



**Bank Zachodni WBK S.A.**

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2009**

The opinion contains 2 pages  
The report supplementing the auditor's opinion  
contains 13 pages  
Opinion of the independent auditor  
and report supplementing the auditor's opinion  
on the separate financial statements  
for the financial year ended  
31 December 2009



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*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of Bank Zachodni WBK S.A.*

We have audited the accompanying separate financial statements of Bank Zachodni WBK S.A., seated in Wrocław, Rynek 9/11, 50-950 Wrocław ("the Bank"), which comprise the separate statement of financial position as at 31 December 2009, with total assets and total liabilities and equity of PLN 51,939,616 thousand, the separate income statement for the year then ended with a profit for the period of PLN 986,228 thousand and the separate statement of comprehensive income for the year then ended with a total comprehensive income of PLN 1,070,277 thousand, the separate statement of changes in equity for the year then ended with an increase in equity of PLN 1,072,981 thousand, the separate statement of cash flows for the year then ended with an increase in cash amounting to PLN 240,541 thousand, and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility, based on our audit, is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act") and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the accompanying separate financial statements of Bank Zachodni WBK S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2009 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Bank's articles of association that apply to the Bank's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

### *Other Matters*

As required under the Accounting Act, we also report that the Report on the Bank's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the 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) and the information is consistent with the separate financial statements.

*Signed on the Polish original*

*Signed on the Polish original*

.....  
On behalf of KPMG Audyt Sp. z o. o.  
ul. Chłodna 51, 00-867 Warsaw  
Stacy Ligas  
Director

.....  
On behalf of KPMG Audyt Sp. z o.o.  
ul. Chłodna 51, 00-867 Warsaw  
Certified Auditor No. 796  
Bogdan Dębicki, Director

1 March 2010  
Warsaw, Poland



TRANSLATION

**Bank Zachodni WBK S.A.**

Report supplementing  
the auditor's opinion  
on the separate financial  
statements

Financial Year ended  
31 December 2009

The report supplementing the auditor's opinion  
contains 13 pages

Report supplementing the auditor's opinion  
on the separate financial statements  
for the financial year ended  
31 December 2009

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## **1. General**

### **1.1. General information about the Bank**

#### **1.1.1. Bank's name**

Bank Zachodni WBK S.A.

#### **1.1.2. Registered office**

Rynek 9/11  
50-950 Wrocław

#### **1.1.3. Registration in the National Court Register**

Registration court: District Court in Wrocław, VI Commercial Department of the National Court Register  
Date: 27.04.2001  
Registration number: KRS 0000008723

#### **1.1.4. Tax Office and Provincial Statistical Office registration**

NIP number: 896-000-56-73  
REGON: 930041341

### **1.2. Auditor information**

Name: KPMG Audyt Sp. z o.o.  
Registered office: Warsaw  
Address: ul. Chłodna 51, 00-867 Warsaw  
Registration number: KRS 0000104753  
Registration court: District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register  
Share capital: PLN 125,000  
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

### **1.3. Legal status**

#### **1.3.1. Share capital**

Bank Zachodni WBK S.A. seated in Wrocław was established in result of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. merger on 13 June 2001 for an indefinite period on the basis of Commission for Banking Supervision's resolution no. 30/KNB/01 from 7 March 2001.

The share capital of the Bank amounted to PLN 730,760,130 as at 31 December 2009 divided into 73,076,013 ordinary shares with a nominal value of PLN 10 each.

On 10 July 2009 increase of the Bank's share capital by PLN 1,157,290 was registered in result of vesting of the first edition incentive scheme introduced in 2006.

As at 31 December 2009, the shareholder structure was as follows:

<b>Name of the Shareholder</b>	<b>Number of shares</b>	<b>Voting rights (%)</b>	<b>Nominal value of shares PLN '000</b>	<b>Percentage of share capital (%)</b>
AIB European Investments Limited	51 413 790	70,4%	514 138	70,4%
Others	21 662 223	29,6%	216 622	29,6%
	<b>73 076 013</b>	<b>100,0%</b>	<b>730 760</b>	<b>100,0%</b>

### 1.3.2. Related parties

The Bank is a member of the Bank Zachodni WBK Group.

### 1.3.3. Management of the Bank

The Management Board is responsible for management of the Bank.

