



**Bank Zachodni WBK S.A.**

Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2010

The opinion contains 2 pages  
The report supplementing the auditor's opinion  
contains 10 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 2010



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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 2010, the separate income statement and the separate statement of comprehensive income, the separate movement on equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

### *Management's and Supervisory Board'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 and preparation of the Report on the Bank's activities. Management of the Bank is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Bank and members of the Supervisory Board are required to ensure that the separate financial statements and the Report on the Bank's activities are in compliance with the requirements set forth in the Accounting Act.

### *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, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with 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 policies 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 2010 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.

On behalf of KPMG Audyt Spółka z ograniczoną  
odpowiedzialnością sp.k. registration number 3546  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

.....  
Certified Auditor No. 12032  
Magdalena Grzesik

1 March 2011  
Warsaw

*Signed on the Polish original*

.....  
Limited Liability Partner with power of  
attorney  
Stacy Ligas



TRANSLATION

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

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

Financial Year ended  
31 December 2010

The report supplementing the auditor's opinion  
contains 10 pages

Report supplementing the auditor's opinion  
on the separate financial statements  
for the financial year ended  
31 December 2010



*Report supplementing the opinion on the separate financial statements  
for the financial year ended 31 December 2010*

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## Contents

1.	General	3
1.1.	General information about the Bank	3
1.1.1.	The Bank's name	3
1.1.2.	Registered office	3
1.1.3.	Registration in the National Court Register	3
1.1.4.	Management of the Bank	3
1.2.	Auditor information	4
1.2.1.	Key certified auditor information	4
1.2.2.	Authorized auditor information	4
1.3.	Prior period financial statements	4
1.4.	Audit scope and responsibilities	4
2.	Financial analysis of the Bank	6
2.1.	Summary of the separate financial statements	6
2.1.1.	Statement of financial position	6
2.1.2.	Income statement	7
2.1.3.	Statement of comprehensive income	8
2.2.	Selected financial ratios	8
3.	Detailed report	9
3.1.	Proper operation of the accounting system	9
3.2.	Notes to the separate financial statements	9
3.3.	Compliance with banking regulations	9
3.4.	Report on the Bank's activities	9
3.5.	Information on the opinion of the independent auditor	10

## **1. General**

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

#### **1.1.1. The 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 April 2001
Registration number:	KRS 0000008723
Initial capital as at balance sheet date:	730,760,130 PLN

#### **1.1.4. Management of the Bank**

The Management Board is responsible for management of the Bank.

At 31 December 2010, 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 Szyszkowiak | - Member of the Management Board    |

On 6th December 2010 Mr. Declan Flynn submitted his decision to stand down from his position of the Management Board of the Bank effective from the 13th April 2011 because of personal reasons.

On 16 December 2010 Mr. Jacek Marcinowski tendered his resignation from the Management Board effective from 31 December 2010 in connection with his appointment as President of the Management Board of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. effective from 1 January 2011.

## **1.2. Auditor information**

### **1.2.1. Key certified auditor information**

Name and surname: Magdalena Grzesik  
Registration number: 12032

### **1.2.2. Authorized auditor information**

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Address: ul. Chłodna 51, 00-867 Warsaw  
Registration number: KRS 0000339379  
Registration court: District Court for the Capital City Warsaw in Warsaw,  
XII Commercial Department of the National Court Register  
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of entities authorised to audit financial statements under number 3546.

## **1.3. Prior period financial statements**

The separate financial statements for the period ended 31 December 2009 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 2010 where it was resolved to allocate the profit for the prior financial year of PLN 986,228 thousand as follows:

- PLN 693,924 thousand – reserve capital
- PLN 292,304 thousand – dividend for shareholders.

The separate financial statements were submitted to the Registry Court on 22 April 2010 and were published in Monitor Polski B No. 992 on the 21 June 2010.

## **1.4. 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 2010, the separate income statement and the separate statement of comprehensive income, the separate movement on equity and the separate statement of cash flows for the year then ended 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 of Bank Zachodni WBK S.A dated 17 December 2004.

