



2010

Management Board Report on Operations of ING Bank Śląski S.A. Capital Group in IH 2010

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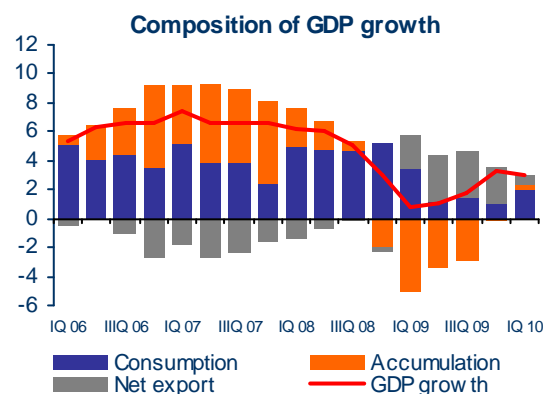
I. MACROECONOMIC CONDITIONS IN 1H 2010

1. Basic Trends in Economy

Gross Domestic Product

In 1H 2010, Poland was among the leaders in the European Union in terms of economic growth rate. In the first quarter – despite severe winter, which had an adverse effect on the construction output – the Gross Domestic Product went up by 3.1%. It is estimated that in the second quarter – despite the national mourning after the Smolensk plane crash and the flood, which affected 30% of communities in Poland – GDP went up by 3.4%¹.

Internal demand remained the main growth driver of the Polish economy in the first months of 2010. Positive impact of foreign demand on business activeness continued, although at a much lower scale than in the previous quarters. Supplies level was also rebuilt, while investment activeness of companies was limited due to continued low utilisation of manufacturing capacities and uncertainty related to the economic growth outlook.



Job Market and Pay Level

The situation on the job market continued to improve. In June 2010, 1,844,000 individuals remained out of work, down by some 49,000 from the end of 2009. The unemployed represented 11.6% of the working population compared with 11.9% at the end of December 2009.

The scale of economic revival was limited and did not cause a visible pay pressure. In June 2010, the average salary in the enterprise sector was 3.5% higher than a year earlier.

Inflation

During the first five months of 2010 we observed systematic decrease of the inflation level. In June, the inflation index went up slightly due to an increase of food prices, and totalled 2.3% on the annual basis.

In June 2010, prices of fuels, apartment fees, as well as prices of alcoholic beverages and tobacco were visibly higher than a year earlier. By contrast, prices of apparel and footwear, telecommunication services, recreation and culture went down.

The appreciation of the Polish currency recorded at the beginning of 2010, low demand pressure and decreasing growth rate of unit labour cost in the economy contributed to the decrease of inflation level.

FX Market

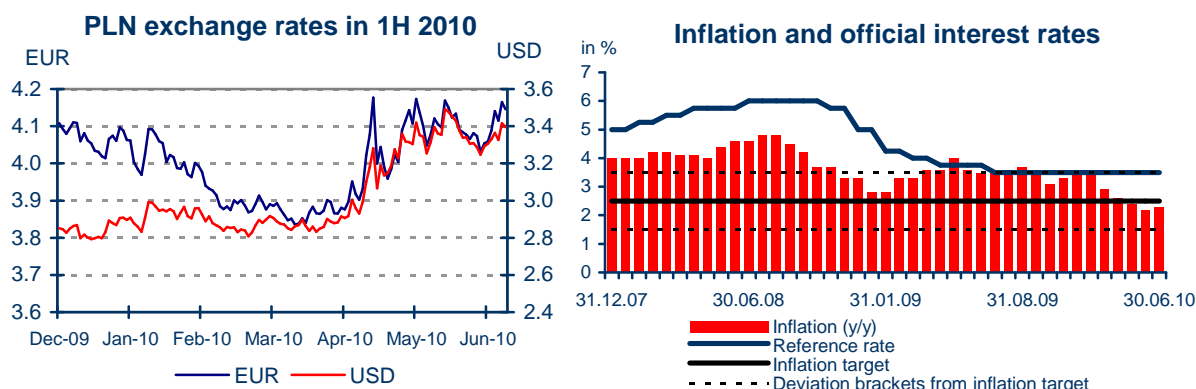
In the first half of 2010, the foreign exchange rate for the Polish currency was under strong influence of phenomena occurring on the global financial markets, especially a significant depreciation of euro against the dollar, which resulted in fiscal problems in certain countries from the euro zone.

The FX-market was also volatile. Further appreciation of zloty, which was observed in the first quarter of 2010 (and posed a threat to the competitiveness of the Polish economy), was the reason for the NBP intervention on the FX-market in April – the first intervention of that kind in years, and led to a periodic adjustment of the PLN-exchange rate. Another depreciation of the Polish currency occurred between April and May, and was related to the financial problems of Greece, lower propensity of global investors to take up investment risk and periodic sell-out of Polish assets. Approval of an aid package by EU-IMF-ECB (in the total amount of EUR 750 billion) prevented spreading of Greece's problems to other countries, calmed the sentiments and reduced volatility on FX markets. In June, the PLN exchange rate was again under the negative influence of events within the EU (the ban on short-

¹ Source: Chief Economist of ING Bank Śląski S.A.

sale of certain equities and bonds introduced by Germany and unclear situation concerning public finances in Hungary). Risk aversion level went up.

Ultimately, on 30 June 2010, the value of PLN to US dollar was 19.1% lower than at the end of 2009, and the value of PLN to EUR went down by 0.9% from the end of 2009. People who had mortgages in Swiss francs were also affected by PLN depreciation (PLN lost to CHF 13.3% over the first half of 2010).



State Budget

After the first half of 2010, the State deficit totalled PLN 36.8 billion, down by PLN 4.6 billion from the time schedule.

The result was made with lower than expected income (down by PLN 2.0 billion). The decrease was mainly related to inflows from income taxes (PIT and CIT), which were lower than a year earlier. With lower income side, the expenditures from the State Budget were decreased as well (down by PLN 6.5 billion from the time schedule).

2. Monetary policy

The third term of office of the Monetary Policy Council started in 2010. The new Council kept the neutral stance in monetary policy, and the main interest rates at an unchanged level. In 1H 2010, the NBP interest rates were as follows:

- Reference rate – 3.50%,
- Rediscount rate – 3.75%,
- Lombard rate – 5.00%,
- Deposit rate – 2.00%.

Keeping the parameters of the monetary policy on the existing level, the Monetary Policy Council focused on actions to stimulate economic growth. The Council approved FX-intervention by the NBP in order to dampen the growth rate of PLN appreciation. The Council also adopted a resolution approving the decision by the Finance Ministry to prolong the Flexible Credit Line of IMF.

Following the tragic death of Sławomir Skrzypek, the governor of NBP, the Polish Sejm elected Marek Belka as the new governor of the National Bank of Poland. In his first speeches, the new governor declared continuation of the existing monetary policy and actions to reinforce independence of the Central Bank. He also announced that the Central Bank would co-operate with the government and other authorities to support the Polish economy, unless it poses a threat to the achievement of the primary goal of NBP, which is to ensure price stability.

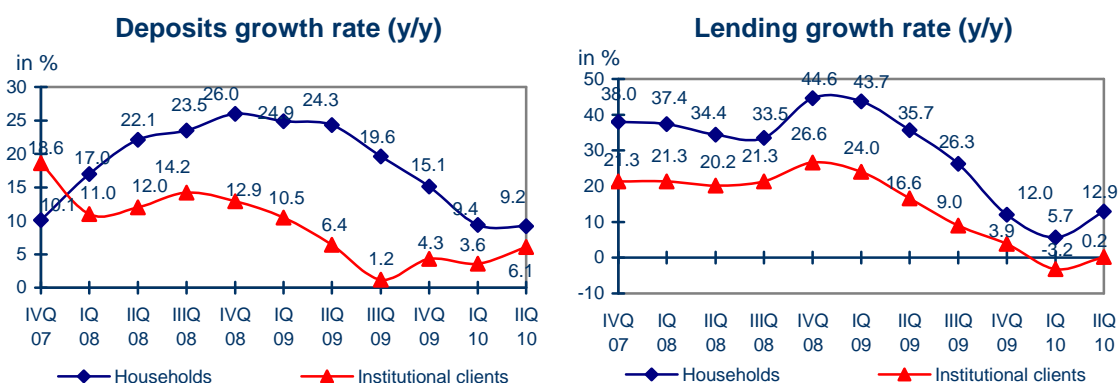
The analysts expect that the main interest rates will remain unchanged until the end of 2010. According to the inflation projection prepared by NBP in June, in 2010 inflation should be within the

range of 2.3 to 2.9% with a 50 per cent likelihood, provided the core interest rates remain unchanged.

3. Banking sector

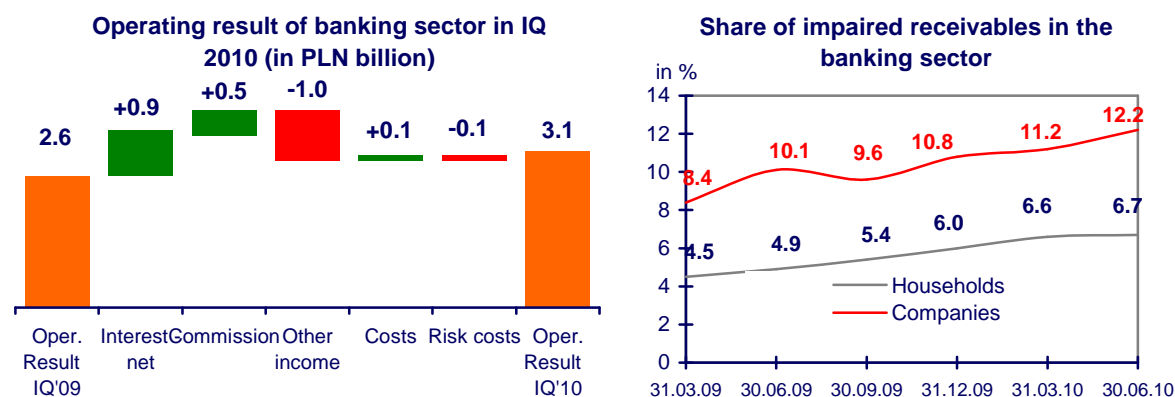
In 1H 2010, the core monetary categories were as follows:

- **Household deposits.** The pace of increase in funds of households in bank accounts was lower than in previous periods. In June 2010, household deposits totalled PLN 392.0 billion, up by 4.0% from the end of 2009. An upturn in economy in the capital market and attractive State Treasury privatization offers (PZU S.A., Tauron) were competitive to depositing savings in the form of bank deposits.
- **Deposits of institutional clients².** Difficult financial situation of the part of companies together with limited access to loans adversely impacted the volume of free funds of business entities. In June 2009, deposits of institutional clients totalled PLN 248.0 billion, up by 0.6% from the end of 2009 (including companies up by 1.7%).
- **Credit receivables from households.** In June 2010, they totalled PLN 450.5 billion, up by 9.2% over the first year-half. Housing loans, constituting a major part of the credit exposure of banks with regard to households, increased by 14.4%. It has to be also stated that the weakening of Polish zloty had impact on the growth rate of housing loans (in June 2010, FX-loans, mainly in CHF, represented 65.5% of all housing loans). The government programme *Rodzina na swoim* (Family on its own) was a support for the banks' credit activity. In 1H 2010, more than 17,700 families who drew down loans worth PLN 3.2 billion in total participated in this programme.
- **Credit receivables from institutional clients.** Conservative credit policy of the banks as well as lowered tendency of companies to undertake investments stopped this portfolio increase. In 1H 2010, credit exposure of the banking sector with regard to institutional clients went down by 1.8% (down to PLN 268.7 billion). The receivables from companies increased by 0.4%.