At 31 December 2009, the Management Board of the Bank was comprised of the following members:

- Mateusz Morawiecki – President of the Management Board,
- Paul Barry – Member of the Management Board,
- Andrzej Burliga – Member of the Management Board,
- Declan Flynn – Member of the Management Board,
- Justyn Konieczny – Member of the Management Board,
- Janusz Krawczyk – Member of the Management Board,
- Jacek Marcinowski – Member of the Management Board,
- Michael McCarthy – Member of the Management Board,
- Marcin Prell – Member of the Management Board,
- Mirosław Skiba – Member of the Management Board,
- Feliks Szyszowskiak – Member of the Management Board.

Changes to the composition of the Bank's Management Board over the past 12 months were as follows:

- On 16 December 2008 Mr. Michael McCarthy was appointed to take up position as the Management Board Member in charge of Business Banking Division with effect on 1 February 2009.

#### **1.3.4. Scope of activities**

The business activities listed in the Bank's Statute include the following:

- receiving and maintaining current and term deposits, including accepting and placing cash deposits in domestic and foreign banks,
- maintaining other bank accounts,
- granting loans,
- granting and confirming guarantees and letters of credit,
- issuing banking securities,
- performing cash settlements,
- issue of electronic money instrument,
- granting cash advances,
- performing cheque and bill of exchange operations,
- issuing payment cards and processing card operations,
- performing term financial operations,
- trading in receivables,
- safekeeping of goods and securities as well as providing access to safe deposit-boxes,
- agency services in making money transfers and settlements in foreign currency payments,
- granting civil law guarantees,
- performing operations related to the issue of securities,
- acting as the representative of bond holders,
- purchase and sale of foreign exchange values.

Additionally the Bank is illegible to perform the following activities:

- acquiring shares, rights from shares and participations of another corporate entity and contributions to limited partnerships or limited joint stock partnerships, or units and investment certificates in investment funds; making contributions to limited liability companies within the limits specified by the Banking Law,
- incurring liabilities related to the issue of securities,
- trading in securities on Bank's own account or on other parties' account,
- exchanging debts for debtor's assets,
- acquiring and disposing of real estates and debts secured by a mortgage,
- providing consultancy and advisory services in relation to financial matters,
- providing certification services in line with regulations on an electronic signature, excluding qualified certificates,
- providing other financial services,
- selling pension funds,
- acting as a depositary under the definition of organization and functioning of pension funds act,
- acting as a depositary under the definition of investment funds act,
- insurance brokerage and acting as sales agent of leasing, factoring, forfeiting and franchising products,
- providing financial services, connected to using IT technology, to subsidiaries,



- providing services connected with keeping a register of investment funds participants,
- providing services connected with keeping a register of pension funds participants
- bookkeeping services for investment and pension funds.

Additionally the Bank may perform the above activities on the instruction of another entity if these activities are performed by the instructing entity. In accordance with Bank's strategy, it may also cooperate with the domestic, foreign and international banks and financial institutions and perform services of transportation of goods.

#### **1.4. Prior period financial statements**

The separate financial statements for the period ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 21 April 2009 where it was resolved to allocate the profit for the prior financial year of PLN 809,165 thousand as follows:

- PLN 689,165 thousand – reserve capital,
- PLN 120,000 thousand – General Risk Fund.

The closing balances as at 31 December 2008 have been properly recorded as the opening balances of the audited year.

The separate financial statements were submitted to the Registry Court on 27 April 2009 and were published in Monitor Polski B No. 1211 on 28 July 2009.

#### **1.5. Audit scope and responsibilities**

This report was prepared for the General Meeting of Bank Zachodni WBK S.A. seated in Wrocław, Rynek 9/11, 50-950 Wrocław and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2009, with total assets and total liabilities and equity of PLN 51,939,616 thousand, the separate income statement for the year then ended with a profit for the period of PLN 986,228 thousand and the separate statement of comprehensive income for the year then ended with a total comprehensive income of PLN 1,070,277 thousand, the separate statement of changes in equity for the year then ended with an increase in equity of PLN 1,072,981 thousand, the separate statement of cash flows for the year then ended with an increase in cash amounting to PLN 240,541 thousand, and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The audited Bank prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting Shareholders dated 17 December 2004.

The separate financial statements have been audited in accordance with the contract dated 15 December 2009, concluded on the basis of the resolution of Supervisory Board of Bank Zachodni WBK S.A. dated 24 June 2009 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act and International Standards on Auditing.



