519	1 433 847	198 413	1 184 347
<i>attributable to non-controlling interests</i>		5 240	28 788	6 118	42 520
Net earnings per share (PLN/share)					
Basic earnings per share		5,42	19,21	2,72	16,21
Diluted earnings per share		5,40	19,13	2,71	16,15

Consolidated statement of comprehensive income

for reporting period:		01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Profit for the period		409 759	1 462 635	204 531	1 226 867
Other comprehensive income:					
Available-for sale financial assets valuation		121 460	311 735	35 459	62 935
Cash flow hedges valuation		36 876	15 354	2 279	49 922
Other comprehensive income for the period, net of income tax		158 336	327 089	37 738	112 857
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		568 095	1 789 724	242 269	1 339 724
Attributable to:					
<i>owners of BZ WBK S.A.</i>		562 835	1 760 929	235 097	1 296 531
<i>non-controlling interests</i>		5 260	28 795	7 172	43 193

Consolidated statement of financial position

as at:		31.12.2012	30.09.2012	31.12.2011	30.09.2011
ASSETS					
Cash and balances with central banks	Note 12	4 157 274	2 606 568	1 425 541	3 135 339
Loans and advances to banks	Note 13	1 458 128	1 622 289	1 204 172	1 666 566
Financial assets held for trading	Note 14	831 715	1 775 509	5 836 043	4 375 959
Hedging derivatives		253 553	186 538	141 636	109 828
Loans and advances to customers	Note 15	39 867 554	39 928 847	38 017 173	36 375 961
Investment securities	Notes 16,17	11 716 133	12 303 304	11 652 195	11 542 133
Investments in associates and joint ventures	Note 18	115 685	112 161	104 512	101 038
Intangible assets		127 338	114 758	151 166	171 327
Property, plant and equipment		479 811	466 809	499 793	503 774
Current income tax assets		-	-	20 687	-
Net deferred tax assets	Note 19	258 037	265 224	245 019	279 053
Assets classified as held for sale	Note 20	74 764	82 604	82 604	44 600
Other assets	Note 21	679 185	407 466	416 102	429 666
Total assets		60 019 177	59 872 077	59 796 643	58 735 244
LIABILITIES					
Deposits from banks	Note 22	1 351 050	2 518 760	2 505 070	4 946 904
Hedging derivatives		321 950	298 880	523 725	8 593
Financial liabilities held for trading	Note 14	728 831	805 011	931 717	1 533 849
Deposits from customers	Note 23	47 077 094	46 397 791	46 829 482	43 769 035
Subordinated liabilities	Note 24	409 110	411 254	441 234	440 585
Current income tax liabilities		154 916	102 525	-	26 089
Other liabilities	Note 25	998 512	933 362	1 082 455	776 439
Total liabilities		51 041 463	51 467 583	52 313 683	51 501 494
Equity					
Equity attributable to owners of BZ WBK S.A.		8 884 367	8 316 407	7 355 575	7 113 537
Share capital		746 376	746 376	730 760	730 760
Other reserve funds		5 704 680	5 699 555	4 698 884	4 691 943
Revaluation reserve		872 400	714 084	545 318	508 634
Retained earnings		127 064	127 064	196 266	196 266
Profit of the current period		1 433 847	1 029 328	1 184 347	985 934
Non-controlling interests in equity		93 347	88 087	127 385	120 213
Total equity		8 977 714	8 404 494	7 482 960	7 233 750
Total equity and liabilities		60 019 177	59 872 077	59 796 643	58 735 244



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
Opening balance as at 31.12.2011	730 760	4 698 884	545 318	1 380 613	127 385	7 482 960
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
As at 31.12.2012	746 376	5 704 680	872 400	1 560 911	93 347	8 977 714

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.

* 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
Opening balance as at 31.12.2011	730 760	4 698 884	545 318	1 380 613	127 385	7 482 960
Total comprehensive income	-	-	168 766	1 029 328	23 535	1 221 629
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	-	15 346	-	-	-	15 346
As at 30.09.2012	746 376	5 699 555	714 084	1 156 392	88 087	8 404 494

As at the end of the period revaluation reserve in the amount of PLN 714 084 k comprises of debt securities and equity shares classified as available for sale of PLN 279 916 k and PLN 403 754 k respectively and additionally cash flow hedge activities of PLN 30 414 k.

Movements in consolidated equity	Share capital	Other reserve funds	Revaluation reserve**	Retained earnings and profit for the period	Non-controlling interests in equity	Total
Opening balance as at 31.12.2010	730 760	4 344 640	433 134	1 114 522	150 519	6 773 575
Total comprehensive income	-	-	112 184	1 184 347	43 193	1 339 724
Transfer to other capital	-	333 648	-	(333 648)	-	-
Dividend relating to 2010	-	-	-	(584 608)	(66 327)	(650 935)
Share scheme charge	-	20 748	-	-	-	20 748
Other	-	(152)	-	-	-	(152)
As at 31.12.2011	730 760	4 698 884	545 318	1 380 613	127 385	7 482 960

As at the end of the period revaluation reserve in the amount of PLN 545 318 k comprises of debt securities and equity shares classified as available for sale of PLN 89 379 k and PLN 404 003 k respectively and additionally cash flow hedge activities of PLN 51 936 k.

** On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

Consolidated statement of cash flows

	for reporting period:	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Profit before tax		1 837 039	1 542 430
Total adjustments:		(3 441 639)	162 740
Share in net profits (losses) of entities accounted for by the equity method		(19 746)	(11 104)
Depreciation/amortisation		137 940	215 875
Impairment losses		9 721	2 935
Gains (losses) on exchange differences		21 356	(37 510)
Interests and similar charges		312 647	152 530
Dividend received		(55 748)	(68 025)
(Profit) loss from investing activities		(179 193)	(9 608)
Change in provisions		(18 390)	5 112
Change in trading portfolio financial instruments		(169 146)	600 992
Change in loans and advances to banks		9 973	(9 686)
Change in loans and advances to customers		(1 850 381)	(5 178 788)
Change in deposits from banks		(1 083 673)	241 552
Change in deposits from customers		100 117	4 431 124
Change in other assets and liabilities		(368 572)	208 643
Paid income tax		(288 544)	(381 302)
Net cash flow from operating activities		(1 604 600)	1 705 170
Inflows		41 919 005	3 496 573
Sale of shares or interests in subsidiaries, associates and joint ventures		4 941	-
Sale/maturity of investment securities		41 854 760	3 425 649
Sale of intangible assets and property, plant and equipment		3 556	2 899
Dividend received		55 748	68 025
Outflows		(39 530 370)	(1 732 410)
Purchase of subsidiaries, associates and joint ventures		-	(5 018)
Purchase of investment securities		(39 447 733)	(1 608 777)
Purchase of intangible assets and property, plant and equipment		(82 637)	(118 615)
Net cash flow from investing activities		2 388 635	1 764 163
Inflows		532 946	516 681
Drawing of long-term loans		200 946	516 681
Proceeds from issuing bonds / shares		332 000	-
Outflows		(870 019)	(1 071 450)
Repayment of long-term loans		(136 212)	(329 725)
Dividends and other payments to shareholders		(647 441)	(650 936)
Other financing outflows		(86 366)	(90 789)
Net cash flow from financing activities		(337 073)	(554 769)
Total net cash flow		446 962	2 914 564
Cash at the beginning of the accounting period		7 257 589	4 343 025
Cash at the end of the accounting period		7 704 551	7 257 589



Income statement of Bank Zachodni WBK

for reporting period:	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Interest income	964 877	3 749 465	886 275	3 291 718
Interest expenses	(410 411)	(1 598 890)	(382 690)	(1 367 970)
Net interest income	554 466	2 150 575	503 585	1 923 748
Fee and commission income	358 428	1 337 809	314 569	1 208 919
Fee and commission expenses	(42 036)	(142 025)	(35 894)	(118 170)
Net fee and commission income	316 392	1 195 784	278 675	1 090 749
Dividend income	2 264	120 574	17	182 552
Net trading income and revaluation	38 813	164 005	46 498	261 618
Gains (losses) from other financial securities	131 634	178 486	6 127	12 552
Other operating income	13 087	50 934	9 604	50 194
Impairment losses on loans and advances	(155 527)	(490 473)	(77 118)	(341 936)
Operating expenses incl.:	(426 287)	(1 665 890)	(529 914)	(1 752 359)
<i>Bank's staff, operating expenses and management costs</i>	<i>(388 727)</i>	<i>(1 526 684)</i>	<i>(409 776)</i>	<i>(1 513 763)</i>
<i>Depreciation/amortisation</i>	<i>(31 425)</i>	<i>(125 917)</i>	<i>(105 912)</i>	<i>(202 765)</i>
<i>Other operating expenses</i>	<i>(6 135)</i>	<i>(13 289)</i>	<i>(14 226)</i>	<i>(35 831)</i>
Operating profit	474 842	1 703 995	237 474	1 427 118
Profit before tax	474 842	1 703 995	237 474	1 427 118
Corporate income tax	(98 396)	(336 406)	(66 639)	(268 616)
Profit for the period	376 446	1 367 589	170 835	1 158 502
Net earnings per share (PLN/share)				
Basic earnings per share	5,04	18,32	2,34	15,85
Diluted earnings per share	5,02	18,25	2,33	15,79

Statement of comprehensive income of Bank Zachodni WBK

for reporting period:	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Profit for the period	376 446	1 367 589	170 835	1 158 502
Other comprehensive income:				
Available-for sale financial assets valuation	118 923	309 198	35 099	71 719
Cash flow hedges valuation	36 876	15 354	2 279	49 922
Other comprehensive income for the period, net of income tax	155 799	324 552	37 378	121 641
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	532 245	1 692 141	208 213	1 280 143

Statement of financial position of Bank Zachodni WBK

	as at:	31.12.2012	30.09.2012	31.12.2011	30.09.2011
ASSETS					
Cash and balances with central banks		4 157 270	2 606 564	1 425 537	3 135 334
Loans and advances to banks		1 454 313	1 618 956	1 198 349	1 651 198
Financial assets held for trading		818 581	1 684 078	5 779 309	4 354 385
Hedging derivatives		253 553	186 538	141 578	109 828
Loans and advances to customers		39 464 701	39 362 182	37 422 196	35 747 890
Investment securities		11 697 393	12 281 739	11 625 143	11 515 381
Investments in subsidiaries, associates and joint ventures		264 658	264 658	264 599	264 599
Intangible assets		113 678	101 010	134 581	154 606
Property, plant and equipment		468 028	454 843	486 312	490 506
Current income tax assets		-	-	24 455	-
Net deferred tax assets		172 445	180 878	165 775	203 265
Assets classified as held for sale		74 764	82 604	82 604	44 600
Other assets		256 719	246 333	266 409	252 188
Total assets		59 196 103	59 070 383	59 016 847	57 923 780
LIABILITIES					
Deposits from banks		1 291 655	2 446 751	2 361 433	4 767 515
Hedging derivatives		322 252	298 902	523 725	8 593
Financial liabilities held for trading		728 831	805 011	937 982	1 538 946
Deposits from customers		47 162 169	46 479 048	46 992 079	43 941 001
Subordinated liabilities		409 110	411 254	441 234	440 585
Current income tax liabilities		160 417	103 670	-	19 012
Other liabilities		837 608	782 213	936 338	599 226
Total liabilities		50 912 042	51 326 849	52 192 791	51 314 878
Equity					
Share capital		746 376	746 376	730 760	730 760
Other reserve funds		5 292 875	5 287 749	4 382 125	4 375 184
Revaluation reserve		877 221	718 266	552 669	515 291
Profit of the current period		1 367 589	991 143	1 158 502	987 667
Total equity		8 284 061	7 743 534	6 824 056	6 608 902
Total equity and liabilities		59 196 103	59 070 383	59 016 847	57 923 780



Movements in equity of Bank Zachodni WBK

Movements in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2011	730 760	4 382 125	552 669	1 158 502	6 824 056
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)	-
Dividend relating to 2011	-	-	-	(584 608)	(584 608)
Share scheme charge	-	20 472	-	-	20 472
As at 31.12.2012	746 376	5 292 875	877 221	1 367 589	8 284 061

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.

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

Movements in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2011	730 760	4 382 125	552 669	1 158 502	6 824 056
Total comprehensive income	-	-	165 597	991 143	1 156 740
Issue of shares	15 616	316 384	-	-	332 000
Transfer to other capital	-	573 894	-	(573 894)	-
Dividend relating to 2011	-	-	-	(584 608)	(584 608)
Share scheme charge	-	15 346	-	-	15 346
As at 30.09.2012	746 376	5 287 749	718 266	991 143	7 743 534

As at the end of the period revaluation reserve in the amount of PLN 718 266 k comprises of debt securities and equity shares classified as available for sale of PLN 279 916 k and PLN 407 936 k respectively and additionally cash flow hedge activities of PLN 30 414 k..

Movements in equity	Share capital	Other reserve funds	Revaluation reserve**	Retained earnings and profit for the period	Total
Opening balance as at 31.12.2010	730 760	4 048 213	431 028	897 772	6 107 773
Total comprehensive income	-	-	121 641	1 158 502	1 280 143
Transfer to other capital	-	313 164	-	(313 164)	-
Dividend relating to 2010	-	-	-	(584 608)	(584 608)
Share scheme charge	-	20 748	-	-	20 748
As at 31.12.2011	730 760	4 382 125	552 669	1 158 502	6 824 056

As at the end of the period revaluation reserve in the amount of PLN 552 669 k comprises of debt securities and equity shares classified as available for sale of PLN 89 379 k and PLN 411 354 k respectively and additionally cash flow hedge activities of PLN 51 936 k.

** On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Bank.

Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Profit before tax		1 703 995	1 427 118
Total adjustments:		(3 506 657)	(221 497)
Depreciation/amortisation		125 917	202 765
Impairment losses		9 167	-
Interests and similar charges		303 549	134 127
Dividend received		(120 574)	(182 552)
(Profit) loss from investing activities		(177 434)	(9 470)
Change in provisions		(3 468)	17 411
Change in trading portfolio financial instruments		(209 827)	570 006
Change in loans and advances to banks		10 080	19 931
Change in loans and advances to customers		(2 042 505)	(5 469 508)
Change in deposits from banks		(1 069 778)	217 426
Change in deposits from customers		31 400	4 405 539
Change in other assets and liabilities		(128 853)	191 455
Paid income tax		(234 331)	(318 627)
Net cash flow from operating activities		(1 802 662)	1 205 621
Inflows		41 960 747	3 585 769
Sale/maturity of investment securities		41 837 291	3 400 783
Sale of intangible assets and property, plant and equipment		2 882	2 434
Dividend received		120 574	182 552
Outflows		(39 517 821)	(1 705 365)
Purchase of subsidiaries		-	(15 600)
Purchase of investment securities		(39 441 729)	(1 583 721)
Purchase of intangible assets and property, plant and equipment		(76 092)	(106 044)
Net cash flow from investing activities		2 442 926	1 880 404
Inflows		470 690	487 330
Drawing of long-term loans		138 690	487 330
Proceeds from issuing bonds / shares		332 000	-
Outflows		(661 876)	(657 098)
Other financing outflows		(77 268)	(72 490)
Dividends and other payments to shareholders		(584 608)	(584 608)
Net cash flow from financing activities		(191 186)	(169 768)
Total net cash flow		449 078	2 916 257
Cash at the beginning of the accounting period		7 251 654	4 335 397
Cash at the end of the accounting period		7 700 732	7 251 654



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 2011.

The consolidated financial statements of the Group for the year 2011 are available at the Bank's official website: ir.bzwbk.pl. The Group will publish its annual consolidated financial statements for the year 2012 on 7 March 2013.

Statement of compliance

Condensed interim consolidated financial statements of Bank Zachodni WBK Group for the period from 1 January 2012 to 31 December 2012 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 Q4 2012, 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.

Taking into account the exceptions below, as described in the 'Comparability with results of previous periods' section, 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 2011.

Comparability with results of previous periods

For the purpose of comparability of data, the following material presentation changes were made in:

- a) Change in presentation of standardised purchase/sales transactions in respect of financial assets and their recognition in the statement of financial position as at the transaction settlement date rather than as at the date of concluding the transaction as in previous periods of time.

	30.09.2011		
ASSETS	Before revision	Revision	After revision
Loans and advances to banks	1 704 661	(38 095)	1 666 566
Financial assets held for trading	4 368 487	7 472	4 375 959
LIABILITIES	Before revision	Revision	After revision
Deposits from banks	4 977 527	(30 623)	4 946 904

	31.12.2011		
ASSETS	Before revision	Revision	After revision
Loans and advances to banks	1 244 290	(40 118)	1 204 172
Financial assets held for trading	5 860 309	(24 266)	5 836 043
Investment securities	11 664 507	(12 312)	11 652 195
LIABILITIES	Before revision	Revision	After revision
Deposits from banks	2 556 715	(51 645)	2 505 070
Financial liabilities held for trading	956 768	(25 051)	931 717

The changes were made to appropriate items of the statement of cash flows, i.e.:

- Change in loans and advances to banks,
- Change in trading portfolio financial instruments,
- Purchase/sale of investment securities.

b) On 1 January 2012, BZ WBK Group changed the business segment reporting rules. The changes affect two key areas:

- Change in the structure of (split into) operating segments and, consequently, reporting segments;
- Change in the calculation methodology for net interest income of segments.