Financial results generated by the banking sector during the first three months indicate that the entire first half of 2010 may be better than the same period of the previous year. In 1Q 2010, the banking sector generated PLN 2.5 billion net profit (up by some 1/5 from the same period last year). The profitability improvement was possible due to: higher income on traditional banking activity (higher interest and commission), maintenance of increased cost discipline, and stabilisation of the risk cost level and disappearance of the problem of option transactions concluded with clients.

² In total for the following sub-sectors: companies, non-commercial institutions working for households, non-monetary financial institutions, local government institutions and social security funds.



A slowdown in the economy negatively translated into the quality of banks' credit portfolios. The share of impaired receivables in total receivables from the non-financial sector went up from 7.6% in December 2009 to 8.5% in June 2010³. In 1H 2010, especially the quality of the consumer loans portfolio deteriorated.

Banks continued actions related to increasing the level of security and ensuring proper capital basis for stable functioning. Only some decided to pay out dividend and two banks out of the biggest ten banks in Poland issued new shares.

In February 2010, the Polish Banking Supervision Authority issued T-Recommendation concerning best practise with regard to managing risk of retail credit exposures. It specifies the rules of credit capacity analysis, refers to relations of collaterals and debt for retail loans, inclusive of FX rate indexed loans and introduces limits for the overall debt level in relation to borrower's income. Some of the new regulations became binding as of August 2010. Also A-Recommendation referring to management of risk of concluding by banks transactions on derivatives market and I-Recommendation concerning management of FX risk at banks and the rules of making by banks transactions bearing FX risk were amended.

4. Capital market

The situation on the Polish capital market was highly influenced by phenomena on global financial markets. Situation on the market was dominated by fiscal problems of some European countries and the risk that they would spread on other countries as well as uncertainty as to stability of upturn in the economy. It had negative impact on investors' decisions and caused material volatility of moods and periodical escalation of aversion to risk.

After a period of increased growth of share prices in 2H 2009, the first two months of 2010 brought stabilisation of the level of indexes at WSE. At the end of February and the beginning of March there was a strong adjustment (WIG down by approx. 10%), and then in March and in the first half of April, the indexes made up for the loss in a flash (WIG value was up by 18%). At the end of April, a downward trend was back at WSE and it lasted until the end of June 2010.

On 30 June 2010, the value of the main WIG index was down by 1.5% than on 31 December 2009. Mainly the investors holding shares of companies from the food industry (return rate of 22.7%), media sector (10.0%), construction sector (7.4%) and chemical industry (4.1%) ended 1H 2010 with profit. The biggest falls of sector indexes, on the other hand, took place in the IT companies sector (-9.4%) and development companies sector (-9.3%).

As at the end of June 2010, the value of domestic companies listed on WSE totalled PLN 450.2 billion, up by 6.9% from December 2009. In 1H 2010, there were 11 IPOs while 7 companies were withdrawn from the market. A big event on the primary market was a May debut of the biggest Polish insurance company – PZU S.A. The value of offered shares of PZU S.A. totalled approx. PLN 8.1 billion and it

³ Source: NBP, File Financial data of the banking sector.

was the biggest public offering in the history of the Polish capital market and the biggest in Europe this year. On 30 June 2010, Tauron Polska Energia company (value of the offering totalled PLN 4.2 billion) made a debut on WSE. Shares of PZU S.A. were taken up by approx. 250,000 individual investors while the shares of Tauron company were bought by 230,000 Poles. Owing to those offers, there was a further nationalisation of the capital market (the number of individual investors increased by approx. 220,000). In 2Q 2010, Warsaw Stock Exchange was the leader in Europe in terms of the value of new offers on the regulated market⁴.

Throughout 1H 2010, during trading sessions the shares in the amount of PLN 200.4 billion changed the owner, up by 35.1% from the same period last year. Also the forward and futures market developed. The total volume of trading in all derivatives totalled 8.0 million, up by 22.0% from a year earlier.

Investors remained prudent when taking decisions on investing funds in mutual funds. Throughout 1H 2010, the clients deposited PLN 35.4 billion in mutual funds, while they withdrew funds in the amount of PLN 29.6 billion (positive balance of capital flow to investment funds closed with the amount of PLN 5.8 billion). In particular, there was an inflow of funds to debt funds. In 1H 2010, average return rate on funds of Polish universal shares was 0.6%, and mixed funds - 0.5%. As a result of the abovementioned tendencies, in June 2010, the value of net assets of mutual funds was at the level of PLN 101.4 billion (compared with PLN 93.0 billion as at the end of December 2009).

5. Macro-economic Factors That Will Affect the Operations of ING Bank Śląski S.A. in the Coming Six Months

The forecasts developed at ING Bank Śląski S.A. assume that in 2H 2010, the economic growth in Poland will slightly accelerate and in the entire 2010 GDP will be up by 3.2%.

It is forecasted that in 2010 the consumption (both individual and collective) will be the main driving force behind the economic growth. It is also possible that the foreign trade will still positively contribute to economic growth; however, to a lower extent than last year. Despite the increase of the public investments' scale, the outlays for fixed assets will be probably slightly lower than in 2009. Their volume will reflect non-complete utilization of productive capacity, continued cautiousness of companies in assessing development perspectives of potential customers' markets and application of tightened credit policies by banks.

The difficult situation on the labour market will remain the main problem of the Polish economy. It is predicted that due to slight revival of economic activity the demand for work will remain low, which, taking into account the increase of persons active in professional terms will stop the unemployment rate decrease.

In 2H 2010, the inflation level is expected to grow. There will be an increase in prices due to, among others, pro-inflation effects of the Polish zloty weakening in 1H 2010, potential increase in prices of food (due to floods) and energy.

By the end of 2010, it is expected that there will be strengthening of the Polish zloty against the main currencies; however, the situation in terms of public finance in the eurozone countries may lead to material FX rate volatility and short-term drops in value thereof.

The presented macroeconomic scenario will not constitute a threat to banking sector stability but it may limit improvement of its profitability. It is predicted that the following phenomena will be characteristic for the financial situation of banks operating in Poland:

- Moderate growth of both: funds in bank accounts of clients and loans extended thereto.
- Income growth, especially growth of interest income and fee and commission income.
- Limited possibilities of further reduction of operating costs.

⁴ Pursuant to the IPO Watch Europe report developed by PricewaterhouseCoopers.

- The fact of risk costs remaining at a high level mainly due to deteriorating quality of household loans as a consequence of materialisation of credit risk cumulated in balance sheets of banks during a boom in the economy.

Potential threats to situation in the Polish banking sector:

- Economic stagnation at major economic partners of Poland with unfavourable impact on economic situation of Polish exporters.
- Fiscal problems of some eurozone countries and their fears about long-term solvency influencing financial situation of global financial institutions (the biggest holders of government bonds).
- Lack of midterm path of reduction the Polish budget deficit constituting a threat to the Polish bonds market that would be supported with relevant acts of law.
- Adopting by the European Commission of regulations on managing cross-border bank groups.

Polish economy in 2004–2010

	2004	2005	2006	2007	2008	2009	2010 F
GDP increase (%)	5.3	3.6	6.2	6.7	4.7	1.8	3.2
Budget deficit ESA 95 (% GDP)	-5.7	-4.3	-3.6	-1.9	-3.7	-7.1	-7.0
Money supply M3 (in PLN billion)	377.5	427.1	495.3	561.6	666.2	720.3	772.2
Growth of sold industry production (%)	13.1	4.1	12.0	9.4	3.0	-3.6	9.8
Average inflation (CPI) per annum (%)	3.5	2.1	1.0	2.5	4.2	3.4	2.6
Unemployment rate (%)	19.0	17.6	14.8	11.2	9.5	11.9	11.9
PLN/USD rate (year end)	2.9904	3.2613	2.9105	2.4350	2.9618	2.8503	3.3900
PLN/EUR rate (year end)	4.0790	3.8598	3.8312	3.5820	4.1724	4.1082	3.9000
WIBOR 3M (year end)	6.64	4.60	4.20	5.68	5.88	4.27	4.02

II. MAIN ACHIEVEMENTS OF THE CAPITAL GROUP OF ING BANK ŚLĄSKI S.A. IN 1H 2010

1. Increase of Client Base

As at the end of June 2010:

- 2,640,500 individual clients (up by 81,900 over the first half of 2010, compared with 66,800 in the same period last year),
- 214,800 small businesses, up by 12,500 over the first half of 2010, and
- 12,833 corporate clients compared with 12,713 in December 2009 used the services of ING Bank Śląski S.A.

Dynamically growing number of private individuals and economic entities using the services of ING Bank Śląski S.A. reflects effectiveness of actions taken in order to strengthen long-term relations with clients. These relations base on strong brand of the Bank, transparent product offer adjusted to clients' preferences changing over time and on constantly developed multichannel distribution system.

2. Maintaining Position on Credit Market

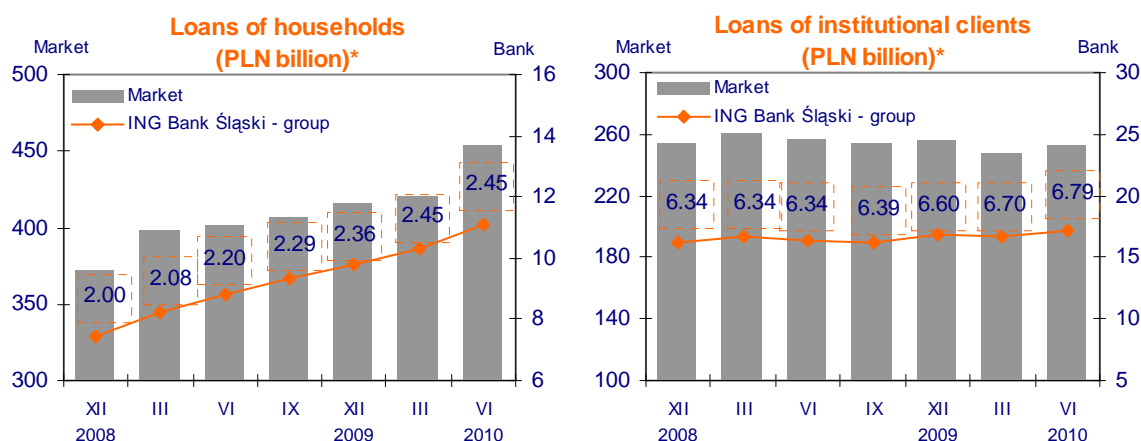
As at the end of June 2010, total value of gross credit receivables of the Capital Group of ING Bank Śląski S.A. amounted to PLN 29,145.8 million, up by PLN 1,505.8 million (or, 5.4%) from the end of 2009. It is estimated that the Capital Group had 4.0% share in the value of credit receivables of the entire banking sector (i.e. the same as at the end of 2009).

