2010

Interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for I quarter 2010

ING BANK ŚLĄSKI

ING

www.ing.pl

Table of contents

I. Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (PLN '000)

	Note	**I quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010	**I quarter 2009** the period from 01 Jan 2009 to 31 Mar 2009
Interest income	*5.1*	*703 402*	*841 056*
Interest expenses	*5.1*	*336 020*	*549 766*
Net interest income	*5.1*	**367 382**	**291 290**
Commission income	*5.2*	*264 082*	*236 101*
Commission expenses	*5.2*	*35 614*	*22 100*
Net commission income	*5.2*	**228 468**	**214 001**
Net income on instruments measured at fair value through profit and loss and FX result	*5.3*	51 527	15 771
Net income on investment	*5.4*	4 037	296
Net income on hedge accounting	*5.5*	-6 894	17 915
Net income on other basic activities		6 330	7 951
Result on basic activities		**650 850**	**547 224**
General and administrative expenses	*5.6*	394 104	361 659
Result on other operating income and expenses		3 552	-1 037
Impairment losses and provisions for off-balance sheet liabilities	*5.7*	48 099	91 714
Share in net profit (loss) of associated entities recognised under the equity method	*5.8*	7 280	10 100
Profit (loss) before tax		**219 479**	**102 914**
Income tax		41 966	22 119
Net profit (loss)		**177 513**	**80 795**
- assigned to shareholders of the holding company		**177 520**	**80 821**
- assigned to minority shareholders		-7	-26

Net profit (loss) assigned to shareholders of the holding company	**177 520**	**80 821**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**13,64**	**6,21**

Diluted earnings per share agrees with earnings per ordinary share

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	**I quarter 2009** the period from 01 Jan 2009 to 31 Mar 2009
Net result for the period	**177 513**	**80 795**
Gains/losses on remeasurement of available-for-sale financial assets charged to equity	52 253	-21 168
including deferred tax	*-12 298*	*4 945*
Reclassified to the financial result as a result of sale of available-for-sale financial assets	-3 060	-235
including deferred tax	*718*	*55*
Adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-292	3 211
including deferred tax	*67*	*-754*
Effective part of cash flow hedging instruments revaluation	19 882	-3 865
including deferred tax	*-4 664*	*906*
Revaluation of share-based payment	728	0
including deferred tax	*0*	*0*
Other	283	0
including deferred tax	*4*	*0*
Other comprehensive income (loss)	**69 794**	**-22 057**
Total comprehensive income for the period	**247 307**	**58 738**

Total comprehensive income		
- assigned to shareholders of the holding company	247 314	58 764
- assigned to minority shareholders	-7	-26
Total comprehensive income for the period	**247 307**	**58 738**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)

	Note	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
A S S E T S					
- Cash in hand and balances with the Central Bank		2 387 809	2 656 593	1 584 276	1 369 795
- Loans and receivables to other banks	5.9	1 280 652	1 184 103	2 947 506	7 787 225
- Financial assets measured at fair value through profit and loss	5.10	3 758 408	8 267 661	11 977 410	10 548 819
- Valuation of derivatives		1 408 240	1 566 652	5 167 421	4 579 765
- Investments	5.11	21 639 720	14 166 281	15 901 934	18 050 922
- available-for-sale		*14 852 817*	*6 835 875*	*8 517 474*	*10 739 090*
- held-to-maturity		*6 786 903*	*7 330 406*	*7 384 460*	*7 311 832*
- Derivative hedge instruments		111 708	90 444	212 434	197 003
- Loans and receivables to customers	5.12	30 159 626	30 592 794	29 040 309	25 742 839
- Investments in controlled entities		122 880	115 600	117 361	107 261
- Investment real estates		129 667	129 667	151 458	151 458
- Property, plant and equipment	5.14	539 007	548 847	548 566	544 163
- Intangible assets		322 939	327 343	313 476	316 187
- Property, plant and equipment held for sale		224	224	223	248
- Current tax asset		416	762	18 677	142
- Deferred tax asset		62 404	86 447	36 824	48 651
- Other assets		175 406	150 038	187 862	165 997
T o t a l a s s e t s		**62 099 106**	**59 883 456**	**68 205 737**	**69 610 475**
E Q U I T Y A N D L I A B I L I T I E S					
LIABILITIES					
- Liabilities due to the Central Bank		0	0	4 020 074	5 932 116
- Liabilities due to other banks	5.15	5 372 174	3 973 786	8 194 737	6 060 868
- Financial liabilities measured at fair value through profit and loss	5.16	2 649 169	998 051	335 980	825 060
- Valuation of derivatives		1 109 704	1 193 944	3 242 105	4 321 638
- Derivative hedge instruments		557 035	482 563	610 905	420 047
- Liabilities due to customers	5.17	46 184 170	47 584 673	46 461 782	47 066 918
- Provisions	5.18	48 279	55 247	57 274	50 579
- Current income tax liabilities		19 790	156 133	0	39 148
- Other liabilities		1 024 767	552 348	999 713	669 672
T o t a l l i a b i l i t i e s		**56 965 088**	**54 996 745**	**63 922 570**	**65 386 046**
EQUITY					
- Share capital		130 100	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value		956 250	956 250	956 250	956 250
- Revaluation reserve from measurement of available-for-sale financial assets		47 518	-1 383	-119 173	-100 981
- Revaluation reserve from measurement of property, plant and equipment		51 095	51 115	52 864	52 864
- Revaluation reserve from measurement of cash flow hedging instruments		18 914	-968	41 716	45 581
- Revaluation of share-based payment		16 574	15 846	0	0
- Retained earnings		3 911 261	3 733 438	3 219 137	3 138 316
Equity assigned to shareholders of the holding company		**5 131 712**	**4 884 398**	**4 280 894**	**4 222 130**
- Minority equity		**2 306**	**2 313**	**2 273**	**2 299**
T o t a l e q u i t y		**5 134 018**	**4 886 711**	**4 283 167**	**4 224 429**
T o t a l e q u i t y a n d l i a b i l i t i e s		**62 099 106**	**59 883 456**	**68 205 737**	**69 610 475**

Solvency ratio	5.19	**13,00%**	**12,01%**	**10,10%**	**10,39%**

Book value	**5 131 712**	**4 884 398**	**4 280 894**	**4 222 130**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Book value per share (PLN)	**394,44**	**375,43**	**329,05**	**324,53**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

I quarter 2010
the period from 01 Jan 2010 to 31 Mar 2010

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Minority equity	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-1 383**	**51 115**	**-968**	**15 846**	**3 733 438**	**2 313**	**4 886 711**
- net result for the current period	-	-	-	-	-	-	177 513	-	**177 513**
- share of minority shareholders in the net financial result	-	-	-	-	-	-	7	-7	**0**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	52 253	-	-	-	-	-	**52 253**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-3 060	-	-	-	-	-	**-3 060**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	-292	-	-	-	-	-	**-292**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	19 882	-	-	-	**19 882**
- revaluation of share-based payment	-	-	-	-	-	728	-	-	**728**
- other	-	-	-	-20	-	-	303	-	**283**
Total comprehensive income for the period	**0**	**0**	**48 901**	**-20**	**19 882**	**728**	**177 823**	**-7**	**247 307**
Dividends paid	-	-	-	-	-	-	-	-	**0**
Closing balance of equity	**130 100**	**956 250**	**47 518**	**51 095**	**18 914**	**16 574**	**3 911 261**	**2 306**	**5 134 018**

year 2009
the period from 01 Jan 2009 to 31 Dec 2009

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Minority equity	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-100 981**	**52 864**	**45 581**	**0**	**3 138 316**	**2 299**	**4 224 429**
- net result for the current period	-	-	-	-	-	-	595 066	-	**595 066**
- share of minority shareholders in the net financial result	-	-	-	-	-	-	-14	14	**0**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	96 302	-	-	-	-	-	**96 302**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	794	-	-	-	-	-	**794**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	2 502	-	-	-	-	-	**2 502**
- remeasurement of property, plant and equipment	-	-	-	-1 704	-	-	-	-	**-1 704**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	-46 549	-	-	-	**-46 549**
- revaluation of share-based payment	-	-	-	-	-	15 846	-	-	**15 846**
- other	-	-	-	-45	-	-	70	-	**25**
Total comprehensive income for the period	**0**	**0**	**99 598**	**-1 749**	**-46 549**	**15 846**	**595 122**	**14**	**662 282**
Dividends paid	-	-	-	-	-	-	-	-	**0**
Closing balance of equity	**130 100**	**956 250**	**-1 383**	**51 115**	**-968**	**15 846**	**3 733 438**	**2 313**	**4 886 711**

I quarter 2009
the period from 01 Jan 2009 to 31 Mar 2009

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Minority equity	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-100 981**	**52 864**	**45 581**	**0**	**3 138 316**	**2 299**	**4 224 429**
- net result for the current period	-	-	-	-	-	-	80 795	-	**80 795**
- share of minority shareholders in the net financial result	-	-	-	-	-	-	26	-26	**0**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-21 168	-	-	-	-	-	**-21 168**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-235	-	-	-	-	-	**-235**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	3 211	-	-	-	-	-	**3 211**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	-3 865	-	-	-	**-3 865**
Total comprehensive income for the period	**0**	**0**	**-18 192**	**0**	**-3 865**	**0**	**80 821**	**-26**	**58 738**
Dividends paid	-	-	-	-	-	-	-	-	**0**
Closing balance of equity	**130 100**	**956 250**	**-119 173**	**52 864**	**41 716**	**0**	**3 219 137**	**2 273**	**4 283 167**

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (PLN '000)

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	**I quarter 2009** the period from 01 Jan 2009 to 31 Mar 2009
OPERATING ACTIVITIES		
Net profit (loss)	**177 520**	**80 821**
Adjustments	**-728 066**	**-1 863 985**
- Minority shareholders' profit (loss)	-7	-26
- Share in net profit (loss) of associated entities	-7 280	-10 100
- Depreciation and amortisation	29 146	30 975
- Interest accrued (from the profit and loss account)	367 382	291 290
- Interest paid	373 804	535 448
- Interest received	-724 718	-765 809
- Dividends received	-260	-7
- Gains (losses) on investment activities	-74	-15
- Income tax (from the profit and loss account)	41 966	22 119
- Income tax paid	-153 920	-67 975
- Change in provisions	-6 968	6 695
- Change in loans and other receivables to other banks	252 691	2 844 367
- Change in financial assets at fair value through profit or loss	4 472 177	-1 545 725
- Change in available-for-sale financial assets	-7 936 052	2 209 685
- Change in valuation of derivatives	74 172	-1 667 189
- Change in derivative hedge instruments	73 090	171 562
- Change in loans and other receivables to customers	428 636	-3 297 713
- Change in other assets	-96 217	-93 537
- Change in liabilities due to other banks	1 399 347	236 123
- Change in liabilities at fair value through profit or loss	1 651 118	-489 080
- Change in liabilities due to customers	-1 439 246	-605 114
- Change in other liabilities	473 147	330 041
Net cash flow from operating activities	**-550 546**	**-1 783 164**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-7 486	-23 802
- Disposal of property, plant and equipment	92	51
- Purchase of intangible assets	-7 799	-9 857
- Disposal of fixed assets held for sale	0	25
- Disposal of held-to-maturity financial assets	615 000	0
- Interest received from held-to-maturity financial assets	35 363	35 363
- Dividends received	260	7
Net cash flow from investment activities	**635 430**	**1 787**
FINANCIAL ACTIVITIES		
- Dividends paid	0	0
Net cash flow from financial activities	**0**	**0**
Effect of exchange rate changes on cash and cash equivalents	***-7 239***	***9 563***
Net increase/decrease in cash and cash equivalents	**84 884**	**-1 781 377**
Opening balance of cash and cash equivalents	**3 047 826**	**4 133 362**
Closing balance of cash and cash equivalents	**3 132 710**	**2 351 985**

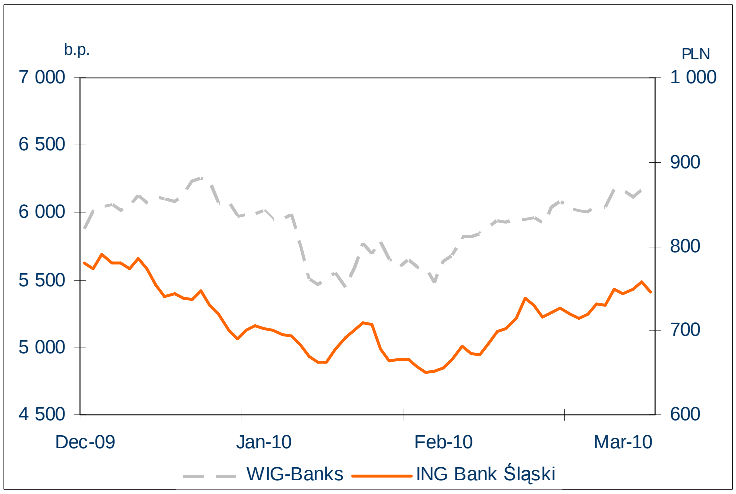
II. Additional information

1. Information on the Bank and the Capital Group

ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459.

The parent entity statistic number is REGON 271514909, and the taxation identification number is NIP 634-013-54-75. Entity authorised to audit financial statements is Ernst & Young Audit Sp. z o.o. having its registered office in Warsaw, 1 Rondo ONZ, entered into the list under number 130.

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 13,010,000 ordinary bearer shares with a par value of PLN 10.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange (sector: banks). The price of shares of ING Bank Śląski S.A. in the first three months of 2010 was as follows:



ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group", "Group") of the following composition as at 31 March 2010:

- ING Securities S.A. (subsidiary, 100% share),
- ING Bank Hipoteczny S.A. (subsidiary, 100% share),
- Centrum Banku Śląskiego Sp. z o.o. (subsidiary, 100% share),
- Solver Sp. z o.o. (subsidiary, 82.3% share).

As at the balance sheet date the Bank held the share of affiliated entity:

- ING Powszechne Towarzystwo Emerytalne S.A. (associate, 20% share).

