

ING Bank Śląski S.A.

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

I. GENERAL NOTES

1. Background

ING Bank Śląski S.A. (hereinafter 'the Bank', 'the 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 Bank's registered office is located in Katowice at 34 Sokolska Street.

The Bank was entered in the Register of Entrepreneurs of the National Court Register under no. 0000005459 on 10 April 2001.

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

The Bank is the holding company of the ING Bank Śląski S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Bank holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in notes 21 and 49 in the Bank's audited financial statements for the year ended 31 December 2008.

The principal activities of the Bank are as follows:

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

As at 31 December 2008, the Bank's issued share capital amounted to 130,100 thousand zlotys. Equity as at that date amounted to 4,066,949 thousand zlotys.

In accordance with the confirmation obtained from the Management Board Office dated 25 February 2009, the ownership structure of the Bank'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 NV	9,757,500	9,757,500	97,575,000	75.00%
Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	884,798	884,798	8,847,980	6.80%
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 Bank'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 Bank'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. Financial Statements

On 23 December 2004 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

2.1 Auditors' opinion and audit of 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 Bank's 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 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 Bank's Management Board, we have audited the financial statements for the year ended 31 December 2008.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the 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 financial statements for the year ended 31 December 2008 of ING Bank Śląski S.A. ('the Bank') located in Katowice at 34 Sokolska Street, containing:
 - the balance sheet as at 31 December 2008 with total assets amounting to 69,535,885 thousand zlotys,
 - the income statement for the period from 1 January 2008 to 31 December 2008 with a net profit amounting to 455,563 thousand zlotys,
 - the statement of changes in equity for the period from 1 January 2008 to 31 December 2008 with a net increase in equity amounting to 397,495 thousand zlotys,
 - the cash flow statement for the period from 1 January 2008 to 31 December 2008 with a net cash outflow amounting to 718,531 thousand zlotys, and
 - additional information and explanations ('the attached financial statements').
2. The truth and fairness¹ of the attached financial statements and the proper maintenance of the accounting records are the responsibility of the Bank's Management Board. Our responsibility was to audit the attached financial statements and to express an opinion whether, based on our audit, these financial statements are, in all material respects, true and fair² and whether the accounting records that form the basis for their preparation are, in all material respects properly maintained.
3. We conducted our audit of the attached 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 financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. The 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 financial statements dated 27 March 2008.

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

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

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 Bank'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 correctly, i.e. in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
 - are in respect of the form and content, in accordance with (i) legal regulations governing the preparation of financial statements and (ii) the Bank's statute.
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 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 Bank's financial statements during the period from 17 November 2008 to 25 February 2009. We were present at the Bank's head office from 17 November 2008 to 19 December 2008 and from 5 January 2009 to 25 February 2009.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ of the financial statements and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 25 February 2009, confirming that:

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

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

2.3 Financial statements for prior financial year

The Bank's financial statements 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 financial statements for the year ended 31 December 2007. The Bank's financial statements for the year ended 31 December 2007 were approved by the General Shareholders' Meeting

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

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

on 24 April 2008, and the shareholders resolved to appropriate the 2007 net profit as follows:

Dividends for the shareholders	152,217,000
Reserve capital	257,936,112
General Risk Fund	200,000,000

Net Profit	610,153,112
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The financial statements for the financial year ended 31 December 2007, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 28 April 2008 with the National Court Register.

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

The closing balances as at 31 December 2007 were correctly brought forward in the accounts as the opening balances at 1 January 2008.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Bank for the years 2006 - 2008. The ratios were calculated on the basis of financial information included in the 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	69,535,885	51,826,426	48,360,757
Shareholders' equity	4,066,949	3,669,454	3,615,974
Net profit/ loss	455,563	610,153	540,557
Capital adequacy ratio according to NBP methodology	9.82%	12.03%	15.09%
Profitability ratio	38.84%	55.25%	56.67%
<div style="text-align: center;">Profit before taxation ----- Total costs</div>			
Costs to income ratio	69.72%	67.76%	69.83%
<div style="text-align: center;">Total costs ----- Operating income</div>			
Return on equity (ROE)	11.78%	16.75%	15.27%
<div style="text-align: center;">Net profit ----- Average shareholders' equity</div>			
Return on assets (ROA)	0.75%	1.22%	1.20%
<div style="text-align: center;">Net profit ----- Average assets</div>			
Rate of inflation			
Yearly average	4.2%	2.5%	1.0%
December to December	3.3%	4.0%	1.4%

3.2 Comments

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

- Net profit for 2008 amounted to 455,563 thousand zlotys in comparison to the net profit of 610,153 thousand zlotys in 2007 and 540,557 thousand zlotys in 2006.
- The total assets increased in 2008 to 69,535,885 thousand zlotys as of 31 December 2008 as compared with 51,826,426 thousand zlotys as of 31 December 2007 and 48,360,757 thousand zlotys as of 31 December 2006.
- The profitability ratio decreased from 56.67% in 2006 to 55.25% in 2007 and to 38.84% in 2008.
- Cost to income ratio decreased from 69.83% in 2006 to 67.76% in 2007 and increased to 69.72% in 2008.
- The return on equity ratio increased from 15.27% in 2006 to 16.75% in 2007 and decreased to 11.78% in 2008.
- Return on assets ratio increased from 1.20% in 2006 to 1.22% in 2007 and decreased to 0.75% in 2008.
- The Bank's solvency ratio amounted to 9.82% as at 31 December 2008 as compared with 12.03% at the end of 2007 and 15.09% at the end of 2006.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Bank 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 Note "Significant accounting principles" to the audited financial statements for the year ended 31 December 2008, the Management Board has stated that the financial statements were prepared on the assumption that the Bank 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 from ING BSK Development sp. z o.o.

3.4. 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 Bank did not comply with these regulations. We have received written representation from the Management Board that during the year the banking regulatory norms were not breached.

3.5. 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. Accounting System

The Bank's accounts are maintained at the Bank's head office using the following IT systems: ICBS, MIDAS, eProfit, Prime and CBE (Central Extracts' Database) in which general ledger of the Bank is maintained. The Bank has documentation, as required under Article 10 of the Accounting Act, including a chart of accounts approved by the Bank's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the audited financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and audited financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Bank's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2008.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2008.

3. Additional Notes and Explanations to the Financial Statements

The additional notes and explanations to the audited 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.

4. Directors' Report

We have read the Directors' report on the Bank's activities in the period from 1 January 2008 to 31 December 2008 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the audited financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions 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).

5. Materiality Level

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

6. Conformity with Law and Regulations

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

7. 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 Bank) 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