While the Capital Group of the Bank kept its position on the credit market, the following phenomena occurred:

- Dynamic growth of credit exposure with regard to retail clients. In June 2010, the value of loans for this segment totalled PLN 11,077.9 million, up by PLN 1,329.5 million (or 13.6%) from the end of 2009. PLN-mortgages recorded the most notable growth (up by 20.9%)
- During economic slump in the entire banking sector, the credit exposure towards corporate clients remained stable. Credit receivables of the Group thereunder totalled PLN 18,067.8 million, up by 1.0% from the end of 2009. The result was made thanks to the development of lending to mid-sized and big companies and local government units.

Table. Value of loans for clients of the Capital Group of ING Bank Śląski S.A.

	30.06.2010 <i>million</i>	31.12.2009 <i>million</i>	30.06.2009 <i>million</i>	30.06.2010/ 31.12.2009	30.06.2010/ 30.06.2009
Total loans	29,145.8	27,640.0	25,842.2	105.4%	112.8%
Retail clients - total	11,077.9	9,748.4	8,617.0	113.6%	128.6%
Corporate clients - total	18,067.8	17,891.5	17,225.2	101.0%	104.9%



* Numbers illustrates the shares of ING Bank Śląski S.A Group in the market.

3. High Liquidity Level thanks to Strong Deposit Base

The deposit base created in recent years that is one of the biggest in the Polish banking sector is definitely one of the strengths of the Capital Group of ING Bank Śląski S.A. This asset became particularly important during the crisis on global financial markets, undermined trust between market participants and lack of liquidity on the interbank market.

High liquidity of balance sheet and possession of its own funds for the further development of lending caused the ING Bank Śląski S.A. took no active part in the severe competition for limited savings of customers, which might often result in negative margin on transactions related to funds acquisition.

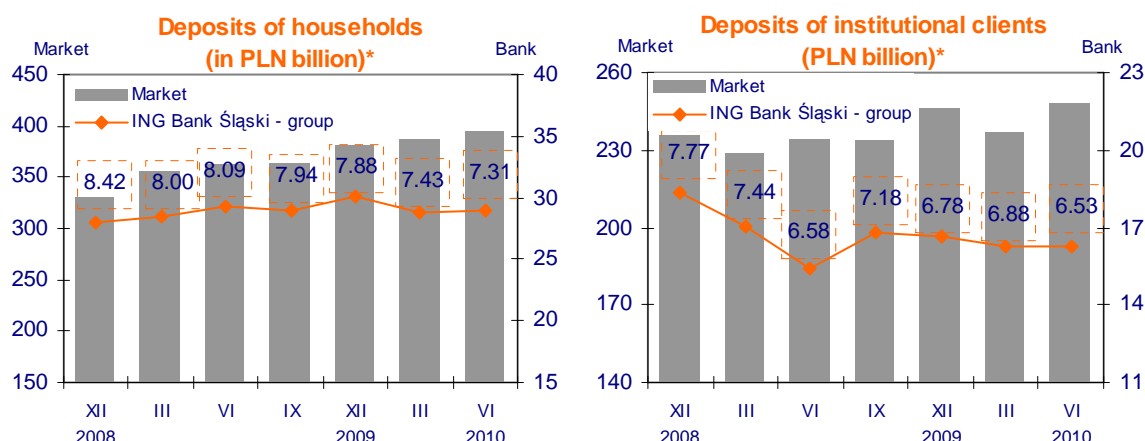
As at the end of June 2010, value of funds in the accounts of the Capital Group of ING Bank Śląski S.A. totalled PLN 46,679.0 million, down by PLN 1,293.4 million (or, 2.7%) from December 2009. The Capital Group of the Bank held 7.0% of the total value of funds deposited in the banking sector (compared with 7.5% in December 2009).

In June 2010, the value of retail deposits totalled PLN 31,974.9 million compared with 33,449.7 million at the end of 2009 (down by 4.4%). The decrease in value of retail deposits was set off by the increase in the value of investment funds and the total value of funds entrusted by retail clients remained at the level from the end of 2009. Funds in corporate accounts totalled PLN 14,704.1 million, up by 1.2% from December 2009.

Table. Value of deposits of clients of the Capital Group of ING Bank Śląski S.A.

	30.06.2010 million	31.12.2009 million	30.06.2009 million	30.06.2010/ 31.12.2009	30.06.2010/ 30.06.2009
Total deposits	46,679.0	47,972.4	46,352.8	97.3%	100.7%
Retail clients - total	31,974.9	33,449.7	33,288.5	95.6%	96.1%
Corporate clients - total	14,704.1	14,522.7	13,064.3	101.2%	112.6%
Value of funds entrusted by retail clients	37,322.0	37,366.6	36,069.5	99.9%	103.5%

As at the end of June 2010, the value of mutual funds assets acquired via distribution channels of ING Bank Śląski S.A. totalled PLN 5,420.2 million, up by PLN 1,441.5 million from the end of 2009. During the first six months of 2010, the balance of sales and redemptions of mutual fund units was positive and totalled PLN 1,394 million.



* Numbers illustrates the shares of ING Bank Śląski S.A Group in the market.

4. High Effectiveness of Operations

In 1H 2010, net profit of ING Bank Śląski S.A. Capital Group assigned to shareholders of the holding company totalled PLN 369.1 million, up by 40.0% from the same period last year.

The main factors shaping the financial result of the Capital Group of the Bank in 1H 2010⁵:

- Higher result on core activity, which totalled PLN 1,336.8 million, up by 7.6% from 1H 2009. It was generated due to:
 - Interest income increase (by 18.6%) due to extended lending development scale and higher interest margin (at the level of 2.61% compared with 2.11% in 1H 2009).
 - Slightly lower (down by 5.4%) than a year earlier non-interest income (both on commission income and other income).
- Higher operating expenses, which totalled PLN 793.7 million, up by 6.5% from the same period last year. In particular, cost of personnel, lease (due to PLN depreciation) and IT services were higher than a year earlier.
- Significantly lower risk costs. In 1H 2010, the balance of impairment charges totalled PLN -87.4 million (compared with PLN -165.6 million in the same period last year). The provisions for companies' receivables due to matured option transactions totalled PLN 8.1 million (vs. PLN 81.5 million in 1H 2009).

The profit growth in 1H 2010 translated into effectiveness ratios that were higher than a year earlier, including ROA and ROE. For example, in 1H 2010, there was PLN 14.3 net profit on every PLN 100 of invested capital, up by PLN 7.2 from the same period last year. Also cost effectiveness of the Group slightly improved. In 1H 2010, the cost to income ratio (C/I) totalled 59.4%, down by 0.6 p.p. from the same period last year.

In the ranking of *the Best Financial Institutions in Poland* by Rzeczpospolita daily, ING Bank Śląski was ranked first in the category of *Banks*. The following criteria, among others, were subject to assessment: change of the credit portfolio value, deposits value, net profit, effectiveness ratios (ROA, ROE, C/I) and the share of irregular loans in the portfolio⁶.

⁵ The characteristics discussed herein apply to analytical income statement. Net interest includes swap point and interests from derivatives. The category operating income includes the result on core operations plus the share in net profits of entities recognised on an equity basis. Costs includes the result on other operating activity.

⁶ Results were published on 23 June 2010.

Table. Financial results of the Capital Group of ING Bank Śląski S.A.

	1H 2010 million	1H 2009 million	Change 1H 2010/ 1H 2010
Operating income*	1,336.8	1,242.4	7.6%
Total costs**	-793.7	-745.2	6.5%
Result before risk costs	543.1	497.2	9.2%
Risk costs	-87.4	-165.6	-47.2%
Profit (loss) gross	455.7	331.6	37.4%
Profit (loss) net	369.1	263.5	40.0%
Profit (loss) per 1 ordinary share (PLN)	28.37	20.26	40.0%
Profitability ratio (%)	28.2	17.3	+10.9 p.p.
ROA (%)	1.1	0.5	+0.6 p.p.
ROE (%)	14.3	7.1	+7.2 p.p.
Income/Cost ratio (%)	59.4	60.0	-0.6 p.p.
Solvency ratio (%)	12.6	10.9	+1.7 p.p.

*Including the share in net profit of associated entities reported according to the equity method.

**Including the result on other operating activity.

5. Key Projects for Stable Development of Organisation

The benefits of execution of the following projects materially contributed to good results of both commercial and financial results of the Capital Group of ING Bank Śląski S.A.:

- New Front-End application. By optimising the customer service process the new system enables improvement of the service quality and operational risk mitigation. In 1H 2010, in the Front-End application the following options were made available, among others: credit card handling at branches, and the possibility of execution of some processes at the Contact Center; processes connected with MiFID directive requirements were also modified.
- Easy OPS. The aim of the project is to increase effectiveness and efficiency of the corporate clients' service model. In 1H 2010, paper documentation was transferred to the central, electronic archives and handling of Cash Management processes and some credit processes was centralised.
- Restructuring of Private Banking clients service. Complex solutions concerning client's (including company's) assets management were developed, new application facilitating assets management for clients was implemented and there were works on establishment of a brokerage house in the Bank's structure.
- Mortgage loans. The works aimed at supporting sales performed by IFAs (inclusive of IT applications optimisation).
- Implementation of a new financial markets application.

The works on change of segmentation of corporate clients were initiated in order to create a coherent model of institutional clients' service that would be adapted to their needs. New segmentation criteria will lead to, among others, client resegmentation and moving a part of small businesses that so far have been serviced by the Retail Banking Division to the Corporate Sales Network Division. The works on new product offer for corporate clients accounting for needs of a newly defined corporate clients segment were also initiated.

III. OPERATIONS OF ING BANK ŚLĄSKI S.A. IN 1H 2010

1. Retail Banking

Changes to Product Offer and Customer Service Rules

The actions taken by ING Bank Śląski S.A. in an effort to modify the offer and customer service rules fitted into the overall business strategy of the institution, which is: to have a clear and fair offer, to simplify and automate processes, and to increase the importance of Internet banking in the customer service processes.

The following modifications of the Bank's product offer deserve special attention:

- Implementing a new savings product – the Open Savings Direct Account (OKO Direct) for individual clients. The new account is addressed to both existing and new holders of *Direct Account* or *Comfort LION Account* who have their salary transferred to the Bank on a regular basis and at the same time actively use the ING BankOnLine system. Once per quarter, the OKO Direct accounts are fed with additional interest according to increased interest rate.
- Proposing a new promotional offer *Interest Accelerator* addressed to both existing and new holders of OKO account, offering the increased interest rate for new funds deposited in the account (the offer is valid from 15 June to 15 September 2010).
- Implementing uniform regulations for term deposits which was combined with informational campaign addressed to clients.
- Introducing changes in fees and commissions for maintaining selected types of current and personal accounts and for executing operations. The Bank introduced advantageous price modifications such as: free ATM transactions, lowered fees for maintaining the accounts and for electronic transfers outside the Bank, which aimed at acquiring new clients.
- Launching subsequent structured products which will be diversified in terms of legal formula, investment horizon, and the target group. In total, subscription for 9 structured products of the *Investment Insurance Plan* type was carried out.
- Proposing new investment funds (HSBC and UniSicav) to affluent clients (from Personal and Private Banking Segment).