Due to unavailability of historical data, BZ WBK Group dispensed with conversion of comparable information.

Detailed information on the changes in the business segment reporting is presented in Note 3.

Changes in judgments and estimates

Compared with the consolidated financial statements for 2011, in Q4 2012 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 consolidated 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.
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 will not have 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 will not have material impact on the financial statements.
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 (non-consolidated) 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 1 Presentation of Financial Statements	The amendments requires preparing presentation of items of other comprehensive income (OCI) in financial statements.	1 January 2013	Amendments will not have 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 will not have material impact on the financial statements.
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.
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 will not have material impact over the financial statements.
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.

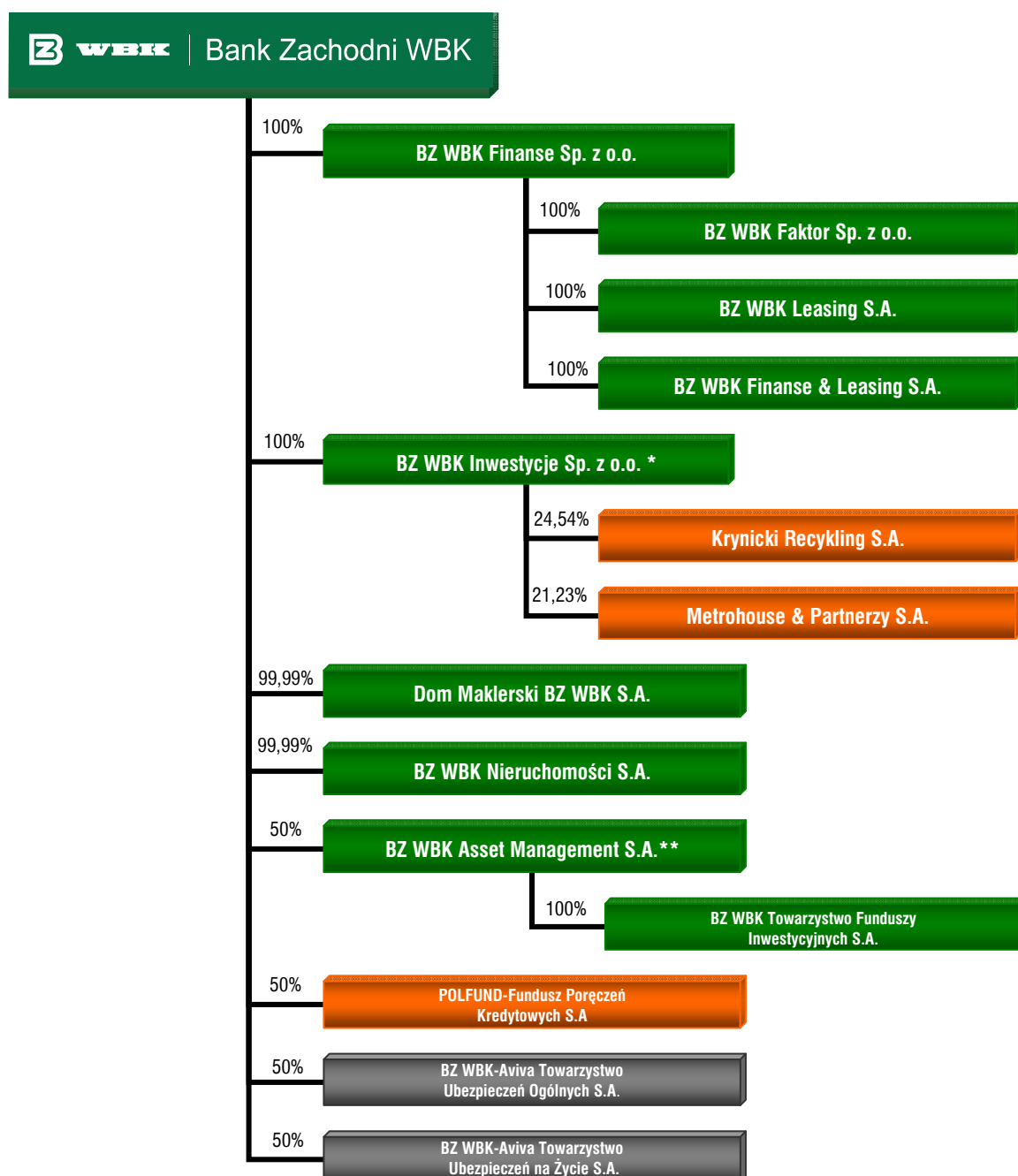
Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in 2012

IFRS	Description of changes	Effective from	Impact on the Bank
IFRS 7 Financial instruments: disclosures	The change required disclosure of information so that the readers of the financial statements may: understand the relation between the transferred financial asset which has not been fully excluded from the financial statements and the underlying financial obligations; assess the nature of the asset, associated risks and exposure towards the excluded asset. The change includes definition of "continuous engagement" to ensure compliance with disclosure requirements.	1 January 2012	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 31.12.2012:



* 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 December 2012, 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)
■	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.

On 1 January 2012, BZ WBK Group changed its business segment reporting rules. The changes affect two key areas:

- a. Change in the structure of (split into) operating segments and, consequently, reporting segments;
- b. Change in the calculation methodology for net interest income of segments.

In order to create a more effective operating model, in Q4 2011 a new business segment was created: Global Banking and Markets. The role of the segment is to provide services to the largest corporations, including transactional banking products, specialist lending, Treasury and equity products. Furthermore, the Treasury operations were reorganised and divided to separate trading activity from liquidity, interest rate risk and FX risk management. Currently, the trading activity is managed by Global Banking and Markets Division / Segment, while liquidity, interest rate risk and FX risk management have been transferred to Finance Division. Once these changes were put in place, the Bank stopped classification of customers / transactions based on the previous methodology. Therefore, currently it is not possible to obtain comparable information.

Another key change effective from 2012 is introduction of a new methodology for calculation of transfer pricing in the Group, which affects the reported net interest income at the level of individual segments. Furthermore, according to the existing methodology, transfer prices are calculated based on individual client accounts, taking into account the new transfer pricing components. In view of the foregoing, retrieval of comparable financials is impossible, and any attempts to obtain estimated values would be very laborious and would not ensure appropriate reliability of the results.

Therefore, the bank advises that according to IFRS 8.29 it uses the right of exemption from transformation of comparable data on account of unavailability of such information.

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)

01.01.2012-31.12.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
Net interest income	1 544 222	548 992	96 243	111 620	2 301 077
incl. internal transactions	11 737	(134 604)	37 161	85 706	-
Other income	1 099 538	143 915	262 112	273 890	1 779 455
incl. internal transactions	44 490	30 228	(56 311)	(18 407)	-
Dividend income	-	-	-	55 748	55 748
Operating costs	(1 276 643)	(166 206)	(167 004)	(69 401)	(1 679 254)
incl. internal transactions	(2 520)	(5 244)	(4 418)	12 182	-
Depreciation/amortisation	(106 610)	(14 552)	(10 975)	(5 803)	(137 940)
Impairment losses on loans and advances	(215 948)	(298 416)	14	12 557	(501 793)
Share in net profits (loss) of entities accounted for by the equity method	15 241	-	1 236	3 269	19 746
Profit before tax	1 059 800	213 733	181 626	381 880	1 837 039
Corporate income tax					(374 404)
Non-controlling interests					(28 788)
Profit for the period					1 433 847

01.10.2012-31.12.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
Net interest income	394 422	138 197	23 788	35 410	591 817
incl. internal transactions	2 171	(37 081)	9 698	25 212	-
Other income	275 997	44 909	65 924	159 274	546 104
incl. internal transactions	9 508	10 406	(10 266)	(9 648)	-
Dividend income	-	-	-	(1 766)	(1 766)
Operating costs	(327 940)	(38 843)	(44 015)	(21 911)	(432 709)
incl. internal transactions	(651)	(1 355)	(1 161)	3 167	-
Depreciation/amortisation	(26 167)	(3 718)	(2 217)	(1 454)	(33 556)
Impairment losses on loans and advances	(75 480)	(92 510)	135	7 424	(160 431)
Share in net profits (loss) of entities accounted for by the equity method	5 377	-	547	1 632	7 556
Profit before tax	246 209	48 035	44 162	178 609	517 015
Corporate income tax					(107 256)
Non-controlling interests					(5 240)
Profit for the period					404 519

Consolidated statement of financial position (by business segment)

31.12.2012	Retail Banking	Business and Corporate Banking	Global Banking and Markets	ALM and Centre	Total
Loans and advances to customers	20 042 900	17 534 167	2 189 673	100 814	39 867 554
Investments in associates and joint ventures	54 039	-	19 913	41 733	115 685
Other assets	1 392 045	528 367	1 274 427	16 841 099	20 035 938
Total assets	21 488 984	18 062 534	3 484 013	16 983 646	60 019 177
Deposits from customers	34 797 598	9 745 141	2 534 355	-	47 077 094
Other liabilities and equity	3 308 885	4 464 637	2 003 162	3 165 399	12 942 083
Total equity and liabilities	38 106 483	14 209 778	4 537 517	3 165 399	60 019 177

Consolidated income statement (by business segments)

01.01.2011-31.12.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
Net interest income	1 415 576	675 470	22 250	(99 638)	54 927	2 068 585
incl. internal transactions	-	(108 123)	74 604	-	33 519	-
Other income	920 143	118 385	272 677	317 467	57 668	1 686 340
incl. internal transactions	141 444	50 772	(90 364)	(97 366)	(4 486)	-
Dividend income	-	-	68 025	-	-	68 025
Operating costs	(1 211 421)	(212 528)	(145 042)	(34 944)	(104 832)	(1 708 767)
incl. internal transactions	(2 010)	(33 535)	(7 193)	25 417	17 321	-
Depreciation/amortisation	(145 696)	(20 558)	(10 784)	(6 110)	(32 727)	(215 875)
Impairment losses on loans and advances	(213 657)	(157 498)	-	-	4 173	(366 982)
Share in net profits (loss) of entities accounted for by the equity method	8 166	-	2 938	-	-	11 104
Profit before tax	773 111	403 271	210 064	176 775	(20 791)	1 542 430
Corporate income tax						(315 563)
attributable to non-controlling interests						(42 520)
Profit for the period						1 184 347

01.10.2011-31.12.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
Net interest income	369 297	181 095	4 102	(37 037)	21 796	539 253
incl. internal transactions	-	(30 917)	21 281	-	9 636	-
Other income	231 867	32 496	50 675	88 487	(9 729)	393 796
incl. internal transactions	36 990	12 011	(21 445)	(23 988)	(3 568)	-
Dividend income	-	-	109	-	-	109
Operating costs	(290 114)	(49 282)	(31 546)	(6 515)	(83 368)	(460 825)
incl. internal transactions	(2 897)	(7 518)	(1 922)	7 259	5 078	-
Depreciation/amortisation	(61 703)	(9 991)	(3 267)	(3 255)	(31 577)	(109 793)
Impairment losses on loans and advances	(24 516)	(60 194)	-	-	(814)	(85 524)
Share in net profits (loss) of entities accounted for by the equity method	2 623	-	851	-	-	3 474
Profit before tax	227 454	94 124	20 924	41 680	(103 692)	280 490
Corporate income tax						(75 959)
attributable to non-controlling interests						(6 118)
Profit for the period						198 413

Consolidated statement of financial position (by business segment)

31.12.2011	Retail Banking	Business Banking	Investment Banking	Treasury	Centre	Total
Loans and advances to customers	17 907 539	20 013 974	79 971	8 932	6 757	38 017 173
Investments in associates and joint ventures	42 830	-	61 682	-	-	104 512
Other assets	6 055 815	4 551 929	1 145 105	9 187 162	734 947	21 674 958
Total assets	24 006 184	24 565 903	1 286 758	9 196 094	741 704	59 796 643
Deposits from customers	33 907 984	12 270 078	651 202	218	-	46 829 482
Other liabilities and equity	2 603 458	4 872 842	331 822	3 334 049	1 824 990	12 967 161
Total equity and liabilities	36 511 442	17 142 920	983 024	3 334 267	1 824 990	59 796 643

4. Net interest income

	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Interest income				
Loans and advances to enterprises	385 716	1 502 167	372 162	1 307 357
Loans and advances to individuals, of which:	326 569	1 213 858	267 494	1 042 925
<i>Home mortgage loans</i>	108 334	420 853	99 520	362 108
Debt securities incl.:	159 801	676 370	185 798	754 311
<i>Investment portfolio available for sale</i>	150 913	567 980	80 224	342 168
<i>Trading portfolio</i>	8 888	108 390	40 551	125 020
<i>Investment portfolio held to maturity</i>	-	-	65 023	287 123
Leasing agreements	41 091	172 509	45 419	177 026
Loans and advances to banks	23 537	90 463	22 687	78 264
Public sector	5 358	23 315	6 683	22 232
Reverse repo transactions	3 154	11 611	1 699	6 283
Interest recorded on hedging IRS	48 737	177 192	13 779	25 335
Total	993 963	3 867 485	915 721	3 413 733
Interest expenses				
Deposits from individuals	(241 688)	(903 127)	(193 087)	(719 500)
Deposits from enterprises	(113 642)	(443 642)	(126 132)	(387 122)
Repo transactions	(9 759)	(84 070)	(28 412)	(131 700)
Deposits from public sector	(27 545)	(92 795)	(17 900)	(61 504)
Deposits from banks	(4 708)	(22 020)	(4 779)	(23 401)
Subordinated liabilities	(4 804)	(20 754)	(6 158)	(21 921)
Total	(402 146)	(1 566 408)	(376 468)	(1 345 148)
Net interest income	591 817	2 301 077	539 253	2 068 585

5. Net fee and commission income

	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Fee and commission income				
eBusiness & payments	114 618	440 379	103 911	391 533
Current accounts and money transfer	64 195	245 383	59 715	243 932
Asset management fees	55 399	220 440	56 263	273 520
Foreign exchange commissions	58 171	233 782	60 581	224 263
Credit commissions	53 309	154 931	34 041	115 509
Insurance commissions	25 078	108 401	17 106	68 758
Brokerage commissions	21 175	85 324	25 566	128 670
Credit cards	19 333	73 537	16 714	63 040
Off-balance sheet guarantee commissions	4 414	14 751	3 299	12 875
Finance lease commissions	1 451	5 146	1 099	4 069
Issue arrangement fees	2 556	4 932	2 960	15 321
Distribution fees	896	3 766	1 670	12 971
Other commissions	1 848	5 266	1 030	4 203
Total	422 443	1 596 038	383 955	1 558 664
Fee and commission expenses				
eBusiness & payments	(25 534)	(93 892)	(22 678)	(77 907)
Distribution fees	(6 113)	(29 256)	(7 539)	(36 260)
Brokerage commissions	(4 364)	(19 186)	(6 193)	(28 371)
Credit cards	(2 575)	(10 014)	(1 996)	(7 168)
Asset management fees and other costs	(1 651)	(7 390)	(1 870)	(8 369)
Finance lease commissions	(2 632)	(9 155)	(1 964)	(7 268)
Commissions paid to credit agents	(5 408)	(11 916)	(3 565)	(12 174)
Other	(9 529)	(30 243)	(8 125)	(23 475)
Total	(57 806)	(211 052)	(53 930)	(200 992)
Net fee and commission income	364 637	1 384 986	330 025	1 357 672



6. Net trading income and revaluation

Net trading income and revaluation	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Profit on interbank FX transactions	(65 888)	18 083	36 683	96 773
Profit/(loss) on derivative instruments	111 176	129 821	4 705	133 446
Other FX related income	(5 531)	13 622	3 772	25 965
Profit on market maker activity	735	2 996	3 862	8 455
Profit on equity instruments	-	433	-	-
Profit on debt instruments	(1 421)	(610)	679	2 512
Total	39 071	164 345	49 701	267 151

Net trading income and revaluation includes the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 3 340 k for 2012, value adjustments of derivatives resulting from counterparty risk in the amount of PLN (337) k for 4Q 2012 and the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 14 030 k for 2011, PLN 856 k for 4Q 2011.

