

## **OPINION OF THE INDEPENDENT AUDITOR**

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

We have audited the accompanying financial statements of Bank Zachodni WBK S.A. seated in Wrocław, ul. Rynek 9/11, 50-950 Wrocław,, consisting of the introduction to the financial statements, the balance sheet as at 31 December 2004, with total assets of and total liabilities and equity of PLN 26,485,532 thousand, the capital adequacy ratio, the statement of contingencies and commitments granted at 31 December 2004 amounting to PLN 6,060,051 thousand, the profit and loss account for the year then ended with a net profit of PLN 443,326 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 478,126 thousand, the cash flow statement for the year then ended with an decrease in cash amounting to PLN 147,368 thousand, and the supplementary information and explanations.

Management of Bank Zachodni WBK S.A. is responsible for the true and fair presentation of the financial statements and the accuracy of the accounting records. Our responsibility is to audit and express an opinion on the true and fair presentation of the financial statements and whether the financial statements are derived from properly maintained accounting records.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the professional standards established by the Polish National Council of Certified Auditors. These standards require that we plan and perform the audit to obtain a reasonable basis for expressing an opinion on the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management of Bank Zachodni WBK S.A., as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements of Bank Zachodni WBK S.A. have been prepared from properly maintained accounting records and present fairly, in all material aspects, the financial position of Bank Zachodni WBK S.A. as at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with the accounting standards as set out in the Polish Accounting Act dated 29 September 1994, the Resolution of the Ministry of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal No 149 from 2001, item 1673 with amendments), requirements for issuers of publicly traded securities and regulations and the provisions of the Bank's Statute that apply to the Bank's financial statements.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the Report on the Bank Zachodni WBK S.A. activities includes the information required by Art. 49 Note 2 of the Accounting Act and requirements of the Ministry of Finance resolution dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and the information is consistent with the financial statements.

*signed on the Polish original*

.....  
Certified Auditor No. 4979/2575  
Hanna Fludra

*signed on the Polish original*

.....  
For KPMG Audyt Sp. z o.o.  
ul. Chłodna 51, 00-867 Warsaw  
Certified Auditor No. 9941/7390,  
Bożena Graczyk,  
Member of the Board of Directors

*signed on the Polish original*

.....  
For KPMG Audyt Sp. z o.o.  
Ul. Chłodna 51, 00-867 Warsaw  
Richard Cysarz, Proxy

Warsaw, 16 February 2005

**REPORT SUPPLEMENTING THE OPINION  
ON THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2004**



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# **1 General**

## **1.1 General information about Bank**

### **1.1.1 Bank name**

Bank Zachodni WBK S.A.

### **1.1.2 Registered office**

ul. Rynek 9/11  
50-950 Wrocław

### **1.1.3 Bank 's registered office**

Seat of the court: Wrocław  
Date: 27 April 2001  
Registration number: 0000008723

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

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

## **1.2 Auditor information**

KPMG Audyt Sp. z o. o.  
ul. Chłodna 51,  
00-867 Warsaw

KPMG Audyt Sp. z o.o. (prior to 9 May 2004, registered as KPMG Polska Audyt Sp. z o.o.) is registered as a company authorised to audit financial statements (number 458).

## **1.3 Legal status**

### **1.3.1 Share capital**

Bank Zachodni WBK S.A. was established on 13 June 2001 for an indefinite period as a result of a merger of Bank Zachodni S.A. and Wielkopolski Bank Kredytowy S.A. under Resolution No 30/KNB/01 of Commission of Banking Supervision dated 7 March 2001.

The share capital of the Bank amounted to PLN 729,602,840 as at 31 December 2004 divided into 72,960,284 ordinary shares with a nominal value of PLN 10 each.

As at 31 December 2004, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Number of voting rights (in %)	Book value of shares PLN'000	Percentage of share capital (in %)
AIB European Investments Limited	51,413,790	70.5%	514,138	70.5%
Other Shareholders	21,546,494	29.5%	215,465	29.5%
				100.0%

### 1.3.2 Related parties

The Bank is a member of the Bank Zachodni WBK S.A. capital group.