The separate financial statements have been audited in accordance with the contract dated 27 September 2010 concluded on the basis of the resolution of Supervisory Board of Bank Zachodni WBK S.A. dated 22 September 2010 on the appointment of the auditor.



We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements in the Bank's head office during the period from 28 September 2010 to 1 March 2011.

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 and preparation of the Report on the Bank's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the separate 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 required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditor and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on certified auditors and their government, audit firms and public oversight dated 7 May 2009 (Official Journal No. 77, item 649). 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 Spółka z ograniczoną odpowiedzialnością sp.k.



## 2. Financial analysis of the Bank

### 2.1. Summary of the separate financial statements

#### 2.1.1. Statement of financial position

ASSETS	31.12.2010	%	31.12.2009	%	31.12.2008	%
	PLN '000	of assets	PLN '000	of assets	PLN '000	of assets
Cash and balances with central banks	2,534,458	4.9	2,660,649	5.1	3,178,099	5.8
Loans and advances to banks	601,637	1.2	648,743	1.2	1,348,421	2.5
Financial assets held for trading	2,201,019	4.2	1,303,226	2.5	3,222,357	5.9
Hedging derivatives	14,768	-	10,801	0.0	347	0.0
Loans and advances to customers	31,952,599	61.3	32,624,992	62.9	32,653,674	59.6
Investment securities	13,355,858	25.7	13,265,805	25.6	12,894,385	23.5
Investments in subsidiaries, associates and joint ventures	248,999	0.5	234,349	0.5	234,225	0.4
Intangible assets	155,055	0.3	162,693	0.3	155,459	0.3
Property, plant and equipment	533,443	1.0	581,132	1.1	618,705	1.1
Current income tax due	-	-	55,817	0.1	-	-
Net deferred tax assets	242,949	0.5	228,156	0.4	168,141	0.3
Other assets	193,971	0.4	169,918	0.3	337,243	0.6
<b>TOTAL ASSETS</b>	<b>52,034,756</b>	<b>100.0</b>	<b>51,946,281</b>	<b>100.0</b>	<b>54,811,056</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2010</b>	<b>% of equity and</b>	<b>31.12.2009</b>	<b>% of equity and</b>	<b>31.12.2008</b>	<b>% of equity and</b>
	<b>PLN '000</b>	<b>liabilities</b>	<b>PLN '000</b>	<b>liabilities</b>	<b>PLN '000</b>	<b>liabilities</b>
<b>Liabilities</b>						
Deposits from central bank	-	-	1,519,208	2.9	1,242,574	2.3
Deposits from banks	2,144,007	4.1	2,301,492	4.4	1,957,609	3.6
Hedging derivatives	16,441	0.0	32,933	0.1	68,562	0.1
Financial liabilities held for trading	578,611	1.1	815,071	1.6	3,253,289	5.9
Deposits from customers	42,099,210	80.9	41,262,174	79.4	43,381,905	79.2
Subordinated liabilities	395,230	0.8	-	-	-	-
Current income tax liabilities	74,197	0.1	-	-	10,971	0.0
Other liabilities	619,287	1.2	540,947	1.0	475,588	0.9
<b>Total liabilities</b>	<b>45,926,983</b>	<b>88.2</b>	<b>46,471,825</b>	<b>89.4</b>	<b>50,390,498</b>	<b>92.0</b>
<b>Equity</b>						
Share capital	730,760	1.4	730,760	1.4	729,603	1.3
Other reserve funds	4,048,213	7.8	3,354,289	6.5	2,543,577	4.6
Revaluation reserve	431,028	0.8	422,262	0.8	338,213	0.6
Retained earnings	(19,083)	0.0	(18,149)	0.0	-	-
Profit of the current period	916,855	1.8	985,294	1.9	809,165	1.5
<b>Total equity</b>	<b>6,107,773</b>	<b>11.8</b>	<b>5,474,456</b>	<b>10.6</b>	<b>4,420,558</b>	<b>8.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>52,034,756</b>	<b>100.0</b>	<b>51,946,281</b>	<b>100.0</b>	<b>54,811,056</b>	<b>100.0</b>