7. Gains (losses) from other financial securities

Gains (losses) from other financial securities	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Profit on sale of equity shares	(39)	4 492	5 949	6 138
Profit on sale of debt securities	131 275	174 105	772	6 761
Charge due to impairment losses	(1 386)	(1 386)	(2 321)	(2 321)
Total profit (losses) on financial instruments	129 850	177 211	4 400	10 578
Change in fair value of hedging instruments	(53 389)	(57 503)	1 228	3 205
Change in fair value of underlying hedged positions	55 125	60 344	(705)	(2 070)
Total profit (losses) on hedging and hedged instruments	1 736	2 841	523	1 135
Total	131 586	180 052	4 923	11 713

8. Impairment losses on loans and advances

Impairment losses on loans and advances	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Collective and individual impairment charge	(174 559)	(538 908)	(98 717)	(371 079)
Incurred but not reported losses charge	7 894	19 263	9 374	(4 713)
Recoveries of loans previously written off	7 519	13 272	7 330	12 765
Off-balance sheet credit related facilities	(1 285)	4 580	(3 511)	(3 955)
Total	(160 431)	(501 793)	(85 524)	(366 982)

9. Employee costs

Employee costs	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Salaries and bonuses	(208 518)	(792 309)	(220 135)	(816 189)
Salary related costs	(26 534)	(123 004)	(25 903)	(117 235)
Staff benefits costs	(6 994)	(22 054)	(7 031)	(22 214)
Professional trainings	(5 566)	(16 723)	(6 310)	(17 526)
Retirement fund, holiday provisions and other employee costs	3 011	966	(990)	(3 645)
Total	(244 601)	(953 124)	(260 369)	(976 809)

10. General and administrative expenses

General and administrative expenses	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Maintenance and rentals of premises	(58 987)	(226 577)	(58 993)	(216 709)
Marketing and representation	(16 820)	(77 072)	(21 061)	(83 646)
IT systems costs	(22 604)	(93 537)	(25 017)	(90 032)
Bank Guarantee Fund, Polish Financial Supervision Authority and National Depository for Securities	(11 028)	(49 386)	(9 292)	(42 660)
Postal and telecommunication costs	(6 232)	(39 721)	(9 804)	(46 313)
Consulting fees	(11 796)	(45 711)	(4 390)	(27 459)
Cars, transport expenses, carriage of cash	(10 484)	(36 950)	(9 760)	(35 044)
Other external services	(12 382)	(35 914)	(10 841)	(36 428)
Stationery, cards, cheques etc.	(4 002)	(18 642)	(12 920)	(25 974)
Sundry taxes	(5 420)	(19 188)	(5 543)	(19 525)
Data transmission	(3 193)	(13 853)	(4 088)	(15 744)
KIR, SWIFT settlements	(3 229)	(12 430)	(2 361)	(11 307)
Security costs	(2 446)	(10 648)	(2 081)	(12 481)
Costs of repairs	(1 770)	(5 018)	(1 785)	(5 264)
Other	(6 385)	(15 341)	(4 208)	(13 750)
Total	(176 778)	(699 988)	(182 144)	(682 336)

11. Corporate income tax

Corporate income tax	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Current tax charge	(137 211)	(464 147)	(50 781)	(277 757)
Deferred tax	29 955	89 743	(25 178)	(37 806)
Total	(107 256)	(374 404)	(75 959)	(315 563)



Corporate total tax charge information	01.10.2012- 31.12.2012	01.01.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2011- 31.12.2011
Profit before tax	517 015	1 837 039	280 490	1 542 430
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(98 233)	(349 037)	(53 293)	(293 062)
Non-deductible expenses	(2 911)	(9 591)	(4 087)	(11 144)
Sale of receivables	(2 333)	(12 587)	(11 635)	(13 968)
Non-taxable income (dividends)	(335)	9 744	1	12 584
Non-tax deductible bad debt provisions	(2 892)	(7 567)	(6 985)	(10 067)
Other	(552)	(5 366)	40	94
Total income tax expense	(107 256)	(374 404)	(75 959)	(315 563)

Deferred tax recognised directly in equity	31.12.2012	30.09.2012	31.12.2011
The amount of deferred tax recognised directly in equity totaled:			
Relating to equity securities available-for-sale	(94 386)	(94 681)	(94 743)
Relating to debt securities available-for-sale	(94 445)	(65 659)	(20 965)
Relating to cash flow hedging activity	(15 784)	(7 134)	(12 183)
Total	(204 615)	(167 474)	(127 891)

12. Cash and balances with central banks

Cash and balances with central banks	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Cash	1 084 107	842 606	932 600	903 815
Current accounts in central banks	3 073 167	1 714 949	290 908	2 231 524
Term deposits	-	49 013	202 033	-
Total	4 157 274	2 606 568	1 425 541	3 135 339

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	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Loans and advances	916 567	1 036 949	428 823	347 297
Current accounts, other	473 748	486 014	775 349	932 549
Buy-sell-back transaction	67 813	99 343	-	386 720
Gross receivables	1 458 128	1 622 306	1 204 172	1 666 566
Impairment write down	-	(17)	-	-
Total	1 458 128	1 622 289	1 204 172	1 666 566

14. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.12.2012		30.09.2012		31.12.2011		30.09.2011	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading derivatives	641 051	711 669	680 239	679 640	700 252	872 544	730 092	1 533 849
Interest rate operations	365 874	371 136	285 640	283 426	314 053	308 585	285 178	289 933
Options	564	564	760	760	132	132	169	169
IRS	356 991	358 516	280 317	275 764	304 421	300 206	271 378	276 933
FRA	8 319	12 056	4 563	6 902	9 500	8 247	13 631	12 831
FX operations	275 177	340 533	394 599	396 214	386 199	563 959	444 914	1 243 916
CIRS	75 561	152 711	52 314	140 453	42 149	120 636	55 784	604 430
Forward	27 050	22 343	31 317	28 316	97 509	32 182	117 981	42 619
FX Swap	142 466	135 140	256 080	173 317	150 924	316 003	168 359	494 738
Spot	901	1 140	1 659	899	2 015	1 536	5 025	4 364
Options	29 199	29 199	53 229	53 229	93 602	93 602	97 765	97 765
Debt and equity securities	190 664	-	1 095 270	-	5 135 791	-	3 645 867	-
Debt securities	176 963	-	1 005 853	-	5 082 985	-	3 620 494	-
Government securities:	175 487	-	52 883	-	431 084	-	119 422	-
- bonds	175 487	-	52 883	-	431 084	-	119 422	-
Central Bank securities:	-	-	949 499	-	4 647 956	-	3 497 375	-
- bills	-	-	949 499	-	4 647 956	-	3 497 375	-
Other securities:	1 476	-	3 471	-	3 945	-	3 697	-
- bonds	1 476	-	3 471	-	3 945	-	3 697	-
Equity securities:	13 701	-	89 417	-	52 806	-	25 373	-
- listed	13 701	-	89 417	-	52 806	-	25 373	-
Short sale	-	17 162	-	125 371	-	59 173	-	-
Total financial assets/liabilities	831 715	728 831	1 775 509	805 011	5 836 043	931 717	4 375 959	1 533 849

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (30) k as at 31.12.2012, PLN (20) k as at 30.09.2012, PLN (396) k as at 31.12.2011 and PLN (786) k as at 30.09.2011.

15. Loans and advances to customers

Loans and advances to customers	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Loans and advances to enterprises	25 280 604	25 380 760	24 262 182	22 908 344
Loans and advances to individuals, of which:	13 708 551	13 414 811	12 572 576	12 581 787
<i>Home mortgage loans</i>	8 080 532	7 951 693	7 605 063	7 532 402
Finance lease receivables	2 289 852	2 330 613	2 335 543	2 361 745
Loans and advances to public sector	105 366	197 774	259 057	162 891
Buy-sell-back transaction	15 234	100	100	100
Other	12 154	13 240	2 960	5 272
Gross receivables	41 411 761	41 337 298	39 432 418	38 020 139
Impairment write down	(1 544 207)	(1 408 451)	(1 415 245)	(1 644 178)
Total	39 867 554	39 928 847	38 017 173	36 375 961

Movements on impairment losses on loans and advances to customers	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Individual and collective impairment				
As at the beginning of the period	(1 069 296)	(1 069 296)	(1 069 646)	(1 069 646)
Charge/write back of current period	(538 908)	(364 349)	(371 079)	(272 362)
Write off/Sale of receivables	381 667	354 256	352 347	47 826
Transfer	16 215	9 852	24 829	11 077
F/X differences	3 001	2 948	(5 747)	(5 773)
Balance at the end of the period	(1 207 321)	(1 066 589)	(1 069 296)	(1 288 878)
IBNR				
As at the beginning of the period	(345 949)	(345 949)	(337 975)	(337 975)
Charge/write back of current period	19 263	11 386	(4 713)	(14 087)
Transfer	(13 018)	(9 824)	27	27
F/X differences	2 818	2 525	(3 288)	(3 265)
Balance at the end of the period	(336 886)	(341 862)	(345 949)	(355 300)
Impairment write down	(1 544 207)	(1 408 451)	(1 415 245)	(1 644 178)

16. Investment securities available for sale

Investment securities available for sale	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Available for sale investments - measured at fair value				
Debt securities	11 048 024	11 630 457	10 971 561	6 180 000
Government securities:	7 711 424	8 526 128	10 893 773	6 098 799
- bonds	7 711 424	8 526 128	10 893 773	6 098 799
Central Bank securities:	2 099 256	1 899 077	-	-
- bills	2 099 256	1 899 077	-	-
Commercial securities:	1 237 344	1 205 252	77 788	81 201
-bonds	1 237 344	1 205 252	77 788	81 201
Equity securities	627 180	627 676	629 194	651 410
- listed	13 441	14 031	19 475	23 253
- unlisted	613 739	613 645	609 719	628 157
Investment certificates	40 929	45 171	51 440	52 087
Total	11 716 133	12 303 304	11 652 195	6 883 497

On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

17. Financial assets held to maturity

Financial assets held to maturity	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Government securities:	-	-	-	4 658 636
- bonds	-	-	-	4 658 636
Total	-	-	-	4 658 636

On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

18. Investments in associates and joint ventures

Movements on investments in associates and joint ventures	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Balance at 1 January	104 512	104 512	87 360	87 360
Share of profits/(losses)	19 746	12 190	11 104	7 630
Sale/acquisition	(4 541)	(4 541)	5 018	5 018
Transfer	-	-	4 050	4 050
Dividend	(4 032)	-	(3 020)	(3 020)
Balance at the end of the period	115 685	112 161	104 512	101 038

Balance sheet value of associates and joint ventures	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Polfund - Fundusz Poręczeń Kredytowych S.A.	41 733	40 101	38 464	38 382
BZ WBK - Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	26 536	27 999	22 728	21 249
BZ WBK - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	27 502	24 695	20 102	18 958
Krynicki Recykling S.A.	15 408	14 854	14 356	14 283
Metrohouse & Partnerzy S.A.	4 506	4 512	4 297	4 123
Holicon Group S.A.	-	-	4 565	4 043
Total	115 685	112 161	104 512	101 038



19. Net deferred tax assets

Deferred tax asset	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Provisions for loans	168 286	206 586	200 098	244 005
Unrealized liabilities due to derivatives	214 291	100 016	89 177	85 873
Other provisions which are not yet taxable costs	56 085	54 655	64 496	55 935
Deferred income	96 420	96 122	88 562	84 312
Difference between balance sheet and taxable value of leasing portfolio	69 001	68 024	63 624	60 040
Unrealized interest on credits, loans and securities	115 773	87 912	42 063	52 367
Depreciation, amortisation - effects of a change in estimate	14 771	14 664	14 560	-
Unrealised FX translation differences from b/s valuation of receivables and liabilities	405	314	441	-
Other	2 477	2 816	588	708
Total	737 509	631 109	563 609	583 240
Deferred tax liability	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Revaluation of financial instruments available for sale*	(188 832)	(160 340)	(116 092)	(107 776)
Unrealised receivables on derivatives	(170 315)	(99 982)	(99 118)	(94 617)
Unrealised interests from loans, securities and interbank deposits	(85 780)	(77 248)	(70 225)	(69 692)
Provision due to application of investment relief	(3 088)	(3 119)	(3 269)	(3 301)
Unrealised FX translation differences from b/s valuation of receivables and liabilities	(3 437)	(4 176)	(5 687)	(4 444)
Cash flow hedges valuation	(15 784)	(7 134)	(12 183)	(11 648)
Other	(12 236)	(13 886)	(12 016)	(12 709)
Total	(479 472)	(365 885)	(318 590)	(304 187)
Net deferred tax assets	258 037	265 224	245 019	279 053

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

As at 31 December 2012 the calculation of deferred tax asset did not include purchased receivables of PLN 14 728 k and loans that will not be realised of PLN 56 485 k.

As at 31 December 2011 the calculation of deferred tax asset did not include purchased receivables of PLN 14 757 k and loans that will not be realised of PLN 62 345 k.

20. Assets classified as held for sale

Assets classified as held for sale	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Land and buildings	82 511	82 511	82 511	44 507
Equipment	93	93	93	93
Assets classified as held for sale, gross	82 604	82 604	82 604	44 600
Impairment	(7 840)	-	-	-
Total	74 764	82 604	82 604	44 600

In December 2012, impairment losses were posted on a property in Wrocław and on a perpetual usufruct of land in Wrocław, in the amount of PLN 5 513k and PLN 2 327k, respectively.

21. Other assets

Other assets	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Sundry debtors *	512 439	267 404	237 764	228 787
Settlements of stock exchange transactions	44 287	50 826	47 983	59 873
Interbank and interbranch settlements	76 800	31 362	85 414	80 186
Prepayments	44 994	57 251	43 930	59 518
Other	665	623	1 011	1 302
Total	679 185	407 466	416 102	429 666

* Sundry debtors include the balance of unsettled transactions with the National Depository for Securities. Changes in the settlements are associated with the occurrence of non-trading days on the Warsaw Stock Exchange prior to the end of the accounting period.

22. Deposits from banks

Deposits from banks	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Repo/sell-buy-back transactions	668 150	1 315 710	2 240 824	4 217 707
Term deposits	331 073	885 183	12 495	468 833
Loans from other banks	59 388	69 970	143 572	179 323
Current accounts	292 439	247 897	108 179	81 041
Total	1 351 050	2 518 760	2 505 070	4 946 904

23. Deposits from customers

Deposits from customers	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Deposits from individuals	28 636 346	28 543 407	27 111 339	26 171 356
Term deposits	15 991 323	15 992 371	14 822 913	13 866 079
Current accounts	12 605 499	12 517 512	12 254 430	12 265 987
Other	39 524	33 524	33 996	39 290
Deposits from enterprises	16 538 707	15 228 158	17 881 182	15 476 048
Term deposits	9 224 568	9 096 236	11 786 350	9 254 304
Current accounts	5 618 926	4 779 599	4 702 194	4 718 167
Sell-buy-back transaction	205 033	-	-	-
Credits	1 186 187	986 868	1 047 963	1 045 327
Other	303 993	365 455	344 675	458 250
Deposits from public sector	1 902 041	2 626 226	1 836 961	2 121 631
Term deposits	648 281	1 216 163	806 083	1 039 524
Current accounts	1 251 996	1 408 249	1 028 988	1 080 218
Other	1 764	1 814	1 890	1 889
Total	47 077 094	46 397 791	46 829 482	43 769 035

24. Subordinated liabilities

Subordinated liabilities	Nominal value	Currency	Redemption date	As at the end of the period
Subordinated liabilities	100 000	EUR	05.08.2020	409 110
As at 31 December 2012				409 110

Movements in Subordinated Liabilities	31.12.2012	30.09.2012	31.12.2011	30.09.2011
As at the beginning of the period	441 234	441 234	395 230	395 230
Increase (due to):	20 263	15 950	69 003	62 278
- interest on subordinated loan	20 263	15 950	21 921	15 763
- FX differences	-	-	47 082	46 515
Decrease (due to):	(52 387)	(45 930)	(22 999)	(16 923)
- interest repayment	(19 560)	(15 300)	(22 999)	(16 923)
- FX differences	(32 827)	(30 630)	-	-
Subordinated liabilities - as at the end of the period	409 110	411 254	441 234	440 585
Short-term	4 378	3 987	3 971	3 876
Long-term (over 1 year)	404 732	407 267	437 263	436 709



25. Other liabilities

Other liabilities	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Settlements of stock exchange transactions	63 490	56 204	39 760	63 285
Interbank and interbranch settlements	217 711	277 804	369 125	178 501
Provisions:	226 696	197 738	252 387	197 302
Employee provisions	190 865	158 970	206 274	160 866
Provisions for legal claims	15 912	16 131	17 590	18 749
Provisions for off balance sheet credit facilities	16 619	15 337	21 223	17 687
Other	3 300	7 300	7 300	-
Sundry creditors	250 671	138 217	182 849	102 572
Other deferred and suspended income	106 727	116 070	119 791	114 191
Public and law settlements	43 711	48 890	36 769	40 442
Accrued liabilities	67 121	77 246	56 244	58 967
Financial lease related settlements	21 650	20 660	25 267	21 114
Other	735	533	263	65
Total	998 512	933 362	1 082 455	776 439

Change in provisions	31.12.2012	30.09.2012	31.12.2011	30.09.2011
As at the beginning of the period	252 387	252 387	247 275	247 275
Employee provisions	206 274	206 274	212 540	212 540
Provisions for legal claims	17 590	17 590	17 518	17 518
Provisions for off balance sheet credit facilities	21 223	21 223	17 217	17 217
Other	7 300	7 300	-	-
Provision charge	226 677	155 342	236 446	150 364
Employee provisions	183 058	125 910	192 818	126 439
Provisions for legal claims	711	473	1 836	1 509
Provisions for off balance sheet credit facilities	42 908	28 959	34 492	22 416
Other	-	-	7 300	-
Utilization	(185 847)	(173 690)	(188 610)	(168 708)
Employee provisions	(184 201)	(172 278)	(187 496)	(168 652)
Provisions for legal claims	(1 622)	(1 391)	(1 165)	(82)
Provisions for off balance sheet credit facilities	(24)	(21)	51	26
Other	-	-	-	-
Write back	(66 521)	(36 301)	(42 724)	(31 629)
Employee provisions	(14 266)	(936)	(11 588)	(9 461)
Provisions for legal claims	(767)	(541)	(599)	(196)
Provisions for off balance sheet credit facilities	(47 488)	(34 824)	(30 537)	(21 972)
Other	(4 000)	-	-	-
Balance at the end of the period	226 696	197 738	252 387	197 302
Employee provisions	190 865	158 970	206 274	160 866
Provisions for legal claims	15 912	16 131	17 590	18 749
Provisions for off balance sheet credit facilities	16 619	15 337	21 223	17 687
Other	3 300	7 300	7 300	-

26. Contingent liabilities

Significant court proceedings

As at 31.12.2012 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 135 433 k, which is ca 1.51 % of the Group's equity. This amount includes PLN 44 411 k claimed by the Group, PLN 81 318 k in claims against the Group and PLN 9 704 k of the Group's receivables due to bankruptcy or arrangement cases.

