

ING Bank Śląski S.A. Group

**LONG-FORM AUDITORS' REPORT
SUPPLEMENTING THE INDEPENDENT AUDITORS' OPINION
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

I. GENERAL NOTES

1. Background

The holding company of the ING Bank Śląski S.A. Group (hereinafter 'the Group' or 'the Capital Group') is ING Bank Śląski S.A ('the holding company', 'the Company').

The holding company was incorporated on the basis of decree of Minister of Finance dated 11 April 1988 on creation of Bank Śląski in Katowice (Journal of Law No. 21, item 141). The Company's registered office is located in Katowice at 34 Sokolska Street.

The holding company is 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 55.6a of the Accounting Act dated 29 September 1994 (uniform text: Journal of Laws of 2002, No. 76 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.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. 000005459 on 10 April 2001.

The Company was issued with tax identification number (NIP) 634-01-35-475 on 20 December 2000 and statistical number (REGON) 271514909.

The holding company is part of the ING Bank Śląski N.V. capital group.

The principal activities of the holding company are as follows:

- banking activity,
- broker activity and fund management,
- other activity connected with finance, pension funds and insurance.

The scope of activities of the Group's subsidiaries, jointly controlled entities and associates are connected to this of the holding company

As at 31 December 2008, the Company's issued share capital amounted to 130,100 thousand zlotys. Equity as at that date amounted to 4,224,429 thousand zlotys.

In accordance with the confirmation obtained from the Management Board Office dated 25 February 2009, the ownership structure of the Company's issued share capital as at 31 December 2008 was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
ING Bank N.V.	9,757,500	9,757,500	97,575,000	75.00%
Commercial Union Otwarty Fundusz Emerytalny BPH	884,798	884,798	8,847,980	6.80%
CU WBK				
Other shareholders	2,367,702	2,367,702	23,677,020	18.20%
Total	13,010,000	13,010,000	130,100,000	100,00%

The Company's share capital did not change during the reporting period as well as from the balance sheet date to the date of this report.

As at 25 February 2009, the holding company's Management Board was composed of:

Brunon Bartkiewicz	President
Mirosław Boda	Vice-President
Michał Bolesławski	Vice-President
Justyna Kesler	Vice-President
Małgorzata Kołakowska	Vice-President
Oscar Edward Swan	Vice-President
Michał Szczurek	Vice-President

There were following changes in the Bank's Management Board during the reporting period as well as from the balance sheet date to the date of this report. On 31 May 2008 Ms. Maria Elisabetha van Elst was dismissed from the position of Vice President of Management Board. On 30 June 2008 Mr. Benjamin van de Vrie was dismissed of Management Board. On 1 June 2008 Ms. Justyna Kesler was appointed to the Vice President position of Management Board. On 1 July 2008 Ms. Małgorzata Kołakowska and Mr. Michał Bolesławski were appointed as the Vice-Presidents of the Management Board.

2. Group Structure

As at 31 December 2008, the ING Group consisted of the following subsidiaries (direct or indirect):

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
ING Securities S.A.	<i>Full consolidation</i>	Till the issue date of the report opinion has not been issued	Ernst & Young Audit sp. z o. o.	31 December 2008
ING Bank Hipoteczny S.A.	<i>Full consolidation</i>	Till the issue date of the report opinion has not been issued	Ernst & Young Audit sp. z o. o.	31 December 2008
ING BSK Development Sp. z o.o.	<i>Full consolidation</i>	Not audited	Not audited	31 December 2008
Centrum Banku Śląskiego Sp. z o.o.	<i>Full consolidation</i>	Not audited	Not audited	31 December 2008
SOLVER sp. z o.o.	<i>Full consolidation</i>	Till the issue date of the report opinion has not been issued	Czesława Klimunt-Kowalska	31 December 2008

As at 31 December 2008 shares in the following associates (direct and indirect) were recognised in the Group's consolidated financial statements using the equity method:

Name and registered office	Type of activity
ING Powszechne Towarzystwo Emerytalne S.A. located in Warsaw at 2 Ludna Street	Pension Fund Management

There were no changes to the list of consolidated companies when compared to the prior year.

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 Supervisory Board on 30 November 2007 to audit the Group's consolidated financial statements.

Ernst & Young Audit sp. z o.o. and the certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the consolidated financial statements, as defined in Art. 66, clause 2 and 3 of the Accounting Act dated 29 September 1994 (uniform text: Journal of Laws of 2002, No. 76 with subsequent amendments – 'the Accounting Act').

Under the contract executed on 29 February 2008 with the Company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2008.

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 an unqualified auditors' opinion dated 25 February 2009, stating the following:

"To the Supervisory Board of ING Bank Śląski S.A.

