

***CAPITAL GROUP***  
***KREDYT BANK S.A.***

*from 4 January 2013 merged with Bank Zachodni WBK S.A.*

**LONG-FORM AUDITORS' REPORT**  
**ON THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

## **I. GENERAL NOTES**

### **1. Background**

The holding company of the Kredyt Bank S.A. Capital Group (hereinafter 'the Group' or 'the Capital Group') was Kredyt Bank S.A., from 4 January 2013 merged with Bank Zachodni WBK S.A. ('the holding company', 'the Bank').

Kredyt Bank S.A. was incorporated on the basis of a Notarial Deed dated 4 September 1990. Kredyt Bank registered office was located in Warsaw at Kasprzaka 2/8.

Kredyt Bank S.A. was an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU. From the merger date on 4 January 2013, Kredyt Bank S.A. ceased to be an issuer of securities that are being mentioned in Article 4 of European Parliament and Council of the European Union of 19 July 2002 no. 1606/2002/WE.

Kredyt Bank S.A. was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000019597 on 12 June 2001.

On the date of making the entry to the National Court Register concerning the merger of Kredyt Bank S.A. and Bank Zachodni WBK S.A. (hereinafter 'BZ WBK S.A.') i.e. on 4 January 2013, Kredyt Bank S.A. ceased to be an autonomous business entity and was deleted from the National Court Register.

The holding company of Kredyt Bank S.A. Group was issued with tax identification number (NIP) 527-02-04-057 on 14 June 1993 and statistical number (REGON) 006228968 on 15 December 1999.

As at 31 December 2012 Kredyt Bank was part of the KBC Bank N.V. Capital Group. From 4 January 2013 Kredyt Bank is merged with Bank Zachodni WBK S.A.

The principal activities of the Kredyt Bank S.A. were as follows:

- accepting call (demand) or term deposits and keeping deposit accounts,
- keeping other types of bank accounts,
- extending loans,
- extending and confirming bank guaranties, letters of credit and securities,
- issuing bank securities, including in non material form,
- performing bank settlements,

- operations including cheques and bills of exchange, as well as operations warrants,
- issuing payment cards and performing operations using such cards,
- performing forward financial operations,
- purchasing and disposing of debt,
- storing valuable items and securities and renting safe deposit box,
- purchasing and selling of foreign exchange,
- intermediation in money transfers and settlements in foreign exchange trade,
- performing commissioned services relating to issuance of securities,
- extending cash loans,
- issuing electronic money instruments,
- acting as a bank – representative of bond holders,
- taking over or purchasing shares and rights arising from banks' shares and other rights from shares from other legal entities or participation units in investment funds,
- purchasing securities on own account or third parties, dealing with those securities, keeping securities accounts and intermediation in the conclusion and execution of securities accounts agreements,
- performing brokerage activities,
- incurring liabilities relating to the issuance of securities,
- acting as a trustee in dealing with securities, realizing commissioned services relating to the management of securities and other financial instruments, exercising rights arising from these securities on behalf of Banks' clients and on their request,
- performing lease operations, factoring, underwriting and forfeiting, as well as acting as an intermediary in this areas,
- managing investments and pension funds, serving as intermediary for investment funds, acting as depositary for investment and pension funds, keeping accounting books and members registers for funds, serving as payment agent for foreign investment funds,
- insurance agency activities for individuals and corporations,
- acquisition for open pension funds,
- performing, in accordance with agreement with debtors, conversion of liabilities to parts of debtor assets in line with the Banking Law,
- acquiring and disposing of real estate,
- financial consulting and advisory services,
- intermediation in performing banking services for other banks and financial services for other banks, credit and financial institutions.

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The scope of activities of the Group's subsidiaries, jointly controlled entities and associates were similar to this of the holding company.

- Kredyt Lease S.A. – lease services, renting and leasing of intangibles and tangibles assets, real estate trading and acting as an intermediary in selling goods and services.
- Kredyt Trade Sp. z o.o. w likwidacji – providing developer services, brokerage services relating to real estate, managing and administrating a real estate and technical objects

As at 31 December 2012, Kredyt Bank S.A. issued share capital amounted to 1,358,294 thousand zlotys and was divided into 271,658,880 shares of nominal value of 5 zlotys each share. Equity of Kredyt Bank S.A. Group as at that date amounted to 3,051,378 thousand zlotys.