In 2012 the amount of significant court proceedings which had been completed amounted to PLN 100 002 k.

As at 31.12.2011 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 184 217 k, which is ca 2.46 % of the Group's equity. This amount includes PLN 44 624 k claimed by the Group, PLN 132 141 k in claims against the Group and PLN 7 452 k of the Group's receivables due to bankruptcy or arrangement cases.

In 2011 the amount of court proceedings which had been completed amounted to PLN 48 737 k.

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	31.12.2012	30.09.2012	31.12.2011	30.09.2011
Liabilities sanctioned				
- financial	10 842 863	10 465 934	8 129 987	7 472 304
- credit lines	9 637 360	9 275 599	7 006 625	6 432 533
- credit cards debits	1 109 436	1 082 058	970 702	930 661
- import letters of credit	96 067	108 277	152 165	109 110
- term deposits with future commencement term	-	-	495	-
- guarantees	2 221 092	1 524 063	1 473 722	1 229 876
Total	13 063 955	11 989 997	9 603 709	8 702 180

27. 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		31.12.2012	30.09.2012	31.12.2011	30.09.2011
1. Term derivatives (hedging)		14 675 607	10 816 799	10 702 996	2 687 842
a) Single-currency interest rate swaps		1 085 000	185 000	341 696	374 997
b) Macro cash flow hedge -purchased (IRS)		2 213 144	2 219 925	2 269 914	2 312 845
c) Macro cash flow hedge -purchased (CIRS)		5 585 823	4 089 173	3 768 628	-
d) Macro cash flow hedge -sold (CIRS)		5 791 640	4 322 701	4 322 758	-
2. Term derivatives (trading)		67 094 143	85 586 587	82 651 253	100 147 930
a) Interest rate operations		35 333 886	41 202 393	49 413 206	57 064 072
Single-currency interest rate swaps		27 982 342	31 083 043	31 449 423	31 599 977
FRA - purchased amounts		6 850 000	9 650 000	17 900 000	25 400 000
Options		501 544	469 350	63 783	64 095
b) FX operations		31 760 257	44 384 194	33 238 047	43 083 858
FX swap – purchased amounts		8 020 505	14 179 117	11 006 569	12 348 104
FX swap – sold amounts		8 008 784	14 081 167	11 127 200	12 633 535
Forward- purchased amounts		1 483 082	1 860 129	2 088 999	2 138 646
Forward- sold amounts		1 482 429	1 865 821	2 041 784	2 077 529
Cross-currency interest rate swaps – purchased amounts		4 965 537	3 832 824	1 320 069	4 813 631
Cross-currency interest rate swaps – sold amounts		5 033 742	3 913 162	1 405 598	5 430 097
FX options -purchased		1 383 089	2 325 987	2 123 914	1 821 158
FX options -sold		1 383 089	2 325 987	2 123 914	1 821 158
3. Currency transactions- spot		1 889 992	2 238 660	2 343 838	4 601 011
Spot-purchased		944 898	1 119 710	1 172 159	2 300 836
Spot-sold		945 094	1 118 950	1 171 679	2 300 175
4. Transactions on equity instruments		11 300	88 298	47 369	11 924
Futures - sold		11 300	88 046	47 369	11 924
Futures - purchased		-	252	-	-
Total		83 671 042	98 730 344	95 745 456	107 448 707

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

28. Basis of FX conversion

As at 31.12.2012, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 252/A/NBP/2012 dd. 31.12.2012.

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 4Q 2012 /31.01.2013/ are Banco Santander S.A. and KBC Bank NV.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	31.01.2013	25.10.2012	31.01.2013	25.10.2012	31.01.2013	25.10.2012	31.01.2013	25.10.2012
Banco Santander S.A.	70 334 512	70 334 512	75,19%	94,23%	70 334 512	70 334 512	75,19%	94,23%
KBC Bank NV	15 125 966	-	16,17%	-	15 125 966	-	16,17%	-
Other	8 084 611	4 303 119	8,64%	5,77%	8 084 611	4 303 119	8,64%	5,77%
Total	93 545 089	74 637 631	100%	100%	93 545 089	74 637 631	100%	100%

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	31.12.2012	25.10.2012	31.12.2012	25.10.2012	31.12.2012	25.10.2012	31.12.2012	25.10.2012
Banco Santander S.A.	70 334 512	70 334 512	94,23%	94,23%	70 334 512	70 334 512	94,23%	94,23%
Other	4 303 119	4 303 119	5,77%	5,77%	4 303 119	4 303 119	5,77%	5,77%
Total	74 637 631	74 637 631	100%	100%	74 637 631	74 637 631	100%	100%

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

- On 6 July 2012, the bank completed a private subscription of ordinary bearer shares, series I, without pre-emptive rights. The 1,561,618 shares with a nominal value of PLN 10 were fully acquired by the European Bank for Reconstruction and Development (EBRD). The issue price was PLN 212.60 per share. The subscription took place under the resolution of the Annual General Meeting of Shareholders of Bank Zachodni WBK of 10 May 2012.
- On 9 August 2012, i.e. on the day of registration of the appropriate amendments to the Bank's Statutes in the National Court Register, the share capital of Bank Zachodni WBK was increased by PLN 15,616,180 to PLN 746,376,310. The increased capital was fully paid up.
- The Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) issued Resolution no. 846/2012 of 27 August 2012 confirming admission of the ordinary series I shares to trading on the main market.
- Under § 38 section 1 and section 3 of the Warsaw Stock Exchange Regulations, the Management of the Warsaw Stock Exchange decided that the shares would be admitted to the main market effective from 30 August 2012, following registration of the shares by the National Depository of Securities and marking them with code PLBZ00000044. After the shares were registered on 30 August 2012, the total number of shares of Bank Zachodni WBK increased to 74,637,631.

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 31.01.2013	As at 25.10.2012	Change
Members of the Supervisory Board	-	-	-
Members of the Management Board	49 627	49 627	-

Management Board members	31.01.2013		25.10.2012	
	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 Szyszkowski	1 755	4 449	1 755	4 449
Total	11 057	38 570	11 057	38 570

* Mr Marco Antonio Silva Rojas was appointed as members of the Management Board of the Bank with effect from 3 September 2012

31. Related party disclosures

The tables below present intercompany transactions. They are effected between subsidiaries, associates, joint ventures and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits and guarantees. Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process.

Transactions with associates and joint ventures	31.12.2012	30.09.2012	31.12.2011	30.09.2011
ASSETS	788	757	742	904
Loans and advances to customers	-	-	259	904
Other assets	788	757	483	-
LIABILITIES	480 770	406 756	392 882	345 685
Deposits from customers	480 588	406 593	392 418	345 685
Other liabilities	182	163	464	-
INCOME	114 472	85 151	65 405	47 250
Interest income	24 266	16 138	8 421	5 478
Fee and commission income	89 893	68 766	55 662	41 699
Gains (losses) from other financial securities	21	21	(21)	(281)
Other operating income	292	226	1 343	354
EXPENSES	25 787	17 731	20 236	14 670
Interest expenses	22 439	15 391	17 881	12 914
Fee and commission expenses	1 572	1 042	711	536
Operating expenses incl.:	1 776	1 298	1 644	1 220
<i>General and administrative expenses</i>	<i>1 768</i>	<i>1 297</i>	<i>1 644</i>	<i>1 220</i>

Transactions with:	Santander Group			
	31.12.2012	30.09.2012	31.12.2011	30.09.2011
ASSETS	335 686	312 188	117 976	123 676
Loans and advances to banks, incl:	283 789	259 481	81 701	93 421
<i>deposits</i>	197 009	185 591	70 557	85 453
<i>current accounts</i>	86 780	73 890	11 144	7 968
Financial assets held for trading	48 729	51 356	35 230	30 255
Hedging derivatives	3 109	1 351	1 045	-
Loans and advances to customers	2	-	-	-
Other assets	57	-	-	-
LIABILITIES	167 326	107 648	46 625	210 014
Deposits from banks incl.:	36 328	32 363	178	179 656
<i>current accounts</i>	36 328	32 363	-	-
<i>repo transactions</i>	-	-	-	179 003
<i>deposits</i>	-	-	178	653
Hedging derivatives	-	2 948	-	-
Financial liabilities held for trading	121 440	60 234	46 446	30 358
Deposits from customers	9 089	8 860	-	-
Other liabilities	469	3 243	1	-
INCOME	(24 131)	14 857	(22 327)	(6 819)
Interest income	14 964	2 206	1 010	471
Fee and commission income	307	207	301	146
Other operating income	591	402	230	102
Net trading income and revaluation	(39 993)	12 042	(23 868)	(7 538)
EXPENSES	5 873	4 115	946	748
Interest expenses	319	289	946	748
Operating expenses incl.:	5 554	3 826	-	-
<i>Bank's staff, operating expenses and management costs</i>	5 554	3 826	-	-
CONTINGENT LIABILITIES	259 418	149 995	63 648	-
Sanctioned:	158 175	149 995	49 999	-
- <i>guarantees</i>	158 175	149 995	49 999	-
Received:	101 243	-	13 649	-
- <i>guarantees</i>	101 243	-	13 649	-
DERIVATIVES' NOMINAL VALUES	11 079 645	11 486 789	3 415 369	3 161 289
Cross-currency interest rate swaps – purchased amounts	1 872 728	1 709 588	-	-
Cross-currency interest rate swaps – sold amounts	1 909 243	1 741 303	-	-
Single-currency interest rate swaps	1 748 351	1 273 876	656 927	593 151
Options	468 004	435 404	45 542	45 877
FX swap – purchased amounts	1 808 349	1 988 994	564 471	767 989
FX swap – sold amounts	1 882 817	2 088 130	572 762	783 063
FX options -purchased	663 176	1 012 378	694 939	429 488
FX options -sold	719 912	1 180 358	877 099	529 263
Spot-purchased	3 508	19 064	1 813	6 238
Spot-sold	3 557	19 014	1 816	6 220
Forward- purchased amounts	-	9 216	-	-
Forward- sold amounts	-	9 464	-	-

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

In 4Q 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

On the last business day of 2011, Bank Zachodni WBK changed its intention regarding a portfolio of government bonds, which so far had been classified as 'held-to-maturity,' and reclassified them into the 'investment financial assets available for sale' category as a result of adapting the Bank's investment policy to the strategy, investment rules and risk management rules of Santander Group. The change pertained to financial instruments of a total carrying value of PLN 4 696 542 k, of which PLN 69 132 k was a recognised fair value. The same amount of fair value less the deferred tax was referred to the equity of the Group.

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

No items occurred in Q4 2012 that were unusual because of their nature, volume or occurrence.

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

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

As of the date of publication of this report, the Management Board of Bank Zachodni WBK SA had not made a decision in respect of recommendation on dividend payout for 2012.

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

By the end of September 2012 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 31.12.2012 and as at 31.12.2011, 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 20.

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

In 2012 and 2011, 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

Fitch's rating action on Bank Zachodni WBK S.A.

On 10th January 2013 Fitch Ratings affirmed ratings for Bank Zachodni WBK and withdrew ratings for Kredyt Bank (further details in Note 46, section "Credit rating of the merged bank").

KBC Group NV and KBC Bank NV - notification

Bank Zachodni WBK released the notification received on 9th January 2013 from:

- KBC Group NV and
- KBC Bank NV

on the number of shares directly acquired by KBC Bank NV and indirectly acquired by KBC Group NV due to a merger of BZ WBK with Kredyt Bank S.A. and the percentage share in the total number of votes gained because of the merger, i.e. the notification on exceeding 15% of the total number of votes at the general meeting of BZ WBK shareholders.

Banco Santander S.A. – notification (Reduction of the percentage of the total number of votes)

Bank Zachodni WBK released the notification received on 9th January 2013 from Banco Santander S.A. on the reduction on a total number of votes by 19.04% due to the merger of BZ WBK with Kredyt Bank.

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

Resolution of the National Depository for Securities (the "KDPW") on the registration of the series J shares in Bank Zachodni WBK S.A. and setting the reference date.

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.

Message from the Operations Department of the National Depository for Securities regarding the registration of J series shares in Bank Zachodni WBK S.A.

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.

45. Macroeconomic situation in 2012

Economic growth

2012 was the period of deceleration of economic growth in Poland. The initial driver of slowing activity in the Polish economy was a significant global economic slowdown, especially in the euro zone (which entered a recession again after a two-year break). In due course, a marked slump in export orders was recorded, which in turn had a negative effect on domestic exports and manufacturing sector. At the same time, high uncertainty and volatility in international markets as well as information about the euro zone crisis negatively affected moods of domestic entrepreneurs and consumers. There was a strong deterioration in domestic demand, whose growth dropped below zero already in the second quarter. It was driven, among others, by stagnation in private consumption (amid worsening situation in the labour market and declining real income of households), sharp slowdown in fixed investment growth and cyclical reduction of inventories. Fixed investment growth already in Q2 decelerated to 1.9% YoY from almost 10% YoY at the end of 2011, even despite delivery of important infrastructural projects prior to EURO 2012. In the second year-half, an investment drop was recorded. Indicators of consumer optimism decreased sharply, approaching 2009 lows. Indices of economic climate in major sectors also recorded a marked deterioration: in the construction sector, the business climate assessment fell to the lowest level since the beginning of economic transition.

GDP growth was decelerating in subsequent quarters of 2012 – from 3.6% YoY in Q1 to ca. 1% YoY (estimate based on available data) in the final quarter of the year. Overall GDP growth in 2012 reached 2% and was only slightly higher than in 2009, when the world economy was struck by a deep economic and financial crisis.

Labour market

Labour market entered a period of stagnation. Average employment in the corporate sector was declining gradually in the individual months and from January to December the number of jobs fell by ca. 73k. At the same time, wage growth decelerated significantly, falling well below the inflation rate. Consequently, real labour income was declining. The registered unemployment rate, after a seasonal drop in the summer, was increasing since August to 13.4% at the end of the year. Seasonally adjusted unemployment rate according to the Labour Force Survey recorded a mild increase in the second year-half to slightly above 10.5%.

Inflation

In the first half of the year the inflation rate persisted at an elevated level, exceeding 4%. The main drivers of the high CPI growth included lagging effects of the earlier increases in food, fuel and energy prices. Still, amid the slower economic growth, and in particular the weaker domestic demand, the higher prices in these categories did not spread to other goods and services, which was reflected in the falling core inflation and in the second year-half also in a drop in the headline CPI growth. In December, the CPI inflation rate fell to 2.4% YoY, decreasing below the NBP's official target for the first time since August 2010. The most important measure of core inflation – CPI excluding prices of food and energy – declined at the end of the year to 1.4%.

Monetary policy

In reaction to the inflation staying above the official NBP target, the Monetary Policy Council decided to hike main interest rates by 25bps in May 2012. The decision was justified by the fact that in the MPC's opinion, the future economic situation was supposed to be much more optimistic than predicted by most of analysts. Yet, the actual economic situation appeared to be much worse than forecast. Deepening economic slowdown and stagnation in the labour market implied lack of inflationary pressure and no risk of second-round effects. Some MPC members had been proposing a significant relaxation of monetary policy already since July. Nevertheless, the MPC decided to cut main interest rates as late as in November and December, delivering two cautious interest rate reductions by 25bps each. The lack of more decisive cuts was justified by MPC's concerns about "inflation persistence". The Council did not rule out further monetary policy easing.



Credit market

On the credit market the slowdown was visible since the very start of the year, and this regarded loans to both households and companies. The pace of total loan growth in the banking sector decelerated from 13% YoY at the start of the year to nearly 1% YoY in December 2012. As regards loans for companies, the annual momentum declined from ca. 18% at the end of 2011 to ca. 1.5% YoY in December. After eliminating the impact of exchange rate fluctuations, the growth rate declined from 15.4% to 3.3% YoY. The biggest slowdown took place in investment loans – from ca. 25% YoY to almost zero after FX adjustment. The pace of growth of household loans also plunged to almost zero, which was the worst result since comparable data have been available (i.e. since mid-90.). Growth in mortgage loans abated to ca. 5% YoY (after FX adjustment), the lowest level in history. Consumer loans recorded a second straight year of decline, falling by ca. 5% YoY.

Financial markets

The start of 2012 was marked by a significant improvement of moods in international financial markets. This was, among other things, due to the ECB's LTRO in December 2011 and February 2012, successful restructuring of the Greek debt, and hopes for additional monetary stimulus from the Fed. The rise in global risk appetite triggered the strengthening of the Polish zloty and bonds, and gains in the stock markets. In Q2 moods on the global markets again started to deteriorate because of the weakening outlook for the world economic growth and returning fears about the debt crisis in the countries of Southern Europe. Additionally, the political fears increased, which was connected with the outcomes of the Greek parliamentary and French presidential elections. In the second year-half, the situation in the world financial markets was still characterised by some volatility due to unresolved problems of the euro zone, deteriorating global economic outlook and investors' uncertainty if and when the crisis would be surmounted. Still, a tendency of declining risk aversion was prevailing. This was, among other things, due to the actions of the central banks (the ECB announced a launch of unlimited purchasing of the peripheral euro zone sovereign bonds and the Fed started the third round of quantitative easing, so-called QE3).