### 1.3.3 Management of the Bank

The Board of Directors is responsible for management of the Bank.

At 31 December 2004, the Board of Directors of the Bank was comprised of the following members:

President:	Jacek Kseń
First Vice-president:	Cornelius O'Sullivan
Board Members:	Declan Flynn
	Michał Gajewski
	Justyn Konieczny
	Janusz Krawczyk
	Jacek Marcinowski
	Mateusz Morawiecki
	James Murphy
	Feliks Szyszkowiak

On 14 January 2004 Mr. Maciej Węgrzyński resigned as Member of the Management Board of Bank Zachodni WBK S.A.

On 30 June 2004 Mr. Michael Keegan completed his assignment with Bank Zachodni WBK S.A. and took up a new position in the Allied Irish Banks p.l.c. capital group. On 1 July 2004, according to the decision of Supervisory Board, Mr. James Murphy took up the position in the Management Board.

### 1.3.4 Scope of activities

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

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- 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 by residents abroad and settlements with non-residents in Poland,
- 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 other financial services,
- selling pension funds,
- acting as a depositary under the definition of investment funds act,
- acting as sales agent of insurance, leasing, factoring, forfeiting, franchising products and participation units and certificates of investment funds.

Additionally the bank may perform the above activities on the instruction of another bank. In accordance with the Bank's strategy, the Bank 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 financial statements for the period ended 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

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The financial statements were approved at the General Meeting on 20 April 2004, where it was resolved to distribute the profit for the prior financial year of PLN 116,951 as follows:

- |                                     |                     |
|-------------------------------------|---------------------|
| • Reserve capital                   | PLN 11,630 thousand |
| • General banking risk fund         | PLN 60,000 thousand |
| • Dividend for shareholders         | PLN 23,347 thousand |
| • Cover of loss from previous years | PLN 21,974 thousand |

The closing balances as at 31 December 2003 have been properly recorded as the opening balances of the audited year.

The financial statements were submitted to the Registry Court on 5 May 2004 and were published in Monitor Polski B No 857 on 26 August 2004.

## **1.5 Audit scope and responsibilities**

This report of the independent auditor was prepared for the General Meeting of Bank Zachodni WBK S.A., seated in Wrocław, ul. Rynek 9/11, 50-950 Wrocław, and relates to the financial statements comprising: the introduction to the financial statements, the balance sheet as at 31 December 2004 with total assets of and total liabilities and equity of PLN 26,485,532 thousand, the capital adequacy ratio, the statement of contingencies and commitments granted at 31 December 2004 amounting to PLN 6,060,051 thousand, the profit and loss account for the year then ended with a net profit of PLN 443,326 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 478,126 thousand, the cash flow statement for the year then ended with a decrease in cash amounting to PLN 147,368 thousand, and the supplementary information and explanations.

The financial statements have been audited on the basis of the decision of the Supervisory Board dated 15 June 2004 on the appointment of the auditor.

The financial statements have been audited in accordance with the contract dated 1 October 2004.

We conducted the audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Revised Text, Official Journal from 2002, no 76, item 694 with amendments) and the professional standards established by the Polish National Council of Certified Auditors.

We have audited the financial statements in the Bank's head office during the period from 18 October 2004 to 4 February 2005.

We have conducted an independent audit of these financial statements in order to express an opinion thereon and present this, together with a written report of the independent auditor, to the Bank's General Meeting.

On 16 February 2005 the Bank Zachodni WBK S.A. directors submitted a statement as to the completeness, fairness, clarity and accuracy of the financial statements presented for audit which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements for the audited year.





*Bank Zachodni WBK S.A.*

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

The Management Board and Supervisory Board members of KPMG Audyt Sp. z o.o. and other persons related to the audit of the financial statements of the Bank Zachodni WBK S.A. meet the 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 Zachodni WBK S.A.