1. We have audited the attached consolidated financial statements of ING Bank Śląski S.A. Group ('the Group'), for which the holding company is ING Bank Śląski S.A. ('the Bank') located in Katowice at 34 Sokolska Street, for the year ended 31 December 2008 containing:

- the consolidated balance sheet as at 31 December 2008 with total assets amounting to 69,610,475 thousand zlotys,
 - the consolidated income statement for the period from 1 January 2008 to 31 December 2008 with a net profit amounting to 445,418 thousand zlotys,
 - the consolidated statement of changes in equity for the period from 1 January 2008 to 31 December 2008 with a net increase in equity amounting to 383,927 thousand zlotys,
 - the consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008 with a net cash outflow amounting to 739,393 thousand zlotys, and
 - additional information and explanations
(‘the attached consolidated financial statements’).
2. The truth and fairness¹ of the attached consolidated financial statements and the proper maintenance of consolidation documentation are the responsibility of the Bank’s Management Board. Our responsibility was to audit the attached consolidated financial statements and to express an opinion whether, based on our audit, these financial statements are, in all material respects, true and fair².
3. We conducted our audit of the attached consolidated financial statements in accordance with the following regulations being in force in Poland:
- chapter 7 of the Accounting Act, dated 29 September 1994 (‘the Accounting Act’),
 - the auditing standards issued by the National Chamber of Auditors,
- 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 principles adopted and used and significant estimates made by the Bank’s Management Board, 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. The consolidated financial statements for the prior financial year ended 31 December 2007 were subject to an audit by a certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on these consolidated financial statements dated 27 March 2008.
5. In our opinion, the attached financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of the Group’s operations for the period from 1 January 2008 to 31 December 2008, as well as its financial position³ as at 31 December 2008;
 - have been prepared in all material aspects correctly, i.e. in accordance with International Financial Reporting Standards as adopted by the EU;

¹ Translation of the following expression in Polish: ‘rzetelność, prawidłowość i jasność’

² Translation of the following expression in Polish: ‘rzetelne, prawidłowe i jasne’

³ Translation of the following expression in Polish: ‘sytuacja majątkowa i finansowa’

- are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
6. We have read the 'Directors' Report for the period from 1 January 2008 to 31 December 2008 and the rules of preparation of annual statements' ('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 the relevant regulations of the Decree of the Minister of Finance of 19 October 2005, on current and periodic information published by issuers of securities (Journal of Law No. 209, item 1744)."

We conducted the audit of the consolidated financial statements during the period from 17 November 2008 to 25 February 2009. We were present at the holding company's head office from 17 November 2008 to 19 December 2008 and from 5 January 2009 to 25 February 2009.

3.2. Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness⁴ of the consolidated financial statements and the correctness of consolidation documentation. The Management Board stated that it provided us with all financial data 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 25 February 2009, 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 for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2007 were audited by Bogdan Dębicki, Certified Auditor No. 796/1670, acting on behalf of KPMG Audyt Sp. z o.o located in Warsaw at 51 Chłodna street, with number in the auditors' register No. 458. The certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2007. The consolidated financial statements for the year ended 31 December 2007 were approved by the General Shareholders' Meeting on 24 April 2008.

The consolidated financial statements of the Group for the financial year ended 31 December 2007 together with the auditors' opinion, a copy of the resolution approving

⁴ Translation of the following expression in Polish: "rzetelność, prawidłowość i jasność"

the consolidated financial statements and the Directors' Report, were filed on 28 April 2008 with the National Court Register.

The introduction to the consolidated financial statements, the consolidated balance sheet as at 31 December 2007, the consolidated profit and loss account, the statement of changes in consolidated equity and the consolidated cash flow statement for the for the year ended 31 December 2007 together with the auditors' opinion and a copy of the resolution approving the financial statements were published in Monitor Polski B No. 1045 on 1 August 2008.

4. Analytical Review

4.1. Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Group for the years 2006 - 2008. The ratios were calculated on the basis of financial information included in the consolidated financial statements for the years ended 31 December 2007 and 31 December 2008, respectively. The ratios for the year ended 31 December 2006 were calculated on the basis of financial information included in the approved financial statements audited by another auditor.

	2008	2007	2006
Total assets	69,610,475	52,010,860	48,476,012
Shareholders' equity	4,224,429	3,840,502	3,778,393
Net profit/ loss	445,418	636,822	597,951
Capital adequacy ratio according to NBP methodology	10.39%	13.12%	15.74%
Profitability ratio	37.56%	56.65%	61.06%
<div>Profit before taxation</div> <div>Total costs</div>			
Costs to income ratio	70.45%	67.01%	67.75%
<div>Total costs</div> <div>Operating income</div>			
Return on equity (ROE)	11.05%	16.72%	16.29%
<div>Net profit</div> <div>Average shareholders' equity</div>			
Return on assets (ROA)	0.73%	1.27%	1.32%
<div>Net profit</div> <div>Average assets</div>			
Rate of inflation			
Yearly average	4.2%	2.5%	1.0%
December to December	3.3%	4.0%	1.4%