In Q1/2010 the Group's structure did not change.

The duration of the parent entity and entities forming the Capital Group is indefinite.

ING Bank Śląski S.A. offers a broad range of banking services rendered for individual and institutional clients in line with the scope of services outlined in the Bank's charter. The Bank runs operations both in the home currency and in foreign currencies. The Bank is also active on the domestic and foreign financial markets. The subsidiary ING Bank Hipoteczny S.A. also runs banking business, including loans secured with mortgage. Additionally through subsidiaries the Group operates brokerage services, real estate, leasing of real estate and advisory and acts as a financial intermediary as well as provides other financial services.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2010 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders.

As at the date 31 March 2010, the shareholders owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna were the following entities:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Shareholders Meeting
1.	ING Bank N.V.	9 757 500	75.00
2.	Aviva OFE Aviva BZ WBK	665 500	5.12

On 20 April 2010, the Bank acquired the information that as a result of the transaction of sale of shares of ING Bank Śląski S.A. concluded on 13 April 2010, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK [*Aviva Open Investment Fund Aviva BZ WBK*] decreased its share in the total number of shares and votes at the General Meeting to less than 5%. Therefore, as of the day of submitting the report for Q1 2010, the shareholder holding at least 5% of votes at the General Meeting of ING Bank Śląski S.A. was only ING Bank N.V., holding 75.0% of the total number of shares and votes at the General Meeting.

Among members of the Supervisory Board of the Bank Mr. Wojciech Popiołek holds shares of ING Bank Śląski S.A. in the number of 6 shares. The other members of the Bank Management Board and the Bank Supervisory Board do not hold any shares of ING Bank Śląski S.A.
As of the day of publishing the interim consolidated financial statements of Capital Group of ING Bank Śląski S.A. for Q4 2009, Mr. Mirosław Kośmider and Mr. Popiołek held 3 and 6 shares of the Bank, respectively. The other members of the Supervisory Board of the Bank as well as members of the Management Board of the Bank did not hold any shares of ING Bank Śląski S.A.

The interim condensed consolidated financial statements of the Group for the first quarter 2010 comprise the Bank and its subsidiaries and the Group's interest in associates and jointly controlled entities.

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2009 to 31 December 2009 were approved by the General Meeting of Shareholders of the Bank on 8 April 2010.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 11 May 2010.

2. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the I quarter 2010 were prepared under the International Financial Reporting Standards (IFRS) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2010 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259).

Condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed statement of changes in consolidated equity, and condensed consolidated cash flow statement for the period from 01 January 2010 to 31 March 2010, and condensed consolidated statement of financial position as at 31 March 2010 together with comparable data were prepared according to the same principles of accounting for each period. The comparative data cover the period from 1 January 2009 to 31 March 2009 for the condensed consolidated income statement; the condensed consolidated statement of comprehensive income; and the condensed consolidated cash flow statement; additionally, as of 31 December 2009 for the condensed statement of changes in consolidated equity; and in the case of the condensed consolidated statement of financial position data as of 31 December 2009, 31 March 2009 and 31 December 2008.

Presented interim condensed consolidated financial statements for I quarter 2010 meet the requirements of International Financial Reporting Standards (IFRS), including IAS 34 (International Accounting Standards) with regard to interim financial statements. This is the condensed version of the statements.

These interim condensed consolidated financial statements have been prepared in PLN rounded to one thousand zlotys (unless otherwise noted).

In these interim condensed consolidated financial statements the same principles of accounting have been applied as the ones applied for developing the 2009 annual consolidated financial statements, with the exception of the following changes in standards and new interpretations binding for annual periods starting on 1 January 2010 or after that date:

- IFRS 1 *Application of International Financial Reporting Standards for the first time* – revised IFRS 1 supersedes the existing IFRS 1 in order to simplify its application and its future amendments. Certain out-dated guidelines with regard to shifting to international financial reporting standards have not been included in the revised MSSF 1, and some slight editorial changes were introduced. The currently binding requirements remain unchanged.
- IFRS 2 *Share-based payments (dated 18 July 2009)* – changes to IFRS 2 specify the recognition of share-based payments whereunder a payment to the service or good suppliers is made in cash, and the liability is attributed to other entity belonging to the capital group (share-based payments settled in cash within the capital group).
- Changes to IFRS resulting from annual review, entering into force after 1 January 2010. The annual review is to improve international financial reporting standards and to specify them in more detail. The majority of changes specifies in more detail the existing IFRS or introduces amendments thereto or constitutes changes resulting from prior changes to IFRS. Changes to IFRS 8, IAS 17, IAS 36 and IAS 39 include changes of binding requirements or they constitute additional explanations with regard to application of the said requirements.
- IAS 32 *Financial instruments: Presentation (dated 8 October 2009)* – the change to IAS 32 specifies in more detail how certain pre-emptive rights should be recognized in situation when the issued financial instruments are denominated in other currency than the functional currency of the issuer. If such instruments are offered pro rata to the existing shareholders of the issuer in return for fixed amount of cash they should be classified as equity instruments also in the case when their execution price is expressed in currency other than the functional currency of the issuer.

The published Standards and Interpretations which have been already issued, but they are not binding yet as they have not been approved by the European Union and they have not been applied by the Group include:

- IFRS 9 *Financial Instruments* – the new standard is to supersede IAS 39,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – the interpretation explains the guidelines of IFRS when a business entity renegotiates terms and conditions of financial liabilities with lenders and the said lenders agree to accept the entity's shares or other equity instruments to settle financial liabilities partially or fully.

Going-concern

These interim condensed consolidated financial statements were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the balance sheet date.

As of the date of approving these statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Capital Group is endangered.

Discontinued operations

The Group had no operations that were discontinued in 3 months 2010.

Material accounting principles (policy)

Detailed accounting principles are presented in annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2009 to 31 December 2009 published on 05 March 2010 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl).

Selected accounting principles applied by the capital Group are presented below.

Basis for preparation of consolidated financial statements

The concept of fair value has been applied in the statements for real property and investment property as well as financial assets and liabilities measured at fair value, including derivative instruments, and financial assets classified as available-for-sale, excluding those for which the fair value cannot be determined in a reliable manner.

Other items of financial assets (including loans and receivables) are presented at amortized cost less impairment charges or at purchase price less impairment charges.

Fixed assets for sale are recognised at the lower of their balance sheet value and the fair value minus sales costs.

Consolidation policies

Subsidiaries

Subsidiaries are any entities controlled by the Bank. The control exists, when the Bank has direct or indirect influence on the financial and operating policies of an entity so as to obtain benefits from its activities.
Control is presumed to exist when the parent owns more than a half of the voting rights of an entity and when there are:

- rights to more than a half of the voting rights by virtue of an agreement with other investors;
- power to govern the financial and operating policies of the entity under a statute or an agreement;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body;

- power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which the parent ceases to control the subsidiary, if applicable.

Purchase method

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share in identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a share of between 20% and 50% of the voting rights. The consolidated financial statements include the Group's share in profits and losses of associates according to its share in net assets of associates, from the date of obtaining significant influence until the date, the significant influence ceases.

Investments in associates are initially accounted at purchase price and then accounted for using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the profit and loss, whereas its share in changes in other reserves since the date of acquisition – in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition.

When the share of the Group in the losses of an associate becomes equal or greater than the share of the Group in that associate, the Group discontinues the recognition of any further losses or creates provision only to such amount, it has assumed obligations or has settled payments on behalf of the respective associate.

Transactions eliminated in consolidation process

Intragroup balances and gains and losses or revenues and costs resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Foreign currency

The functional currency and the presentation's currency

The items contained in presentations of particular units of the Group are priced in the currency of the basic economic environment in which a given entity operates ("the functional currency"). These consolidated financial statements is presented in Polish Zloty, which is the functional currency and the presentation currency of the Group.

Transactions and balances in foreign currency

Transactions expressed in foreign currencies are translated at FX rate prevailing on the transaction date. The financial assets and liabilities, being result of the said transactions and denominated in foreign currencies are translated at the FX rate prevailing on a given day. The foreign exchange differences resulting from the settlements of the said transactions and the balance sheet valuation of the financial assets and liabilities denominated in foreign currency are recognized in the profit and loss account on item *Net income on instruments measured at fair value through profit and loss and FX result.*

Foreign exchange differences due to such items as equity instruments classified as available-for-sale financial assets are recognized in revaluation capital of available-for-sale financial assets.

Financial statements of investments in a foreign operation

The Group does not have any investments nor runs operations abroad.

Financial assets and liabilities

Classification

The Group classifies financial instruments to the following categories: financial assets and liabilities valued at fair value through the profit and loss, loans and receivables, investments held to maturity, available for sale financial assets.

Financial assets and liabilities valued at fair value through profit and loss

These are financial assets or financial liabilities that meet either of the following conditions.

- are classified as held for trading. A financial asset or financial liability is classified as held for trading if it is: acquired or incurred principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also classified as held for trading (other than those that are designated and effective hedging instruments),
- upon initial recognition it is designated by the Group as at fair value through profit and loss. Such designation can be made only if:

- the designated financial asset or financial liability is a hybrid instrument containing one or many embedded derivatives, which qualify for separate recognition and embedded derivatives cannot change significantly the cash flows resulting from the host contract or separation of embedded derivative is forbidden;
- usage of such classification of financial asset or liability eliminates or decreases significantly the inconsistency of measurement or recognition (so called accounting difference due to various methods of assets and liabilities valuation or various recognition of gains and losses attributable to them);
- the group of financial assets and liabilities or both categories is managed properly, and its results are measured using fair value, in accordance with documented risk management principles or the Group's investment strategy.

Investment held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. In case of sale or reclassification of more than an insignificant amount of held-to-maturity investments in relation to the total held-to-maturity investments before maturity all the assets of this category are reclassified to the available sale category. In such a case, the Group must not classify any financial assets as investments held to maturity for 2 years.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity upon initial recognition designates at fair value through profit and loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Loans and receivables include loans and cash loans extended to other banks and clients including repurchased debt claims, debt securities reclassified from the portfolio of financial assets available for sale and debt securities not listed on the active market, that comply with the definition of loans and receivables.

Financial assets available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

Other financial liabilities

Financial liabilities being a contractual obligation to deliver cash or other financial asset to another entity not valued at fair value through the profit and loss, being a deposit or loan received.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Recognition

The Group recognizes financial assets or liabilities on the balance sheet when, and only when it becomes a party to the contractual provisions of the instrument. Purchase and sale transactions of financial assets valued at fair value through profit and loss, held-to-maturity and available for sale are recognized, in accordance with accounting policies applied to all transactions of a certain type, at the settlement date, the date on which the asset is delivered to an entity or by an entity. Loans and receivables are recognized on distribution of the cash to borrower.

Derecognition

The Group derecognises a financial asset when, and only when: the contractual rights to the cash flows from the financial asset expire or the Group transfers the contractual right to receipt of the cash flow from the financial asset. On transferring a financial asset, the Group evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. Accordingly, where the Group:

- transfers substantially all the risks and rewards of ownership of the financial asset, it derecognises the financial asset,
- retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset,
- neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it the Group determines whether it has retained control of the financial asset. In this case if the Group has retained control, it continues to recognise
  the financial asset, and if the Group has not retained control, it derecognises the financial asset to the extent of its continuing involvement in the financial asset.

The Group removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when the obligation specified in the contract is realised or cancelledor expires.

The Group derecognizes loans and receivables or its part from its balance sheet, if rights pertaining to the credit agreement expire, the Group waives such rights, or sells the loan.

When irrevocability of financial assets is declared, the Group most frequently writes down receivables as impairment charges.

The amounts of receivables written down as loss and recovered thereafter shall diminish the value of impairment loss in the income statement.

Measurement

When a financial asset or financial liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Group measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and their fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which are measured at cost.

After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method, except for:

- financial liabilities at fair value through profit and loss. Such liabilities, including derivatives that are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument which fair value cannot be reliably measured, are measured at cost,
- financial liabilities resulting from the transfer of a financial asset which does not qualify for being excluded from the balance sheet or recognised on a *continuing involvement* basis.

The other financial liabilities are measured at depreciated cost or the amount of due payment.

Granted financial guarantees are measured at the higher of:

- the amount being the most appropriate estimation of the expenditures needed to fulfil the current obligation arising from the financial guarantee, upon consideration of the probability of materialisation thereof;
- the amount recognised at the initial entry, adjusted with the settled amount of commission received for granting the guarantee.

Reclassification

A particular financial asset classified as available-for-sale may be reclassified from this category should it fulfil the definition of loans and receivables and should the Group intend and be able to maintain this financial asset in the foreseeable future or until its maturity. Fair value of the financial asset on the reclassification date is deemed as its new cost or new depreciated cost, respectively.

In the event of a maturing financial asset, the profits or losses recognised as equity until the date of reclassification are amortised and carried through the income statement for the remaining term until maturity. All differences between the new amortised cost and the amortisation amount are amortised for the remaining term until the instrument's maturity, similarly to the amortisation of premium or discount. Amortisation is based on the effective interest rate method.

In the event of a non-maturing asset, the profits and losses remain with equity until the asset has been sold or disposed of otherwise when it is carried through the income statement.

Gains and losses resulting from subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised, as follows:

- a gain or loss on a financial asset or financial liability classified as at fair value through profit and loss is recognised in profit and loss account;
- a gain or loss on an available-for-sale financial asset is recognized directly in equity through list of changes in equity.

The interest calculated using the effective interest rate method is recognised in the profit and loss account.

Upon the impairment of elements of financial assets or a group of financial assets, the Group debits the profit and loss account with the amount of contractual interest unpaid as of the day of the impairment. The interest shall be included in the profit and loss account at the moment of repayment thereof.

Dividends on an available-for-sale equity instrument are recognised in profit and loss when the entity's right to receive payment is established.

Foreign exchange gains and losses arising from a change in the fair value of a non monetary financial asset available for sale denominated in foreign currency are recognized directly in equity. Foreign exchange gains and losses arising from monetary financial assets (e.g debt securities) denominated in foreign currency are recognized directly in the profit and loss account.