In May 2010, the Bank started a nation-wide marketing campaign under the theme: *Internet users do not pay fees, because all they do they do on their own*, which used a wide variety of instruments (including TV spots); the campaign aims at acquiring new *Direct Accounts* by recalling the main three benefits of the said account (i.e. no fees for maintaining the account and for making transfers and free withdrawal from all ATMs in Poland).

In the area of retail credit products the Bank mainly:

- Introduced attractive changes in fees and commissions for granting mortgage loans such as: lowering the margin, introducing uniform fees for simplified appraisals as well as proposing additional special fees and commissions for holders of personal accounts with the Bank.
- In order to guarantee the simplicity and transparency of the offer, the Bank withdrew the products which were not very popular among clients (niche products).
- Worked on introduction of a new product to the offer – Private Banking Cash Loan, which will enable using flexible forms of collaterals on the basis of clients' assets (implementation of the loan is planned to be executed in Q3 2010).

In 1H 2010, the Bank serviced the Private Banking clients in compliance with the organization model developed in 2009. At the same time the strategic co-operation between Private Banking segment and Corporate Sales Network (handling mid-sized and large companies) was started. The conducted analysis showed that there was a synergy within this scope which had not been used by the Bank so far. It is often the case that the Bank's affluent clients own large and mid-sized companies which do not use the Bank's services, and on the other hand companies serviced by ING Bank Śląski S.A. have

affluent shareholders who may become clients of ING Private Banking. Owing to the co-operation between those segments, the Bank may offer comprehensive, integrated services in terms of managing clients' assets (such as structuring the company's ownership, mergers and acquisitions, taxes and dividend payout).

Also, actions aiming at creating the brokerage house within Bank's structure, which will enable offering the service of managing assets on request to the affluent clients. It is an important element of market customer service standard in Private Banking Segment.

Deposit Activity

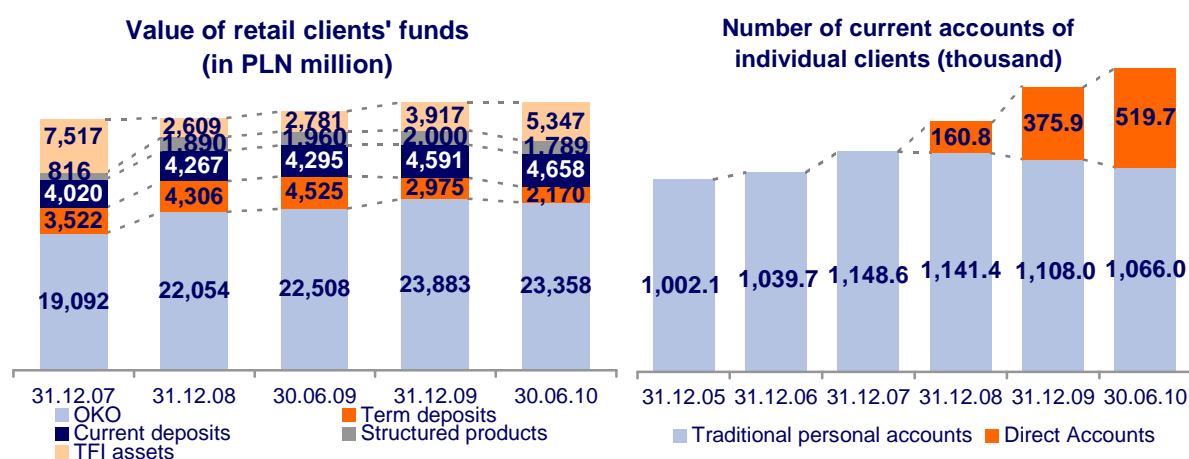
As at 30 June 2010, total value of funds⁷ entrusted with ING Bank Śląski S.A. by retail clients amounted to PLN 37,322.0 million, compared with PLN 37,366.6 million in December 2009.

Banking deposits formed the main part of the deposit activity. Due to good liquidity, ING Bank Śląski did not participate in the fierce competition among banks to win the limited savings of retail clients. As at the end of June 2010, retail deposits totalled PLN 31,974.9 million, down by 4.4% from the end of December 2009. The result translated to a 7.3 per cent share of the Bank on the household deposit market (compared with 7.9% as at the end of 2009).

Households invest their surplus funds with ING Bank Śląski S.A. mainly in the Open Savings Accounts (OKO). As at the end of June 2010, value of funds deposited in OKO accounts totalled PLN 23,358.1 million, down by 2.2% from December 2009. The figure also includes funds in promotional deposits offered to holders of savings accounts. Difficult situation on financial markets (which translates on the return on investment) lowered the popularity of structured products among the clients. Their value went down from PLN 2,000.3 million in December 2009 to PLN 1,788.6 million in June 2010.

The scope of clearing services for retail clients at the Bank increased. As at the end of June 2010, ING Bank Śląski S.A. maintained 1,585,700 personal accounts, a net gain of 101,800 personal accounts over the first half of the year. Direct Accounts played the main role in that respect. As at the end of June 2010, the Bank maintained 519,700 accounts of that type (up by 143,800 from December 2009).

Small businesses held 202,200 current accounts, including 90,500 Direct Accounts. As at the end of 2009, the corresponding figures were, respectively: 192,800 current accounts and 66,200 Direct Accounts.

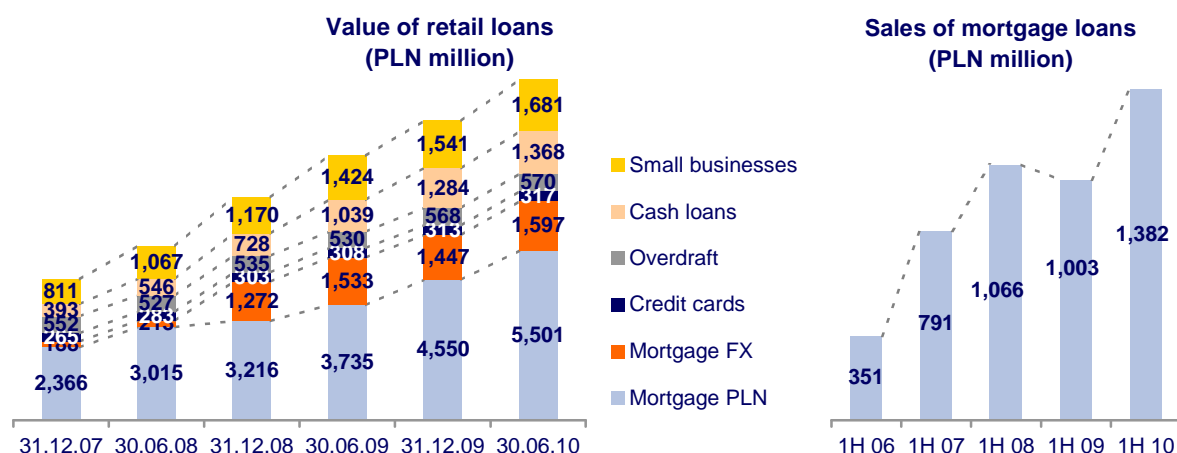


Improved situation on the stock exchange had a positive effect on the value of net assets of investment funds acquired through intermediation of ING Bank Śląski S.A. In June 2010, they totalled PLN 5,347.1 million (compared with PLN 3,916.8 million as at the end of 2009). The balance of sales and redemptions of mutual fund units was positive and totalled PLN 1,394 million.

⁷ Total value of deposits, structured deposits and mutual funds.

Lending

As at the end of June 2010, credit receivables from retail clients of ING Bank Śląski S.A. totalled PLN 11,034.7 million. Over the first half of 2010, the Bank's credit exposure towards retail clients went up by PLN 1,331.4 million, or 13.7%. The Bank increased its share on the market of credit receivables from households to 2.5% (compared with 2.4% in December 2009).



Mortgages formed the main part of the Bank's credit portfolio for retail clients. As at the end of June 2010 the value of the Bank's receivables due to retail mortgages totalled PLN 7,098.1 million compared with PLN 5,997.1 million as at the end of 2009 (up by 18.3%). PLN-loans represented over 3/4 of that exposure.

Offering loans in PLN only, over the first half of 2010 the Bank extended mortgages worth PLN 1,382 million (compared with PLN 1,003 million in the same period last year). According to the data of the Polish Banks Association, after the first half of 2010 ING Bank Śląski S.A. was number 7 on the market with a 6.3 per cent share in the sales of housing loans to private individuals and number 4 in terms of sales of PLN-mortgages with an 8.9 per cent share in total sales (9.7% in II quarter).

The Bank's credit exposure towards small businesses increased considerably as well. As at the end of June 2010, the Bank's receivables from that segment totalled PLN 1,680.6 million, up by 9.0% from the end of 2009.

Cash loans, which represented a considerable portion of the total portfolio of receivables, totalled PLN 1,368.3 million, up by 6.6% from the end of 2009.

Bank cards

With a wide array of bank cards issued to both individual clients and small businesses, ING Bank Śląski S.A. is one of the leading card issuers in Poland.

In 1H 2010, the Bank launched insurance cover for debit- and pre-paid cards in co-operation with PZU (*PZU – coverage for ING cards*).

In June 2010, microchip cards represented more than 96% of cards issued by the Bank. The application of the micro-chip technology increased considerably the security of transactions performed by means of the cards issued by the Bank.

By the end of June 2010, ING Bank Śląski S.A. issued 2,117,200 payment cards to retail clients (up by 2.7% from the end of 2009), including 241,300 credit cards. The newly issued types of cards were highly popular among the clients. By the end of June 2010, the Bank issued 146,700 pay passes, 1,000 of sticker cards (Zbliżak) and 12,600 virtual c@rds.

2. Corporate Banking

Business Offer and Modifications Introduced

More than 12,800 corporate clients used the services of ING Bank Śląski S.A. in June 2010. Survey results show that ING Bank Śląski S.A. was the lead bank for 11% of Polish companies⁸.

Offer quality is one of the main factors determining the choice of bank by corporate clients. Thus, in 1H 2010 ING Bank Śląski S.A. continued efforts to make the product offer more attractive by introducing material changes both in terms of deposit- and clearing products, as well as business funding solutions.

The main actions taken by the Bank to modify the offer and simplify processes and procedures were related to:

- Offering a new account called ING Direct Business, which covers: one bank accounts in PLN, one savings account in PLN (OKO), ING BusinessOnLine System and a debit card for the bank account in PLN.
- Introducing a deposit for the local government units so that communities may deposit their funds without being required to open a current account at the Bank.
- Expanding functionalities of ING BusinessOnline System to optimise the processes of servicing applications sent from the system and in terms of cash service in the internet banking system.
- Developing changes to the product offer related to the intended client re-segmentation, including the development and implementation of a new product called Corporate Cash Loan (as part of Fast Track).
- Optimising the credit process for trade finance products. The Bank also started migration of clients who use letters of credit and guarantees as part of product lines to electronic forms available in ING BusinessOnLine.
- Introducing new functionalities for payment cards (e.g. card ordering and personalisation by means of the Internet banking system, additional insurance package for debit card and corporate pre-paid card in the Internet banking system).