The increase in the global risk aversion led to high volatility of the zloty – after a decrease to ca. 4.11 in the middle of March, the EUR/PLN rate increased above 4.40 in early June, and then fell again, stabilising in the 4.05-4.20 range in the final months of the year. An even higher volatility was observed in the case of the USD/PLN rate, which was caused by the fluctuations of the EUR/USD rate. The scale of the zloty strengthening was curbed by building market expectations for prospective interest rate cuts by the MPC. Domestic bonds proved relatively immune to increased global risk aversion, an effect of the positive investors' assessment of the Polish economic outlook against the rest of Europe, growing expectations for the interest rate cuts by the MPC, as well as low securities' supply on the primary market due to financing of a significant part of budgetary borrowing needs in the first months of the year. In the second half of the year the money market started pricing-in aggressively chances for monetary policy easing. Rising hopes for interest rate cuts, improvement of sentiment in global markets, and uninterrupted inflow of foreign portfolio capital to Polish Treasury papers triggered a fall in yields of Polish bonds to the lowest levels in history. Towards the year-end, the yield of 2Y bonds was just below 3.1%, 5Y bonds paid below 3.2%, while the yield of 10Y bonds fell to nearly 3.7%. In effect, the yield of the Polish treasury bonds decreased by 1.75 p.p. during the year in the 2Y segment, and by more than 2 p.p. in the case of long-term instruments. The value of treasury securities held by non-residents increased in 2012 to a record level of PLN 190bn, while their share increased to more than 35% of the total value of the securities issued.

46. Activities of Bank Zachodni WBK Group in Q4 2012

Retail Banking

- Retail Banking covers personal, small enterprise and Wealth Management segments.

Loans

- In Q4 2012, further changes and improvements were made to the retail loan delivery process in order to make credit decisions more automated and increase the application approval level, e.g. a new automated decision-making process for SME was launched, the mortgage loan policy was amended and the maximum unsecured cash loan/overdraft amount was raised to PLN 120k (with a focus maintained on security requirements).
- On 17 October 2012, BZWKB24 Internet was upgraded to enable the purchase of cash loans with the "Safe Loan" ("Spokojny Kredyt") insurance, a product previously offered only in the branches.

Credit cards

- On 14 December 2012, the pilot was launched for subscription credit cards, an innovative credit product using a subscription fee tied to the sanctioned limit instead of the interest accrual mechanism.

Bank deposits

- From 12 November 2012 until the end of the year, the bank's deposit offer included a new product: a 2-month Well-Earning Deposit ("Lokata Dobrze Zarabiająca") bearing a fixed interest rate of 5.5% and designed for customers willing to place new funds with the bank.

Structured products

- In Q4 2012, five subscriptions were held for personal customers of Bank Zachodni WBK S.A. to launch 3-month structured deposits tied to EUR/PLN or USD/PLN rate, available in three options depending on the adopted investment strategy (FX rate growth, decline or stabilisation). The concurrent subscriptions were also organised for VIP customers.

Mutual funds

- In Q4 2012, as in previous periods, investors were interested primarily in debt funds. The highest net sales were reported by the following sub-funds: Arka Prestiż Obligacji Skarbowych (specialized treasury bond subfund), Arka BZ WBK Obligacji Skarbowych (treasury bond subfund) and Arka Prestiż Obligacji Korporacyjnych (specialized corporate bond subfund).
- According to the data collected by Analizy Online, an on-line research company, BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (investment fund corporation: BZ WBK TFI) ranked top in terms of assets acquired on the retail market. In addition, Arka Prestiż Obligacji Skarbowych (specialized treasury bond subfund) performed best in terms of the inflow of net assets per annum.
- The value of net assets under management of BZ WBK TFI increased by 11% QoQ and 29% YoY to reach PLN 10bn as at 31 December 2012.
- Due to the upturn on the stock market and favourable trends on the Polish treasury bond market, investment results of BZ WBK TFI for 2012 were excellent. The highest annual rate of return (49.5%) was posted by Arka BZ WBK Akcji Tureckich (Turkish equity subfund). This was also the best performance result among all equity funds and subfunds managed by domestic investment fund corporations. High rates of return were also reported by mixed subfunds, i.e.: Arka BZ WBK Stabilnego Wzrostu (stable growth subfund) - 18.2% and Arka BZ WBK Zrównoważony (balanced subfund) - 21.0%. Also debt subfunds generated a two-digit return: Arka BZ WBK Obligacji Skarbowych (treasury bond subfund) - 12.9%, Arka Prestiż Obligacji Skarbowych (specialized treasury bond subfund) - 12.3% and Arka Prestiż Obligacji Korporacyjnych (corporate bond subfund) - 10.5%.

Wealth Management

- The value of assets under management of Wealth Management Department, which offers services to high net worth customers of Bank Zachodni WBK Group, totalled PLN 1.5bn as at 31 December 2012. Key elements were as follows:
 - ✓ The value of net assets in private portfolios managed by BZ WBK Asset Management S.A. was PLN 0.6bn, a decrease of 5% QoQ and 23% YoY. Q4 2012 saw a slight growth in investments in bonds and specialized instruments, and a concurrent decline in other financial instrument portfolios.
 - ✓ The remaining assets (deposits and investment products) managed by Wealth Management Department totalled PLN 0.9bn and were stable QoQ. In Q4 2012, the structure of these assets changed slightly in favour of investment products.

Payments

- On 10 December 2012, the bank implemented a new service - Express Elixir transfers operated by the National Clearing Chamber. Until the end of 2012 this product was offered through a network of 6 Polish banks. A number of other market players will join the system during 2013. Transfers are processed on-line and the beneficiaries' accounts are credited immediately. In Bank Zachodni WBK this service is available via e-channels only.

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

Business and Corporate Banking

- The bank provides services to medium and large businesses through the network of 3 Corporate Banking Centres operating Poland-wide, 7 Business Banking Centres located in the main economic centres of Poland and 7 reporting offices, as well as Corporate Property Department and Large Corporate Department in Business and Corporate Banking Division.

Development of services and sales

- In Q4 2012, the bank finalised stage 1 of the CRM system implementation for Business and Corporate Banking. The functionalities launched so far make the very core of the CRM platform which will ultimately develop into the main integrated tool for Customer Advisors across Business and Corporate Banking.
- Customer migration to iBiznes, a new modern transactional e-banking tool, was progressing in line with the adopted schedule. At the same time the second and the last stage of upgrades was completed with a view to extending the functionalities of the system based on suggestions from its active users.
- In the period under review, Business and Corporate Banking maintained a good rate of corporate lending, pursued the strategy of growing leasing and factoring business volumes and continued actions aimed to diversify income from the FX market.

Leasing

- In 2012, leasing companies (BZ WBK Leasing S.A. and BZ WBK Finanse & Leasing S.A.) - operating within the Business and Corporate Banking structure - reported a sales growth of 20% YoY as a result of financing net assets of PLN 1,707.4m, of which machines & equipment totalled PLN 922.1m and vehicles totalled PLN 690.7m. In particular, the machine & equipment segment was undergoing a very dynamic growth thanks to a comprehensive service focused on farmers' financial needs (customised product offer, dedicated advisors, etc.).
- In Q4 2012, a promotional offer covering the financing and insurance of personal vehicles and trucks was implemented in cooperation with selected dealers.

Factoring

- Due to the dynamic sales of factoring agreements to Bank Zachodni WBK customers, the value of invoices purchased in 2012 by BZ WBK Faktor Sp. z o.o. was PLN 4,183.8m and up 74.5% YoY. With this higher-than-average growth in the turnover volume (the market growth rate was 20% YoY), the company managed to increase its share in the market place from 1.54 p.p. to 5.11%. Credit exposure grew by 121.7% YoY to PLN 966.3m.

Global Banking & Markets

- The Global Banking & Markets Division (GBM Division) is responsible for end-to-end management of the customer portfolio which comprises the leading domestic and global enterprises as well as capital groups. GBM Division functions within the Global Banking & Markets framework of Santander Group and may therefore establish and develop efficient relationships with customers operating in international markets. The Division is also responsible for the offer and development of the following product lines of Bank Zachodni WBK:

- ✓ Global Transactional Banking;
- ✓ Credit Markets;
- ✓ Rates;
- ✓ Equity.

Global Transactional Banking

- In Q4 2012, Bank Zachodni WBK signed a guarantee agreement with BSH Bosch und Siemens Hausgeräte GmbH ("Bosch") on financing the purchase of 100% Zelmer S.A. shares. (for more details, see "Capital Markets").
- The Transactional Banking maintained the positive business growth trend, reflected in the volumes of main product portfolios (deposits, loans and guarantees). Special attention is due to the nearly 100% QoQ growth in average deposits driven by more flexible cash management offer.

Credit Markets

- Bank Zachodni WBK developed a new product which provides equity-based financing for investments in the energy sector.
- In Q4 2012, Credit Markets together with Corporate Banking closed a transaction (under a syndicate of banks) whereby a company from the culture and entertainment sector was extended financing of nearly PLN 400m.

Rates

- Appreciation of PLN vs. EUR and USD translated into lower profits on treasury deals compared with Q3 2012.
- A substantial increase was observed, however, in the income from interest rate hedges. The last quarter of 2012 was record-breaking in terms of profitability of this product line, also aided by the favourable market environment. Lower interest rates encourage companies to actively hedge their risk and switch to fixed rates.

Equity

- In Q4 2012, Bank Zachodni WBK advised BSH Bosch und Siemens Hausgeräte GmbH ("Bosh") in the transaction concerning the purchase of the majority stake in Zelmer S.A. The tender for 100% of Zelmer shares was organised by Dom Maklerski BZ WBK S.A. (DM BZ WBK).
- The bank also advised in the public issue of shares of Czerwona Torebka S.A., conducted by DM BZ WBK.
- With the continued upward trend on the stock market, in Q4 2012 DM BZ WBK share in the equity trading was at 7.7% and slightly up on the previous quarter (+0.5 p.p.). The subsidiary's share in transactions on the futures market was also rather stable (11.9% vs. 11.3% in Q3 2012).
- In the entire 2012, DM BZ WBK ranked 5th on the equity market (with a 7% share), 3rd on the futures market (11.5%) and 2nd on the option market (17.2%).
- In October 2012, DM BZ WBK was again listed in Forbes' annual ranking of the best-performing retail brokers. While the company scored well in all categories, personal customers appreciated in particular the transactional platform and the quality of analyses, recommendations and front-line service.
- According to Parkiet, Warsaw Stock Exchange newspaper (23 November 2012), DM BZ WBK ranked 3rd on the market in terms of the net profit for the three quarters of 2012. This confirms that the company pursues the right strategy with a focus on the quality of personal customer service and diversification of income sources.

Selected distribution channels

Branch network and complementary distribution channels

- As at 31 December 2012, Bank Zachodni WBK operated through 519 branches (vs. 526 as at 31 December 2011). The bank's branch network was supported by 109 Partner outlets (96 outlets as at 31 December 2011).

ATM Network

- At the year-end 2012, the ATM network of Bank Zachodni WBK comprised 1,059 machines (vs. 1,045 as at the end of December 2011).

BZWBK24 Mobile

- As part of the mobile banking enhancement, the geolocation functionality was implemented in Q4 2012. The new feature uses GPS coordinates and enables customers to locate the points of interest on the map, such as BZ WBK outlets and cash deposit machines, BZ WBK and other banks' ATMs, gas stations and Payback partners. The browsing function also includes an option to generate a list of online shops with discounts available for BZ WBK customers paying with BZ WBK cards or by Przelew24 transfer.

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

Other information

FTEs	31.12.2012	30.09.2012	30.06.2012	31.03.2012	31.12.2011
BZ WBK	8 217	8 251	8 399	8 534	8 726
BZ WBK Group	8 834	8 867	9 027	9 180	9 383

- As at 31 December 2012, the employment level in Bank Zachodni WBK Group was 8,834 FTEs, which represented a QoQ drop by 33 FTEs resulting from natural personnel movements and the decision not to fill in the vacancies.

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

- On 4 December 2012, KNF (Financial Supervision Authority) approved the merger between Bank Zachodni WBK and Kredyt Bank.
- KNF also approved an amendment to §10 of the statutes of Bank Zachodni WBK regarding the bank's share capital, which had been passed on 30 July 2012 by the Extraordinary Meeting of Shareholders convened due to the planned merger.
- On 6 December 2012, KNF approved the memorandum for the public offer of the bank's J-series ordinary bearer shares as equivalent in the form and content to the issue prospectus. The memorandum has been available at the website of Bank Zachodni WBK since 11 December 2012.
- 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 presently comprises 93,545,089 ordinary bearer shares of PLN 10 each.
- At the same time, the number of votes held by Banco Santander S.A. at the General Meeting of Shareholders of Bank Zachodni WBK fell from 94.23% to 75.19%.
- The shareholder structure of Bank Zachodni WBK following the merger comprises KBC Bank NV, i.e. the majority shareholder of Kredyt Bank which holds 15,125,966 merger shares representing 16.17% of the total number of votes at the bank's General Meeting of Shareholders.
- The merger has created the third-largest capital group in the Polish banking sector, both in terms of asset volume, equity and deposit base as well as the number of branches. The merged bank operates 900 branches providing service to ca. 3.5m customers. The extended scale of business will allow the bank to successfully compete with the major players in the Polish banking sector while the synergies will improve its operational efficiency.

Credit rating of the merged bank

- On 10 January 2013, Fitch Ratings affirmed ratings of Bank Zachodni WBK and withdrew ratings of Kredyt Bank. See the table below for details:

Rating type	Ratings confirmed by the announcement of Fitch Ratings as of 10.01.2013
Long-term IDR	BBB
Outlook for the long-term IDR rating	stable
Short-term IDR	F3
Viability Rating	bbb
Support Rating	2

- These rating actions were made in the wake of the legal merger of Bank Zachodni WBK (BZ WBK) and Kredyt Bank (KB).
- Confirmed IDRs and individual VR reflect Fitch's view that the credit profile of the merged organisation is broadly in line with that of pre-merger BZ WBK, although it is slightly weaker owing to KB. Both ratings reflect the intrinsic strength of BZ WBK, i.e. robust performance, comfortable liquidity and capital position as well as a stable funding structure based on customer deposits. According to Fitch, risks arising from the bank's credit exposures to commercial property loans and residential mortgages are properly secured, given the high capitalisation and profitability of the merged bank.
- The affirmed support rating means that the bank's majority shareholder - Banco Santander (Santander, "BBB+"/Negative) - will have a high propensity to provide support to the merged bank in case of need, given its strategic importance for Santander's business in Poland.
- According to the base scenario developed by Fitch, prospective downgrade of the long-term IDR for Santander will not have any impact on BZ WBK rating. No VR or IDR upgrades are expected in the short- and medium-term perspective, given the merger-related organisational challenges for the bank, moderately negative impact of the merger, deterioration of the macroeconomic environment and the credit rating of Banco Santander.

Other developments

- In November 2012, Bank Zachodni WBK was named "Bank of the Year in Poland" by "The Banker", a prestigious British monthly financial journal. The bank has received this top rating from "The Banker" for the second time in three years. The jury appreciated Bank Zachodni WBK for its ability to improve its market position despite the negative impact of the eurozone crisis. They also highlighted the double-digit growth of the net profit, innovative solutions for personal and business customers as well as prospects for further growth of business after the merger with Kredyt Bank.
- In November 2012, Bank Zachodni WBK received the "Customer-friendly Company" award for the fourth time already. This prize is granted by Fundacja Obserwatorium Zarządzania (Management Observatory Foundation) based on reliable customer opinion surveys. The bank received top ratings in terms of customer service quality as well as staff know-how and skills, tested by mystery clients at random branches.



WBK

| Bank Zachodni WBK S.A.

47. Overview of BZ WBK Group performance after four quarters of 2012

Financial and business highlights

- Total income increased by 8.2% YoY to PLN 4,136.3m.
- Total costs decreased by 5.6% YoY to PLN 1,817.2m, with staff expenses down 2.4% to PLN 953.1m.
- Profit-before-tax was PLN 1,837.0 m and up 19.1% YoY.
- Profit-after-tax attributable to the shareholders of Bank Zachodni WBK was PLN 1,433.8m and higher by 21.1% YoY.
- Capital Adequacy Ratio was 16.59% (15.70% as at 30 September 2012 / 15.10% as at 31 December 2011).
- Return on Equity was 20.7% (19.8% as at 30 September 2012 / 21.2% as at 31 December 2011), and 21.2% excluding the cost of integration with Kredyt Bank S.A.
- Cost to income ratio was 43.9% (50.3% in 2011), and 43% excluding the cost of integration with Kredyt Bank S.A.
- Net impairment losses on loans and advances amounted to PLN 501.8m compared with PLN 367m in 2011.
- NPL ratio was 5.4% (5.3% as at 30 September 2012 / 5.5% as at 31 December 2011), while the ratio of impairment losses to the average credit volumes was 1.2% (1.1% as at 30 September 2012 / 1.0% as at 31 December 2011).
- Loans to deposits ratio was 84.7% as at 31 December 2012 compared with 86.1% as at 30 September 2012 and 81.2% as at 31 December 2011.
- Stable value of gross loans to customers on a quarter-on-quarter basis (+0.2% QoQ); the year-on-year growth was more pronounced at 5.0% due to the expansion of personal loans (+9.0% YoY) and business & public sector loans (+3.5% YoY) to PLN 13,708.6m and PLN 25,386.0m, respectively.
- Moderate increase in deposits from customers during Q4 2012 (+1.5% QoQ); on a year-on-year basis the deposit base stabilised (+0.5% YoY) as a result of the inflow of funds to personal deposits (+5.6% YoY) and the decline in high-value short-term deposits from business & public sectors (-6.5% YoY), which brought the respective liabilities to PLN 28,636.3m and PLN 18,440.8m.
- Net value of assets held by mutual funds and private portfolios grew by 9.8% QoQ and 23.8% YoY to PLN 10.6bn amid lower risk aversion of investors.
- The number of customers using the BZWBK24 electronic banking services amounted to 2.2m (+10.1% YoY), while the BZ WBK payment card base included ca. 2.7m debit instruments (+6.6% YoY).