At the moment of derecognition of financial assets from the balance sheet, cumulated gains and losses recognized previously in equity, are transferred to the profit and loss account.

If any objective evidence exists that a financial asset or group of financial assets is impaired, the Group recognizes impairment in accordance with the established rules of determination of impairment of financial assets.

The fair value of financial assets and liabilities quoted in an active market (including securities) is determined on the basis of the bid price for long position and offer price for short position. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, discounted cash flow analysis and option pricing models and other techniques used by market members.

Based on the employed methods of determining the fair value, financial assets/liabilities are classified to the following categories:

- Level I: financial assets/liabilities measured directly on the basis of prices quoted in the active market or measurement techniques based solely on market data,
- Level II: financial assets/liabilities measured on the basis of measurement techniques based on assumptions using data from an active market or market observations,
- Level III: financial assets/liabilities measured on the basis of measurement techniques commonly used by the market players, the assumptions of which are not based on data from an active market.

Derivative instruments

Derivative instruments are valued at fair value without cost of transactions, which are to be incurred at the moment of its sale. The base of initial fair value measurement of derivative instruments is value at cost, i.e. fair value of received or paid amount.

The Group separates and recognizes in the balance sheet derivative instruments being a component of hybrid instruments. A hybrid (combined) instrument includes a non-derivative host contract and derivative instrument, which causes some or all of the cash flows arising from the host contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable.

The Group separates embedded derivatives from the host contract and accounts for them as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the host contract is not valued at fair value through profit and loss. An embedded derivative is valued at fair value, and its changes are recognized in profit and loss.

The Group uses derivative instruments in order to hedge against FX and interest rate risk, arising from activity of the Group. Derivative instruments that are not subject to hedge accounting are classified as financial instruments held for trading and are valued at fair value.

Derivative instruments not qualifying as hedging instruments

Changes in the fair value of derivatives that do not meet the criteria of hedge accounting are shown in the profit and loss account for the current period in position *Net income on instruments measured at fair value through profit and loss and FX result*. Unrealised valuation are fully included in the abovementioned item.

Hedge Accounting

Hedge accounting presents the offset effects of fair value changes of both hedging instruments and hedged items which impact the profit and loss account.

The Group designates certain derivative instruments as fair value hedge or cash flow hedge. The Group uses hedge accounting, if the following conditions are met:

- formalised documentation of the hedging relationship was prepared when the hedging was established. The documentation sets out the purpose of risk management and the hedging strategy adopted by the Group. In the documentation, the Group designates the hedging instrument to hedge a given position or transaction, and specifies the type of risk to be hedged against. The Group specifies the manner for assessing the effectiveness of the hedging instrument in compensating for changes in cash flows due to the hedged transaction in terms of mitigation of risk the Group hedges against,
- the hedging instrument and hedged instrument are similar, especially nominal value, maturity date and volatility for interest rate and foreign exchange changes,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge may be assessed credibly, so the fair value of the hedged item or the cash flows of the said item as well as fair value of a hedge instrument may be valued credibly,
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

- ***Fair value hedge***

Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit and loss account.

A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) is recognised in profit and loss; the gain or loss on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognised in profit and loss. In view of the above, any ineffectiveness of the strategy (i.e. lack of full compensation for changes to the fair value of the hedged item and changes to the fair value of the hedged instrument) is immediately disclosed in the profit and loss account.

If a hedged item is a component of financial assets available for sale, the profit or loss resulting from the hedged risk is included in the profit and loss account, and the profit or loss resulting from non-hedged risk is included in equity.

The Group applies the fair value hedge accounting in order to hedge changes in fair value of fixed-rate debt instruments classified to the portfolio of available-for-sale assets and fixed-rate debt instruments classified to the portfolio of loans and receivables resulting from interest rate changes.

- ***Cash flow hedge***

Cash flow hedge: a hedge of the exposure to volatility in cash flows that:

- is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction,
- could affect profit and loss account.

A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit and loss account.

The associated gains or losses that were recognised directly in equity (effective hedge), at the moment of recognition of a financial asset and liability being a result of planned future transaction, are transferred into profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit and loss account.

In case of a hedge of non-financial asset or a non-financial liability, the associated gains and losses recognized directly in equity as an effective hedge, are transferred successively into the profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit and loss account (e.g. in form of a depreciation); or it is the result of a one-off transfer as an adjustment to the initial purchase price or carrying amount of a hedged item.

The Group applies cash flow hedge accounting in order to hedge the amount of future cash flows of certain portfolios of assets/liabilities of the Group or the portfolio of highly probable planned transactions against the interest rate risk and the highly probable planned transaction against the FX risk.

Impairment

Assets valued at amortized cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments above 90 days;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets within the group.

The Group first assesses whether objective evidence of impairment exists for financial assets that are significant and for financial assets that are not individually significant. The Group classifies loan receivables by size of exposure, into the individual and group portfolios. If after the assessment we find that for a given financial assets item assessed individually there are no objective reasons for impairment or there are reasons for impairment but estimated impairment charges amount to 0, the item shall be included in the group of financial assets with similar features of credit risk, which indicate that the debtor is capable to repay the entire debt according to provisions of the agreement. Next, such groups are subject to collective assessment in terms of impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. In a group portfolio, groups of similar credit risk characteristics are identified, which are then assessed collectively for the impairment.

If there is any objective evidence of impairment of loans and receivables, or investments held-to-maturity valuated according to depreciated cost, then the amount of the impairment is the difference between the carrying amount of an asset and the current value of estimated future cash flows, discounted using an original effective interest rate established with the initial recognition of a given financial asset.

If the existing objective proofs for impairment of assets component or financial assets group component valued according to depreciated cost indicate that there will be no expected future cash flows from the abovementioned financial assets, the impairment charge of assets equals their balance sheet value.

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Group regularly verifies the methodology and assumptions adopted to estimate future cash flows in order to mitigate the differences between estimated and actual losses.

For the purposes of the calculation of the provision against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. Modification of the PD parameter takes into account characteristics of specific products and emerging periods for losses on those products. This approach allows specifically for:

- detecting the losses that have already occurred,
- losses that occurred as at the impairment date, but have not been documented yet (incurred but not reported IBNR).

The impairment is presented as a reduction of the carrying amount of the asset either through use of an allowance account and the amount of the loss shall be recognized in profit and loss.

If in a consecutive period, the amount of loss due to the impairment decreases as a result of the event that took place after the impairment (e.g. improved credit capacity assessment of the debtor), the previous impairment charge is reversed through the profit and loss account by a proper adjustment of impairment charges.

Financial assets available for sale

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity is removed from equity and recognised in the profit and loss account even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit and loss account is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account.

Impairment losses recognised in the profit and loss account for an investment in an equity instrument classified as available for sale is not reversed through profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss, the impairment loss is reversed, with the amount of the reversal recognized in profit and loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset). Such impairment losses are not reversed.

Valuation of motivational programmes for employees

The fair value of options granted is recognised as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation. This model takes the risk free interest rate into account (3.55% to 4.92%), as well as the expected term of realisation of the options granted (5 to 8 years), the exercise price, the current share price (EUR 18.70 – EUR 33.92), the expected volatility of the certificates of ING Group shares (25% – 39%) and the expected dividends yield (3.57% to 8.99%).

The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

2. Accounting estimates

The preparation of financial statements in accordance with IFRS requires from the Group the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes thereto.

Estimations and assumptions applied to the presentation of value of assets, liabilities, revenues and costs are made on basis of historical data available and other factors considered to be relevant in given circumstances. Applied assumptions related to the future and available data sources are the base for making estimations regarding carrying value of assets and liabilities. which cannot be determined explicitly on the basis of other sources. The estimates reflect the reasons for/ sources of uncertainties as at the balance sheet date. The actual results may differ from estimates.

The estimations and assumptions are reviewed on an on-going basis. Adjustments to estimates are recognized in the period when the estimation was changed provided that the adjustment applies to this period alone or in the period when the estimation was changed and in the following periods, should the adjustment impact both the current and future periods.

Major accounting estimations adopted by the Group are as follows:

Impairment of loans

At each balance sheet date the Group assesses whether there is objective evidence of impairment of a given financial asset or of a group of such assets. Impairment of a financial asset or of a group of financial assets is incurred only if there is objective evidence for the impairment due to one or many events. The occurrence of such event or group of such events affects the estimation of expected cash flows regarding these assets. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. Historical parameters of recoveries are adjusted on the basis of the data coming from current observations so as to take into consideration the influence of current conditions and to exclude the influencing factors from the prior periods that are not currently present.

In order to estimate impairment or its recovery it is necessary to estimate the present value of the expected cash flows. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using effective interest rate. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized the previously recognized impairment loss is reversed by adjusting a carrying amount of the financial asset. The amount of the reversal shall be recognised in profit and loss account up to the value of prior impairment.

The methodology and the assumptions on the basis of which the estimated cash flows and their anticipated timing are determined are regularly reviewed and updated. Moreover the tests on historical data are carried out in order to compare actual results with estimations of impairment.

Credit risk connected with derivative instruments

In connection with significant increase in credit risk concerning FX options concluded by the Group with its clients, from the end of 2008 the Group has been systematically reviewing of the portfolio of such instruments. The Group has structured its approach so that the results of the above reviews better reflect the risk level.

The approach adopted by the Group to estimation of the credit risk generated by derivative instruments with future settlement dates (active transactions) outstanding as at the balance sheet date) is in line with the approach adopted by the Group for the purpose of assessing the credit risk generated by credit receivables. The valuation adjustments are estimated at the level of a single counterparty using the formula based on expert knowledge and PD, LGD and EAD ratios.

In addition for mature transactions or terminated and unsettled as at the balance sheet date the Group made charges using the methodology for assessing the risk of impaired loans.

The two types of fair value adjustments as mentioned above were differently reflected in the consolidated financial statement. Fair value adjustments due to risk for non-matured transactions were presented under the item: *Net income on instruments measured at fair value through profit and loss and FX result* whereas the charges for matured transactions under the item: *Impairment charges for financial assets and provisions for off-balance-sheet liabilities.* If a transaction whose fair value was adjusted in the previous reporting period in the position *Net income on instruments measured at fair value through profit and loss and FX result* becomes mature or subject to restructuring, then the amount of the previous fair value adjustment should be moved to the position *Impairment charges a*nd the added part of the impairment charge for such already matured transaction is presented in the profit and loss account in the position *Impairment charges and provisions for off-balance liabilities*. Therefore the financial result is influenced only by the amount of surplus of the current impairment charge (or write-down) for a mature transaction above the amount of the fair value adjustment established before the transaction has matured.

Uncertainty of the estimates

The Group continues to assess the risk level related to FX options initiated in 2008. The appraisal was made as of the balance sheet date assuming the measurement level as of that date and taking into account the risk appraisal performed as of the same date.

The Group will perform periodical appraisal of the financial standing of the clients holding similar instruments. The following key factors taken into account in case of changes of risk estimates are:

- changes in the fair-value measurement of derivatives correlated with FX-rate,
- changes in the scope of the credit risk appraisal of the contracting parties by the Group.

However considering the great volatility of the business environment there still remains some uncertainty as to the Group's estimates.

Impairment of other non-current assets

At each balance sheet date the Group assesses the existence of circumstances indicating of impairment of a non-current asset. If such indicators exist the Group performs an estimation of recoverable value. Estimation of value-in-use of a non-current asset (or cash generating unit) requires assumptions to be adopted regarding among others amounts and timing of future cash flows which the Group may obtain from the given non-current asset (or cash generating unit). Adoption of different measurement assumptions could affect the carrying value of some of the non–current assets. The Group performs an estimation of the fair value less costs to sell on the basis of available market data regarding this subject or estimations made by external bodies which are also based on estimations.

Measurement of financial instruments that do not have a quoted market price

The fair value of financial instruments not quoted on active markets is measured using valuation models. For non-optional derivatives and debentures available for sale the Group uses valuation models based on discounted cash flows. Options are valued using option valuation models including the assessment of counterparty risk.

Valuation models used by the Group are verified by independent bodies before/prior to their usage. Where possible in models the Group uses observable data from active markets. However the Group also adopts assumptions as to probability (as counterparty risk, variables and market correlations). Any change in these assumptions may affect the fair value of some financial instruments. The change of assumptions concerning these factors may influence valuation of some financial instruments.

Retirement and sick pension severance payments provision

Retirement payments provision is calculated using an actuarial method by an independent actuary as the present value of future liabilities of the Group towards the employees according to headcount and remuneration at the updating date. The estimation of the provision is made on the basis of several assumptions both about macroeconomic environment and employee turnover mortality risk and other. The estimated provision is updated annually.

The Group adopts a corridor approach to recognition of a determined portion of the cumulated net value of actuarial gains and losses. Under this method when determining an obligation due to certain benefits the Group recognises some actuarial gains and losses as revenue or costs when the net value of accumulated unrecognised actuarial gains and losses as at the end of the previous reporting period exceeds the higher of the following two values:

- 10% of the current value of the obligation due to certain benefits as at that day (before deduction of the plan's assets),
- 10% of the fair value of the plan's assets as at that day.

A portion of the actuarial gains and losses above the said limit is recognised in the profit and loss account as the quotient of the above named excess and the average expected remaining working life of the Group employees. The Group presents in the balance sheet the net value of the liability comprising the current value of the liability and unrecognised actuarial gains/ losses.

Provisions for the bonus for employees and top executives

Provisions for the bonus for employees shall be set in the amount resulting from the effective bonus regulations.
The provisions for top executive staff bonuses are estimated by the Management Board of the Group parent entity which calculates the amount of benefits as of the balance-sheet date. The final amount of the bonuses is approved by the Supervisory Boards of the Group's Companies.