We audited the separate financial statements in the Bank's head office and Branches during the period from 5 October 2009 to 26 February 2010.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Management of the Bank and members of the Supervisory Board are obliged to ensure that the financial statements and the Report on the Bank's activities are in compliance with the requirements set forth in the Accounting Act.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Bank submitted a statement dated the same date as this report as to the true and fair presentation of the separate financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the separate financial statements of the Bank fulfill independence requirements. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.

## 2. Financial analysis of the Bank

### 2.1. Summary of the separate financial statements

#### 2.1.1. Statement of financial position

ASSETS	31.12.2009 PLN '000	% of total assets	31.12.2008 PLN '000	% of total assets
Cash and balances with central banks	2 660 649	5,1	3 178 099	5,8
Loans and advances to banks	647 559	1,3	1 347 832	2,5
Financial assets held for trading	1 301 037	2,5	3 222 357	5,9
Hedging derivatives	10 801	0,0	347	-
Loans and advances to customers	32 626 176	62,9	32 654 263	59,6
Investment securities	13 265 805	25,5	12 894 385	23,5
Investments in subsidiaries, associates and joint ventures	234 349	0,5	234 225	0,4
Intangible assets	162 693	0,3	155 459	0,3
Property, plant & equipment	581 132	1,1	618 705	1,1
Current income tax due	55 817	0,1	-	-
Net deferred tax assets	223 680	0,4	168 141	0,3
Other assets	169 918	0,3	337 243	0,6
<b>TOTAL ASSETS</b>	<b>51 939 616</b>	<b>100,0</b>	<b>54 811 056</b>	<b>100,0</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2009 PLN '000</b>	<b>% of total equity and liabilities</b>	<b>31.12.2008 PLN '000</b>	<b>% of total equity and liabilities</b>
<b>Liabilities</b>				
Deposits from central bank	1 519 208	2,9	1 242 574	2,3
Deposits from banks	2 301 492	4,4	1 957 609	3,6
Hedging derivatives	32 933	0,1	68 562	0,1
Financial liabilities held for trading	812 882	1,6	3 253 289	5,9
Deposits from customers	41 262 174	79,4	43 381 905	79,2
Current income tax liabilities	-	-	10 971	0,0
Other liabilities	517 388	1,0	475 588	0,9
<b>Total liabilities</b>	<b>46 446 077</b>	<b>89,4</b>	<b>50 390 498</b>	<b>92,0</b>
<b>Equity</b>				
Share capital	730 760	1,4	729 603	1,3
Other reserve funds	3 354 289	6,5	2 543 577	4,6
Revaluation reserve	422 262	0,8	338 213	0,6
Profit of the current period	986 228	1,9	809 165	1,5
<b>Total equity</b>	<b>5 493 539</b>	<b>10,6</b>	<b>4 420 558</b>	<b>8,0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>51 939 616</b>	<b>100,0</b>	<b>54 811 056</b>	<b>100,0</b>

## 2.1.2. Income statement

	<b>1.01.2009 - 31.12.2009</b>	<b>1.01.2008 - 31.12.2008</b>
	<b>PLN '000</b>	<b>PLN '000</b>
Interest and similar income	3 043 456	3 017 121
Interest expense and similar charges	(1 627 917)	(1 525 654)
<b>Net interest income</b>	<b>1 415 539</b>	<b>1 491 467</b>
Fee and commission income	1 160 141	1 095 619
Fee and commission expense	(137 231)	(121 477)
<b>Net fee and commission income</b>	<b>1 022 910</b>	<b>974 142</b>
Dividend income	337 553	218 331
Net trading income and revaluation	268 934	45 343
Gains (losses) from other financial securities	(6 139)	55 890
Net gain on sale of subsidiaries and associates	-	226
Other operating income	49 684	54 283
Impairment losses on loans and advances	(449 700)	(351 889)
Bank's staff, operating expenses and management costs	(1 351 650)	(1 386 807)
Depreciation / amortization	(112 155)	(97 611)
Other operating expenses	(16 076)	(15 942)
<b>Operating profit</b>	<b>1 158 900</b>	<b>987 433</b>
<b>Profit before tax</b>	<b>1 158 900</b>	<b>987 433</b>
Corporate income tax	(172 672)	(178 268)
<b>PROFIT FOR THE PERIOD</b>	<b>986 228</b>	<b>809 165</b>
<b>Net earnings per share</b>		
Basic earnings per share (PLN/share)	13,50	11,09
Diluted earnings per share (PLN/share)	13,44	11,05