In accordance with excerpt from the Kredyt Bank's S.A. Shares Register submitted by Kredyt Bank's Corporate Office of 3 January 2013, the ownership structure of the Kredyt Bank's issued share capital as at 31 December 2012 was as follows:

	Number of shares	Number of votes	Par value of shares  (in PLN thousand)	% of issued share capital
KBC Bank NV* (Brussels)	217,327,103	217,327,103	1,086,636	80.00%
Others	54,331,777	54,331,777	271,658	20.00%
Total	271,658,880	271,658,880	1,358,294	100.00%

\* By the Resolution of the Commission for Banking Supervision No. 81/KNB/01 of 17 September 2001, KBC Bank N.V. was entitled to exercise no more than 75% of votes at the General Shareholders' Meeting of Kredyt Bank S.A.

According to information included in the Kredyt Bank S.A. Group holding company's Share Register as at 3 January 2013, the following changes took place in the ownership structure of the holding company's issued share capital during the financial year and between the balance sheet date and the date of the opinion:

- On the 26 January 2012, Kredyt Bank S.A. was informed by Pioneer Pekao Investment Management S.A. ("PPIM") about the reduction to 4.29% of total votes at the General Shareholders' Meeting of Kredyt Bank S.A. relating to investment portfolios managed by PPIM. According to this information, the share in voting rights of Pioneer Fundusz Inwestycyjny Otwarty has been reduced to the level of 4.16% of votes at the General Shareholders' Meeting of the Kredyt Bank S.A.

On the date of making the entry to the National Court Register concerning the merger of Kredyt Bank S.A. and Bank Zachodni WBK S.A. i.e. on 4 January 2013, Kredyt Bank S.A. ceased to be an autonomous business entity and was deleted from the National Court Register. There were no movements in the share capital of Kredyt Bank S.A. in the reporting period.

There were no movements in the share capital of Kredyt Bank S.A. in the reporting period.

As at 7 March 2013, Kredyt Bank's Management Board was composed of:

Mateusz Morawiecki	- President of the Management Board
Andrzej Burliga	- Member of the Management Board
Michael McCarthy	- Member of the Management Board
Piotr Partyga	- Member of the Management Board
Marcin Prell	- Member of the Management Board
Mirosław Skiba	- Member of the Management Board
Feliks Szyszkowiak	- Member of the Management Board
Juan de Porras Aguirre	- Member of the Management Board
Eamonn Crowley	- Member of the Management Board
Marco Antonio Silva Rojas	- Member of the Management Board

There were following changes in the holding company's Management Board during the reporting period as well as from the balance sheet date to the date of the opinion.

- On the date of the merger of Kredyt Bank S.A. with Bank Zachodni WBK S.A. i.e. on 4 January 2013, contracts with current Management Board's Members have been terminated, composed of as at that date:

Maciej Bardan	- President of the Management Board
Umberto Arts	- Vice-President of the Management Board
Mariusz Kaczmarek	- Vice-President of the Management Board
Zbigniew Kudaś	- Vice-President of the Management Board
Piotr Sztrauch	- Vice-President of the Management Board
Jerzy Śledziwski	- Vice-President of the Management Board

- From 4 January 2013 in rights and obligation of holding company's Management Board Members entered management Board of Bank Zachodni WBK S.A. composed of:

Mateusz Morawiecki	- President of the Management Board
Andrzej Burliga	- Member of the Management Board
Michael McCarthy	- Member of the Management Board
Piotr Partyga	- Member of the Management Board
Marcin Prell	- Member of the Management Board
Mirosław Skiba	- Member of the Management Board
Feliks Szyszkowiak	- Member of the Management Board
Juan de Porras Aguirre	- Member of the Management Board
Eamonn Crowley	- Member of the Management Board
Marco Antonio Silva Rojas	- Member of the Management Board

## **2. Group Structure**

As at 31 December 2012, Kredyt Bank S.A. Capital Group consisted of the following subsidiaries consolidated with a full method:

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Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
Kredyt Lease S.A.	full	in progress	<i>Ernst &amp; Young Audit sp. z o.o.</i>	31.12.2012
Kredyt Trade Sp. z o.o. in liquidation	full	in progress	<i>Ernst &amp; Young Audit sp. z o.o.</i>	31.12.2012

The type and the impact of the changes in the subsidiaries being consolidated in comparison to prior year was described in note 1 of summary of significant accounting policies and other explanatory notes to consolidated financial statements of Capital Group for the year ended 31 December 2012.

