

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 2009**

I. GENERAL NOTES

1. Background

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

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 Bank'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 2009, 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 European Union.

The holding company 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 holding company is part of the ING Bank 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 2009, the holding company's issued share capital amounted to 130,100 thousand zlotys. The Group's equity as at that date amounted to 4,886,711 thousand zlotys.

In accordance with the confirmation obtained from the Management Board Office dated 19 February 2010, the ownership structure of the holding company's issued share capital as at 31 December 2009 was as follows:

	Number of shares	Number of votes	Par value of shares (in zlotys)	% of issued share capital
ING Bank N.V.	9,757,500	9,757,500	97,575,000	75.00%
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK S.A. (formerly Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK)	665,500	665,500	6,655,000	5.12%
Other shareholders	2,587,000	2,587,000	25,870,000	19.88%
Total	13,010,000	13,010,000	130,100,000	100.00%

The holding 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 3 March 2010, the holding company's Management Board was composed of:

Małgorzata Kołakowska	President
Mirosław Boda	Vice-President
Justyna Kesler	Vice-President
Oscar Edward Swan	Vice-President
Michał Bolesławski	Vice-President
Evert Derks Drok	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 16 March 2009 Mr. Michał Szczurek was dismissed from the position of Vice President of the Management Board;
- on 1 June 2009 Mr. Evert Derks Drok was appointed as Vice President of the Management Board;
- on 26 October 2009 Mr. Brunon Bartkiewicz resigned as President of the Management Board as of 31 December 2009;
- on 8 December 2009 the Supervisory Board appointed Mrs. Małgorzata Kołakowska as President of the Management Board.

2. Group Structure

As at 31 December 2009, 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.	Full consolidation	Till the issue date of the report opinion has not been issued	Ernst & Young Audit sp. z o. o.	31 December 2009
ING Bank Hipoteczny S.A.	Full consolidation	Till the issue date of the report opinion has not been issued	Ernst & Young Audit sp. z o. o.	31 December 2009
Centrum Banku Śląskiego Sp. z o.o.	Full consolidation	Not audited	Not audited	31 December 2009
SOLVER sp. z o.o.	Full consolidation	Not audited	Not audited	31 December 2009

As at 31 December 2009 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

Details of the type and impact of changes in entities included in the consolidation as compared to the prior year may be found in the note "Information about the Bank and Capital Group" of accounting policies and additional notes and explanations ("Additional information") to the audited consolidated financial statements of the Capital Group for the year ended 31 December 2009.

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 key certified auditor 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).

Under the contract executed on 29 February 2008 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2009.

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 3 March 2010, 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 2009 containing:
 - the consolidated income statement for the period from 1 January 2009 to 31 December 2009 with a net profit amounting to 595,066 thousand zlotys,
 - the consolidated statement of comprehensive income for the period from 1 January 2009 to 31 December 2009 with a total comprehensive income amounting to 662,282 thousand zlotys,
 - the consolidated statement of financial position as at 31 December 2009 with total assets amounting to 59,883,456 thousand zlotys,
 - the consolidated statement of changes in equity for the period from 1 January 2009 to 31 December 2009 with a net increase in equity amounting to 662,282 thousand zlotys,
 - the consolidated statement of cash flow for the period from 1 January 2009 to 31 December 2009 with a net cash outflow amounting to 1,086,063 thousand zlotys, and
 - the accounting policies (principles) and additional notes and explanations ('the attached consolidated financial statements').
2. The truth and fairness¹ of the attached consolidated financial statements and its preparation in accordance with the required applicable accounting principles (policies) and correctness of the consolidated documentation are the responsibility of the Bank's

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

Management Board. 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 principles (policies), whether they fairly and truly² reflect, in all material respects, the financial position and result of the Group.

3. We conducted our audit of the attached consolidated financial statements in accordance with:
- chapter 7 of the Accounting Act, dated 29 September 1994 (Journal of Laws of 2009, No 152, item 1223 with further amendments – ‘the Accounting Act’),
 - general practice of audit of financial statements applied in Poland (based on the previously binding auditing standards issued by the National Chamber of Auditors and after considering the provisions 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),

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 by the Group 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. In our opinion, the attached consolidated 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 2009 to 31 December 2009, as well as its financial position³ as at 31 December 2009;
 - 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.
5. We have read the Directors’ Report for the year 2009 (‘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 dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2009, No. 33, item 259).”

We conducted the audit of the consolidated financial statements during the period from 16 November 2009 to 3 March 2010. We were present at the holding company’s head

² Translation of the following expression in Polish: ‘rzetelnie i jasno’

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

office from 16 November 2009 to 18 December 2009 and from 4 January 2010 to 3 March 2010.

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 of the holding company 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 3 March 2010, 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 audited 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 2008 were audited by Arkadiusz Krasowski, key certified auditor no. 10018, acting on behalf of Ernst & Young Audit sp. z o.o. with the seat in Warsaw, Rondo ONZ 1 (Reg. No. 130). The key certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2008. The consolidated financial statements for the year ended 31 December 2008 were approved by the General Shareholders' Meeting on 3 April 2009.