The Bank also co-operated with a number of institutions to develop a special credit offer for Polish companies, notably the Bank:

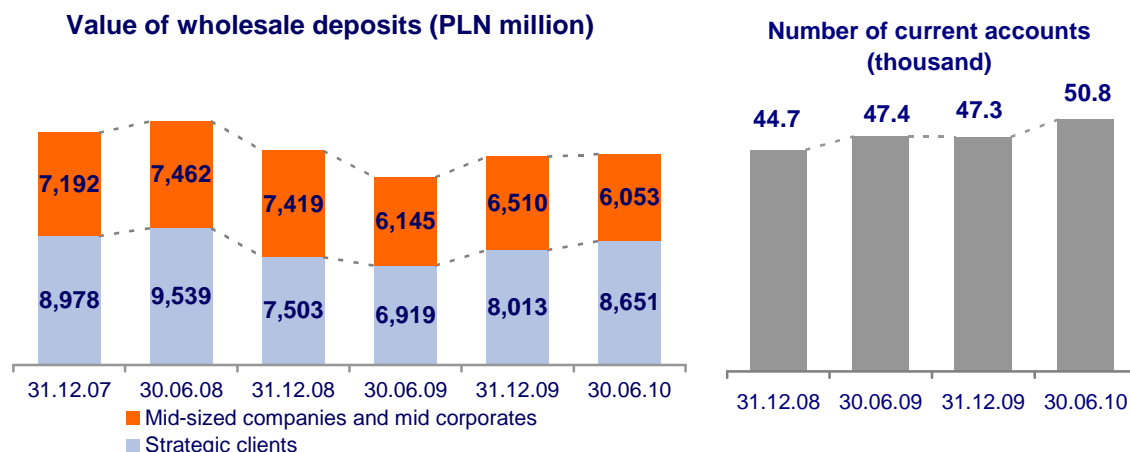
- Participated in the works of the Polish Banks Association Team for preferential loans subsidised by ARIMR. The works concerned, among other things, the principles of co-operation between the banks and the Agency in terms of subsidised credit offer and launching a new credit line for investment loans with partial loan repayment.
- Together with other banks, the Bank negotiated with BGK the terms of the new co-operation agreement on loans with a bonus for implementing thermal efficiency improvement projects, and loans with a bonus for implementing renovation projects. The mutual objective of BGK and the banks was to simplify the terms and conditions on which those loans are granted.
- Participated in works on the bill on support of entrepreneurs affected by natural disaster.

In 1H 2010, the managing institutions were accepting requests for subsidies both as part of national and regional programmes. The Bank was active in providing advice to companies on the choice of aid programmes and financial engineering of the projects. At the same time, the Bank intensively promoted EU programmes during individual meetings with entrepreneurs and representatives of the local government units, such as the *Breakfast with the EU* cycle.

Deposit and Clearing Activity

As at 30 June 2010, the value of corporate clients' deposits totalled PLN 14,704.1 million, up by 1.2% from December 2009. In June 2010, ING Bank Śląski S.A. held 6.5% in the market of institutional clients' deposits.

⁸ Source: GFK Polonia, Monitor Finansowy 2010.



In June 2010, ING Bank Śląski S.A. maintained 50,800 current accounts (in PLN and foreign currencies). With a highly attractive deposit and clearing offer, the number of current accounts at ING Bank Śląski S.A. went up by 7.3% over the first half of 2010.

Thanks to solutions proposed to local government units, the Bank was able to convince even more cities to use its banking services. As a result, the Bank cemented its position in that segment. In April 2010, the Bank signed an agreement on comprehensive banking service of the City of Poznań, which will be in effect until the end of 2014. In May, the Bank signed a master agreement on comprehensive banking service of the City of Katowice for another 5-year period. In mid-2010, ING Bank Śląski S.A. provided banking service to six large cities, which put the Bank as one of two leaders on the market of banking service for largest cities in Poland⁹.

Upon the end of 2009, the Bank closed the process of migrating the users of MultiCash and ING BankOnLine to the new Internet application – ING BusinessOnLine. In June 2010, 12,500 companies used this system.

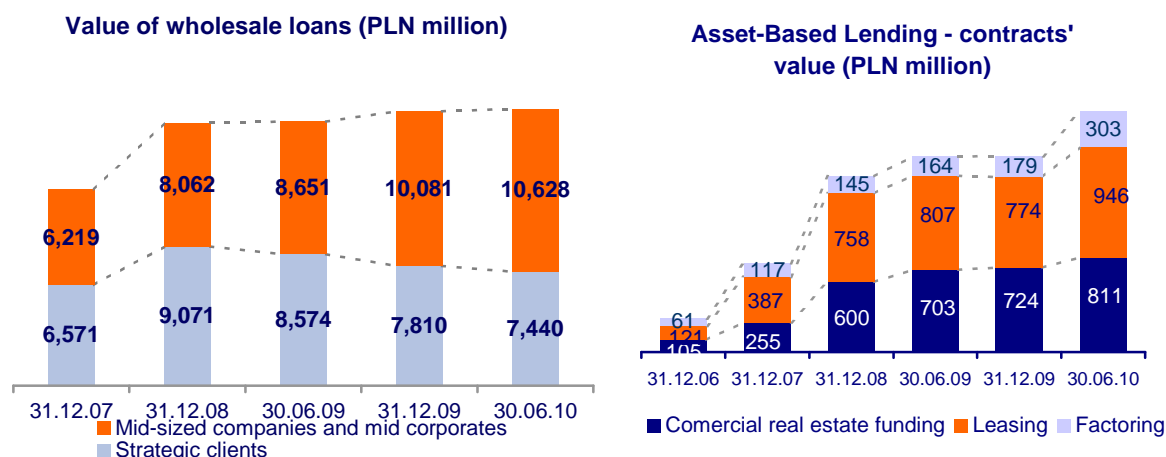
Lending

As at the end of June 2010, credit receivables of ING Bank Śląski S.A. from corporate clients totalled PLN 18,067.8 million compared with PLN 17,891.5 million in December 2009 (up by 1.0%). It is estimated that as at the end of June 2010 the Bank's share in the market of loans to institutional clients totalled 6.8% (vs. 6.6% as at the end of 2009).

Over the first half of 2010, the Bank increased its credit exposure towards mid-sized and large companies. As part of efforts to mitigate credit risk, the Bank tightened credit co-operation with local government units, among others. In 1H 2010, the Bank won 118 tender procedures (out of 194) for funding local government units for the total amount of PLN 676 million (compared with 17 tenders worth PLN 206 million won in the same period last year). The actions translated into further increase of the Bank's share in local governments funding – from 8.2% in December 2009 to near 9% in June 2010.

Far-reaching efforts to promote knowledge of EU aid programmes resulted in an increase of the Bank's credit exposure due to the service of those programmes. As at the end of June 2010, the total value of EU loans and promises for EU loans amounted to PLN 3,194.1 million (vs. PLN 3,009.5 million as at the end of 2009).

⁹ Source: Rzeczpospolita, *Bankowa obsługa największych miast prestiżowa i lukratywna*, 14 July 2010.



The Bank's lending to strategic clients was lower than a year earlier mainly due to lower activity on the market of large credit transactions and transaction underwriting as a result of the decision taken by the largest companies to suspend investment projects considerably.

After a period of slowdown due to a difficult situation on the market, in 1H 2010 ING Bank Śląski S.A. observed noticeable improvement in the co-operation with other ING members in terms of asset-based lending, i.e. sales of leasing services, factoring services and commercial estate finance. In June 2010, the total value of ABL-agreements concluded in co-operation with other ING members amounted to PLN 2,059 million, up by 22.8% from December 2009. The highest increase was observed in terms of agreements on factoring services (up by 69.3%) and leasing (up by 22.2%).

3. Money Markets and Capital Markets

In 1H 2010, ING Bank Śląski S.A. recorded good results on financial markets both in terms of transactions for the clients' account and in terms of proprietary transactions. Certain improvement of sentiments on the global financial markets had a positive impact on the Bank's results in that area.

The Bank supported sales of FM products by taking the following actions, among other things:

- Expanding the product offer by adding new instruments and new access channels to services. The Bank implemented, among other things, mono-product agreements dedicated to IRS and Cap transactions, which should increase their popularity among clients and simplify the offering process. In response to growing interest of the clients in commodities derivatives, the Bank offered them a satisfying solution in that area. Works were also underway to implement other instruments such as: Cross-Currency REPO, structured deposits and new currencies in the FX-table. Upon the implementation in 2009 of the modern ING Trade Platform to enable currency conversion, the Bank took steps to integrate it with ING BusinessOnLine system.
- Implementing the requirements of MiFID as introduced by the Financial Instruments Trading Act and the relevant secondary acts.
- Continuous optimising processes in the area of FM products. A unit was established for that purpose, which is the centre of knowledge and expertise in terms of FM processes. The main task of that unit is to ensure end-to-end management of those processes.

In 1H 2010, ING Bank Śląski S.A. retained its strong market position in the issue arrangement and service, as well as sales of non-government debt securities. The Bank acted as the Arranger or Co-Arranger of the following programmes:

- POLKOMTEL S.A. The Bank acted as the Arranger, Issue Agent, Paying Agent, Depository and Dealer in the Bond Issue Programme up to the amount of PLN 1 billion.
- PGNiG S.A. The Bank acted as the Arranger, Underwriter, Issue Agent, Paying Agent, Depository and Dealer in the Bond Issue Programme up to the amount of PLN 3 billion.
- Bond issue programmes for local government units. The Bank acted as the Arranger,

Underwriter, Issue Agent, Paying Agent, Depository and Dealer in the Bond Issue Programmes for the following communities: Legionowo (to the amount of PLN 36.8 million), Zabrze (PLN 40 million), Sosnowiec (PLN 50 million) and Warka (PLN 20 million).

In June 2010, ING Bank Śląski S.A. serviced more than 60 entities whose total debt under debt securities issue was in excess of PLN 4.5 billion. Consequently, the Bank was able to retain its strong market position on the domestic market of non-government debt securities, notably:

- Debt due to corporate bond issue with redemption period above 1 year – the Bank's share in that market was 18.3% (number three in the ranking).
- Debt due to short-term debt securities issue – number five with a market share of 12.3%.

From the beginning of November 2009 until the end of April 2010, ING Bank Śląski S.A. was classified on the fourth position by the NBP in terms of the Dealer Activity Index from among the eighteen banks applying for the function of the Money Market Dealer in 2011. The Bank also holds the status of the Treasury Securities Dealer for the year 2010.

IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP COMPANIES

1. Structure of ING Bank Śląski S.A. Capital Group

As at 30 June 2010, the Capital Group of ING Bank Śląski S.A. comprised the following entities apart from the parent company:

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

Furthermore, the Bank held shares of an affiliate, namely ING Pension Fund Society (a 20 per cent share in the initial capital).

ING Bank Śląski S.A. Capital Group consists of entities that operate in various segments of the financial market or in its infrastructural zone. As the dominant entity, ING Bank Śląski S.A. takes key decisions pertaining to both the operations and financial matters of the entities forming the Group, by performing control functions in the supervisory authorities of those companies. Capital links with companies are strengthened with the trade relationships. The Capital Group members hold current accounts, and also deposit their surplus funds in term deposits at ING Bank Śląski S.A. The Bank also lends money for the business of some companies (e.g. ING Bank Hipoteczny). The transactions of ING Bank Śląski S.A. with the subsidiaries are performed on an arm's length basis.