Following the announcement by the Reliz Sp. z o.o. of its liquidation and takeover of management of the company by the trustee, the Bank has lost control of the company Reliz Sp. z o.o. w likwidacji. As a result, as at 31 December 2012, the company was not consolidated.

On 21 June 2012, Kredyt Trade Sp. z o.o. in liquidation signed a final agreement to sell 30% of shares in KBC Towarzystwo Funduszy Inwestycyjnych S.A to KBC Asset Management N.V. and finalised the transaction. In the consolidated financial statements of the Group for the year 2011 KBC Towarzystwo Funduszy Inwestycyjnych S.A. was consolidated as an associate valued at equity method.

### **3. Consolidated Financial Statements**

#### **3.1 Auditors' opinion and audit of consolidated financial statements**

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board of the Kredyt Bank S.A. on 22 February 2012 to audit the Kredyt Bank Group's consolidated financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 11 June 2012 with Kredyt Bank's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2012.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were

designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued a qualified opinion with emphasis of matter paragraph dated 7 March 2013, stating the following:

**„ To the Supervisory Board of Bank Zachodni WBK S.A.**

1. We have audited the attached consolidated financial statements for the year ended 31 December 2012 of Kredyt Bank S.A. Capital Group ('the Group', 'Capital Group'), for which the holding company was Kredyt Bank S.A. from 4 January 2013 merged with Bank Zachodni WBK S.A. (merged entities hereafter 'the Bank'), located in Warsaw at 2/8 Kasprzaka St., containing the consolidated income statement for the period from 1 January 2012 to 31 December 2012, the consolidated statement of comprehensive income for the period from 1 January 2012 to 31 December 2012, the consolidated balance sheet as at 31 December 2012, the statement of changes in consolidated equity for the period from 1 January 2012 to 31 December 2012, the consolidated statement of cash flow for the period from 1 January 2012 to 31 December 2012 and the summary of significant accounting policies and other explanatory notes ('the attached consolidated financial statements').
2. The truth and fairness<sup>1</sup> of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Bank's Management Board. In addition, the Bank's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and results of the operations of the Group.
3. We conducted our audit, except as discussed in paragraph 4 below, of the attached consolidated financial statements in accordance with:
  - chapter 7 of the Accounting Act,
  - national auditing standards issued by the National Council of Statutory Auditors in Poland,

in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting

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<sup>1</sup> Translation of the following expression in Polish: 'rzetelność i jasność'

<sup>2</sup> Translation of the following expression in Polish: 'rzetelnie i jasno'

principles adopted and used and significant estimates made by the Group, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

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

Additionally, the amount of PLN 258 million out of the above increase in impairment allowances which relates to losses incurred but not recorded ('IBNR') and collective impairment was presented in line "Provisions" in the liabilities which is not compliant with the adopted accounting standards.

5. In our opinion, except for the potential effects of the matters described in paragraph 4 in relation to the reasonableness of the additional impairment allowances and relating deferred tax asset as well as the improper presentation of part of the additional impairment allowances in line "Provisions", in the attached consolidated financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of audited Group operations for the period from 1 January 2012 to 31 December 2012, as well as its financial position<sup>3</sup> as at 31 December 2012;
  - have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
  - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements.
6. Without further qualifying our opinion, we draw attention to the fact that as described in note 2.2 to the attached consolidated financial statements, on 4 January 2013 the merger of Kredyt Bank S.A. and Bank Zachodni WBK S.A. took place and the operations of Kredyt Bank S.A. will be continued within the merged Bank. The Bank's Management

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<sup>3</sup> Translation of the following expression in Polish: 'sytuacja majątkowa i finansowa'



Board prepared the attached consolidated financial statements on a going concern basis as operations of Capital Group of Kredyt Bank S.A. will be continued in the merged Bank.

7. We have read the Directors' Report on the operations of Kredyt Bank S.A. for the year ended 31 December 2012 ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with art. 49 para 2 of the Accounting Act."

We conducted the audit of the consolidated financial statements during the period from 5 November 2012 to 7 March 2013. We were present at the holding company's head office from 10 November 2012 to 21 December 2012 and from 2 January 2013 to 7 March 2013.