Income statement of Bank Zachodni WBK Group

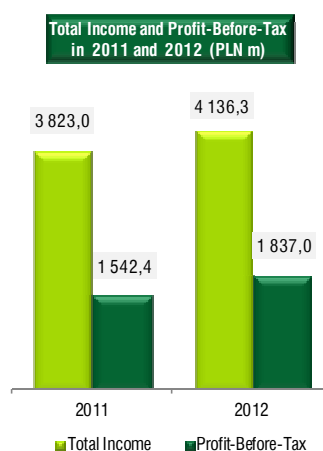
Profit earned by Bank Zachodni WBK Group after four quarters of 2012 – its drivers and structure

PLN m

Condensed Profit & Loss Account (for analytical purposes)	2012	2011	2011* underlying data	YoY Change	YoY Change* underlying data
Total income	4 136,3	3 823,0	3 823,0	8,2%	8,2%
- Net interest income	2 301,1	2 068,6	2 068,6	11,2%	11,2%
- Net fee & commission income	1 385,0	1 357,7	1 357,7	2,0%	2,0%
- Other income	450,2	396,7	396,7	13,5%	13,5%
Total costs	(1 817,2)	(1 924,6)	(1 835,8)	-5,6%	-1,0%
- Staff, general and administrative expenses	(1 653,1)	(1 659,1)	(1 654,0)	-0,4%	-0,1%
- Depreciation/amortisation	(137,9)	(215,9)	(139,5)	-36,1%	-1,1%
- Other operating expenses	(26,2)	(49,6)	(42,3)	-47,2%	-38,1%
Impairment losses on loans and advances	(501,8)	(367,0)	(367,0)	36,7%	36,7%
Profit/loss attributable to the entities accounted for using equity method	19,7	11,0	11,0	79,1%	79,1%
Profit-before-tax	1 837,0	1 542,4	1 631,2	19,1%	12,6%
Tax charges	(374,4)	(315,5)	(315,5)	18,7%	18,7%
Net profit for the period	1 462,6	1 226,9	1 315,7	19,2%	11,2%
- Net profit attributable to BZ WBK shareholders	1 433,8	1 184,3	1 273,1	21,1%	12,6%
- Net profit attributable to non-controlling shareholders	28,8	42,6	42,6	-32,4%	-32,4%

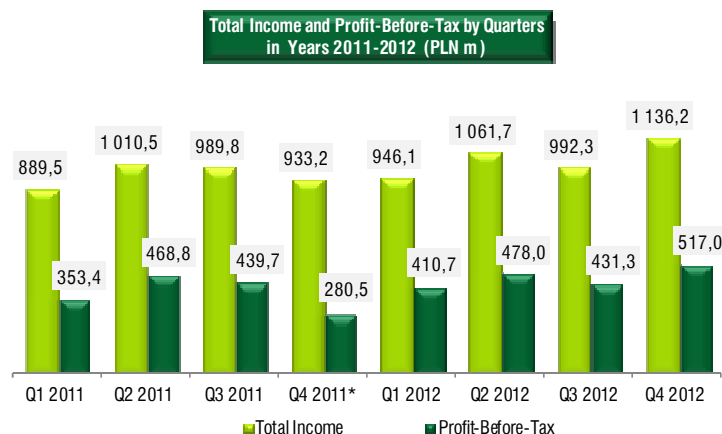
* Underlying data for 2011 exclude once-off cost adjustments of PLN 88.8m introduced in Q4 2011 as part of the process aimed to align operational practices of Bank Zachodni WBK Group and Banco Santander. More information on the subject can be found in "Report of Bank Zachodni WBK Group for Q4 2011".

In 2012, Bank Zachodni WBK Group posted a profit-before-tax of PLN 1,837.0m, an increase of 19.1% on 2011. The net profit attributable to Bank Zachodni WBK shareholders was PLN 1,433.8m and higher by 21.1% YoY. Excluding the non-recurring cost adjustments of PLN 88.8m posted in Q4 2011 in the process of aligning operating practices across Santander Group, both the profit-before-tax and the net profit attributable to Bank Zachodni WBK shareholders increased by 12.6% YoY.



WBK

Bank Zachodni WBK S.A.



* includes once-off cost adjustments of PLN 88.8m

Key drivers of the Group's 2012 profit

The performance of Bank Zachodni WBK Group in 2012 was significantly affected by the external environment, especially the processes occurring in the domestic and global economy, the regulatory policies and price fluctuations in the financial markets.

Key market trends

In 2012, the economic growth in Poland decelerated as a result of slower investments and reduced growth of consumption and exports. The economic deterioration resulted in a stagnation in the labour market, growth of unemployment and constrained growth in salaries. As households were increasingly concerned about their future finances, their demand for consumer loans decreased compared with 2011. The reduction in the growth of mortgage loans was also affected by the tightened lending criteria (e.g. amended Recommendation S) and changes in the State-subsidised loans programme "Rodzina na Swoim" ("A Family's Own Place"). Due to the weakening economic activity and pessimistic outlook for further growth, businesses were less interested in borrowings, especially in investment loans. At the same time, their liquidity diminished, and so did the value of their deposits. The household deposits with banks increased, however, despite the growing competition in the deposits market and removal of the one-day interest capitalisation deposits (following KNF's guidelines and the amended rules for calculation of the capital gains tax).

Starting from 2011, interest rates in the domestic money market were trending upwards (in May 2012, the NBP reference rate was raised to 4.75%) until late 2012 when it was commonly expected that the Monetary Policy Council would relax the monetary policy and eventually two NBP interest rates cuts were effected, by 0.5 p.p. in total.

In 2012, the moods in the financial markets were shifting, heavily influenced by the economic and political developments in the euro zone and in the world. In the first half of the year unfavourable market trends prevailed, while in the latter half of the year the risk aversion abated following the efforts of central banks (including EBC) to increase liquidity in the banking sector and to stabilise selected treasury bonds markets. The inflow of foreign capital to the Polish market (including investments in treasury bonds) was conducive to the zloty appreciation and the growth of prices of financial assets. As the moods improved, at the end of 2012 the main indices at the Warsaw Stock Exchange recorded the highest growths in percentage terms since 2009 (the annual change in the WIG index was 26.2%, while the WIG20 index increased by 20.4%). Mutual funds reported surprisingly strong performance, while the yields of Polish debt securities fell to the lowest levels in history. Towards the year-end, the yield of 2Y bonds was just below 3.1%, 5Y bonds paid below 3.2%, while the yield of 10Y bonds fell to nearly 3.7%. In effect, the yield of the Polish treasury bonds decreased by 1.75 p.p. during the year in the 2Y segment, and by more than 2 p.p. in the case of long-term instruments. The value of treasury securities held by non-residents increased in 2012 to a record level of PLN 190bn, while their share increased to more than 35% of the total value of the securities issued.

All these events were reflected in the business volumes and performance of Bank Zachodni WBK, although the strength of their impact sometimes differed from market tendencies due to other factors being involved as well.

Development directions of the key business volumes of Bank Zachodni WBK Group

In 2012, the Group's total credit volumes moderately increased (+5% YoY) while deposits levelled off.

Loans and advances to personal customers grew by 9% YoY, including an increase in mortgages and cash loans of 6.3% YoY and 15.9% YoY, respectively. Cash loan sales were conspicuous in the market as a result of intensive marketing campaigns, well-selected proposal parameters and smooth credit delivery. Deposit from personal customers increased by 5.6% YoY, mainly as a result of inflow of term deposits.

Stronger business lending resulted in a 4.2% YoY growth in loans and advances to enterprises, while business deposits fell by 7.5% YoY, with a 19.5% YoY increase in current account balances and a 21.7% YoY decrease in term deposits.

At the end of 2012, the net assets held by mutual funds and private portfolios of BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. and BZ WBK Asset Management S.A. was PLN 10,649.4m and increased by 23.8% YoY. Taking into account customer deposits, the total value of customer funds held by the Group was PLN 57,726.5m, an increase of 4.1% YoY.

Development directions of the main profit items of Bank Zachodni WBK Group

In 2012, the profit was mainly driven by the net interest income, which improved by 11.2% YoY as a result of the average annual growth of core business volumes, evolution of the business mix, higher interest rates environment and implementation of cash flow hedge accounting.

The profit growth was also significantly affected by the sale of debt securities from the available-for-sale portfolio. Polish government bond yields reduced significantly during 2012 reaching all-time lows and the management of Bank Zachodni WBK took the opportunity to reposition a portion of the available-for-sale investment portfolio, enhancing the gain from respective transactions by PLN 167.3m YoY. Furthermore, a total increase of PLN 111.4m was noted in the fee income from insurance, lending and direct banking activity.

There was also a positive enhancement from total costs which decreased by 5.6% YoY. It is worth noting that staff and administrative expenses declined by 2.6% YoY, excluding the impact of PLN 37.8m in respect of preparations for the merger of Bank Zachodni WBK and Kredyt Bank. This performance was achieved thanks to the robust and constantly improved process of monitoring and optimisation of the Group's cost base.

The factors that curtailed the profit growth in 2012 primarily included higher credit risk costs by 36.7% YoY (associated with the situation in the construction sector and the overall economic slowdown) and a decrease of 38.54% YoY in the net trading income and revaluation (as a result of developments in the foreign currency and interest rate market, and the implementation of the cash flow hedge accounting).

Structure of PBT earned by BZ WBK Group - by companies

PLN m					
Structure of Profit-Before-Tax by Contributing Entities	2012	Structure 2012*	2011	Structure 2011*	Change YoY
Bank	1 704,0	87,8%	1 427,1	81,8%	19,4%
Subsidiaries, of which:	235,7	12,2%	316,7	18,2%	-25,6%
BZ WBK Asset Management S.A. and BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	126,7	6,5%	201,9	11,6%	-37,2%
BZ WBK Leasing S.A., BZ WBK Finanse & Leasing S.A. and BZ WBK Finanse Sp. z o.o.	64,2	3,3%	41,7	2,4%	54,0%
Dom Maklerski BZ WBK S.A.	34,6	1,8%	61,2	3,5%	-43,5%
Other subsidiaries**	10,2	0,6%	11,9	0,7%	-14,3%
Intercompany and consolidation adjustments	(102,7)	-	(201,4)	-	-49,0%
Total	1 837,0	-	1 542,4	-	19,1%

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

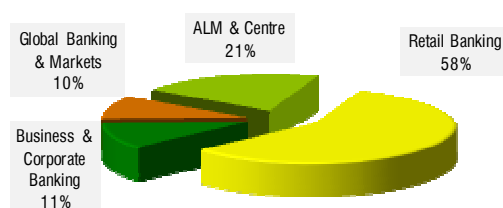
** BZ WBK Faktor Sp. z o.o., BZ WBK Inwestycje Sp. z o.o., Nieruchomości S.A.



In 2012, the unconsolidated profit-before-tax of Bank Zachodni WBK increased by 19.4% YoY, while the total profit of the subsidiaries declined by 25.6% YoY, mainly as a result of weaker performance of the entities operating in the capital markets sector. BZ WBK Asset Management S.A. and BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. generated lower profits (-37.2% YoY) due to a decline in net income from asset management and distribution fees, resulting from changes in the sales structure towards low margin products and a decrease in average annual net assets amid their considerable YoY growth (+23.8% YoY). The decelerating rate of the commission income collection was also responsible for curbed profits (-43.5% YoY) reported by Dom Maklerski BZ WBK S.A. (more information on the income of the above-mentioned undertakings are provided below in section "Net fee and commission income"). The weaker performance from capital markets was eased somewhat by the leasing companies, whose sales and profitability improved markedly (+54.0% YoY).

Structure of PBT earned by BZ WBK Group - by segments

Structure of PBT earned by BZ WBK Group in 2012 (no comparative data for 2011) - by segments

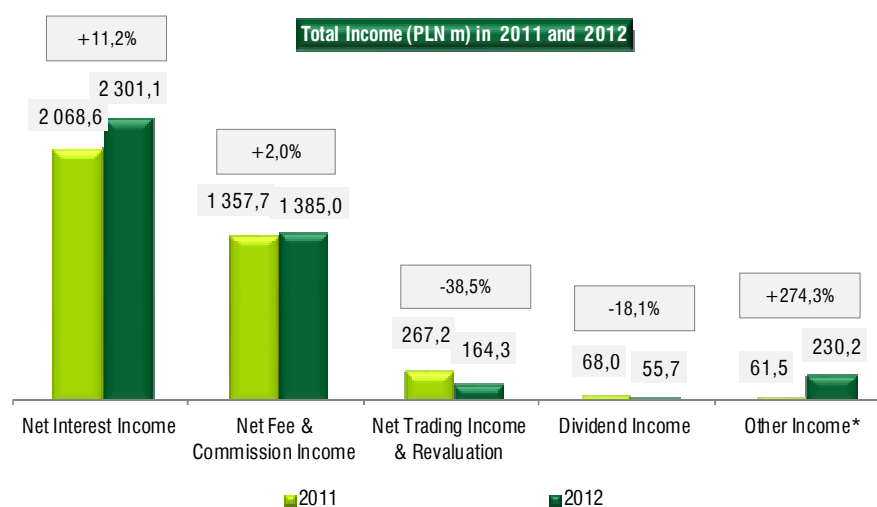


On 1 January 2012, Bank Zachodni WBK Group changed its operating segment reporting to reflect the modified organisational structure and customer segmentation, as well as upgraded transfer pricing calculation method impacting the net interest income by segments. Due to the lack of historical data, no comparative figures are provided.

On 30 September 2012, the segment referred to as "Centre" was renamed as "ALM and Centre" so as to describe its activity more adequately.

Total income

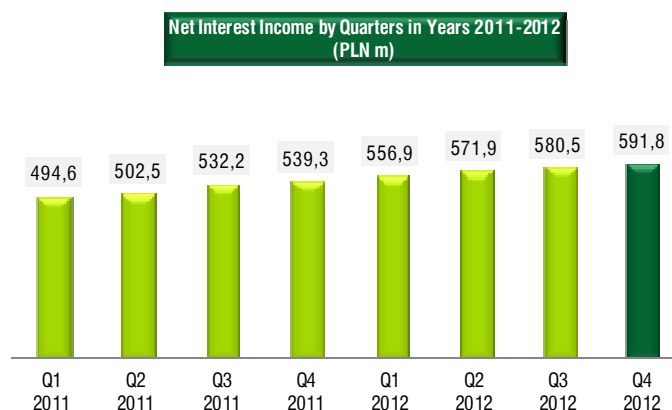
The total income achieved by Bank Zachodni WBK Group in 2012 was PLN 4,136.3m and up 8.2% YoY.



* The other components of total income include the profit on the disposal of investments in subsidiaries and associates, the profit on the sale of other financial instruments, and other income.

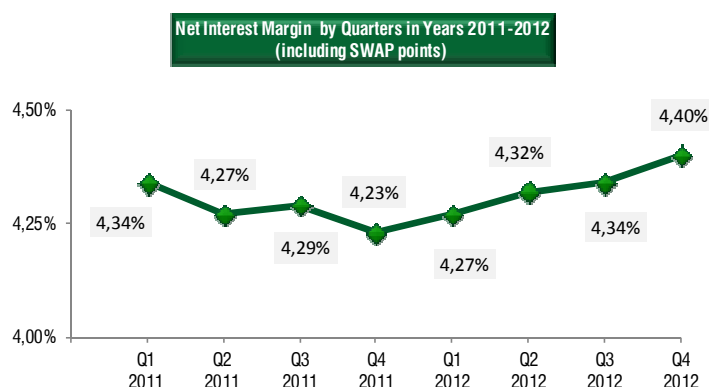
Net interest income

In 2012, the net interest income increased by 11.2% YoY to PLN 2,301.1m.



The net interest income for 2012 includes interest income of PLN 158.7m from CIRS transactions designated as hedging instruments under cash flow hedge accounting, first adopted in Bank Zachodni WBK on 1 December 2011. The respective amount is disclosed in Note 4 "Net interest income" under "Interest income from IRS hedges", which in 2012 amounted to PLN 177.2m compared with PLN 25.3m in 2011.

Taking into account the Group's other interest-related income, specifically the income from FX Swaps and non-hedging CIRS transactions (PLN 102.3m for 2012 and PLN 188.2m for 2011), reported under "Net trading income and revaluation", the underlying net interest income increased by 6.5% YoY.