4. Comparability of financial data

The Group made some changes in the way of presenting certain items in the income statement in the interim condensed consolidated financial statements for the period started on 1 January 2010 ended on 31 March 2010 when compared to the consolidated financial statements for the period started on 1 January 2009 ended 31 March 2009:

- valuation of hedging and hedged transactions under the fair value hedge accounting – currently this amount is presented under a separate item: *Net income on hedge accounting*, and previously presented under the item: *Net income on investment,*
- interest on hedging instrument in the fair value hedge accounting – currently presented under the item: *Interest income*, and previously presented under the item: *Net income on invest*ment,
- interest on hedging instrument in cash flow hedge accounting – currently presented under the item: *Net income on investment,* and previously presented under the item: *Net income on instruments measured at fair value through profit and loss and FX result*,
- net income on valuation of the ineffective part under the cash flow hedge accounting – currently presented under the item *Net income on hedge accounting*, and previously presented under the item: *Net income on instruments measured at fair value through profit and loss and FX result.*

The Group believes that the current presentation reflects the essence and economic content of the abovementioned items better.

The Group also changed the principles of presenting the impairment loss on derivative transactions. These principles were set out in the part pertaining to *Estimates herein*.

Moreover the Group moved the amount of PLN 10,107 thousand from item *Net income on instruments measured at fair value through profit and loss and FX result* to the item *Net commission income*. The change was introduced in order to make a correction of the operational error that occurred in Q1 2009 and was identified in Q3 2009.

Data for Q1 2009 presented herein was adjusted for comparability.

Consolidated income statement *(PLN '000)*	period from 1 January 2009 to 31 March 2009 in the interim consolidated financial statements for the period from 1 January 2009 to 31 March 2009	changes	period from 1 January 2009 to 31 March 2009 in the interim consolidated financial statements for the period from 1 January 2010 to 31 March 2010
Interest income	859 302	-18 246	841 056
Interest expenses	-549 766	0	-549 766
Net interest income	**309 536**	**-18 246**	**291 290**
Commission income	225 994	10 107	236 101
Commission expenses	-22 100	0	-22 100
Net commission income	**203 894**	**10 107**	**214 001**
Net income on instruments measured at fair value through profit and loss and FX result**	41 042	-25 271	15 771
Net income on investment*	-4 834	5 130	296
Net income on hedge accounting	0	17 915	17 915
Net income on other basic activities	7 951	0	7 951
Result on basic activities	**557 589**	**-10 365**	**547 224**
General and administrative expenses	-361 659	0	-361 659
Result on other operating income and expenses	-1 037	0	-1 037
Impairment losses and provision for off-balance sheet liabilities	-102 079	10 365	-91 714
Share in net profit (loss) of associated entities recognised under the equity method	10 100	0	10 100
Profit (loss) before tax	**102 914**	**0**	**102 914**
Income tax	-22 119	0	-22 119
Net profit (loss)	**80 795**	**0**	**80 795**
- assigned to shareholders of the holding company	**80 821**	**0**	**80 821**
- assigned to minority shareholders	**-26**	**0**	**-26**

*/ When compared to the Q1 2009 there was a change of the name of the *Result on investment financial assets* item to *Result on investments*. This is a result of standardizing of nomenclature with the statement of financial position.

**/ When compared to the Q1 2009 there was a change of the name of the *Net income on instruments measured at fair value through profit and loss and revaluation* item to *Net income on instruments measured at fair value through profit and loss and FX result.* In the opinion of the Group, the current name is a better reflection of the economic contents of the presented value.

Furthermore, the Bank changed the formula for the calculation of the item *Result on other revenue and operating costs* in the income statement. Negative figure in that item denotes dominant position of operating costs, whereas a positive figure denotes dominant position of operating revenues. In light of the above, the data for Q1 2009 were adjusted accordingly to achieve comparability.

5. Interim supplementary notes to condensed consolidated financial statements

	I quarter 2010	I quarter 2009
	the period from 01 Jan 2010 to 31 Mar 2010	the period from 01 Jan 2009 to 31 Mar 2009
5.1 Net interest income		
Interest income and similar charges		
- Interest on loans and receivables to banks	25 030	69 546
- Interest on loans and receivables to customers	423 108	420 366
- Interest on debt securities	255 202	350 830
- Other	62	314
	703 402	**841 056**
Interest expense and similar charges		
- Interest on deposits from banks	18 564	97 712
- Interest on deposits from customers	317 456	452 054
	336 020	**549 766**
Net interest income	**367 382**	**291 290**

Interest result does not include swap points and interest on non hedging derivatives (presented in "Net income on instruments measured at fair value through profit and loss and FX result"). Should the result include result on mentioned above interest, the item would be as follows:

	I quarter 2010	*I quarter 2009*
Net interest income	*393 879*	*315 180*

Compared with the financial statements for the I quarter 2009, the presentation of interest on reverse repo/ repo transactions was subject to change. Currently the interest on reverse repo transactions is presented by counterparty under the headings “Interest on loans and receivables to banks” or “Interest on loans and receivables to customers”, whereas the interest on repo transactions is presented under “Interest on deposits from banks” or “Interest on deposits from clients”. The data for that period were changed accordingly to achieve comparability.

	I quarter 2010	I quarter 2009
	the period from 01 Jan 2010 to 31 Mar 2010	the period from 01 Jan 2009 to 31 Mar 2009
5.2 Net commission income		
Commission income		
- Commission related to brokerage activity	21 318	15 209
- Commission related to keeping accounts	70 203	71 681
- Commission related to loans	38 403	34 240
- Commission related to loans insurance	1 297	11 048
- Commission related to payment and credit cards	37 646	33 002
- Commission related to distribution of participation units	16 427	12 152
- Fiduciary and custodian fees	6 821	6 260
- Foreign commercial business	3 125	3 219
- Commission related to subscription of structured products	372	1 874
- The transaction margin on currency exchange transactions*)	60 555	39 543
- Commission related to sales of financial products	2 247	3 027
- Other	5 668	4 846
	264 082	**236 101**
Commission expense		
- Brokerage fees	5 262	4 995
- Other commission	30 352	17 105
	35 614	**22 100**
Net commission income	**228 468**	**214 001**

*) The amount of PLN 39,543 thousand, presented for I quarter 2009 in the item "The transaction margin on currency exchange transactions" includes the adjustment of the operating error which occurred in I quarter 2009 but it was identified after the date of publication financial statements for I quarter 2009. The adjustment consisted in moving the amount of PLN 10.107 thousand from the item "Net income on instruments measured at fair value through profit and loss and FX result" to the item above.

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	I quarter 2009 the period from 01 Jan 2009 to 31 Mar 2009
5.3 Net income on instruments measured at fair value through profit and loss and FX result		
- Net income on financial assets and liabilities held for trading, of which	**-31 503**	**1 857 316**
- Net income on equity instruments	45	-749
- Net income on debt instruments	35 196	-5 521
- Net income on derivatives, of which:	-66 744	1 863 586
*- Currency derivatives *)*	*-76 847*	*1 850 085*
*- Interest rate derivatives **)*	*8 325*	*9 671*
- Securities derivatives	*1 778*	*3 830*
- Net income on financial assets and liabilities measured at fair value upon initial recognition, of which	**-168**	**-1 649**
- Net income on debt instruments	-168	363
- Net income on the measurement of the deposits designated to be measured at their fair value	0	-2 012
- FX result	**83 198**	**-1 839 896**
Net income on instruments measured at fair value through profit and loss and FX result	**51 527**	**15 771**

*) Swap points are recognised under the item "Currency derivatives". Their values were as follows: PLN 15,690 thousand in Q1 2010 and PLN 52,615 thousand in Q1 2009.

**) Interest on non hedging derivatives is recognised under the item "Interest rate derivatives". Its values were as follows: PLN 10,807 thousand in Q1 2010 and PLN -28,725 thousand in Q1 2009.

Should the swap points and interest on non hedging derivatives be included in the interest result, the net income on instruments measured at fair value through profit and loses and FX result would be as presented in the table below:

	I quarter 2010	*I quarter 2009*
Net income on instruments measured at fair value through profit and loss and FX result	*25 030*	*-8 119*

The item "Net income on derivatives - Currency derivatives" includes a counterparty risk charge related to transactions on FX Options. In I quarter 2010 the net charge amounted to PLN 3.6 million (release), in comparision with PLN -78 million (charge) in I quarter 2009.

The item "Net income on derivatives - Currency derivatives" includes also the valuation adjustment amounted to PLN -19.7 million regarding the unsettled transaction from previous years with the customer from financial sector.

The amount presented in the item "FX result" for I quarter 2009 includes the adjustment described in the note 5.2.

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	I quarter 2009 the period from 01 Jan 2009 to 31 Mar 2009
5.4 Net income on investment		
- Net income on debt instruments available for sale	3 777	289
- Dividend income	260	7
Net income on investment	**4 037**	**296**

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	I quarter 2009 the period from 01 Jan 2009 to 31 Mar 2009
5.5 Net income on hedge accounting		
- Valuation of the transaction hedged under the fair value hedge accounting for securities	133 023	-24 625
- Valuation of the hedging transaction under the fair value hedge accounting for securities	-140 072	42 668
- Ineffectiveness recognised in profit and loss account that arises from cash flow hedges	155	-128
Total	**-6 894**	**17 915**

The Group used fair value hedge accounting for securities and cash flow hedge accounting for a specific portfolio of assets/ liabilities/ highly likely planned financial transactions of the Group.

In the case of fair value hedge accounting (FVH) the hedged risk is the risk of the change of the fair value of the financial asset resulting from the change of the interest rates. The subject of hedging is the fair value of the fixed interest rate debt instrument, namely the position (or its part) on a given security in the available-for sale portfolio, that as of establishing of the hedging relationship has a specific fair value recognised in the revaluation reserve and position (or its part) on a given security in the loans and other receivables portfolio as the result of reclassification from the available-for-sale portfolio. Interest Rate Swap is the hedging instrument that changes the fixed interest rate into variable one. The above leads to the situation that the fair value of the hedging instrument shows a trend reverse to the fair value of the hedged item. Thus, thanks to the established hedging relationship, we have the effect of the mutual set-off of the changes in the fair value of the hedging instrument and hedged item in the P/L under the hedged risk. As only one type of the risk is hedged (the risk of the interest rate change), the changes of the fair vale of the hedged item from the available-for-sale portfolio that result from other risks that are not hedged are recognised in the revaluation reserve.

In the case of cash flow hedge accounting the hedged risk is the change of the future cashflows due to the interest rate risk. The hedged item includes a specific portfolio of assets and/ or financial liabilities or a portfolio of planned transactions, which includes financial instruments with variable interest rate (financial products based on the WIBOR market interest rate), and is therefore exposed to the risk of changes to the future cashflows due to the change of WIBOR. Interest Rate Swaps of the type "pay variable, get fixed" are used as hedging instruments for assets, and interest rate swaps of the type "pay fixed, get variable" are used to secure liabilities. In the note the ineffective part of the hedging relationship resulting from the mismatch in compensating changes in fair value of the hedging instrument and hedged item is presented. The amount representing effective part of cash flow hedged is presented in revaluation reserve.

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	I quarter 2009 the period from 01 Jan 2009 to 31 Mar 2009
5.6 General and administrative expenses		
- Personnel expenses	179 454	153 119
- Other	214 650	208 540
Total	**394 104**	**361 659**

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	I quarter 2009 the period from 01 Jan 2009 to 31 Mar 2009
5.7 Impairment losses and provisions for off-balance sheet liabilities		
- Impairment losses	160 562	214 054
- Reversed impairment losses	-112 463	-122 340
Net impairment losses and provisions for off-balance sheet liabilities	**48 099**	**91 714**

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	I quarter 2009 the period from 01 Jan 2009 to 31 Mar 2009
5.8 Share in net profit (loss) of associated entities recognised under the equity method		
- ING Powszechne Towarzystwo Emerytalne S.A.	7 280	10 100
Total	**7 280**	**10 100**

5.9 Loans and receivables to other banks	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
- Current accounts	250 458	356 981	286 837	276 550
- Interbank deposits	885 935	564 712	1 754 758	5 699 110
- Other receivables, of which:	144 284	262 460	908 412	1 814 232
- loans and advances	*95 826*	*228 109*	*456 019*	*459 114*
- debt securities	*0*	*0*	*0*	*518 910*
- reverse repo transactions	*0*	*0*	*406 161*	*796 138*
- other receivables	*48 458*	*34 351*	*46 232*	*40 070*
Total (gross)	**1 280 677**	**1 184 153**	**2 950 007**	**7 789 892**
Impairment losses	-25	-50	-2 501	-2 667
Total (net)	**1 280 652**	**1 184 103**	**2 947 506**	**7 787 225**

5.10 Financial assets measured at fair value through profit and loss	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
- Financial assets held for trading, of which:	3 445 563	7 533 634	10 774 575	6 116 918
- debt instruments	*3 424 388*	*7 531 497*	*10 762 463*	*6 115 950*
- equity instruments	*21 175*	*2 137*	*12 112*	*968*
- Financial assets designated as at fair value upon initial recognition, of which:	312 845	734 027	1 202 835	4 431 901
- deposits	*0*	*0*	*0*	*2 246 725*
- debt instruments	*185 533*	*186 468*	*205 191*	*1 822 654*
- transactions with the buy-back commitment	*127 312*	*547 559*	*997 644*	*362 522*
Razem	**3 758 408**	**8 267 661**	**11 977 410**	**10 548 819**

5.11 Investments	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
- Available-for-sale financial assets, of which:	14 852 817	6 835 875	8 517 474	10 739 090
- debt instruments, including:	*14 800 823*	*6 783 023*	*8 507 685*	*10 730 536*
- hedged items in fair value hedging	*3 096 853*	*3 137 714*	*3 211 676*	*3 235 793*
- equity instruments	*51 994*	*52 852*	*9 789*	*8 554*
- Held-to-maturity financial assets, of which:	6 786 903	7 330 406	7 384 460	7 311 832
- debt instruments	*6 786 903*	*7 330 406*	*7 384 460*	*7 311 832*
Total	**21 639 720**	**14 166 281**	**15 901 934**	**18 050 922**

In Q1 2010, having conducted the analysis of the intention to purchase securities to the liquidity management and funding portfolio, the dominant entity of the Group decided to classify these assets, pursuant to the understanding of IAS/IFRS, as investments. Such recognition better reflects the intention to purchase the abovementioned assets.
Therefore, as at 31 March 2010, the available-for-sale financial assets portfolio increased by PLN 6,998 million due to the purchase of short-term bills of the National Bank of Poland purchased for the available-for-sale financial assets portfolio and by PLN 854 million due to bonds which were sold from the portfolio of financial assets held for trading and purchased to the portfolio of available-for-sale financial assets (wash trade transaction).