### **3.2 Representations provided and data availability**

The Management Board of the holding company confirmed its responsibility for the truth and fairness<sup>4</sup> of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 7 March 2013, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete,
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements,

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

### **3.3 Consolidated financial statements of Kredyt Bank S.A. Group for prior financial year**

The consolidated financial statements of the Kredyt Bank S.A. Group for the year ended 31 December 2011 were audited by Dorota Snarska-Kuman, key certified auditor no. 9667, acting on behalf of Ernst & Young Audit sp. z o.o. located in Warsaw at Rondo ONZ 1. The key certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2011 dated 22 February 2012. The consolidated financial statements of Kredyt Bank S.A. Group for the year ended 31 December 2011 were approved by the General Shareholders' Meeting of Kredyt Bank S.A. on 25 May 2012.

The consolidated financial statements of the Kredyt Bank S.A. Group for the financial year ended 31 December 2011, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 1 June 2012 with the National Court Register.

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<sup>4</sup> Translation of the following expression in Polish: "rzetelność i jasność"

The introduction to the consolidated financial statements, the consolidated profit and loss statement for the period from 1 January 2011 to 31 December 2011, the consolidated statement of comprehensive income for the period from 1 January 2011 to 31 December 2011, the consolidated balance sheet as at 31 December 2011, the statement of changes in consolidated equity and the consolidated cash flow statement for the period from 1 January 2011 to 31 December 2011 together with the auditors' opinion and a copy of the resolution approving the consolidated financial statements were published on 2 October 2012 in Monitor Polski B No. 2318.

#### 4. Analytical Review

##### 4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Kredyt Bank S.A. Group for the years 2010 – 2012. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2011 and 31 December 2012.

	2012	2011	2010
Total assets	40,761,235	42,003,084	43,374,246
Shareholders' equity	3,051,378	3,065,625	2,828,224
Net profit	(156,453)	327,244	185,936
<b>Capital adequacy ratio according to NBP methodology</b>	12.66%	12.50%	12.51%
<b>Profitability ratio</b>	(16.48%)	43.53%	25.29%
$\frac{\text{result before tax}}{\text{general and administrative expenses}}$			
<b>Cost to income ratio</b>	62.43%	61.27%	56.88%
$\frac{\text{general and administrative expenses}}{\text{total operating income less other operating expenses}}$			

<b>Return on equity (ROE)</b>	(5.12%)	11.10%	6.87%
<hr/> net result <hr/> average shareholders' equity <hr/>			
<b>Return on assets</b>	(0.38%)	0.77%	0.45%
<hr/> net result <hr/> average assets <hr/>			
<b>Rate of inflation:</b>			
yearly average	3.7%	4.3%	2.6%
December to December	2.4%	4.6%	3.1%

In the audit opinion we have included qualifications regarding additional impairment allowances of Kredyt Bank's S. A. loans portfolio and relating deferred tax asset as well as the improper presentation of part of the additional impairment allowances in line "Provisions" in the liabilities as described in point 4 of the audit opinion.

#### 4.2 Comments

The following trends may be observed based on the above financial ratios:

- Net loss of the Kredyt Bank's Group for 2012 amounted to 156,453 thousand zloty in comparison to the net profit of 327,244 thousand zlotys in 2011 and 185,936 thousand zlotys in 2010.
- In 2012 compared to 2011, there was a decrease in total assets of the Group which as at 31 December 2012 amounted to 40,761,235 thousand zloty.
- The profitability ratio increased from 25.29% in 2010 to 43.53% in 2011 and subsequently decreased to (16.48%) in 2012.
- Cost to income ratio increased from 56.88% in 2010 to 61.27% in 2011 and decreased to 62.43% in 2012.
- Return on equity ratio increased from 6.87% in 2010 to 11.10% in 2011 and then decreased to (5.12%) in 2012.
- Return on assets ratio increased from 0.45% in 2010 to 0.77% in 2011 and subsequently decreased to (0.38%) in 2012.
- At the end of 2012 the solvency ratio calculated in accordance with NBP methodology amounted to 12.66% as compared to 12.50% as at 31 December 2011 and 12.51% as at 31 December 2010.