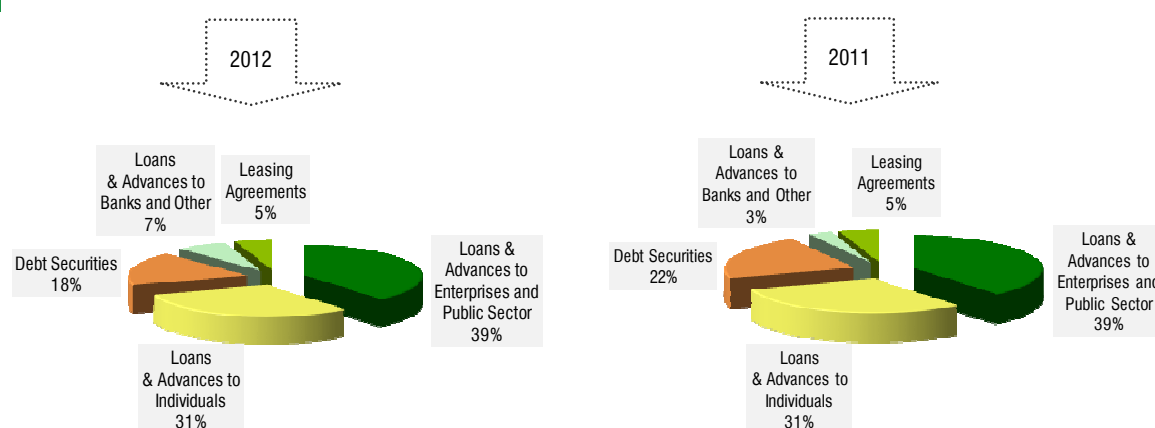


In the period from January to December 2012, the quarterly net interest margin of BZ WBK Group remained above 4% and slightly trended upwards (from 4.27% in Q1 2012 to 4.40% in Q4 2012). The relatively low margin at the beginning of the year is a result of the stronger competition among banks for household deposits (including the maturing deposits with one-day interest capitalisation), while the subsequent margin growth mainly reflects the changes occurring in the Group's balance sheet structure. The structural factors that affected interest income and expense include, among others, the increase in lending, including cash loans and loans and advances to SME customers, repositioning of the debt securities portfolios as part of the Group's liquidity and balance sheet management, as well as evolution of the deposit base under the impact of high-value short-term deposits and customers' economic situation and savings preferences.

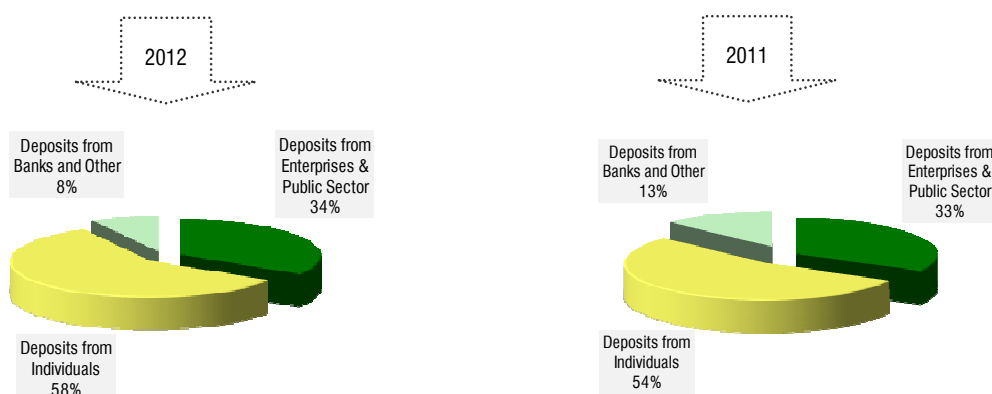
In the entire 2012, the Group's net interest margin was 4.33% compared with 4.28% reported a year before. The year-on-year margin increase reflects the slightly faster growth of the Group's net interest income compared with the average value of interest-bearing assets as a result, among others, of higher average market rates and larger interest income from lending activity and CIRS transactions.

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

Structure of interest income of BZ WBK Group in 2012 and 2011



Structure of interest expense of BZ WBK Group in 2012 and 2011



In 2012, the interest income amounted to PLN 3,867.5m and increased by 13.3% YoY, while the interest expense increased by 16.4% YoY to PLN 1,566.4m. Interest income was driven by loans and advances to enterprises (+14.9% YoY), mortgage loans (+16.2% YoY), other personal loans (+16.5% YoY), loans and advances to banks (+15.6% YoY) and interest on hedging IRS (+599.4% YoY). The growth in interest expense was mainly attributable to deposits from enterprises (+14.6% YoY), personal deposits (+25.5% YoY) and state budget sector deposits (+50.9% YoY).

Net fee and commission income

PLN m

Net Fee and Commission Income	2012	2011	Change YoY
Direct Banking *	346,5	313,6	10,5%
Account maintenance and cash transactions	245,4	243,9	0,6%
FX fees	233,8	224,3	4,2%
Asset management and distribution	187,6	241,9	-22,5%
Credit fees **	139,0	100,1	38,9%
Insurance fees	108,4	68,8	57,6%
Brokerage fees	66,1	100,3	-34,1%
Other ***	58,2	64,8	-10,1%
Total	1 385,0	1 357,7	2,0%

Includes:

* fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third parties as well as other electronic & telecommunications services

** fees related to lending, leasing and factoring activities which are not amortised to interest income

*** credit card fees, guarantees & suerties, issue arrangement fees and others

Net Fee & Commission Income by Quarters in Years 2011-2012
(PLN m)

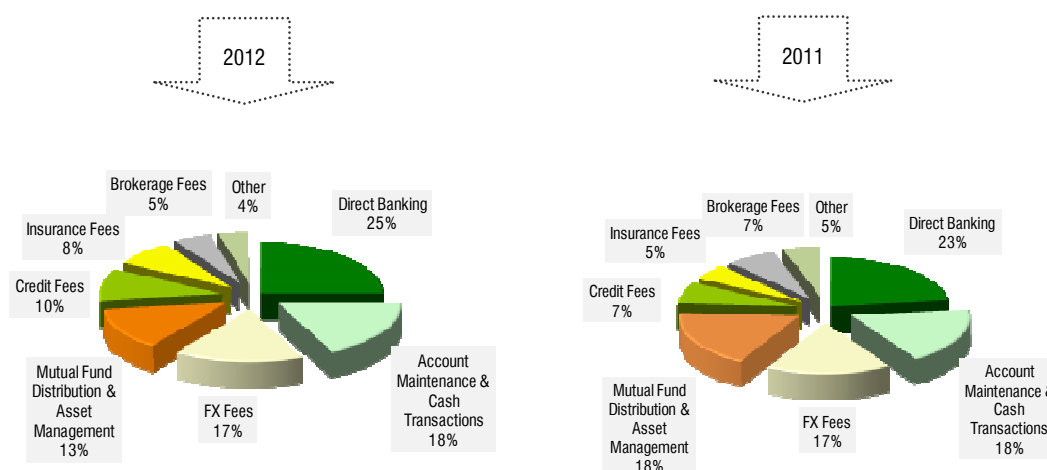
In 2012, the net fee and commission income was PLN 1,385.0m and increased by 2.0% YoY.

Like in previous years, this line was dominated by the net fee and commission income of Direct Banking (25% of the total) which increased by 10.5% during the year, mainly due to the growing number and activity of debit card holders, users of the BZWBK24 electronic banking system and customers making international payments. A strong growth was also recorded in the insurance fees (+57.6% YoY) and credit fees (+38.9% YoY) whose share in the net fee and commission income increased to 8% and 10%, respectively. This is primarily attributable to the development of the Group's lending business, including cash loans coming with the "Spokojny Kredyt" ("Worry-Free Loan") insurance, SME loans with the "Biznes Gwarant" ("Business Guarantee") insurance, and various financing options for the companies managed by the Business and Corporate Banking, and the Global Banking and Markets Divisions.

The increase in the net fee income was partly absorbed by the Group's weaker performance in the capital markets, which for the most of 2012 were rather nervous in reaction to the developments in the euro zone. The investors' moods improved as governments and central banks took steps to stabilise the situation, which provided stock indices with a momentum to rise. Still, the stock exchange saw a lower value of stock trading and weaker issuer activity in the primary market compared with the previous year.

The Group's net fee income from asset management and distribution of mutual funds declined by 22.5% YoY, reflecting lower average value of mutual funds and private portfolios managed by BZ WBK Asset Management and BZ WBK Towarzystwo Funduszy Inwestycyjnych (-8.9% YoY) as well as changing sales structure in favour of low margin products such as bond funds. A 34.1% decrease in brokerage fees (representing net commission income of BZ WBK Brokerage House from a variety of sources) is attributable to limited investment activity of customers, pressure on the reduction of margins in all the stock exchange market segments and a slowdown in the IPO market. The income from investment advice and security issue arrangement services fell during the year by PLN 10.4m to PLN 4.9m, which, among other things, led to a decrease of 10.1% YoY in the aggregate figure presented in the table above as "Other fees".

Structure of net commission income of BZ WBK Group in 2012 and 2011



WBK

Bank Zachodni WBK S.A.

Other income

Net trading income and revaluation

Net trading income and revaluation (net trading income) amounted to PLN 164.3m and decreased by 38.5% YoY amid fluctuations of the foreign currency and interest rate markets, and under the impact of cash flow hedge accounting adopted by Bank Zachodni WBK effective from 1 December 2011.

In accordance with the hedge accounting principle, interest-related income from CIRS transactions designated and qualifying as cash flow hedges is treated as a component of interest income, while the interest income from other CIRS transactions is classified as net trading income. In 2012, the amount of PLN 158.7m was accordingly recognised as interest income, which negatively impacted the net trading income. The latter discloses solely the ineffective portion of changes in the fair value of cash flow hedging instruments, which in 2012 was negative at -PLN 0.2m.

A significant part of the net trading income is derived from the interest-related income on the FX Swap transactions and non-hedging CIRS transactions which in 2012 amounted to PLN 102.3m compared with PLN 188.2m posted a year before. The year-on-year decrease results from the methodology of recognising income from hedging CIRS transactions under cash flow hedge accounting, and from developments of currency rates and basis spreads.

Dividend income

The Group's dividend income from the non-controlling equity investments amounted to PLN 55.7m and decreased by 18.1% YoY. The largest dividend pay-outs came from Aviva Group companies (Aviva Powszechne Towarzystwo Emerytalne S.A. and Aviva Towarzystwo Ubezpieczeń na Życie S.A.). In 2012, they added up to PLN 45.9m and were lower by PLN 15.7m YoY. Furthermore, the dividend income was increased by the PLN 2.4m representing the distribution of income of the close-ended Arka property funds.

Other income items

Other income of Bank Zachodni WBK Group, an aggregate comprised of the gain on the sale of an associate undertaking (PLN 0.4m), the gains on the sale of other financial instruments (PLN 180.1m) and other operating income (PLN 49.7m), totalled PLN 230.2m and went up by 274.3% YoY.

This movement was most strongly driven by the gains on other financial instruments, which increased by PLN 168.3m YoY on account of the profit of PLN 174.1m from the sale of available-for-sale debt securities (PLN 6.8m in 2011) and the gains of PLN 4.5m from the sale of equity instruments (PLN 6.1m in 2011), including PLN 2.8m from the disposal of the bank's entire stake in Bank Polskiej Spółdzielczości, PLN 0.8m from the disposal of Centrum Klima S.A. from the equity investment of BZ WBK Inwestycje Sp. z o.o. and PLN 0.9m from the sale by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. of certificates and units in Arka funds.

Impairment charges

In 2012, the loan impairment charge to the profit and loss account amounted to PLN 501.8m vs. PLN 367.0m in 2011, which represents an increase of 36.7% YoY.

The balance of provisions for identified losses (individual and collective) was PLN 538.9m and up PLN 167.8m against a growth of PLN 1,979.3m in gross loans and advances to customers. The ensuing increase in provisions is mainly the effect of deteriorating financial condition of the construction sector, liquidity problems of enterprises and the projected deceleration of economic growth in Poland. Due to the higher identified impairment losses in the portfolio of business loans, the Group's cost of risk increased YoY by 0.2 p.p. to 1.2%. It is worth mentioning, however, that at the same time the provisions for commercial property loans kept on a downward trend.

The balance of provisions for unidentified losses (IBNR) was positive at PLN 19.3m (-PLN 4.7m in 2011), reflecting timely loan service by the Group customers, including cash loans and residential mortgages.

In 2012, BZ WBK Group sold retail and business loan portfolios with a total principal value of PLN 393.9m.

Due to a number of actions taken as part of the Group's conservative credit risk management, the quality of consolidated loan receivables – as measured by the impaired loans ratio – improved further during the year, particularly with respect to the retail, SME and property portfolios.

Total costs

PLN m			
Total costs	2012	2011	Change YoY
Staff, general and administrative expenses, of which:	(1 653,1)	(1 659,1)	-0,4%
- Staff expenses	(953,1)	(976,8)	-2,4%
- General and administrative expenses	(700,0)	(682,3)	2,6%
Depreciation/amortisation	(137,9)	(215,9)	-36,1%
Other operating expenses	(26,2)	(49,6)	-47,2%
Total	(1 817,2)	(1 924,6)	-5,6%

In 2012, the total costs of Bank Zachodni WBK Group amounted to PLN 1,817.2m, and were 5.6% lower than in 2011. The recorded decline combined with an increase in the total income of 8.2% YoY caused further improvement in the Group's cost to income ratio, i.e. from 50.3% in 2011 to 43.9% in 2012.

The Group's total cost base includes the integration expenses of PLN 37.8m associated with the merger between Bank Zachodni WBK and Kredyt Bank. Excluding the impact of these expenses, the Group's cost to income ratio was 43%.

Staff and general & administrative expenses, which have the highest share in the Group's total costs (91%), amounted to PLN 1,653.1m, of which:

- The Group's staff expenses amounted to PLN 953.1m and decreased by 2.4% YoY, mainly on account of reduced employment by 549 FTEs over the 12 month period.
- The Group's general and administrative expenses amounted to PLN 700.0m and were 2.6% higher YoY. The most pronounced growth (+66.5% YoY) was seen in the consulting fees connected with the merger between Bank Zachodni WBK and Kredyt Bank. The higher fees paid to the market regulators (+15.8% YoY) result from the higher basis of their calculation in effect of the steady development of business volumes. Following the increase in energy prices and indexation of lease agreements, the cost of maintenance and lease of buildings went up (+4.6% YoY) while the expanded outsourcing of IT service and application development raised IT usage costs (+3.9% YoY). At the same time the Group notably limited its operating costs in such areas as: stationery, prints, cards, cheques (-28.2% YoY), security (-14.7% YoY), postal and telecommunications fees (-14.2% YoY), and marketing and entertainment costs (-7.9% YoY).

The Group's depreciation was PLN 137.9m and lower by 36.1% YoY due to the recognition in Q4 2011 of PLN 76.4m representing a once-off increase of depreciation/amortisation charge as a result of adoption of a shorter period of economic life of intangible assets and selected properties.

The Group's other costs amounted to PLN 26.2m and were down 47.2% YoY due to non-coverage of cost of debt collection (repossessing properties for debts, debt collection services) and a once-off adjustment that occurred in Q4 2011 as part of the process of aligning operational practices across Santander Group.

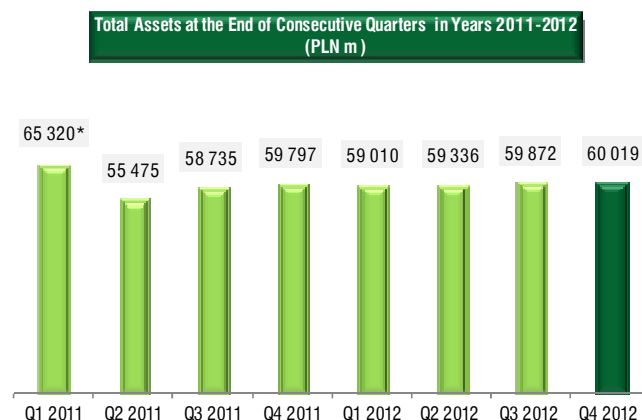
The Group maintains a strict cost discipline. The operating and capital expenses are subject to a stringent planning, and progress vs. approved budget is closely monitored. The centralised procurement process allows the number of suppliers to be reduced and ensures that the existing contracts are regularly reviewed and negotiated.

Financial position

Assets

As at 31 December 2012, total assets of Bank Zachodni WBK Group amounted to PLN 60,019.2m, showing stable levels quarter-on-quarter and year-on-year. The value and structure of the Group's statement of financial position is mainly affected by the parent company, which accounts for 98.6% of the consolidated total assets.

Total assets of BZ WBK Group in 2011-2012 by quarters (PLN m)



* As at 31.03.2011, total assets include short-term settlements of PLN 11.7bn between BZ WBK Brokerage House and the National Depository for Securities regarding the sale of Bank Zachodni WBK through a public tender offer announced by Banco Santander

The table below presents major developments in the key categories of the consolidated assets of Bank Zachodni WBK Group as at 31 December 2012 versus 30 September 2012 and 31 December 2011.