	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
5.12 Loans and receivables to customers				
Loans and other receivables to entities from the financial sector other than banks				
- Loans and advances	2 369 170	2 545 597	2 866 388	2 925 110
- in the current account	*332 816*	*381 053*	*369 097*	*382 674*
- term ones	*2 036 354*	*2 164 544*	*2 497 291*	*2 542 436*
- Reverse repo transactions	186 312	626 732	169 022	158 159
- Other receivables	145 592	151 459	103 886	98 173
Total (gross)	**2 701 074**	**3 323 788**	**3 139 296**	**3 181 442**
Impairment losses, of which	-1 728	-1 863	-2 047	-2 045
- concerning loans	*-1 728*	*-1 863*	*-2 047*	*-2 045*
Total (net)	**2 699 346**	**3 321 925**	**3 137 249**	**3 179 397**
Loans and other receivables to entities from the non-financial sector				
- Loans and advances granted to business entities	12 011 141	12 042 288	12 930 643	12 312 034
- in the current account	*3 713 756*	*3 504 520*	*4 269 002*	*3 931 464*
- term ones	*8 297 385*	*8 537 768*	*8 661 641*	*8 380 570*
- Loans and advances granted to households	10 282 599	9 822 755	8 253 087	7 446 511
- in the current account	*1 316 099*	*1 226 942*	*1 187 485*	*1 091 580*
- term ones	*8 966 500*	*8 595 813*	*7 065 602*	*6 354 931*
- Debt securities, of which:	304 333	306 471	552 252	559 378
- reclassified from available-for-sale portfolio in 2008	*166 121*	*165 909*	*294 421*	*294 184*
- Other receivables	38 201	72 738	51 054	36 739
Total (gross)	**22 636 274**	**22 244 252**	**21 787 036**	**20 354 662**
Impairment losses, of which	-930 911	-874 057	-654 089	-482 274
- concerning loans	*-922 346*	*-865 491*	*-645 522*	*-473 561*
- concerning other receivables	*-8 565*	*-8 566*	*-8 567*	*-8 713*
Total (net)	**21 705 363**	**21 370 195**	**21 132 947**	**19 872 388**
Loans and other receivables to entities from the government and local government sector				
- Loans and advances	2 256 964	2 305 234	929 525	973 899
- in the current account	*36 466*	*7 450*	*7 859*	*11 854*
- term ones	*2 220 498*	*2 297 784*	*921 666*	*962 045*
- Debt securities, of which:	3 500 009	3 600 794	3 857 730	1 735 062
- reclassified from available-for-sale portfolio in 2008	*1 633 002*	*1 682 885*	*1 964 214*	*1 688 407*
- Other receivables	131	0	40	32
Total (gross)	**5 757 104**	**5 906 028**	**4 787 295**	**2 708 993**
Impairment losses, of which	-2 187	-5 354	-17 182	-17 939
- concerning loans	*-2 187*	*-5 354*	*-17 182*	*-17 939*
Total (net)	**5 754 917**	**5 900 674**	**4 770 113**	**2 691 054**
Loans and other receivables to customers - TOTAL				
- Loans and advances	26 919 874	26 715 874	24 979 643	23 657 554
- Reverse repo transactions	3 804 342	3 907 265	4 409 982	2 294 440
- Debt securities	186 312	626 732	169 022	158 159
- Other receivables	183 924	224 197	154 980	134 944
Loans and other receivables to customers – gross	**31 094 452**	**31 474 068**	**29 713 627**	**26 245 097**
Impairment losses, of wich	-934 826	-881 274	-673 318	-502 258
- concerning loan	*-926 261*	*-872 708*	*-664 751*	*-493 545*
- concerning other receivables	*-8 565*	*-8 566*	*-8 567*	*-8 713*
Loans and other receivables to customers – net	**30 159 626**	**30 592 794**	**29 040 309**	**25 742 839**

The “debt securities” item (as loans and other receivables extended to entities from the government and local government sector) includes bonds denominated in EUR (Eurobonds) being items hedged under fair value hedge accounting against interest rate risk. The value of Eurobonds constituing hedged items as of 31.03.2010, 31.12.2009, 31.03.2009 and 31.12.2008 totalled PLN 3,147,946 thousand, PLN 3,261,868 thousand, PLN 3,775,214 thousand and PLN 1,654,003 thousand, respectively.

5.13 Quality of portfolio of loans	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
Corporate activity				
- **Exposure**	**16 699 164**	**16 959 134**	**16 938 719**	**16 356 630**
- unimpaired (Incurred But Not Reported)	*15 659 511*	*15 987 175*	*16 192 799*	*16 008 879*
- impaired	*1 039 653*	*971 959*	*745 920*	*347 751*
inclusive of receivables related to transactions on derivatives	*349 819*	*346 101*	*219 518*	*32 697*
- **Impairment and provisions**	**697 688**	**668 680**	**500 644**	**338 711**
- related to unimpaired portfolio	75 984	77 244	75 271	71 187
- related to impaired portfolio	604 272	571 375	408 808	258 243
inclusive of receivables related to transactions on derivatives	*271 930*	*263 193*	*118 130*	*21 593*
- provisions against off-balance sheet liabilities	17 432	20 061	16 565	9 281
Impaired portfolio coverage ratio	58,1%	58,8%	54,8%	74,3%
Impaired portfolio coverage ratio exclusive of receivables related to transactions on derivatives	48,2%	49,2%	55,2%	75,1%
Detal activity				
- **Exposure**	**10 220 710**	**9 756 740**	**8 040 924**	**7 300 924**
- unimpaired (Incurred But Not Reported)	*9 982 211*	*9 564 117*	*7 888 931*	*7 146 308*
- impaired	*238 499*	*192 623*	*151 993*	*154 616*
- **Impairment losses**	**246 005**	**224 089**	**180 672**	**164 115**
- related to unimpaired portfolio	85 598	75 889	51 716	44 843
- related to impaired portfolio	160 407	148 200	128 956	119 272
Impaired portfolio coverage ratio	67,3%	76,9%	84,8%	77,1%
Total exposure	**26 919 874**	**26 715 874**	**24 979 643**	**23 657 554**
Impairment losses and total provisions, of which	**943 693**	**892 769**	**681 316**	**502 826**
- impairment losses	*926 261*	*872 708*	*664 751*	*493 545*
- provisions against off-balance sheet liabilities	*17 432*	*20 061*	*16 565*	*9 281*
Total portfolio coverage ratio	3,5%	3,3%	2,7%	2,1%
Share of the impairment endangered portfolio	4,7%	4,4%	3,6%	2,1%
Share of the impairment endangered portfolio exclusive of receivables related to transactions on derivatives	3,5%	3,1%	2,7%	2,0%
Impaired portfolio coverage ratio (%) (including transactions on derivatives)	**59,8%**	**61,8%**	**59,9%**	**75,1%**

Change in the impairment loss

I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	Charges for balance sheet receivables, off-balance sheet exposure, and receivables written-down from the balance-sheet records	*including impairement to other banks*	Charges for receivables related to transactions on derivatives	**TOTAL**
Opening balance of impairement	**629 626**	***50***	**263 193**	**892 819**
- Changes in Profit and Loss Account	43 201	*-25*	4 899	48 100
- Depreciation	-2 777	*0*	0	-2 777
- Restructuring and forgiveness of the debts related to transactions on derivatives*)	0	*0*	3 838	3 838
- Transfer of provisions from off-balance sheet after their repayment	8 721	*0*	0	8 721
- Other (inclusive, but not limited to, unwinding interest, FX differences)	-6 983	*0*	0	-6 983
Closing balance of impairement	**671 788**	***25***	**271 930**	**943 718**

I quarter 2009 the period from 01 Jan 2009 to 31 Mar 2009	Charges for balance sheet receivables, off-balance sheet exposure, and receivables written-down from the balance-sheet records	*including impairement to other banks*	Charges for receivables related to transactions on derivatives	**TOTAL**
Opening balance of impairement	**483 900**	***2 667***	**21 593**	**505 493**
- Changes in Profit and Loss Account	56 699	*-166*	45 379	102 078
- Depreciation	-248	*0*	0	-248
- Restructuring and forgiveness of the debts related to transactions on derivatives*)	0	*0*	51 158	51 158
- Transfer of provisions from off-balance sheet after their repayment	21 871	*0*	0	21 871
- Other (inclusive, but not limited to, unwinding interest, FX differences)	3 465	*0*	0	3 465
Closing balance of impairement	**565 687**	**2 501**	**118 130**	**683 817**

*) The balance of impairment charges was influenced by the amount of the fair value adjustment concerning transactions on derivatives. If a transaction whose fair value was adjusted in the previous reporting period in the position Result on financial instruments carried through profit or loss and revaluation becomes mature or subject to restructuring, then the amount of the previous fair value adjustment should be moved to the position Impairment charges and the added part of the impairment charge for such already matured transaction is presented in the profit and loss account in the position Impairment charges and provisions for off-balance liabilities. Therefore the financial result is influenced only by the amount of surplus of the current impairment charge (or write-down) for a mature transaction above the amount of the fair value adjustment established before the transaction has matured.

5.13 Property, plant and equipment

	I quarter 2010 as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009	**I quarter 2009** as of 31 Mar 2009	**end of year 2008** as of 31 Dec 2008
- Real estate and investments in third-party non-current assets	364 548	371 558	385 172	390 086
- Computer hardware	42 136	43 162	46 404	40 978
- Vehicles	179	199	266	316
- Other fixtures and fittings	91 651	95 640	87 487	89 649
- Constructions in progress	40 493	38 288	29 237	23 134
Total	**539 007**	**548 847**	**548 566**	**544 163**

5.15 Liabilities due to other banks

	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
- Current accounts	197 495	248 720	344 104	177 596
- Interbank deposits	5 124 522	429 024	4 621 857	3 108 831
- Repo transactions	0	3 241 530	3 218 373	2 760 763
- Other liabilities	50 157	54 512	10 403	13 678
Total	**5 372 174**	**3 973 786**	**8 194 737**	**6 060 868**

5.16 Financial liabilities at fair value

	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
- Financial liabilities designated as at fair value upon initial recognition, of which	2 435 072	543 129	233 543	652 904
sell-buy-back transactions	*2 435 072*	*543 129*	*233 543*	*652 904*
- Book short position in trading securities	214 097	454 922	102 437	172 156
Total	**2 649 169**	**998 051**	**335 980**	**825 060**

5.17 Liabilities due to customers

	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
Liabilities due to entities from the financial sector other than banks				
- Deposits	3 033 911	3 306 618	4 741 390	4 267 492
- current accounts	*1 585 958*	*1 685 817*	*1 438 000*	*1 268 135*
- term deposits	*1 447 953*	*1 620 801*	*3 303 390*	*2 999 357*
- Repo transactions	464 665	286 511	226 019	163 543
- Other liabilities	100 660	92 921	127 659	83 864
Total	**3 599 236**	**3 686 050**	**5 095 068**	**4 514 899**
Liabilities due to entities from the non-financial sector				
- Business entities' deposits	11 717 562	11 861 687	10 094 071	11 173 552
- current accounts	*8 626 608*	*7 815 670*	*7 236 330*	*7 292 099*
- term deposits	*3 090 954*	*4 046 017*	*2 857 741*	*3 881 453*
- Households' deposits	28 875 849	30 039 683	28 475 821	27 945 689
- current accounts	*3 957 125*	*4 122 157*	*3 711 269*	*3 796 117*
- savings accounts and term accounts	*24 918 724*	*25 917 526*	*24 764 552*	*24 149 572*
- Repo transactions	0	0	12 568	18 272
- Other liabilities	440 284	462 903	584 275	492 090
Total	**41 033 695**	**42 364 273**	**39 166 735**	**39 629 603**
Liabilities due to entities from the government and self-government institutions' sector				
- Deposits	1 525 629	1 508 176	2 195 480	2 886 223
- current accounts	*1 141 434*	*1 303 955*	*1 266 116*	*2 400 751*
- term deposits	*384 195*	*204 221*	*929 364*	*485 472*
- Repo transactions	25 017	25 043	0	20 209
- Other liabilities	593	1 131	4 499	15 984
Total	**1 551 239**	**1 534 350**	**2 199 979**	**2 922 416**
Liabilities due to customers – TOTAL				
- Deposits	45 152 951	46 716 164	45 506 762	46 272 956
- Repo transactions	489 682	311 554	238 587	202 024
- Other liabilities	541 537	556 955	716 433	591 938
Total	**46 184 170**	**47 584 673**	**46 461 782**	**47 066 918**

5.18 Provisions

	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
- Provision for disputes	7 940	11 690	16 241	16 722
- Provision for off-balance sheet liabilities	17 432	20 061	16 565	9 281
- Provision for retirement benefits	14 410	14 410	12 544	12 544
- Provision for unused holidays	5 460	5 460	7 993	7 993
- Provision for employment restructuring	3 037	3 626	3 931	4 039
Total	**48 279**	**55 247**	**57 274**	**50 579**

5.19 Solvency Ratio

	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009	I quarter 2009 as of 31 Mar 2009	end of year 2008 as of 31 Dec 2008
Own Funds				
- Share capital	130 100	130 100	130 100	130 100
- Issue premium	956 250	956 250	956 250	956 250
- Other supplementary capital	74 931	74 931	74 976	74 889
- Capital reserve including retained profit of past years	2 273 579	2 273 276	1 887 835	1 887 836
- Net profit of current period in audited part	0	263 524	0	407 470
- Net profit from previous year during approval	595 052	0	445 413	0
- Minority equity	2 306	2 313	2 273	2 299
- General risk fund	790 179	790 179	730 179	730 179
- Revaluation reserve	2 679	-2 382	-121 448	-100 996
- Funds adjustment by intangibles	-322 939	-327 343	-313 476	-316 187
- Funds adjustment by capital commitments in financial institutions	-40 000	-40 000	-40 000	-40 000
- Short-term capital	55 420	65 495	0	79 691
Total own funds	**4 517 557**	**4 186 343**	**3 752 102**	**3 811 531**
Capital requirements				
- Capital requirements for credit risk, credit counterparty, dilution and delivery of instruments for future settlement	2 398 145	2 432 020	2 619 267	2 580 271
- Capital requirement for the risk of settlement - delivery	2 187	2 187	1 702	1 319
- Capital requirements for the capital securities rate risk, debt instruments rates risk, FX risk and commodity rates risk	8 749	15 308	26 064	27 707
- Capital requirement for operational risk	326 871	290 789	290 789	274 247
- Capital requirement for general interest rate risk	44 485	48 000	33 926	51 984
Total capital requirements	**2 780 437**	**2 788 304**	**2 971 748**	**2 935 528**
Solvency ratio	**13,00%**	**12,01%**	**10,10%**	**10,39%**

6. Significant events in I quarter 2010.

Consent of the Polish Financial Supervision Authority to the appointment of the President of the Bank Management Board

On 8 December 2009, the Supervisory Board appointed Ms. Małgorzata Kołakowska as the President of the Bank Management Board, subject to approval of the Polish Financial Supervision Authority. The Polish Financial Supervision Authority approved the abovementioned candidacy on 23 February 2010.