#### **4.3 Going concern**

As described in point 6 of the audit opinion, in note 2.2 to the attached consolidated financial statements, on 4 January 2013 the merger of Kredyt Bank S.A. and Bank Zachodni WBK S.A. took place and the operations of Kredyt Bank S.A. will be continued within the merged Bank. The Bank's Management Board prepared the attached consolidated financial statements on a going concern basis as operations of Capital Group of Kredyt Bank S.A. will be continued in the merged Bank.

In addition, as stated in note 2.2 of explanatory notes to the audited financial statements of Kredyt Bank S.A. for the year ended 31 December 2012 Management Board stated that the financial statements was prepared on the assumption that the Kredyt bank S.A will continue as a going concern for a period of at least twelve months subsequent to 31 December 2012 and that there are no circumstances that would indicate a threat to its continued activity.

## **II. DETAILED REPORT**

### **1. Completeness and accuracy of consolidation documentation**

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

### **2. Accounting policies for the valuation of assets and liabilities**

The Kredyt Bank S.A. Group's accounting policies and rules for the presentation of data are detailed in note 1 of the additional notes and explanations to the Kredyt Bank S.A. Group's consolidated financial statements for the year ended 31 December 2012.

### **3. Structure of assets, liabilities and equity**

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2012. The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

In the audit opinion we have included qualifications regarding additional impairment allowances and relating deferred tax asset as well as the improper presentation of part of the additional impairment allowances in line "Provisions" in the liabilities as described in point 4 of the audit opinion.

#### **3.1 Shareholders' funds including non-controlling interest**

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. There was no non-controlling interest as at 31 December 2012. Information on shareholders' funds has been presented in note 48 of the additional notes and explanations to the audited consolidated financial statements.

#### **3.2 Financial year**

The financial statements of all Kredyt Bank S.A. Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2012 and include the financial data for the period from 1 January 2010 to 31 December 2012.

### **4. Consolidation adjustments**

#### **4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.**

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

**4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends**

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

**5. Disposal of all or part of shares in a subordinated entity**

During the financial year Kredyt Bank S.A. Group did not sell any shares in subordinated entities.

**6. Items which have an impact on the group's result for the year**

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2012. In the audit opinion we have included qualifications regarding additional impairment allowances and relating deferred tax asset as well as the improper presentation of part of the additional impairment allowances in line "Provisions" in the liabilities as described in point 4 of the audit opinion.

**7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU**

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting.

**8. Issues specific for the audit of the Bank**

We have addressed the issue of complying by Kredyt Bank S.A. with the obligatory norms mitigating banking risks and the issue of correctness of calculation of capital adequacy ratio in our report dated 7 March 2013, supplementing the independent auditors' opinion on the financial statements of the Bank for the year ended 31 December 2012.

**9. Additional Notes and Explanations to the Consolidated Financial Statements**

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2012 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

**10. Directors' Report**

We have read the Directors' Report on the operations of Kredyt Bank S.A. Group for the year ended 31 December 2012 ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with art. 49 para 2 of the Accounting Act.

**11. Materiality level**

When determining the materiality level, professional judgement was applied taking into account the specific characteristic relating to the Kredyt Bank S.A. Group. This included consideration of quantitative and qualitative aspects.

**12. Comments or results of inspections**

During the reporting period a comprehensive inspection was carried out in the Bank by Polish Financial Supervision Authority. In accordance with received written representation dated 7 March 2013 in the Bank's Management Board opinion, the results of the inspection do not have material impact on the consolidated financial statements of Kredyt Bank S.A. for the year ended on 31 December 2012.

**13. Conformity with Law and Regulations**

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year.

**14. Work of Experts**

During our audit we have taken into account the results of the work of the following independent experts:

- real estate experts – in calculation regarding the level of loan impairment we took into consideration the valuations of collateral, prepared by property appraisers, that were engaged by the Kredyt Bank S.A.;
- actuary – actuarial calculation of provision for retirement benefits performed on the Kredyt Bank's S.A. request.

on behalf of  
Ernst & Young Audit sp. z o.o.  
Rondo ONZ 1, 00-124 Warsaw  
Registration No 130

Key Certified Auditor

Partner

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Jolanta Alvarado Rodriguez  
Certified auditor  
No 11299

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Dominik Januszewski  
Certified auditor  
No 9707

Warsaw, 7 March 2013