## 2.1.2. Income Statement

	<b>1.01.2010 - 31.12.2010 PLN '000</b>	<b>1.01.2009 - 31.12.2009 PLN '000</b>	<b>1.01.2008 - 31.12.2008 PLN '000</b>
Interest income	2,971,648	3,043,456	3,017,121
Interest expense	(1,303,371)	(1,627,917)	(1,525,654)
<b>Net interest income</b>	<b>1,668,277</b>	<b>1,415,539</b>	<b>1,491,467</b>
Fee and commission income	1,144,246	1,158,989	1,095,619
Fee and commission expense	(122,379)	(137,231)	(121,477)
<b>Net fee and commission income</b>	<b>1,021,867</b>	<b>1,021,758</b>	<b>974,142</b>
Dividend income	131,375	337,553	337,553
Net trading income and revaluation	263,972	268,934	45,343
Gains (losses) from other financial securities	8,798	(6,139)	55,890
Net gain on sale of subsidiaries and associates	-	-	226
Other operating income	46,940	49,684	54,283
Impairment losses on loans and advances	(363,988)	(449,700)	(351,889)
Operating expenses incl.	(1,594,932)	(1,479,881)	(1,500,360)
<i>Bank's staff, operating expenses and management costs</i>	<i>(1,447,095)</i>	<i>(1,351,650)</i>	<i>(1,386,807)</i>
<i>Depreciation/amortisation</i>	<i>(117,072)</i>	<i>(112,155)</i>	<i>(97,611)</i>
<i>Other operating expenses</i>	<i>(30,765)</i>	<i>(16,076)</i>	<i>(15,942)</i>
	<b>1,182,309</b>	<b>1,157,748</b>	<b>987,433</b>
<b>Profit before income tax</b>	<b>1,182,309</b>	<b>1,157,748</b>	<b>987,433</b>
Corporate income tax	(265,454)	(172,454)	(178,268)
<b>Profit for the period</b>	<b>916,855</b>	<b>985,294</b>	<b>809,165</b>
<b>Earnings per share</b>			
Basic earnings per share (PLN)	12.55	13.48	11.09
Diluted earnings per share (PLN)	12.50	13.43	11.05



### 2.1.3. Statement of comprehensive income

	1.01.2010 - 31.12.2010 PLN '000	1.01.2009 - 31.12.2009 PLN '000	1.01.2008 - 31.12.2008 PLN '000
<b>Profit for the period</b>	<b>916,855</b>	<b>985,294</b>	<b>809,165</b>
<b>Other comprehensive income:</b>			
Available for sale financial assets	8,669	57,459	2,445
Cash flow hedges valuation	97	26,590	(24,673)
<b>Other comprehensive income for the period net of income tax</b>	<b>8,766</b>	<b>84,049</b>	<b>(22,228)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>925,621</b>	<b>1,069,343</b>	<b>786,937</b>

### 2.2. Selected financial ratios

	2010	2009	2008
Total assets (PLN '000)	52,034,756	51,946,281	54,811,056
Profit before income tax (PLN '000)	1,182,309	1,157,748	987,433
Profit for the period (PLN '000)	916,855	985,294	809,165
Shareholders' equity (PLN '000)*	5,190,918	4,489,162	3,611,393
Return on equity	17.7%	21.9%	22.4%
Receivables to total assets	62.6%	64.1%	62.0%
Income generating assets to total assets	97.8%	97.7%	97.3%
Interest bearing liabilities to total liabilities	86.9%	88.4%	90.9%

\* excluding current-year net profit

### **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 and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Dz. U. z 2010 r., nr 191, poz. 1279).

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

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.

The Bank performed a physical verification of assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Dz. U. z 2010 r., nr 191, poz. 1279).

#### **3.2. 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.

#### **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 others to loan concentration, obligatory reserve and capital adequacy ratio.

#### **3.4. 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.



### **3.5. 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 2010, we have issued an unqualified opinion.

On behalf of KPMG Audyt Spółka z ograniczoną  
odpowiedzialnością sp.k. registration number 3546  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

.....  
Certified Auditor No. 12032  
Magdalena Grzesik

*Signed on the Polish original*

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Limited Liability Partner with power of  
attorney  
Stacy Ligas

1 March 2011  
Warsaw