Changes in the Supervisory Board

On 13 January 2010 Mr. Jerzy Hausner submitted his resignation from the position of a member of the Supervisory Board of ING Bank Śląski S.A. to the Chair of the Supervisory Board. The resignation is effective from 13 January 2010. Mr. Jerzy Hausner cited his appointment to the Monetary Policy Council as the reason for his resignation.

On 05 February 2010, Mr. Tom Kliphuis tendered his resignation to the Chair of the Supervisory Board of ING Bank Śląski S.A. from his capacity as member of the Bank's Supervisory Board, effective 05 February 2010. When handing his resignation, Mr. Tom Kliphuis, who is the CEO of ING Insurance Central Europe, cited reasons related to the organisational changes within ING Group (pending split of Banking and Insurance) and the workload it would bring on him.

Concluding a significant mandate agreement

On 12 February 2010, the Bank together with five other banks concluded a mandate agreement with a listed company from the fuel and energy sector regarding the arrangement of the bond issue programme for that company up to the amount of PLN 3,000,000,000.00.

Under the mandate agreement, ING Bank Śląski S.A. will underwrite the bond issue up to PLN 550,000,000.00. The first issue as part of the programme is set to take place after 22 July 2010.

The agreement is considered significant as the underwriting amount exceeds 10% of the Bank's equity. The borrower is not affiliated with ING Bank Śląski S.A.

7. Factors potentially affecting the financial results in the following quarters

The most important macroeconomic factors that may impact the results in the next quarters include:

- pace of Poland's economic growth (according to the forecast prepared by ING Bank Śląski S.A. the increase of GDP in 2010 will be 2.8%),

- decrease of enterprises' demand for loans as the effect of diminishing the investments (exclusive of infrastructure investments),
- stabilization on the labour market (unemployment rate increased from 11.9% at the end of 2009 to 13.0% at the end of March 2010; however, it is expected to decrease later in the year to the level of 12.8%),
- until the end of the year the base interest rate in Poland will be stabilized,
- limiting the trend of PLN strengthening, partially due to FX intervention of the National Bank of Poland,
- keeping the existing trends in terms of prices of real properties,
- instability in global debt market due to budget problems of Greece.

8. Significant developments after the closing of the interim period

The General Meeting of ING Bank Śląski S.A.

The General Meeting of ING Bank Śląski S.A. was held on 8 April 2010.

Changes to the composition of the Supervisory Board

On 8 April 2010, the General Meeting of ING Bank Śląski S.A. appointed Mr. Brunon Bartkiewicz and Mr. César González-Bueno as members of the Supervisory Board. Consequently, the composition of the Supervisory Board of ING Bank Śląski S.A. is as follows:

Anna Fornalczyk – Chair of the Supervisory Board
Cornelis Leenaars – Deputy Chair of the Supervisory Board
Wojciech Popiołek – Secretary of the Supervisory Board
Brunon Bartkiewicz – Member of the Supervisory Board
César González-Bueno – Member of the Supervisory Board
Ralph Hamers – Member of the Supervisory Board
Nicolaas Cornelis Jue – Member of the Supervisory Board
Mirosław Kośmider – Member of the Supervisory Board

Appointment of the Management Board of the Bank for the next term of office

On 8 April 2010, the Supervisory Board of the Bank appointed the Management Board of ING Bank Śląski S.A. for the next term of office in the existing composition:

Małgorzata Kołakowska – President of the Management Board
Mirosław Boda – Vice-President of the Management Board
Michał Bolesławski – Vice-President of the Management Board
Evert Derks Drok – Vice-President of the Management Board
Justyna Kesler – Vice-President of the Management Board
Oscar Swan – Vice-President of the Management Board

<u>*Decreasing share in the share capital of the Bank*</u>

On 20 April 2010, the Bank Management Board acquired the information that as a result of the transaction of sale of shares of ING Bank Śląski S.A. concluded on 13 April 2010, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK [*Aviva Open Investment Fund Aviva BZ WBK*] decreased its share in the total number of shares and votes at the General Meeting to less than 5%. Prior to the settlement of the abovementioned transactions Aviva OFE Aviva BZ WBK held 665,500 shares of ING Bank Śląski S.A., constituting 5.12% of the share capital of the Company and 5.12% of the total number of votes at the General Meeting.

As a consequence of conclusion and settlement of the sale transaction, as of 16 April 2010, Aviva OFE Aviva BZ WBK held 645,012 shares of ING Bank Śląski S.A. constituting 4.96% of the share capital of the Company and 4.96% of share capital of the Company and the total number of votes at the General Meeting.

9. Off-balance sheet items

(pln '000)	**1 quarter 2010** as of 31.03.2010	**end of year 2009** as of 31.12.2009	**1 quarter 2009** as of 31.03.2009
Contingent liabilities granted	11 271 475	14 096 603	14 448 835
Contingent liabilities received	12 541 806	12 483 266	17 479 966
Off-balance sheet financial instruments	105 794 411	119 086 563	196 055 630
Total off-balance sheet items	**129 607 692**	**145 666 432**	**227 984 431**

10. Issues, redemption or repayments of debt securities and equities

None.

11. Dividends paid

On 8 April 2010, the General Shareholders Meeting decided that the dividend for 2009 would not be paid.

12. Settlements due to disputable cases

ING Bank Śląski maintains detailed records of court cases and other liabilities being legal claims. The Bank establishes reserves for the cases, which in the opinion of the legal staff and/or management staff are encumbered with a high risk of losing the case or it is impossible to recover the lost assets. Possible future settlements are made against the reserves established.

Changes to the litigation reserves were presented below:

(pln '000)	**1 quarter 2010** period from 01.01.2010 to 31.03.2010	**1 quarter 2009** period from 01.01.2009 to 31.03.2009
Status at the period beginning:	**11 690**	**16 722**
Establishment of provisions as costs	102	1 136
Release of provisions as income	-3 644	-911
Utilisation of provision due to dispute loss or settlement	-208	-706
Status as at the period end	**7 940**	**16 241**

Either in 3 months of 2010 or 3 months of 2009, no proceedings concerning liabilities or debts whose total value would amount to 10% of the Bank's equity were initiated before courts or administrative bodies against the Capital Group of ING Bank Śląski.

13. Seasonality or cyclicity of activity

Activity of ING Bank Śląski Group is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

14. Transactions with related entities

Subsidiaries and Related Entities of ING Bank Śląski:

- ING Securities S.A.,
- ING Bank Hipoteczny S.A.,
- Centrum Banku Śląskiego (CBS) Sp. z o.o.,
- Solver Sp. z o.o.,
- ING Powszechne Towarzystwo Emerytalne S.A.

as part of their business hold current accounts at ING Bank Śląski, via which they perform standard clearing operations and also invest cash funds using term deposits. Furthermore ING Bank Hipoteczny took loans from ING Bank Śląski. Similarly, ING Bank Śląski maintains bank accounts of other members of ING Group, for instance ING Lease (Poland), NG Car Lease and ING Real Estate. The transactions with the above entities are performed on an arm's length basis.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives: Forex Spot and Forex Forward, FX options and SWAP transactions. The abovementioned transactions are carried out on an arm's length basis.

There were also other transactions between the associated entities and ING Bank Śląski. They originated from agreements concluded as to co-operation, sublease of premises, lease of equipment, data processing, leasing of non-current assets and intangible assets as well as car fleet leasing, management and employees' insurance contributions.

In the period 1.01.2010 – 31.03.2010 the following transactions were made of the total value exceeding EURO 500.000:

- in connection with execution of the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV the remuneration for the services provided as to financial consulting in 3 months of 2010 amounted to PLN 13.2 million (net). Following the implementation of the agreement for provision of data processing and financial information analysis services, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the fee for data processing and financial information analysis services used by ING Bank Śląski amounted to PLN 3.1 million (net),
- ING Services Polska provides services to ING Bank Śląski with regard to lease of hardware resources. The costs of service were PLN 5.5 million (gross),
- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 4.4 million (gross),
- ING Bank Śląski co-operates with ING Car Lease as to leasing of cars and management of car fleet. The derivative amount of payment was PLN 4.1 million in 3 months of 2010 (gross).

Transactions with related entities (in PLN thousands):

31.03.2010

	ING Bank NV	Other ING Group entities	Subsidiary undertakings*	Associated undertakings*
Receivables				
Deposits placed	552 692	143 577	-	-
Nostro accounts	14 206	2 102	-	-
Loans	-	1 319 850	317 921	-
Securities	-	-	20 007	-
Other receivables	9 781	4 899	7	-
Liabilities				
Deposits received	4 187 763	719 223	251 684	131 636
Loro accounts	20 152	15 069	-	-
Other liabilities	34 100	13	383	
Off-balance-sheet operations				
Contingent liabilities	202 116	1 110 778	162 228	-
FX transactions	6 037 804	1 128 574	-	-
Forward transactions	1 223 298	334 862	-	-
IRS/CIRS	26 461 602	10 917 092	-	-
FRA	287 372	-	-	-
Options	874 838	811 760	-	-
Revenue and costs**				
Revenue	-11 003	10 703	1 032	67
Costs	16 613	14 812	2 656	398

31.03.2009

	ING Bank NV	Other ING Group entities	Subsidiary undertakings*	Associated undertakings*
Receivables				
Deposits placed	994 255	-	-	-
Nostro accounts	101 549	1 023	-	-
Loans	-	1 769 276	330 614	-
Securities	-	-	20 005	-
Other receivables	5 898	13 401	2 709	-
Liabilities				
Deposits received	3 440 527	544 554	245 269	67 336
Loro accounts	6 348	15 396	-	-
Repo	3 218 373	155 996	-	-
Other liabilities	7 561	1 066	268	-
Off-balance-sheet operations				
Contingent liabilities	-	896 846	149 735	-
FX transactions	18 892 487	7 548 540	-	-
Forward transactions	663 860	1 655 803	-	-
IRS/CIRS	35 678 566	9 066 056	-	-
FRA	1 888 457	-	-	-
Options	1 225 444	1 368 886		
Revenue and costs**				
Revenue	-29 954	17 814	3 024	65
Costs	26 272	16 331	2 064	374

*/ Includes transactions between ING Bank Śląski S.A. affiliates of ING Bank Śląski S.A. Group
**/ Revenues and costs are presented in the uniform setting as in the financial statements. The revenues include. among others. the result on valuation of derivatives.

The Group analysed entities being part of ING Group. As a result, additional entities were identified with which the Group concluded transactions that had not been included in the consolidated financial statements for Q1 2009. Consequently, the data for Q1 2009 in those financial statements were adjusted accordingly to achieve comparability.

15. Segmentation of revenue and financial results of the Group

Segments of operation

The management of the ING Bank Śląski Group is conducted through breaking down the operations into the following business segments:

- retail banking,
- corporate banking,
- own operations.

Wholesale and retail segments are separated based on the financial criterion (especially turnover, level of collected assets) and subject related criterion specified by internal regulations of the dominant entity of the Group.

Within the framework of retail banking, the Bank's Group provides services for individual customers (segments of mass customers and wealthy customers) and small enterprises. This activity is analysed by the following products: credit products (overdraft on the savings and settlement account - ROR, loans related to cards, hire purchase loans, housing loans, mortgage loans), contract loans granted by the Building Society, mortgage loans granted by ING Bank Hipoteczny, deposit products (current accounts, term deposits, savings accounts), ING fund units, brokerage services provided by ING Securities SA and bank cards.

The wholesale activity includes services to institutional clients, including strategic clients, large corporate entities and mid-sized companies. For corporate banking, the Group provides reporting broken down by loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), trust services, capital market operations conducted by the parent and by ING Securities and operations of intermediation in lease services.

Proprietary operations are carried out by Financial Markets and ALCO (Assets and Liabilities Management Committee).

Financial markets encompass operations performed in money and capital markets, conducted both on the proprietary basis as well as for the customers' benefit. Within the framework of this activity, currency, money and derivative instrument market products and securities operations (treasury securities, shares and notes) are specified. The item *Financial markets - total segment income* presents the income from proprietary trading. The income from the sale of financial market products for the corporate banking and retail banking segments are disclosed in the income of these segments.

ALCO comprises above all of investing funds originating from own funds and funding some assets of the Bank. The main element of the core business income of ALCO is income from investing proprietary funds (book capital). This income is then adjusted by the interest calculated on the economic capital required by individual business lines (retail banking segment, corporate banking segment, financial markets). Interest on economic capital is allocated from the ALCO line to individual business lines in the manner corresponding to their demand for economic capital.