### 2.1 Summary of the financial statements

#### 2.1.1 Balance sheet

	31.12.2004	31.12.2003
	PLN'000	PLN'000
<b>ASSETS</b>		
Cash in hand, operations with Central Bank	1,200,143	1,161,481
Loans and advances to financial sector	3,448,903	1,570,597
Loans and advances to non-financial sector	11,760,054	11,969,910
Loans and advances to State budget sector	466,045	568,291
Reverse repo transactions	25,697	5,806
Debt securities	6,656,163	6,121,343
Shares or interests in subsidiaries	280,309	185,059
Shares or interests in associates	57,719	54,322
Shares or interests in other entities	251,393	255,124
Other securities and financial assets	884,823	156,715
Intangible assets and legal values	231,872	292,594
Tangible fixed assets	585,734	680,670
Other assets	176,886	217,585
Prepayments	459,791	282,133
<b>TOTAL ASSETS</b>	<b>26,485,532</b>	<b>23,521,630</b>

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	<b>31.12.2004</b>	<b>31.12.2003</b>
	<b>PLN'000</b>	<b>PLN'000</b>
<b>LIABILITIES</b>		
<b>Liabilities</b>	<b>23,473,707</b>	<b>20,987,931</b>
Deposits from financial sector	1,584,498	1,540,718
Deposits from non-financial sector	17,592,743	16,480,777
Deposits from State budget sector	1,146,231	1,065,538
Repo transactions	732,690	-
Debt securities in issue	559,136	531,242
Other liabilities arising from financial instruments	821,342	259,407
Special funds and other liabilities	276,549	398,008
Accrued and suspended income and expenses	382,346	473,648
Provisions	378,172	238,593
<b>Equity</b>	<b>3,011,825</b>	<b>2,533,699</b>
Share capital	729,603	729,603
Statutory reserves	373,371	373,371
Revaluation reserves	213,993	158,461
Reserve capital	1,251,532	1,177,287
Loss from previous years	-	(21,974)
Net profit for the current year	443,326	116,951
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>26,485,532</b>	<b>23,521,630</b>
<b>Capital adequacy ratio</b>	<b>12.46</b>	<b>11.77</b>
<b>OFF-BALANCE SHEET ITEMS</b>		
	<b>31.12.2004</b>	<b>31.12.2003</b>
	<b>PLN'000</b>	<b>PLN'000</b>
Contingent liabilities granted and received	6,542,994	4,881,498
- Liabilities granted	6,060,051	4,377,641
- Liabilities received	482,943	503,857
Commitments arising from purchase / sale transactions	66,402,684	41,650,063
Other	30,021	47,087
<b>Total off-balance sheet</b>	<b>72,975,699</b>	<b>46,578,648</b>

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## 2.1.2 Profit and loss account

	<b>1.01.2004 – 31.12.2004 PLN'000</b>	<b>1.01.2003 – 31.12.2003 PLN'000</b>
Interest income	1,387,715	1,357,778
Interest expense	(588,043)	(580,548)
<b>Net interest income</b>	<b>799,672</b>	<b>777,230</b>
Fee and commission income	636,382	596,955
Fee and commission expense	(104,882)	(93,220)
<b>Net fee and commission income</b>	<b>531,500</b>	<b>503,735</b>
Income from shares and other securities and other financial instruments with variable yield	115,345	51,530
Profit on financial operations	(2,085)	11,356
Foreign exchange profit	194,236	204,105
<b>Profit on banking operations</b>	<b>1,638,668</b>	<b>1,547,956</b>
Other operating income	52,168	42,870
Other operating expenses	(41,909)	(80,524)
Costs of Bank's operations and general management	(874,193)	(958,103)
Amortisation of fixed assets and intangible assets	(193,403)	(216,778)
Allocations to provisions	(416,444)	(680,171)
Release of provisions	290,737	553,531
Net provisions	(125,707)	(126,640)
<b>Operating result</b>	<b>455,624</b>	<b>208,781</b>
Extraordinary profits	-	506
Extraordinary losses	-	-
<b>Result on extraordinary transactions</b>	<b>-</b>	<b>506</b>
<b>Gross result (loss)</b>	<b>455,624</b>	<b>209,287</b>
Income tax	(92,499)	(113,016)
Share in net profits (losses) of subordinated entities valued using an equity method	80,201	20,680
<b>Net profit (loss)</b>	<b>443,326</b>	<b>116,951</b>