### 2.1.3. Statement of comprehensive income

	1.01.2009 - 31.12.2009	1.01.2008 - 31.12.2008
	PLN '000	PLN '000
<b>Profit for the period</b>	<b>986 228</b>	<b>809 165</b>
<b>Other comprehensive income:</b>		
Available for sale financial assets valuation	57 459	2 445
Cash flow hedges valuation	26 590	(24 673)
<b>Other comprehensive income for the period, net of income</b>	<b>84 049</b>	<b>(22 228)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1 070 277</b>	<b>786 937</b>

## 2.2. Selected financial ratios

	2009	2008	2007
Total assets (PLN '000)	51 939 616	54 811 056	38 993 284
Profit before tax (PLN '000)	1 158 900	987 433	979 030
Profit for the period (PLN '000)	986 228	809 165	809 474
Shareholders' equity (PLN '000)*	4 507 311	3 611 393	3 041 295
Return on equity	21,9%	22,4%	26,6%
Capital adequacy ratio	12,3%	9,8%	11,4%
Net receivables to total assets	64,1%	62,0%	63,4%
Income generating assets to total assets	97,7%	97,7%	97,3%
Interest bearing liabilities to total liabilities	88,4%	90,9%	88,5%

*\* excluding current-year profit of the period*

## 2.3. Interpretation of selected financial ratios

In comparison to prior year total assets of the Bank decreased by PLN 2,871,440 thousand (or 5.2%). The largest decreases within assets were noted in financial assets held for trading (decrease by PLN 1,921,320 thousand or 59.6%) and cash and balances with central banks (decrease by PLN 517,450 thousand or 16.3%). On the liabilities side main factors of decrease were deposits from customers (decrease by PLN 2,119,731 thousand or 4.9%) and financial liabilities held for trading (decrease by PLN 2,440,407 thousand or 75.0%).

Profit before tax for the year 2009 increased in comparison to prior year by PLN 171,467 thousand or 17.4% and amounted to PLN 1,158,900 thousand. Main factors of this change were fluctuations of net interest income, net fee and commission income, dividend income, net trading income and revaluation and impairment losses on loans and advances to customers. Net interest income decreased by PLN 75,928 thousand (5.1%), impairment losses on loans and advances to customers increased by PLN 97,811 thousand (27.8%), whereas net fee and commission income increased by PLN 48,768 thousand (5.0%), dividend income increased by PLN 119,222 thousand (54.6%) and net trading income and revaluation grew up by PLN 223,591 thousand (493.1%).

### **3. Detailed report**

#### **3.1. Proper operation of the accounting system**

The Bank maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system. Our assessment covered in particular:

- appropriateness and consistency of the accounting principles used,
- correctness of the documentation of transactions,
- fairness, accuracy and verifiability of the accounting records, including the matching of accounting entries with supporting documentation and the financial statements,
- compliance of the adopted policies relating to the safeguarding of the supporting documentation, the accounting records and the financial statements with the Accounting Act.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

#### **3.2. Asset verification**

The Bank performed a physical verification of assets and liabilities in accordance with the requirements and time frame specified in Art. No. 26 of the Accounting Act and in the Decree of the Ministry of Finance dated 29 August 2008 on the specific accounting principles of banks (Official Journal from 2008, No. 161, item 1002).

Count differences have been recorded in the period covered by the separate financial statements.

#### **3.3. Compliance with banking regulations**

Based on our audit we have not identified any significant deviations in the Bank's compliance with the banking regulatory norm pertaining among other to loan concentration, obligatory reserve and capital adequacy ratio.

#### **3.4. Audit materiality**

We have planned and applied an appropriate level of precision in conducting our audit procedures in order to obtain reasonable assurance about whether the separate financial statements taken as a whole are free of material misstatements.

#### **3.5. Notes to the separate financial statements**

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements taken as a whole.



### **3.6. Report on the Bank's activities**

The Report on the Bank's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the 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) and the information is consistent with the separate financial statements.

### **3.7. Information on the opinion of the independent auditor**

Based on our audit of the separate financial statements as at and for the year ended 31 December 2009, we have issued an unqualified opinion.

*Signed on the Polish original*

*Signed on the Polish original*

.....  
On behalf of KPMG Audyt Sp. z o. o.  
ul. Chłodna 51, 00-867 Warsaw  
Stacy Ligas  
Director

.....  
On behalf of KPMG Audyt Sp. z o.o.  
ul. Chłodna 51, 00-867 Warsaw  
Certified Auditor No. 796  
Bogdan Dębicki, Director

1 March 2010  
Warsaw, Poland