2. ING Securities S.A.

ING Securities S.A. is one of the largest brokerage houses in Poland. In 1H 2010, it held the following shares in transactions of the Warsaw Stock Exchange:

- Stock market – 10.5% (number two),
- Forwards market – 4.7% (number six).

As at the end of June 2010, ING Securities S.A. maintained 51,000 investment accounts, including 31,200 Internet ones. During the first half of 2010, the number of investment accounts went up by 14,600.

The Brokerage House of ING Bank Śląski S.A. handles investors' operations, both on the Warsaw Stock Exchange and on the largest financial markets in the world, including but not limited to New York, Chicago, London, Paris and Frankfurt. The offer covers all capital market products available for individual investors in Poland, notably: brokerage in stock exchange transactions, OTC and foreign markets, investment loans, securities lending, analytical service, investment recommendations, asset management, and sales of participation units of investment funds.

To maintain the high level of customer service, in 1H 2010, the Brokerage House modified the transactional systems and distribution channels, notably the Brokerage House:

- Closed migration of clients to a newer version of the transactional system; simplified the procedure for setting up accounts via ING BankOnLine and ING Securities Agents and added analytical service to its transactional system.
- Added a new group of securities and indexes in the technical analysis application in the Internet service, modified the account opening form (including a new standard of assessing the suitability of a broker service to the knowledge and expertise of the client).
- Co-operated with ING Bank Śląski S.A., i.e. completed the promotion of the IPOs of PZU S.A. and Tauron S.A. by means of the banking channels of marketing communication, and developed a bookmark on investment for the Bank's Intranet.

- Introduced a new model of co-operation between the brokers and clients as part of the *Private Broker* service. The role of the broker in the new model is more active and dedicated to fulfilling all investment needs of the client. The service is provided in two investment centres in Warsaw and Katowice.

As far as the capital accumulation is concerned, the Company offers a wide array of services, including: underwriting in the public- or private market, maintaining the deposit of private companies, acting as the Issue Sponsor, as well as providing comprehensive financial and legal advisory services connected with the capital accumulation.

In 1H 2010, ING Securities S.A. completed the following projects and transactions:

- Acted as a Joint Book-runner for the IPO of Tauron (worth PLN 4.2 billion).
- Participated in the two largest IPOs in the first half of 2010, i.e.: PZU S.A. (with a 4.85% share in the retail tranche) and Tauron S.A. (a 6.09% share in the retail tranche).
- Sold blocks of shares held by the State Treasury in the following companies: KGHM (worth PLN 2.1 billion), Bogdanka (PLN 1.1 billion) and Lotos (PLN 0.4 billion) as part of the accelerated global tender procedure (AGT).
- Intermediated in the public call for sale of shares of: WSiP to Advent International private equity fund and TETA to the Dutch company called Unit4.
- Completed a squeeze-out of WSiP to Advent International.
- Sold shares of Kernel Holding as part of the accelerated global tender procedure (AGT).

In 1H 2010, ING Securities S.A. generated net profit of PLN 11.5 million versus PLN 10.9 million in the same period last year.

3. ING Bank Hipoteczny S.A.

In the first half of 2010, the activities of ING Bank Hipoteczny S.A. (ING BH S.A.) were focused on its long-term strategy of development as a bank specialising in the funding of commercial real estate. In view of an improvement on the market, the Bank took more active measures to win new clients. Risk control and efforts to maintain high-quality of credit portfolio remained an important goal of the Bank.

The results of the actions taken by ING BH S.A. in the first half of 2010 included, among other things:

- An increase of the total value of the loans extended in a syndicate with ING Bank Śląski S.A., for which ING BH S.A. acts as the agent bank up to PLN 1.4 billion. The loans recognised in the books of ING Bank Hipoteczny S.A. are worth PLN 535 million.
- Maintaining constant high quality of credit portfolio. As at the end of June 2010, the value of provisions for the credit portfolio approximated PLN 540,000.
- Good financial results. In the first half of 2010, net profit totalled PLN 3.8 million (vs. PLN 2.4 million in the same period last year).

4. Centrum Banku Śląskiego Sp. z o.o.

The business objects of Centrum Banku Śląskiego Sp. z o.o. include real estate management services for ING Bank Śląski S.A.

CBŚ Sp. z o.o managed both the buildings used for the banking operations (located in Katowice at Sokolska 34 and in Warsaw at Malczewskiego 45), and the commercial buildings owned by the Bank (in Katowice at Chorzowska 50 and in Warsaw at Powsińska 64A). Furthermore, the Company provided additional services for companies renting commercial space (including among other things, telecommunication services, renovation and assembly works) and other services for the Bank related to the management of the above mentioned real properties.

On 8 April 2010, the General Meeting of ING Bank Śląski S.A. approved an in-kind contribution to Centrum Banku Śląskiego Sp. z o.o. of an organised part of enterprise comprising among other things ownership rights to office buildings located in Katowice at Chorzowska 50 and in Warsaw at Powsińska 64A (together with perpetual usufruct rights to the land on which the buildings are located) in exchange for newly issued shares of the Company.

On 30 June 2010, the Extraordinary General Partners Meeting of Centrum Banku Śląskiego Sp. z o.o. passed a resolution on the increase of the Company's share capital by the amount of PLN 138,552,000. Newly issued shares were taken up by ING Bank Śląski S.A. as of 1 July 2010 in exchange for an in-kind contribution in the form of an organised part of enterprise.

In 1H 2010, net profit of Centrum Banku Śląskiego Sp. z o.o. totalled PLN 1.5 million (vs. PLN 1.1 million in 1H 2009).

5. ING Pension Fund Society

Ever since it was created, ING Open Pension Fund has been among the leaders on the pension funds market. As at 30 June 2010, it had the following market shares:

- *Number of members.* The Fund had 2,918,600 members, or 20.0% of all members of pension funds (compared to 20.2% as of the end of 2009). The Fund kept its first position in that ranking in the first half of 2010.
- *Net Assets.* ING Open Pension Fund is number two on the market by assets, which totalled PLN 46 669.1 million, or 24.2% of the total value of assets of pension funds operating in Poland (unchanged from the end of 2009).

ING Pension Fund Society provides professional and modern service to its clients. Potential and existing clients of the Fund are assisted by nearly 3,000 Insurance and Financial Representatives, the network of branches and franchise outlets of ING Usługi Finansowe S.A., branch network of ING Bank Śląski S.A. and a network of brokers co-operating with ING all over the country. Clients can also contact the Fund over the phone (infoline, text messages and WAP) and the Internet as well.

Financial results of ING PTE S.A. were influenced by amendments to the Pension Funds Organisation and Operations Act introduced as of 1 January 2010 involving, among other things, a reduction of distribution premium and freezing of the monthly management fee should the net assets of the fund exceed PLN 45 billion.

In its income statement for 1H 2010, ING Bank Śląski S.A. recognised its share in the profits of ING Pension Fund Society S.A. in the amount of PLN 18.2 million (vs. PLN 25.6 million in 1H 2009).

6. Solver Sp. z o.o.

Organisation of recreation for the Bank's employees and their families in the retreat centres in Krynica, Wisła and Głębinów forms the core business of Solver Sp. z o.o.

In the first half of 2010, net loss of Solver Sp. z o.o. totalled PLN 16,000 compared with PLN 34,000 net profit in the same period last year.

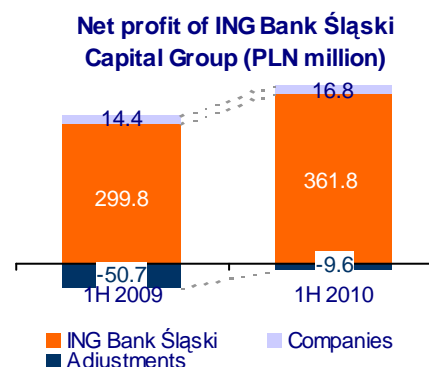
V. FINANCIAL STANDING OF ING BANK ŚLĄSKI CAPITAL GROUP IN 1H 2010

1. Gross and Net Profit

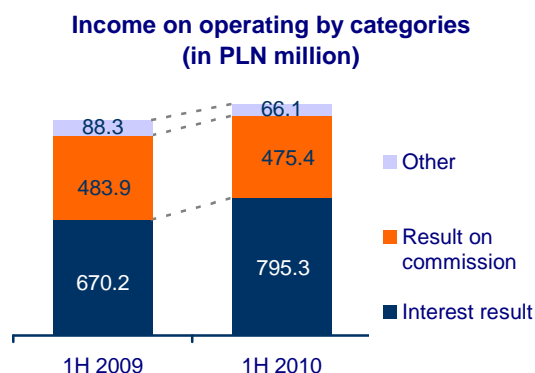
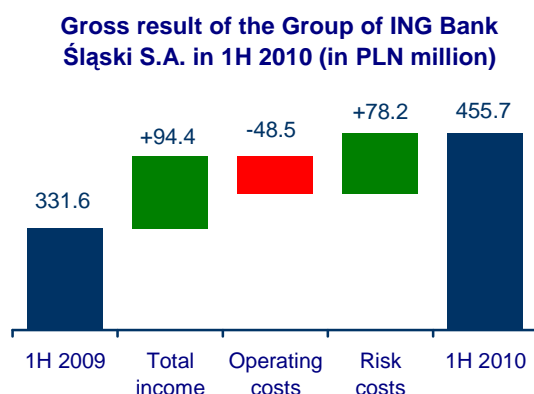
In 1H 2010, the gross financial profit of the Capital Group of ING Bank Śląski S.A. was PLN 455.7 million compared with PLN 331.6 million in 1H 2009. Net profit assigned to shareholders of the holding company totalled PLN 369.1 million compared with PLN 263.5 million in the same period last year (up by 40.0%).

The main factors influencing the financial results of the Capital Group of ING Bank Śląski S.A. in 1H 2010¹⁰:

- An increase of income on operating activity, which totalled PLN 1,336.8 million (up by 7.6% from 1H 2009).
- An increase of operating costs, which totalled PLN 793.7 million, up by 6.5% from the same period last year.
- A considerable decrease of risk costs. In 1H 2010, the balance of impairment provisions totalled minus PLN 87.4 million compared to minus PLN 165.6 million in 1H 2009.



In 1H 2010, the result before risk costs for the Capital Group of the Bank was PLN 543.1 million, up by 9.2% from 1H 2009.



¹⁰ The characteristics discussed herein apply to analytical income statement. The category result on core operations includes the result on core operations plus the share in net profits of entities recognised on an equity basis. Costs includes the result on other operating activity.

Table. Basic Values of the Consolidated Income Statement – analytical (PLN million)

	1H 2010	1H 2009	Change 1H 2010/ 1H 2009	
	PLN million	PLN million	PLN million	%
Interest result*	795.3	670.2	125.1	18.6
Result on commission	475.4	483.9	-8.5	-1.8
Other income	66.1	88.3	-22.2	-25.1
Income on operating activity**	1,336.8	1,242.4	94.4	7.6
Operating costs***	-793.7	-745.2	-48.5	6.5
Result before risk costs	543.1	497.2	45.9	9.2
Impairment losses and provisions	-87.4	-165.6	78.2	-47.2
Gross financial result	455.7	331.6	124.1	37.4
Income tax	-86.7	-68.1	-18.6	27.3
Net result of minority shareholders	0.0	0.0	X	X
Net financial result	369.1	263.5	105.6	40.0

*Net interest income including swap points and interests from derivatives.