## 2.2 Selected financial ratios

	2004	2003
	PLN'000	PLN'000
Total assets	26,485,532	23,521,630
Profit before tax	455,624	209,287
Net profit	443,326	116,951
Shareholder's equity*	2,568,499	2,416,748
Return on equity	17.3%	4.8%
Capital adequacy ratio	12.5%	11.8%
Receivables to total assets	59.2%	60.0%
Income earning assets to total assets	84.4%	86.0%
Interest bearing liabilities to total liabilities	78.8%	83.4%

\* excluding current year net earnings

## 2.3 Interpretation of selected financial ratios

Changes in the most significant items of the balance sheet and the profit and loss account are discussed below:

- In comparison to 2003, total assets grew by PLN 2,963,902 thousand (12.6%). During the year the largest growths within assets were in amounts due from the financial sector and other securities and financial assets, which grew by PLN 1,878,306 thousand (119.6%) and PLN 728,108 thousand (464.6%), respectively. On the liabilities side, amounts due to the non-financial sector increased by PLN 1,111,966 thousand (6.7%).
- The Banks' net profit for the year 2004 amounted to PLN 443,326 thousand, which is higher by 326,375 thousand (279.1%) compared to previous year. The following items had an impact on the current year financial result: a decrease in the Bank's operating costs of PLN 83,910 thousand (8.8%), increase of income from shares by PLN 63,815 thousand (123.8%) and increase in net commission income of PLN 27,765 thousand (5.5%).

## **3 Detailed report**

### **3.1 Accounting records**

Bank Zachodni WBK S.A. holds current documentation describing the applied accounting principles, approved by the Management Board and described in the introduction to the financial statements, to the extent required by the Accounting Act and requirements for issuers of publicly traded securities.

The financial statements were prepared on the basis of accounting records which are maintained in accordance with the requirements of section 2 "Maintenance of the accounting records" and section 8 "Data protection" of the Accounting Act dated 29 September 1994.

### **3.2 Internal control**

Internal control is enforced by the Chief Accountant and the Board of Directors on a functional basis.

During our audit of the financial statements, we made an evaluation of the accounting system and underlying system of internal control in order to enable us to express an opinion on the financial statements.

Our review should not be relied upon to disclose all irregularities or material weaknesses in the system. Our procedures did not identify any significant irregularities in the accounting and internal control system.

### **3.3 Principles of prudence applied by the Bank and the capital adequacy ratio**

In the context of the audit of the financial statements, no material exceptions have been noted in the principles of prudence applied by the Bank. Capital adequacy ratio was calculated properly.

### **3.4 Materiality level applied by the auditor**

In order to issue the audit opinion on the financial statements treated as a whole, materiality levels applied by the auditor were adequate to the materiality and the risk assessment of particular items of the financial statements.

### **3.5 Introduction to the financial statements**

All information included in the introduction to the financial statements is presented fairly by the Bank when read in conjunction with the financial statements taken as a whole.

### **3.6 Supplementary information and explanations**

All information included in the supplementary information and explanations is presented accurately and completely by the Bank when read in conjunction with the financial statements taken as a whole.

### **3.7 Report on the Bank's activities**

The report on the Bank's activities includes information specified in Article 49 Paragraph 2 of the Polish Accounting Act and requirements of the Ministry of Finance Resolution dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and it is consistent with the data included in the financial statements.

### **3.8 Information on the opinion of the independent auditor**

Based on our audit of the financial statements as at and for the year ended 31 December 2004, we have issued an unqualified opinion.

*signed on the Polish original*

.....  
Certified Auditor No. 4979/2575  
Hanna Fludra

*signed on the Polish original*

.....  
For KPMG Audyt Sp. z o.o.  
ul. Chłodna 51; 00-867 Warsaw  
Certified Auditor No. 9941/7390,  
Bożena Graczyk,  
Member of the Board of Directors

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For KPMG Audyt Sp. z o.o.  
Ul. Chłodna 51, 00-867 Warsaw  
Richard Cysarz, Proxy

Warsaw, 16 February 2005