The measurement of the segment's assets, liabilities, revenue and costs shall be based on the accounting standards used by the Group. In particular, the internal and external interest revenue and costs for individual segments shall be established with the use of the transfer pricing system. Transfer prices are defined based on the yield curve for a given currency that is common for assets and liabilities. The transfer price that is determined for the products being assets and liabilities with the same position on the yield curve is identical. The original transfer price – coming from the product measurement regarding the yield curve can be modified and the factors adjusting the transfer price can be the following: a premium for obtainment of long-term liquidity, matching of the Bank's position, a hedging cost for sophisticated products and the pricing policy. Thereafter, based on quotation rates available at news services, yield curves are developed using mathematical equations.

Revenue, costs, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises.

The Group presents segment's interest income reduced by the cost of the interest. This results from the fact that while evaluating the segment's results and assigning assets to the segment, the Management Board relies mainly on net interest income.

In Q1 2010, there was no change to the segment definition or the classification of revenues and costs within the individual segments.

Geographical segments

The business activities of the Capital Group are performed on the territory of the Republic of Poland.

PLN thousand	period from 01.01.2010 to 31.03.2010					
	Retail customers segment	Corporate customers segment	Own operating		Nonallocated items	Total
			Treasury & ALM	ALCO		
Revenue total*	**290 205**	**204 148**	**101 106**	**62 670**	**0**	**658 130**
Net interest income	168 070	105 906	81 339	12 067	0	367 382
external	*-35 194*	*173 079*	*81 343*	*148 155*	*0*	*367 382*
internal	*203 264*	*-67 173*	*-4*	*-136 087*	*0*	*0*
Net commission income, of which:	123 605	120 564	180	-15 881	0	228 468
income	*146 271*	*133 512*	*180*	*-15 881*	*0*	*264 082*
expenses	*-22 666*	*-12 948*	*0*	*0*	*0*	*-35 614*
Other income/expenses	-8 749	-22 322	19 587	66 484	0	55 000
Share in net profit (loss) of associated entities recognised under the equity method	7 280	0	0	0	0	7 280
Expenses total	**247 502**	**128 478**	**14 573**	**0**	**0**	**390 552**
Operational expenses, including:	247 502	128 478	14 573	0	0	390 552
personnel expenses	*110 202*	*57 872*	*11 380*	*0*	*0*	*179 454*
depreciation	*21 669*	*6 175*	*1 302*	*0*	*0*	*29 146*
other	*115 631*	*64 431*	*1 890*	*0*	*0*	*181 952*
Result before risk	**42 704**	**75 671**	**86 533**	**62 670**	**0**	**267 578**
Risk cost	21 227	26 872	0	0	0	48 099
Result after risk cost	**21 477**	**48 799**	**86 533**	**62 670**	**0**	**219 479**
CIT	0	0	0	0	41 966	41 966
Result after tax	**21 477**	**48 799**	**86 533**	**62 670**	**-41 966**	**177 513**
- assigned to shareholders of the holding company	**21 477**	**48 799**	**86 533**	**62 670**	**-41 959**	**177 520**
- assigned to minority shareholders	0	0	0	0	-7	-7

*/ including the share in net profit of affiliated units shown using the method of ownership rights

PLN thousand	period from 01.01.2009 to 31.03.2009 *(comparable data)*					
	Retail customers segment	Corporate customers segment	Own operating		Nonallocated items	Total
			Treasury & ALM	ALCO		
Revenue total*	**273 559**	**125 499**	**86 727**	**71 538**	**0**	**557 324**
Net interest income	109 509	82 672	78 486	20 623	0	291 290
external	*-175 549*	*169 129*	*78 523*	*219 187*	*0*	*291 290*
internal	*285 058*	*-86 457*	*-37*	*-198 564*	*0*	*0*
Net commission income, of which:	142 624	74 223	-461	-2 385	0	214 001
income	*156 255*	*82 691*	*-461*	*-2 385*	*0*	*236 101*
expenses	*-13 632*	*-8 468*	*0*	*0*	*0*	*-22 100*
Other income/expenses	11 326	-31 396	8 703	53 300	0	41 933
Share in net profit (loss) of associated entities recognised under the equity method	10 100	0	0	0	0	10 100
Expenses total	**229 229**	**118 840**	**14 627**	**0**	**0**	**362 696**
Operational expenses, including:	229 229	118 840	14 627	0	0	362 696
personnel expenses	*98 436*	*51 163*	*3 520*	*0*	*0*	*153 119*
depreciation	*23 256*	*6 273*	*1 446*	*0*	*0*	*30 975*
other	*107 537*	*61 404*	*9 661*	*0*	*0*	*178 602*
Result before risk	**44 330**	**6 659**	**72 101**	**71 538**	**0**	**194 628**
Risk cost	12 821	78 893	0	0	0	91 714
Result after risk cost	**31 509**	**-72 234**	**72 101**	**71 538**	**0**	**102 914**
CIT	0	0	0	0	22 119	22 119
Result after tax	**31 509**	**-72 234**	**72 101**	**71 538**	**-22 119**	**80 795**
- assigned to shareholders of the holding company	**31 509**	**-72 234**	**72 101**	**71 538**	**-22 093**	**80 821**
- assigned to minority shareholders	0	0	0	0	-26	-26

*/ including the share in net profit of affiliated units shown using the method of ownership rights

16. Other informations

Key effectiveness ratios

	31.03.2010 *PLN million*	31.03.2009 *PLN million*	Change 31.03.2010 / 31.03.2009
Profitability ratio (%)	26.7	10.0	16.7 b.p.
Return on assets (%)	1.1	0.5	0.6 b.p.
Return on equity (%)	14.7	8.5	6.2 b.p.
Cost/Income ratio (%)	59.3	65.1	-5.8 b.p.
Solvency ratio (%)	13.00	10.10	2.9 b.p.

Profitability ratio – gross profit to total costs.
Return on assets (ROA) – net profit assigned to shareholders of the holding company to average total assets.
Return on equity (ROE) – net profit assigned to shareholders of the holding company to average equity.
Cost to Income ratio (C/I) – total costs to income from operating activity per type.
Solvency ratio – equity to risk weighted assets and off-balance sheet liabilities.

Ratings

Fitch Ratings Ltd.

The Fitch Ratings Ltd. Agency assigns full rating to ING Bank Śląski S.A. under the agreement between the bank and the Agency. As at 31.03.2010, the Bank had the rating of financial credibility, issued by the agency:

Long-term IDR	A
Short-term IDR	F1
Individual	C
Support rating	1
Rating Outlook	Stable

Long-term IDR and Short-term IDR determine the entity's ability to meet financial commitments on a timely basis. Long-term IDR at A level reflects high ability of the Bank to timely settle long-term financial obligations. Short-term IDR at the F1 level means the highest rating for the ability to meet short-term commitments (up to 13 months) on a timely basis. In case of both ratings the Fitch agency considered the high probability of obtaining potential support from the dominant shareholder. ING Bank NV (ING Bank Śląski was assigned the highest support rating – 1).

In the opinion of the Agency, the individual rating at C level reflects high liquidity of the Bank, stable funding sources in the form of a deposit base of retail clients, strong sales network, low credit risk appetite and good quality of the credit portfolio in spite of relatively difficult conditions in the operational environment. This rating also takes account of an adequate capital standing that may nevertheless require strengthening in the future due to lending growth.

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. As at 31.03.2010, the Bank had the rating of financial credibility, issued by the agency:

Long-term PLN deposits	A2
Long-term FX deposits	A2
Short-term deposits	P-1
Financial strength	D+
Outlook for ratings of long-term and short-term deposits	Stable

On 2 February 2010, the Agency closed the review of ING Group ratings, which was started on 21 September 2009. The review also covered the deposit ratings of ING Bank Śląski. As a result, the Agency affirmed the ratings for both long-term deposits (in foreign and home currencies) and short-term deposits. Nevertheless, the Agency's outlook regarding long-term deposits was negative. Other ratings remained at a stable level. Changing the long-term deposit rating outlook follows the approach applied by the Agency with respect to the ratings of other ING Group members, including the parent company ING Bank NV.

Headcount

The headcount in the Capital Group was as follows:

Headcount	31.03.2010	31.12.2009	30.09.2009	30.06.2009	31.03.2009
Individuals	8 327	8 291	8 291	8 378	8 522
FTEs	8 183.4	8 146.6	8 153.7	8 238.3	8 365.1

Number of Branches and ATMs

ING Bank Śląski conducts operational activity in the network of its own branches as well as with the use of the network of partnership outlets based on the franchise model.

The number of outlets of the Bank in particular periods was as follows:

	31.03.2010	31.12.2009	30.09.2009	31.03.2009	31.03.2009
Number of outlets	441	441	438	438	439

As at the end of March 2010, the Bank had a network of 739 ATMs compared with 737 ATMs as at the end of December 2009 and 686 ATMs in the analogical period in 2009.

As at the end of March 2010, the Bank also had a network of 373 cash deposit machines, compared with 372 cash deposit machines as at the end of December 2009 and 362 cash deposit machines in the analogical period in 2009.

Electronic distribution channels

Development of electronic distribution channels is one of the Bank's priorities. A regular update of this offer results in an increase of the number of Clients interested in e-banking.

The figures for electronic banking clients[1] are as follows:

	31.03.2010	31.12.2009	30.09.2009	30.06.2009	31.03.2009
ING BankOnLine. ING OnLine. ING BusinessOnLine and MultiCash	1 634 606	1 559 504	1 447 162	1 358 473	1 270 260
HaloŚląski	860 521	786 008	824 848	752 914	689 979
SMS	657 222	619 664	562 943	498 313	443 689

The monthly number of transactions in March 2010 was at the level of 11.0 million, whereas in the analogical period in 2009 it was 8.8 million.

Banking cards

ING Bank Śląski S.A. is one of the largest issuers of banking cards in Poland. As at the end of March 2010, ING Bank Śląski issued to clients 2,122.3 thousand payment cards, i.e. by 1.9% more than as at the end of December 2009 and by 4.4% in the analogical period of the previous year.

Out of all cards issued to clients as at the end of March 2010, 245.9 thousand were credit cards[2] (254.0 thousand as at the end of December 2009 and 273.1 thousand in the same period a year earlier).

The newest types of cards were very popular among clients. As at the end of March 2010, 123.9 thousand PayPass cards (108.4 thousand as at the end of December 2009) and 10.3 thousand Virtual c@rds (7.3 thousand as at the end of December 2009) were issued to clients.

[1] The number of clients is not the same as the number of users as one klient may represent several users in a given system.
[2] Inclusive of VE Credit and VE Credit NN-P cards.

17. Selected financial data from financial statements

	PLN thousand		***EUR thousand***	
	1 quarter 2010 period from 01.01.2010 to 31.03.2010	**1 quarter 2009** period from 01.01.2009 to 31.03.2009	**1 quarter 2010** period from 01.01.2010 to 31. 03.2010	**1 quarter 2009** period from 01.01.2009 to 31.03.2009
Interest income	703 402	841 056	177 318	182 862
Commission income	264 082	236 101	66 571	51 333
Result on basic activities	650 850	547 224	164 070	118 977
Result before tax	219 479	102 914	55 328	22 376
Net result of shareholders of the holding company	177 520	80 821	44 750	17 572
Net result of minority shareholders	-7	-26	-2	-6
Net cash flows	84 884	-1 781 377	21 398	-387 306
Earnings per ordinary share (PLN / EUR)	13.64	6.21	3.44	1.35

	PLN thousand			***EUR thousand***		
	1 quarter 2010 as of 31.03.2010	**end of 2009** as of 31.12.2009	**1 quarter 2009** as of 31.03.2009	**1 quarter 2010** as of 31.03.2010	**end of 2009** as of 31.12.2009	**1 quarter 2009** as of 31.03.2009
Total assets	62 099 106	59 883 456	68 205 737	16 078 687	14 576 568	14 507 846
Equity of the holding company	5 131 712	4 884 398	4 280 894	1 328 702	1 188 939	910 577
Share capital	130 100	130 100	130 100	33 685	31 668	27 673
Numer of shares (per item)	13 010 000	13 010 000	13 010 000	-	-	-
Book value per share (PLN / EUR)	394.44	375.43	329.05	102.13	91.39	69.99
Solvency ratio (%)	13.00%	12.01%	10.10%	-	-	-

In order to determine the basic figures in EUR, the following exchange rates were applied:

- for statement of financial positions items – PLN 3.8622, NBP exchange rate of 31 March 2010; PLN 4.7013 NBP exchange rate of 31 March 2009,
- for income statement items and cash flow statement items for the period of 3 months ending on 31 March 2010 - PLN 3.9669 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in Q1 2010; PLN 4.5994 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in Q1 2009.