The consolidated financial statements of the Group for the financial year ended 31 December 2008 together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 17 April 2009 with the National Court Register.

The introduction to the consolidated financial statements, the consolidated balance sheet as at 31 December 2008, the consolidated profit and loss account, the statement of changes in consolidated equity and the consolidated cash flow statement for the year ended 31 December 2008 together with the auditors' opinion and a copy of the resolution approving the consolidated financial statements were published in Monitor Polski B No. 1037 on 30 June 2009.

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

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 2007 - 2009. The ratios were calculated on the basis of financial information included in the consolidated financial statements for the years ended 31 December 2008 and 31 December 2009, respectively.

	2009	2008	2007
Total assets	59,883,456	69,610,475	52,010,860
Shareholders' equity	4,886,711	4,224,429	3,840,502
Net profit/ loss	595,066	445,418	636,822
Capital adequacy ratio according to NBP methodology	12.01%	10.39%	13.12%
Profitability ratio	49.6%	37.6%	56.7%
<div style="text-align: center;">Profit before taxation Total costs</div>			
Costs to income ratio	58.8%	70.5%	67.0%
<div style="text-align: center;">Total costs Operating income</div>			
Return on equity (ROE)	13.1%	11.1%	16.7%
<div style="text-align: center;">Net profit Average shareholders' equity</div>			
Return on assets (ROA)	0.9%	0.7%	1.3%
<div style="text-align: center;">Net profit Average assets</div>			
Rate of inflation			
Yearly average	3.5%	4.2%	2.5%
December to December	3.5%	3.3%	4.0%

4.2. Comments

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

- Net profit for 2009 amounted to 595,066 thousand zlotys in comparison to net profit of 445,418 thousand zlotys in 2008 and 636,822 thousand zlotys in 2007.
- The total assets as of 31 December 2009 amounted to 59,883,456 thousand zlotys and decreased compared to total assets as of 31 December 2008.
- Profitability ratio decreased from 56.7% in 2007 to 37.6% in 2008 and then increased to 49.6% in 2009.
- Cost to income ratio increased from 67.0% in 2007 to 70.5% in 2008 and then decreased to 58.8% in 2009.
- Return on equity ratio decreased from 16.7% in 2007 to 11.1% in 2008 and then increased to 13.1% in 2009.
- Return on assets ratio decreased from 1.3% in 2007 to 0.7% in 2008 and then increased to 0.9% in 2009.
- The Group's solvency ratio amounted to 12.01% as at 31 December 2009 compared with 10.39% at the end of 2007 and 13.12% at the end of 2007.

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 12 months subsequent to 31 December 2009 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In the note "Compliance with International Financial Reporting Standards" to the audited consolidated financial statements for the year ended 31 December 2009, 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 12 months subsequent to 31 December 2009 and that there are no circumstances that would indicate a threat to its continued activity.

4.4. Application of regulations mitigating banking risk

As at 31 December 2009, 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') 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,
- liquidity measurement,
- level of obligatory reserve,

- capital adequacy.

During our audit we have not identified any facts indicating that during the period from 1 January 2009 to 31 December 2009 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 significant irregularities in relation to the calculation of the capital adequacy ratio as of 31 December 2009 in accordance with Resolution no. 380/2008 of the Financial Supervision Authority ('KNF') of 17 December 2008 on the scope of the capital requirements against particular risks and the detailed principles to be applied in determining those requirements, including but not limited to the scope and conditions of applying statistical methods and the scope of information attached to an application for authorization to apply them, principles and conditions of taking account of contracts on debt assignment, subparticipation, credit derivative and contracts other than those on debt assignment, subparticipation, in calculating the capital requirements, terms and conditions, scope and manner of making use of the ratings assigned by external credit assessment institutions and the export credit agencies, manner and specific principles of calculating the solvency ratio of a bank, the scope and manner of taking account of banks conducting their activities in groups in calculating their capital requirements as well as establishing additional items of bank balance sheets presented jointly with bank regulatory own funds in the calculation of capital adequacy, the amount thereof and the conditions of setting them (Official Journal of the Financial Supervision Authority No. 8, dated 31 December 2008 with further amendments).

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 2009.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the consolidated financial statements for the year ended 31 December 2009.

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" and note 25 of the additional notes and explanations 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 2,313 thousand zlotys as at 31 December 2009. 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 2009 and include the financial data for the period from 1 January 2009 to 31 December 2009.

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 unrealized 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 2009.

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 European Union

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

8. Issues specific for the audit of banks

We have addressed the issue of complying by the Bank with the obligatory norms mitigating banking risks and the issue of correctness of calculation of capital adequacy ratio in our report dated 3 March 2010 supplementing the independent auditors' opinion on the standalone financial statements of the Bank for year ended 31 December 2009.

9. 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 2009 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 for the year 2009 ('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 dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259).

11. 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.

12. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Bank's Articles of Association were breached during the financial year, having material effect on the audited consolidated financial statements.

13. 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 entities) and in calculation of value of own and 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
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Key Certified Auditor

(–)

Arkadiusz Krasowski
Certified Auditor
No. 10018

Warsaw, 3 March 2010