4.2. Comments

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

- Net profit for 2008 amounted to 445,418 thousand zlotys in comparison to the net profit of 636,822 thousand zlotys in 2007 and 597,951 thousand zlotys in 2006.
- The total assets in 2008 increased to 69,610,475 thousand zlotys as of 31 December 2008 as compared with 52,010,860 thousand zlotys as of 31 December 2007 and 48,476,012 thousand zlotys as of 31 December 2006.
- The profitability ratio decreased from 61.06% in 2006 to 56.65% in 2007 and to 37.56% in 2008.
- Cost to income ratio decreased from 67.75% in 2006 to 67.01% in 2007 and increased to 70.45% in 2008
- The return on equity ratio increased from 16.29% in 2006 to 16.72% in 2007 and decreased to 11.05% in 2008.
- The return on assets ratio decreased from 1.32% in 2006 to 1.27% in 2007 and to 0.73% in 2008.
- The Group's solvency ratio amounted to 10.39% as at 31 December 2008 as compared with 13.12% at the end of 2007 and 15.74% at the end of 2006.

4.3. Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2008 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In the note "Significant account principles" to the audited consolidated financial statements for the year ended 31 December 2008, the Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to 31 December 2008 and that there are no circumstances that would indicate a threat to its continued activity, except for ING BSK Development Sp. z o.o.

4.4. Application of regulations mitigating banking risk

As at 31 December 2008, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland and Resolutions of the Polish Financial Supervision Authority ['KNF'] (which took over the responsibilities of the Banking Supervisory Board since 1 January 2008) envisaged banking regulatory norms in relation to the following items:

- level of currency positions,
- concentration of credit risk,
- concentration of investments in shares,
- classification of loans and issued guarantees and suretyships to risk categories, recognition of provisions / impairment allowances related to banking operations,
- solvency,

- level of obligatory reserve,
- capital adequacy.

During our audit we have not identified any facts indicating that during the period from 1 January 2008 to 31 December 2008 the Group did not comply with these regulations. We have received written representation from the Management Board of the Bank that during the year the banking regulatory norms were not breached.

4.5. Correctness of calculation of capital adequacy ratio

During our audit we have not identified any irregularities in relation to the calculation, in all material respects, of the capital adequacy ratio as of 31 December 2008 in accordance with Resolution No. 1/2007 of the Banking Supervisory Board dated 13 March 2007 on the scope and detailed principles for determining capital requirements for particular risks, including the scope and conditions of application of statistical methods and the scope of disclosures attached to the requests for the approval of the use of such methods, the principles and conditions of accounting for debt transfer agreements, sub-participation agreements, credit derivative agreements and other than debt transfer or sub-participation agreements in determining capital requirements, the conditions, scope and method of making use of ratings assigned by external credit rating institutions and export credit agencies, the method and detailed principles for calculating bank's capital adequacy ratio, the scope and method of accounting for banks' holding activities in the calculation of capital requirements and capital adequacy ratio and of designating additional balance sheet items to be accounted for jointly with the bank's own funds in capital adequacy calculation, and the scope, method and conditions for their designation (Official NBP Journal No. 2 of 30 March 2007).

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 Group's accounting policies and rules for the presentation of data are detailed in note "Significant account principles" to the Group's consolidated financial statements for the year ended 31 December 2008

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 2008.

The data disclosed in the audited consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method on determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note "Significant account principles" to the audited consolidated financial statements.

3.2 Shareholders' funds including minority interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. Minority shareholders' interest amounted to 2,299 thousand zlotys as at 31 December 2008. It was correctly calculated and is consistent with the consolidation documentation.

Information on shareholders' funds has been presented in note 36, 37 and 38 of the additional notes and explanations to the audited consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the audited consolidated financial statements were prepared as at 31 December 2008 and include the financial data for the period from 1 January 2008 to 31 December 2008.

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 the 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 2008.

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 audited consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting

8. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2008 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

9. Directors' Report

We have read the 'Directors' Report for the period from 1 January 2008 to 31 December 2008 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the audited consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance of 19 October 2005, on current and periodic information published by issuers of securities (Journal of Law No. 209, item 1744).

10. Materiality Level

When determining the materiality level, professional judgement was applied taking into account the specific characteristics relating to the Group. This included consideration of both values and quantities.

11. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board dated 25 February 2009 of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association, impacting the audited financial statements, were breached during the financial year.

12. 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 calculations regarding the level of loan impairment (we took into consideration the valuations of collaterals, prepared by property appraisers, that were engaged by the Group) and in calculation of value of investment property,
- actuary – actuarial calculation of provision for retirement benefits.

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

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Arkadiusz Krasowski
Certified Auditor No. 10018/7417

Dominik Januszewski
Certified Auditor No. 9707/7255

Warsaw, 25 February 2009