**Income including the share in net profit of associated entities reported according to the equity method.

***Including the result on other operating activity.

2. Interest Result

In 1H 2010, net interest income generated by the Capital Group of ING Bank Śląski S.A. amounted to PLN 795.3 million compared with PLN 670.2 million a year earlier (up by 18.6%). The increase of that income resulted primarily from the increase of business volumes accompanied by favourable change in the balance sheet structure (higher share of loans in assets) and an increase of interest margin.

In 1H 2010, the Capital Group of the Bank had interest margin of 2.61% compared with 2.11% a year earlier.

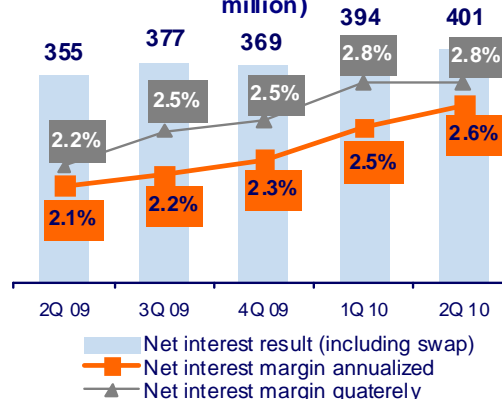
3. Non-Interest Income

Income on fees and commissions constituted the major part of non-interest income. In 1H 2010, it totalled PLN 475.4 million compared with PLN 483.9 million a year earlier (down by 1.8%). The result was generated together with slightly higher level of revenue whose increase was lower than the growth of commission costs.

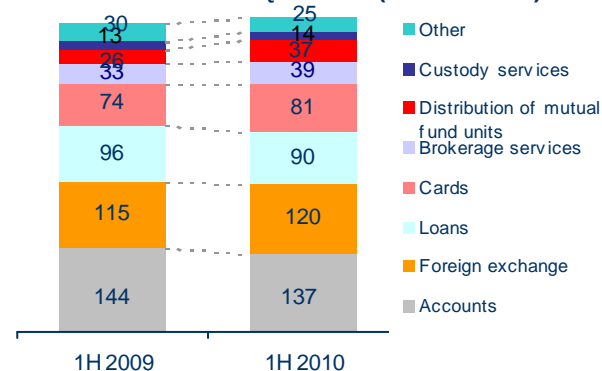
The Group recorded an increase in the value of commissions related to the distribution of mutual fund units (up by 40.1%), brokerage commissions (up by 19.0%), card-related commissions (up by 9.1%), custody commissions (up by 7.7%) and transactional margin on foreign exchange (up by 4.8%). The decrease of commission revenue due to account maintenance was mainly related to changes in the fees and commissions table, which were favourable for the clients (such as: lowering the commission for external transfers, electronic transfers and own deposits for corporate clients) and change of the Profit Account to Lion Direct Account.

In 1H 2010, other income of the Bank's Capital Group totalled PLN 66.1 million, down by 25.1% from the same period last year. The result on FX-derivatives takes account of negative adjustment of the

Net interest income of ING Bank Śląski S.A. Capital Group (PLN million)



Commission revenue of Capital Group of ING Bank Śląski S.A. (PLN million)



measurement of an unsettled transaction of prior years concluded with a client from the financial sector (minus PLN 19.7 million). By contrast, in 1H 2009, the other income included negative adjustment due to option valuation (totalling PLN 124.9 million in minus) and negative valuation of a transaction involving sales and redemption of Eurobonds (PLN 20.3 million in minus).

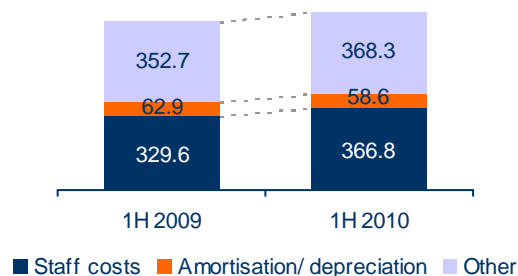
4. Operating Expenses

In 1H 2010, the operating expenses of the Capital Group of ING Bank Śląski S.A. totalled PLN 793.7 million compared with PLN 745.2 million in the same period last year (up by 6.5%).

The cost increase resulted primarily from higher personnel costs, which totalled PLN 366.8 million and were 11.3% higher than in the same period last year (due to lower level of bonuses and lack of raising in 1H 2009).

Other costs (general administration costs and other costs) totalled PLN 368.3 million compared with PLN 352.7 million a year earlier (up by 4.4%). The expenditure on lease of premises and IT services recorded the most noticeable growth.

Operating expenses by category in PLN million



5. Impairment Charges and Provisions

In 1H 2010, the risk costs recognised in the income statement of the Capital Group of ING Bank Śląski S.A. totalled minus PLN 87.4 million (compared with minus PLN 165.6 million in 1H 2009). The following factors had the biggest impact on their level:

- Worse financial standing of borrowers and establishment of additional provisions to the amount of PLN 79.2 million (vs. PLN 84.1 million in 1H 2009).
- Establishment of additional provisions for risk related to FX-options to the amount of PLN 8.1 million (vs. PLN 81.5 million in the same period last year).

6. Share of Individual Business Lines in Creation of Financial Result

In 1H 2010, the share of individual business segments in the result of the Capital Group of ING Bank Śląski S.A. was slightly different from the one recorded in 1H 2009.

In 1H 2010, Retail Banking Division recorded PLN 88.9 million worth of gross profit, compared with PLN 113.3 million in the same period last year (down by 21.5%). The result was related to:

- Higher net income, which totalled PLN 631.3 million, up by 3.5% from the same period a year earlier. The Division recorded higher interest income (up by 33.2%), mainly due to considerable growth of lending and higher margin. Commission revenue was lower than a year earlier (down by 16.0%, mainly due to lower commission on FM-products) and other revenue (down by 47.2%).
- Higher costs. The Division's costs totalled PLN 508.2 million, up by 6.5% from a year earlier.
- Higher risk costs. In 1H 2010, they totalled PLN 34.2 million compared with PLN 19.6 million in the same period last year.

During the first six months of 2010, the Corporate Banking Division generated gross profit of PLN 103.5 million compared with a loss of PLN 98.5 million recorded in 1H 2009. The following factors contributed to the result of the Corporate Division in 1H 2010:

- Division's income totalled PLN 412.1 million, up by 41.6% from a year earlier. The revenue of 1H 2009 included PLN 124.9 million of negative adjustment of valuation of FX-options concluded with the Bank's clients.
- Segment's costs totalled PLN 255.2 million, up by 4.9% from 1H 2009.
- Risk costs totalled PLN 53.1 million (together with PLN 8.1 million for matured options). By

contrast, in 1H 2009 – following the inclusion of PLN 81.5 million worth of provisions for matured options – risk costs totalled PLN 145.9 million.

In 1H 2010, gross result on proprietary operations totalled PLN 263.3 million (vs. PLN 316.9 million in 1H 2009).

7. Core Efficiency Ratios

In 1H 2010, the efficiency of the Capital Group of ING Bank Śląski S.A. was higher than in the same period last year. Return on equity (ROE) totalled 14.3% and was twice as high as in 1H 2009.

Cost to income ratio (C/I) also improved and went down from 60.0% in 1H 2009 to 59.4% in 1H 2010.

Table. Core efficiency ratios (%)

	1H 2010	1H 2009
Profitability ratio	28.2	17.3
C/I ratio	59.4	60.0
Return on assets ratio	1.1	0.5
Equity on assets ratio	14.3	7.1
Interest margin ratio	2.61	2.11
Loans/Deposits ratio	62.5	56.1
Solvency ratio	12.6	10.9

Profitability ratio – gross profit to total costs.

Cost to Income ratio (C/I) – total overhead costs to the result on banking activity in analytic terms.

Return on assets (ROA) – net profit per shareholders of the dominant entity to average assets¹¹.

Return on equity (ROE) – net profit per shareholders of the dominant entity to average equity and own funds.

Interest margin ratio – the net interest income plus swap points and interest from derivatives to average yield assets of the Bank (including receivables from financial and non-financial entities, fixed and floating yield securities and participation units).

Solvency ratio – net equity to off-balance sheet assets and liabilities including risk weights.

8. Balance-Sheet Structure

On 30 June 2010, net assets and liabilities of the Capital Group of ING Bank Śląski S.A. totalled PLN 61,583.0 million, up by PLN 1,699.5 million, or 2.8% from the end of 2009. In annual terms, the balance sheet total of the Bank's Capital Group went down by 4.5%.

The balance sheet total of the Group and the structure of assets and liabilities have been determined by the operations of ING Bank Śląski S.A. As at the end of June 2010, the balance sheet total of ING Bank Śląski S.A. amounted to PLN 61,490.4 million compared with PLN 64,408.3 million last June (down by 4.5%).

Assets

The share of receivables from the clients in the assets of the Capital Group of ING Bank Śląski S.A. systematically increased over the year. As at 30.06.2010, loans and other receivables from the clients totalled PLN 31,781.2 million and represented 51.6% of total assets of the Bank's Capital Group. Their share in assets went up by 0.5 p.p. from the end of 2009.

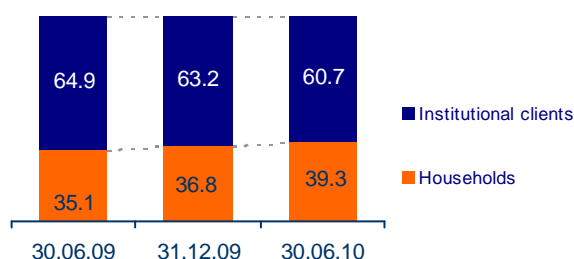
Amounts due from clients included PLN 4,159.5 million worth of debt securities, including PLN 3,447.5 million worth of Eurobonds. Out of the total amounts due from the clients, in June 2010 net loans and cash loans extended to clients amounted to PLN 27,305.9 million (or, 44.3% of assets) compared with PLN 25,834.6 million (or, 43.1% of assets) in December 2009.

¹¹ Average assets are calculated based on the data from five periods: 30.06.2009., 30.09.2009, 31.12.2009, 31.03.2010 and 30.06.2010.