III. Interim Condensed Standalone Financial Statement of the Bank

INTERIM CONDENSED STANDALONE INCOME STATEMENT (PLN '000)

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	**I quarter 2009** the period from 01 Jan 2009 to 31 Mar 2009
Interest income	*698 709*	*837 926*
Interest expenses	*337 971*	*551 840*
Net interest income	**360 738**	**286 086**
Commission income	*242 503*	*220 619*
Commission expenses	*29 883*	*17 458*
Net commission income	**212 620**	**203 161**
Net income on instruments measured at fair value through profit and loss and FX result	50 876	14 150
Net income on investment	3 868	296
Net income on hedge accounting	-6 894	17 915
Net income on other basic activities	4 988	7 035
Result on basic activities	**626 196**	**528 643**
General and administrative expenses	382 117	349 098
Result on other operating income and expenses	3 574	-1 026
Impairment losses and provisions for off-balance sheet liabilities	47 352	90 490
Profit (loss) before tax	**200 301**	**88 029**
Income tax	39 512	21 110
Net result for the current period	**160 789**	**66 919**

Net profit (loss)	**160 789**	**66 919**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**12,36**	**5,14**

Diluted earnings per share agrees with earnings per ordinary share

INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	**I quarter 2009** the period from 01 Jan 2009 to 31 Mar 2009
Net result for the period	**160 789**	**66 919**
Gains/losses on remeasurement of available-for-sale financial assets charged to equity	52 266	-21 153
including deferred tax	*-12 303*	*4 941*
Reclassified to the financial result as a result of sale of available-for-sale financial assets	-3 060	-235
including deferred tax	*718*	*55*
Adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-305	3 196
including deferred tax	*72*	*-750*
Effective part of cash flow hedging instruments revaluation	19 882	-3 865
including deferred tax	*-4 664*	*906*
Revaluation of share-based payment	728	0
including deferred tax	*0*	*0*
Other	283	0
including deferred tax	*4*	*0*
Other comprehensive income (loss)	**69 794**	**-22 057**
Total comprehensive income for the period	**230 583**	**44 862**

INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION (PLN '000)

	I quarter 2010 as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009	**I quarter 2009** as of 31 Mar 2009	**end of year 2008** as of 31 Dec 2008
A S S E T S				
- Cash in hand and balances with the Central Bank	2 387 792	2 656 581	1 584 256	1 369 777
- Loans and receivables to other banks	1 582 854	1 494 053	3 264 032	8 094 181
- Financial assets measured at fair value through profit and loss	3 737 233	8 265 524	11 965 298	10 547 851
- Valuation of derivatives	1 408 240	1 566 652	5 167 421	4 579 765
- Investments	21 639 470	14 166 032	15 901 748	18 050 736
- available-for-sale	*14 852 567*	*6 835 626*	*8 517 288*	*10 738 904*
- held-to-maturity	*6 786 903*	*7 330 406*	*7 384 460*	*7 311 832*
- Derivative hedge instruments	111 708	90 444	212 434	197 003
- Loans and receivables to customers	29 563 576	29 976 639	28 523 079	25 277 781
- Investments in subordinated entities	313 164	313 164	235 569	210 569
- Investment real estates	129 667	129 667	151 458	151 458
- Property, plant and equipment	525 047	534 712	533 787	529 256
- Intangible assets	321 440	325 746	312 086	314 790
- Property, plant and equipment held for sale	224	224	223	248
- Current tax asset	0	0	18 183	0
- Deferred tax asset	61 104	84 850	34 629	45 994
- Other assets	173 466	147 200	187 986	166 476
T o t a l a s s e t s	**61 954 985**	**59 751 488**	**68 092 189**	**69 535 885**
E Q U I T Y A N D L I A B I L I T I E S				
LIABILITIES				
- Liabilities due to the Central Bank	0	0	4 020 074	5 932 116
- Liabilities due to other banks	5 369 812	3 951 088	8 202 768	6 063 785
- Financial liabilities measured at fair value through profit and loss	2 649 169	998 051	335 980	825 060
- Valuation of derivatives	1 109 704	1 193 944	3 242 105	4 321 638
- Derivative hedge instruments	557 035	482 563	610 905	420 047
- Liabilities due to customers	46 240 768	47 657 073	46 524 826	47 165 612
- Provisions	47 092	54 060	55 999	49 304
- Current income tax liabilities	19 787	156 119	0	38 851
- Other liabilities	1 015 561	543 116	987 721	652 523
T o t a l l i a b i l i t i e s	**57 008 928**	**55 036 014**	**63 980 378**	**65 468 936**
EQUITY				
- Share capital	130 100	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value	956 250	956 250	956 250	956 250
- Revaluation reserve from measurement of available-for-sale financial assets	47 518	-1 383	-119 173	-100 981
- Revaluation reserve from measurement of property, plant and equipment	33 406	33 426	36 018	36 018
- Revaluation reserve from measurement of cash flow hedging instruments	18 914	-968	41 716	45 581
- Revaluation of share-based payment	16 574	15 846	0	0
- Retained earnings	3 743 295	3 582 203	3 066 900	2 999 981
T o t a l e q u i t y	**4 946 057**	**4 715 474**	**4 111 811**	**4 066 949**
T o t a l e q u i t y a n d l i a b i l i t i e s	**61 954 985**	**59 751 488**	**68 092 189**	**69 535 885**

Solvency ratio	**12,18%**	**11,24%**	**9,39%**	**9,82%**

Book value	**4 946 057**	**4 715 474**	**4 111 811**	**4 066 949**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Book value per share (PLN)	**380,17**	**362,45**	**316,05**	**312,60**

INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY (PLN '000)

I quarter 2010
the period from 01 Jan 2010 to 31 Mar 2010

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-1 383**	**33 426**	**-968**	**15 846**	**3 582 203**	**4 715 474**
- net result for the current period	-	-	-	-	-	-	160 789	**160 789**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	52 266	-	-	-	-	**52 266**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-3 060	-	-	-	-	**-3 060**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	-305	-	-	-	-	**-305**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	19 882	-	-	**19 882**
- revaluation of share-based payment	-	-	-	-	-	728	-	**728**
- other	-	-	-	-20	-	-	303	**283**
Total comprehensive income for the period	**0**	**0**	**48 901**	**-20**	**19 882**	**728**	**161 092**	**230 583**
Dividends paid	-	-	-	-	-	-	-	**0**
Closing balance of equity	**130 100**	**956 250**	**47 518**	**33 406**	**18 914**	**16 574**	**3 743 295**	**4 946 057**

year 2009
the period from 01 Jan 2009 to 31 Dec 2009

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-100 981**	**36 018**	**45 581**	**0**	**2 999 981**	**4 066 949**
- net result for the current period	-	-	-	-	-	-	582 151	**582 151**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	96 364	-	-	-	-	**96 364**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	794	-	-	-	-	**794**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	2 440	-	-	-	-	**2 440**
- remeasurement of property, plant and equipment	-	-	-	-2 547			-	**-2 547**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	-46 549	-	-	**-46 549**
- revaluation of share-based payment	-	-	-	-	-	15 846	-	**15 846**
- other	-	-	-	-45		-	71	**26**
Total comprehensive income for the period	**0**	**0**	**99 598**	**-2 592**	**-46 549**	**15 846**	**582 222**	**648 525**
Dividends paid	-	-	-	-	-	-	-	**0**
Closing balance of equity	**130 100**	**956 250**	**-1 383**	**33 426**	**-968**	**15 846**	**3 582 203**	**4 715 474**

I quarter 2009
the period from 01 Jan 2009 to 31 Mar 2009

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-100 981**	**36 018**	**45 581**	**0**	**2 999 981**	**4 066 949**
- net result for the current period	-	-	-	-	-	-	66 919	**66 919**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-21 153	-	-	-	-	**-21 153**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-235	-	-	-	-	**-235**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	3 196	-	-	-	-	**3 196**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	-3 865	-	-	**-3 865**
Total comprehensive income for the period	**0**	**0**	**-18 192**	**0**	**-3 865**	**0**	**66 919**	**44 862**
Dividends paid	-	-	-	-	-	-	-	**0**
Closing balance of equity	**130 100**	**956 250**	**-119 173**	**36 018**	**41 716**	**0**	**3 066 900**	**4 111 811**

INTERIM CONDENSED STANDALONE CASH FLOW STATEMENT (PLN '000)

	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010	**I quarter 2009** the period from 01 Jan 2009 to 31 Mar 2009
OPERATING ACTIVITIES		
Net profit (loss)	**160 789**	**66 919**
Adjustments	**-715 097**	**-1 738 936**
- Depreciation and amortisation	28 675	30 488
- Interest accrued (from the profit and loss account)	360 738	286 086
- Interest paid	375 736	537 802
- Interest received	-720 474	-762 416
- Dividends received	-91	-7
- Gains (losses) on investment activities	-74	-15
- Income tax (from the profit and loss account)	39 512	21 110
- Income tax paid	-152 098	-66 779
- Change in provisions	-6 968	6 695
- Change in loans and other receivables to other banks	257 207	2 923 624
- Change in financial assets at fair value through profit or loss	4 491 215	-1 534 581
- Change in available-for-sale financial assets	-7 936 051	2 209 685
- Change in valuation of derivatives	74 172	-1 667 189
- Change in derivative hedge instruments	73 090	171 562
- Change in loans and other receivables to customers	408 483	-3 248 077
- Change in other assets	-97 114	-93 235
- Change in liabilities due to other banks	1 419 699	240 979
- Change in liabilities at fair value through profit or loss	1 651 118	-489 080
- Change in liabilities due to customers	-1 455 045	-640 786
- Change in other liabilities	473 173	335 198
Net cash flow from operating activities	**-554 308**	**-1 672 017**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-7 290	-23 485
- Disposal of property, plant and equipment	92	51
- Purchase of intangible assets	-7 798	-9 769
- Purchase of investments in subordinated entities	0	-25 000
- Disposal of fixed assets held for sale	0	25
- Disposal of held-to-maturity financial assets	615 000	0
- Interest received from held-to-maturity financial assets	35 363	35 363
- Dividends received	91	7
Net cash flow from investment activities	**635 458**	**-22 808**
FINANCIAL ACTIVITIES		
- Dividends paid	0	0
Net cash flow from financial activities	**0**	**0**
Effect of exchange rate changes on cash and cash equivalents	***-7 239***	***9 563***
Net increase/decrease in cash and cash equivalents	**81 150**	**-1 694 825**
Opening balance of cash and cash equivalents	**3 018 259**	**4 097 924**
Closing balance of cash and cash equivalents	**3 099 409**	**2 403 099**

1. Introduction

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the I quarter 2010 were prepared under the International Financial Reporting Standards (IFRS) in a version approved by the European Commission effective as at the reporting date that is 31 March 2010 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009. no. 33. item 259).

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity, and interim condensed standalone cash flow statement for the period from 01 January 2010 to 31 March 2010, and interim condensed standalone statement of financial position as at 31 March 2010 together with comparable data were prepared according to the same principles of accounting for each period. The comparative data cover the period from 1 January 2009 to 31 March 2009 for the interim condensed standalone income statement; the interim condensed standalone statement of comprehensive income; and the interim condensed standalone cash flow statement; additionally, as of 31 December 2009 for the interim condensed standalone statement of changes in equity; and in the case of the interim condensed standalone statement of financial position data as of 31 December 2009, 31 March 2009 and 31 December 2008.

Presented interim condensed standalone financial statements for I quarter 2010 meet the requirements of International Financial Reporting Standards (IFRS) including IAS 34 (International Accounting Standards) with regard to interim financial statements.

These interim condensed financial statements have been prepared in PLN rounded to one thousand zlotys (unless otherwise noted).

The same accounting principles were applied to this interim condensed standalone financial statements and to the full annual financial statements for 2009, except that amendments to the standards and new interpretations applicable to annual periods starting on or after 1 January 2010 were also applied to this statement. Amendments to standards and new interpretations are described in interim condensed consolidated financial statements of the ING Bank Śląski S.A. Capital Group enclosed herewith ("interim condensed consolidated financial statements"), in chapter II.2 "Compliance with International Financial Reporting Standards".

From the Bank's point of view all significant disclosures are presented in interim condensed consolidated financial statements.

These interim condensed standalone financial statements have been approved by the Bank Management Board on 11 May 2010.

These interim condensed standalone financial statements were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the balance sheet date. As of the date of approving this statement, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Bank is endangered.

The Bank did not carry out operations ceased during I quarter of 2010.

2. Material accounting principles (policy)

Detailed accounting principles are presented in annual financial statements of ING Bank Śląski S.A. for the period from 1 January 2009 to 31 December 2009 published on 5 March 2010 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl).

The same accounting principles were applied to interim condensed financial statements and interim condensed consolidated financial statements, except for the changes in recording capital investments described above.

Investment in subsidiaries and associates

Subsidiaries
Subsidiaries are the entities over which the Bank has direct or indirect control. Control is the ability to manage financial and operating policies in order to gain economic profits. Control basically is involved with larger number of votes in governing bodies. Control usually is implicated with the possession of the majority of votes in governing bodies.

Associates
Associated entities are entities over which the Bank has significant influence and are not subsidiaries. The Bank usually determines significant influence by possession of 20 % to 50 % of the total number of votes in governing bodies.

Recognition and valuation
Investments in subsidiaries and associates are recorded at cost of purchase less impairment if any. The carrying value is subject to tests for impairment in accordance with IAS 39. Any impairment is recognized in the profit and loss account as “Impairment losses and provisions for off-balance sheet liabilities”. Dividends are recognized in the profit and loss account when the Bank obtains legal rights to receive them.

3. Accounting estimates

The most significant accounting estimates made by the Bank are described in the summary interim consolidated financial statement in paragraph II.3.

4. Comparability of financial data

In comparison to the financial statement for the period from 1 January 2009 to 31 March 2009, the Bank introduced several amendments into interim condensed financial statement for the period from 1 January 2010 to 31 March 2010. The amendments refer to the way of presenting some positions of the profit and loss account. The amendments are described in detail in summary interim consolidated financial statement in paragraph II. 4.

5. Material events in I quarter 2010

Material events that occurred in I 2010 are described in the summary interim consolidated financial statement in paragraph II.6.

6. Seasonality or cyclicity of activity

Activity of ING Bank Śląski Group is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

7. Issues. redemption or repayments of debt securities and equities

None.

8. Dividends paid

On 8 April 2010, the General Shareholders Meeting decided that the dividend for 2009 would not be paid.

9. Acquisitions

In Q1 2010, the ING Bank Śląski did not make any acquisitions, as in Q1 2009.

10. Off-balance sheet items

(pln '000)	**1 quarter 2010** as of 31.03.2010	**end of year 2009** as of 31.12.2009	**1 quarter 2009** as of 31.03.2009	**end of year 2008** as of 31.12.2008
Contingent liabilities granted	11 433 569	14 257 243	14 547 958	14 181 808
Contingent liabilities received	12 541 806	12 483 266	17 479 966	15 310 545
Off-balance sheet financial instruments	105 794 411	119 086 563	196 055 630	262 720 990
Total off-balance sheet items	**129 769 786**	**145 827 072**	**228 083 554**	**292 213 343**

11. Events after the balance sheet date

Events after the balance sheet date are described in the summary interim consolidated financial statement in paragraph II.8.

12. Transactions with related entities

Transactions with related entities have been described in the interim consolidated financial statements in item II.14.