Assets (condensed presentation for analytical purposes)	PLN m							
	31.12.2012 1	Structure 31.12.2012 2	30.09.2012 3	Structure 30.09.2012 4	31.12.2011 5	Structure 31.12.2011 6	Change QoQ 1/3	Change YoY 1/5
Loans and advances to customers *	39 867,6	66,4%	39 928,8	66,7%	38 017,2	63,6%	-0,2%	4,9%
Investment securities	11 716,1	19,5%	12 303,3	20,5%	11 652,2	19,5%	-4,8%	0,5%
Cash and operations with Central Banks	4 157,3	7,0%	2 606,6	4,4%	1 425,5	2,4%	59,5%	191,6%
Loans and advances to banks	1 458,1	2,4%	1 622,3	2,7%	1 204,2	2,0%	-10,1%	21,1%
Financial assets held for trading	831,7	1,4%	1 775,5	3,0%	5 836,0	9,8%	-53,2%	-85,7%
Fixed and intangible assets	607,1	1,0%	581,6	1,0%	651,0	1,1%	4,4%	-6,7%
Hedging derivatives	253,6	0,4%	186,5	0,3%	141,6	0,2%	36,0%	79,1%
Other assets	1 127,7	1,9%	867,5	1,4%	868,9	1,4%	30,0%	29,8%
Total	60 019,2	100,0%	59 872,1	100,0%	59 796,6	100,0%	0,2%	0,4%

* including impairment write-down

The biggest YoY changes in the consolidated assets of Bank Zachodni WBK Group were observed in current line items. The "Financial assets held for trading" decreased by 85.7% YoY, reflecting a lower volume of trading in short-term NBP bills. Concurrently, as part of on-going liquidity management, substantial amounts were deposited in the NBP current account, which boosted "Cash and operations with Central Bank" by 191.6% YoY. The "Loans and advances to banks" increased by 21.1% YoY as a result of the bank's deposit activity in the interbank money market. Also, the book value of derivative hedges showed a considerable growth (+79.1% YoY).

In 2012, net loans and advances to customers increased moderately (+4.9% YoY) and at the end of December accounted for 84.7% of the deposits from non-financial entities funding them, as compared with 81.2% at the end of December 2011. At the same time, the loans and advances to customers increased their share in the total assets from 63.6% to 66.4%.

Credit portfolio

					PLN m
Gross Loans and Advances to Customers	31.12.2012	30.09.2012	31.12.2011	Change QoQ	Change YoY
Loans and advances to business and public sector customers	25 386,0	25 578,5	24 521,2	-0,8%	3,5%
Loans and advances to personal customers	13 708,6	13 414,8	12 572,6	2,2%	9,0%
Finance lease receivables	2 289,9	2 330,6	2 335,5	-1,7%	-2,0%
Other	27,3	13,4	3,1	103,7%	780,6%
Total	41 411,8	41 337,3	39 432,4	0,2%	5,0%

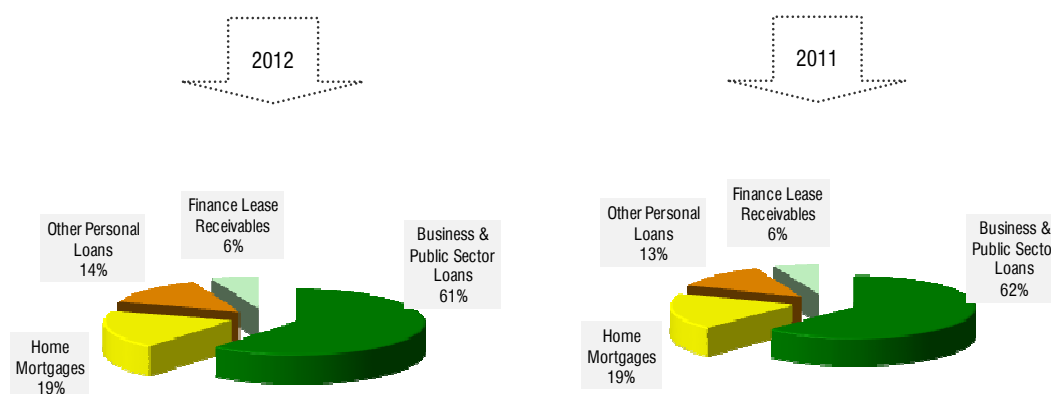
As at 31 December 2012, gross loans and advances to customers were PLN 41,411.8m, remaining stable QoQ while increasing by 5% YoY.

In Q4 2012, the total value of loans and advances to business & public sector customers decreased slightly (-0.8% QoQ) to PLN 25,386m. The increase in term loans observed over that period offset the effect of repayment of working capital loans (including overdrafts) and lower value of property exposures. On a year-on-year basis, loans and advances to business and public sector customers rose by 3.5%, reflecting higher borrowing demands of SME and corporate customers seeking to enhance their current operations or resume the suspended development plans. However, the value of property loans decreased on end-December 2011 as a result of the zloty appreciation and the planned loan repayments.

The financial lease portfolio amounted to PLN 2,289.9m and remained stable compared with 30 September 2012 and 31 December 2011. In 2012, the sales of the leasing companies grew rapidly (+20.1% YoY) driven by loans, a facility most popular in the agricultural sector and for funding the EU-subsidised investments. In the consolidated statement of financial position of Bank Zachodni WBK Group as at 31 December 2012, the majority of respective loans are disclosed under loans and advances to business customers.

Loans and advances to personal customers increased by 2.2% QoQ and 9.0% YoY to PLN 13,708.6m. Included in this figure were residential mortgages of PLN 8,080.5m which grew by 6.3% YoY and cash loans of PLN 4,196.4m which expanded by 15.9% YoY. Sales of both products have been improving steadily with the bank consistently upgrading its offering, developing CRM tools and extending brand recognition through advertising campaigns.

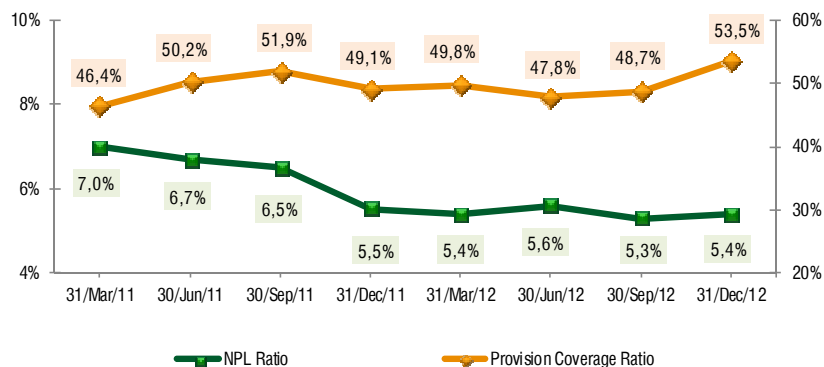
Loans and advances to customers of BZ WBK Group as at 31.12.2012 and 31.12.2011



WBK

Bank Zachodni WBK S.A.

The Group's NPL and provision cover ratio at the end of individual quarters in the period from 31.03.2011 to 31.12.2012



As at 31 December 2012, non-performing (impaired) loans to customers accounted for 5.4% of the gross portfolio vs. 5.3% at the end of September 2012 and 5.5% at the end of December 2011. The provision cover for the impaired loans was 53.5% compared with 48.7% three months before and 49.1% twelve 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 as at 31 December 2012 versus 30 September 2012 and 31 December 2011.

Liabilities & Equity (condensed presentation for analytical purposes)	PLN m							
	31.12.2012	Structure 31.12.2012	30.09.2012	Structure 30.09.2012	31.12.2011	Structure 31.12.2011	Change QoQ	Change YoY
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	47 077,1	78,4%	46 397,8	77,5%	46 829,5	78,3%	1,5%	0,5%
Deposits from banks	1 351,1	2,3%	2 518,8	4,2%	2 505,1	4,2%	-46,4%	-46,1%
Financial liabilities held for trading	728,8	1,2%	805,0	1,4%	931,7	1,6%	-9,5%	-21,8%
Subordinated liabilities	409,1	0,7%	411,3	0,7%	441,2	0,7%	-0,5%	-7,3%
Hedging derivatives	322,0	0,5%	298,9	0,5%	523,7	0,9%	7,7%	-38,5%
Other liabilities	1 153,4	1,9%	1 035,8	1,7%	1 082,4	1,8%	11,4%	6,6%
Total equity	8 977,7	15,0%	8 404,5	14,0%	7 483,0	12,5%	6,8%	20,0%
Total	60 019,2	100,0%	59 872,1	100,0%	59 796,6	100,0%	0,2%	0,4%

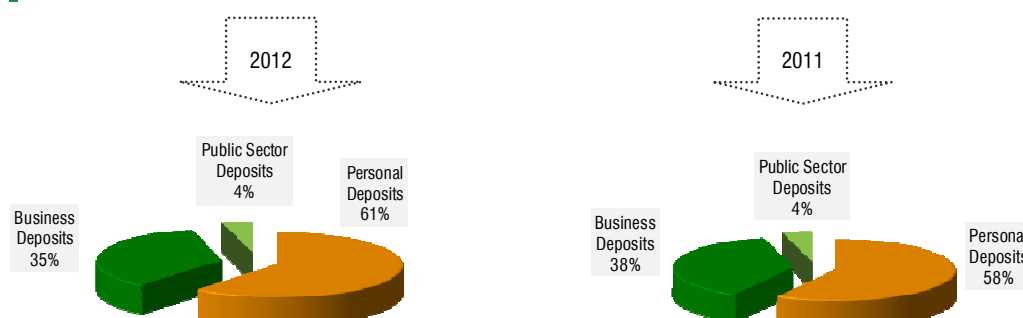
The consolidated statement of financial position as at 31 December 2012 shows a major growth in total equity (+20.0% YoY) resulting from an increase in BZ WBK share capital through the issue of 1,561,618 ordinary series I shares, fully taken up by EBRD in a private subscription. The nominal value of the shares of PLN 15.6m increased the share capital, while the share premium of PLN 316.4m was recognised in the supplementary capital. Customer deposits increased only slightly (+0.5% YoY), yet their structure changed both in terms of depositors and deposit types. At the same time, deposits from banks decreased (-46.1% YoY), mainly due to the lower volume of sell-buy-back transactions. A decrease was also noted in the book value of derivatives - both hedging derivatives (-38.5% YoY) and non-hedging derivatives reported under "Financial liabilities held for trading" (-21.8% YoY).

Deposit base

	PLN m				
Deposits from Customers	31.12.2012	30.09.2012	31.12.2011	Change QoQ	Change YoY
Deposits from personal customers	28 636,3	28 543,4	27 111,3	0,3%	5,6%
Deposits from business and public sector customers	18 440,8	17 854,4	19 718,2	3,3%	-6,5%
Total	47 077,1	46 397,8	46 829,5	1,5%	0,5%

Deposits from customers, which represent 78.4% of the Group's total equity and liabilities, are the primary source of funding the Group's lending business. As at 31 December 2012, these liabilities amounted to PLN 47,077.1m, increasing by 1.5% compared with 30 September 2012 and remaining rather stable YoY.

Deposits from customers of BZ WBK Group as at 31.12.2012 and 31.12.2011



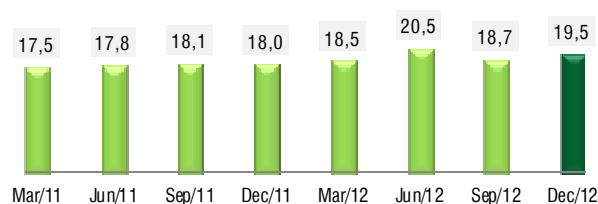
Deposits from personal customers amounted to PLN 28,636.3m, up 0.3% on 30 September 2012 and 5.6% on 31 December 2011. The most rapid growth was observed in term deposits, particularly in new deposit products developed in response to customers' demands and prevailing market conditions. In 2012, personal customers were most attracted by the 12M Easy Earning Deposit ("Lokata Swobodnie Zarabiająca") and the 6M or 7M Fast Earning Deposit ("Lokata Dynamicznie Zarabiająca") with progressive interest rates and monthly interest capitalisation. Short-term negotiable deposits were also quite popular throughout the year.

Deposits from business & public sector customers increased by 3.3% QoQ and decreased by 6.5% YoY to PLN 18,440.8m as several high-value short-term deposits placed by corporate customers towards the end of 2011 matured and were utilised for the scheduled investment undertakings. Term deposits from business and public sector customers decreased by 21.6% YoY, which was partly counterbalanced by the inflow of funds to the current accounts held by respective customers, totalling PLN 1.1bn (+19.9% YoY).

In the total amount of deposits from customers, term deposits were PLN 25,864.2m and down 5.7% YoY, current accounts were PLN 19,476.4m and up 8.3% YoY, and other liabilities were PLN 1,736.5m, up 21.6% YoY. The last item reflects utilisation of the credit lines from the European Investment Bank for SME funding in the total maximum amount of EUR 250m.

Term Deposits at the End of Consecutive Quarters of 2011 and 2012
(PLN bn)



Current Accounts at the End of Consecutive Quarters
of 2011 and 2012 (PLN bn)

Financial ratios

Selected Financial Ratios	31.12.2012	30.09.2012	31.12.2011
Total costs/Total income	43,9%	45,0%	50,3%
Net interest income/Total income	55,6%	57,0%	54,1%
Net interest margin *	4,3%	4,3%	4,3%
Net commission income/Total income	33,5%	34,0%	35,5%
Customer loans/Customer deposits	84,7%	86,1%	81,2%
NPL ratio	5,4%	5,3%	5,5%
NPL coverage ratio	53,5%	48,7%	49,1%
Credit risk ratio **	1,2%	1,1%	1,0%
ROE ***	20,7%	18,4%	19,7%
ROA ****	2,4%	2,1%	2,0%
Capital adequacy ratio	16,6%	15,7%	15,1%
Book value per share (in PLN)	120,3	112,6	102,4
Earnings per share (in PLN) *****	19,2	13,8	16,2

* Annualised interest income (including Swap points) to the average quarterly interest-bearing assets (net of impairment write-down).

** Impairment losses on loans and advances to average loans and advances.

*** Annualised net profit attributable to the shareholders of BZ WBK (for 4 consecutive quarters) to average equity calculated based on total equity at the end of five consecutive quarters, net of the current period profit, non-controlling interests and dividend due to BZ WBK shareholders.

Excluding once-off cost adjustments introduced in Q4 2011 as described in "Report of BZ WBK Group for Q4 2011" (Note 1 of consolidated financial statements), adjusted ROE as at 30.09.2012 and 31.12.2011 was 19.8% and 21.2%, respectively.

Excluding costs of integration with Kredyt Bank S.A. (PLN 37.8m), adjusted ROE as at 31.12.2012 was 21.2%.

**** Annualised net profit attributable to the shareholders of BZ WBK (for 4 consecutive quarters) to average total assets calculated based on balances as at the end of five consecutive quarters.

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

48. Factors Which May Affect Financial Results of BZ WBK Group 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 demand for new consumption loans and mortgage loans.
- Rising growth rate of real households' income due to the 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 the public sector's investment spending due to continued fiscal consolidation, which may deepen a slump in construction sector and financial problems of construction companies.
- Further interest rate cuts by the MPC in response to a significant deceleration of economic growth and the inflation's fall below the NBP target.
- The changes of assets' financing cost depending on the pace and scale of changes of the main interest rates, changes of the zloty exchange rate, development of liquidity situation of the banking sector and the intensity of price competition between the banks regarding acquisition of deposits.
- Possible increase in volatility of the financial market in case of disappointment of 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, general elections in Italy).
- Further developments on the global stock market and its impact on willingness to purchase investment funds units or keeping savings in safe bank deposits as an alternative.

49. Merger with Kredyt Bank

On 4 January 2013 the business combination of Bank Zachodni WBK and Kredyt Bank was registered by the court. The transaction was settled through the issue and take-up of merger shares. As a result, eligible shareholders of Kredyt Bank were entitled to take up shares in accordance with the agreed exchange ratio of 6.96 merger shares for every 100 shares of Kredyt Bank. This represents a total of 18,907,458 ordinary bearer shares with a nominal value of PLN 10 each, with a total nominal value of PLN 189,074,580.

The merger will be finally accounted for using the acquisition method described in IFRS 3 "Business combinations". At the date of preparation of these interim condensed consolidated financial statements, the bank has not yet completed the calculation of the excess of the purchase price over the net value of the acquired net assets, nor has it finalised the provisional settlement of the acquisition of Kredyt Bank. As a result the bank:

- has not completed the process of identification of acquired intangible assets to be recognised as a result of the transaction in accordance with IFRS 3 "Business combinations",
- has not finalized the required market valuation or other calculations of the acquired assets and liabilities,
- has not completed the process of allocation of the purchase price to the individual assets and liabilities.

The Bank will strive to ensure that the quantitative information on the merger and its determinable effects on the consolidated accounts of BZ WBK Group will be presented in the consolidated annual report for 2012 to be published on 7 March 2013.

Selected elements of the estimated impact of the transaction on the financial data of BZ WBK Group (Pro Forma Financial Information) were disclosed in the Information Memorandum, published on 11 December 2012, based on financial information as at 30 September 2012.

Signature of a person who is responsible for maintaining the book of account			
Date	Name	Function	Signature
28.01.2013	Marco Antonio Silva Rojas	Member of the Management Board	
28.01.2013	Wojciech Skalski	Financial Accounting Area Director	