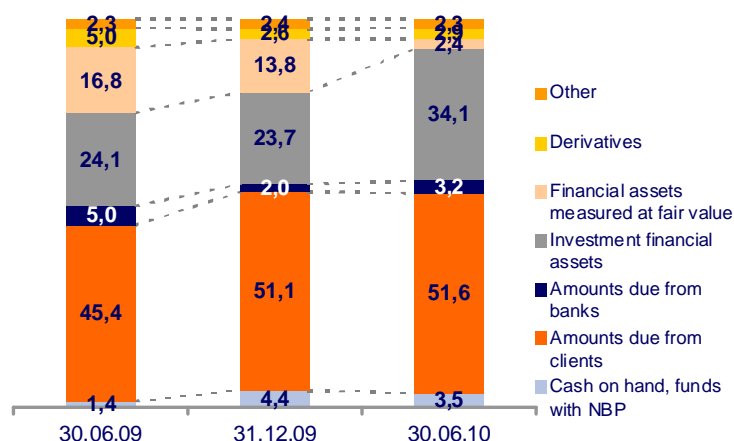
Investment financial assets, notably debt securities, were another major item in the balance sheet of the Bank's Capital Group. As at the end of June 2010, they totalled PLN 21,008.7 million (or, 34.1% of assets) compared with PLN 14,166.3 million (or, 23.7% of assets) in December 2009. The increase of investment financial assets resulted among others from the PLN 3,556 million worth of wash trade transactions completed in 1H 2010 for the T-bonds. As a consequence, those securities were transferred from financial assets measured at fair value through profit and loss to the investment financial assets item. The transaction resulted from the analysis of intentions to hold the securities in the portfolio for the purpose of liquidity management.

The increase of the above elements in the assets structure was at the expense of the financial assets measured at fair value through profit and loss (or, assets for trading in short period of time) whose share in the assets structure went down. As at the end of June 2010, their value totalled PLN 1,451.6 million compared with PLN 8,267.7 million in December 2009. Their share in assets totalled: 2.4% and 13.8%, respectively.

Structure of loans by client groups (%)



Structure of assets of the Capital Group of ING Bank Śląski S.A. (%)

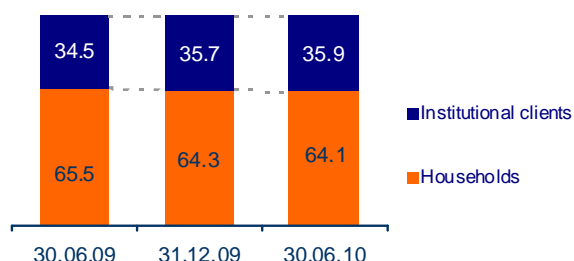


Liabilities

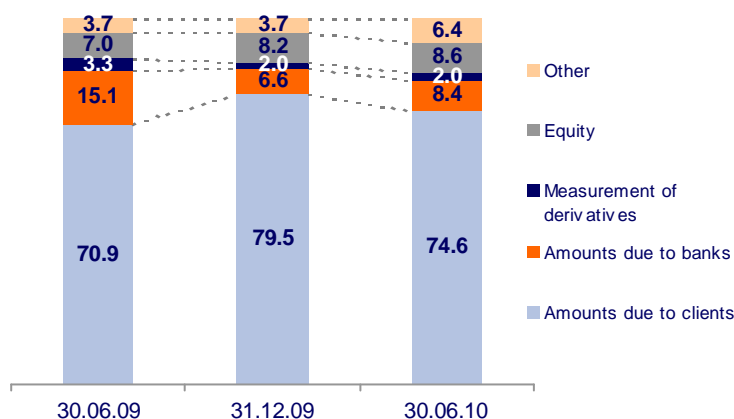
The funds deposited with the Bank by clients predominated in the sources of funding of the ING Bank Śląski S.A. Capital Group operations. In June 2010, they totalled PLN 45,954.2 million compared with PLN 47,584.7 million at the end of 2009. In June 2010, they represented 74.6% of total liabilities, down by 4.9 p.p. from the end of 2009.

Compared with other banks, the liabilities of the Group totalled PLN 5,190.2 million compared with PLN 3,973.8 million a year earlier. Funds obtained from monetary financial institutions represented 8.4% of liabilities, whereas in December 2009 their share was 6.6%.

Structure of deposits by client groups (%)



Structure of liabilities of the Capital Group of ING Bank Śląski S.A. (%)



The share of equity in the funding of the Group's business operations also went up. As at 30.06.2010, equity totalled PLN 5,282.4 million (vs. PLN 4,886.7 million in December 2009). They represented 8.6% of the balance sheet total (compared with 8.2% in December 2009).

VI. MANAGEMENT OF KEY RISKS

1. Credit Risk

Credit Policy

The policy towards corporate credit exposures pursued by the Bank in the first half of 2010 took account of the situation in the macro-economic environment, i.e. lower economic growth rate and difficult financial standing of certain groups of borrowers. Its goals included in particular:

- increasing effectiveness of the credit process while ensuring adequate credit risk identification and measurement mechanisms compliant with the requirements set forth in the resolution of the Polish Financial Supervision Authority no. 76/2010 of 10 March 2010 concerning the scope and detailed principles of determining capital requirements due to individual types of risks,
- maintaining the Bank's credit risk at an acceptable level.

The main modifications of the Bank's credit policy for corporate clients included the following in particular:

- Updating the requirements and criteria concerning the risk appetite for the credit portfolio of big and mid-sized clients and strategic clients.
- Specifying in more details the Bank's collateral policy and adjusting it to practical solutions applied at ING Group.
- Modifying the policy for securing the settlement and pre-settlement limits.
- Updating the policy of financing of revenue-generating real properties so as to take account of the current situation on the real estate market, including in particular the residential market.

The principles of the Credit Policy Committee operations were also amended upon development of the automated document workflow support.

ING Bank Śląski S.A. also took efforts to reinforce credit risk control in the retail portfolio due to the complex situation on the job market and residential real estate market. The Bank's actions in that respect included, among other things:

- Amendments to internal regulations to adjust them to the requirements of Recommendation T of the Polish Financial Supervision Authority.
- Assumptions of simplifications for selected developers.
- Decision not to join the governmental programme for families called *Rodzina na swoim* and follow the principle of ensuring the simplicity and transparency of the Bank's offer.

Credit Process and Credit Risk Assessment Process

In the first half of 2010, the Bank was also adjusting tools and instruments of the corporate client risk measurement and monitoring to credit policy modifications, notably the Bank:

- Updated solutions in the area of counterparty risk management.
- Updated recommendations concerning sectors, which the Bank considers as heightened-risk sectors.
- Reviewed template documents and operational processes related to financial market instruments and adjusted them to the requirements introduced by way of Finance Minister Ordinance of 20 November 2009 concerning the manner and conditions of operating of investment companies, banks referred to in Article 70.2 of the Financial Instruments Trading Act, as well as custodian banks.
- Reviewed template documents and operational processes related to financial liquidity risk management products for large corporates, as well as standard credit agreements and

collaterals to adjust them to the credit process purposes.

- Implemented additional controls concerning review of fulfilment of contractual terms by corporate clients.
- Introduced a methodology of global stress testing in the segment of corporate clients and small businesses thus expanding the scope of banking risk subject to analysis.
- Specified in more detail the scope of application for the loss-given default models (LGD) as required by the PFSA Resolution no. 76/2010 in the process of credit risk management, including approach to guarantees and sureties.

As regards the retail credit processes of the Bank, the following changes were made:

- The automated decision process was tightened by using a wider scope of information from the Credit Information Bureau or the Business Information Bureau.
- Verification process was implemented to prevent frauds in the system of servicing credit applications, applications for mortgages, cash loans and small business loans (including, among other things, automated verification of dishonest employers).
- General Terms for overdraft limits and cash loans were adjusted to the existing legal conditions.
- The third person was eliminated from the mortgage approval process; a pilot programme was started concerning simplified verification of valuations; authorities in the area of product exceptions review were assigned to the Credit Platform.

Credit Portfolio Quality and Provisioning

At the end of June 2010, the total gross value of loans and other facilities extended to clients by the Capital Group of ING Bank Śląski S.A. was PLN 28,283.0 million.

The value of impaired loans was at the level of PLN 1,308.7 million versus PLN 1,164.6 million as at the end of 2009. Thus, the share of the impaired portfolio in the entire credit portfolio of the capital group increased from 4.4% in December 2009 to 4.6% as at the end of June 2010.

As at the end of June 2010, the Group of ING Bank Śląski S.A. held PLN 807.2 million worth of provisions for the credit portfolio. The impaired portfolio provisioning ratio was 61.7%.

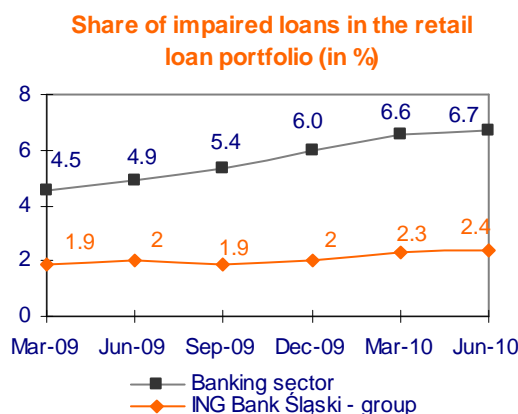
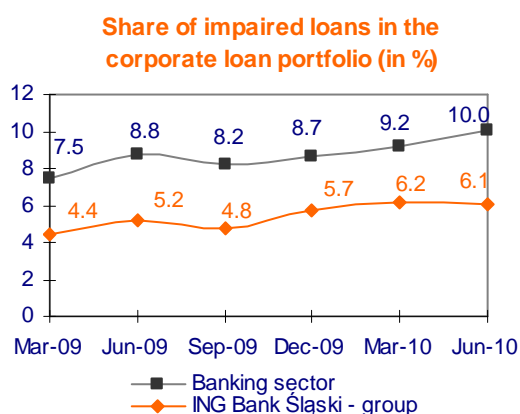


Table: The quality of credit portfolio of the Capital Group of ING Bank Śląski S.A.

	30.06.10	31.12.09
Total exposure (PLN million)	28,283.0	26,715.9
Non-impaired portfolio (PLN million)	26,974.3	25,551.3
Impaired portfolio (PLN million)	1,308.7	1,164.6
Impairment charges and provisions (PLN million)	985.7	892.8
Charge for non-impaired portfolio (PLN million)	160.8	153.1
Charge for impaired portfolio (PLN million)	807.2	719.6
Provisions for off-balance-sheet liabilities (PLN million)	17.6	20.1
Share of the impaired portfolio (%)	4.6	4.4
Impaired portfolio provisioning ratio (%)	61.7	61.8
Exposure - Wholesale Banking (PLN million)	17,178.4	16,959.1
Non-impaired portfolio (PLN million)	16,131.8	15,987.2
Impaired portfolio (PLN million)	1,046.6	972.0
<i>inclusive of amounts due from derivative transactions</i>	343.4	346.1
Impairment charges and provisions (PLN million)	726.6	668.7
Charge for non-impaired portfolio (PLN million)	72.7	77.2
Charge for impaired portfolio (PLN million)	636.3	571.4
<i>inclusive of amounts due from derivative transactions</i>	270.8	263.2
Provisions for off-balance-sheet liabilities (PLN million)	17.6	20.1
Share of the impaired portfolio (%)	6.1	5.7
Impaired portfolio provisioning ratio (%)	60.8	58.8
Exposure - Retail Banking (PLN million)	11,104.6	9,756.7
Non-impaired portfolio (PLN million)	10,842.1	9,564.1
Impaired portfolio (PLN million)	262.1	192.6
Impairment charges (PLN million)	259.0	224.1
Charge for non-impaired portfolio (PLN million)	88.1	75.9
Charge for impaired portfolio (PLN million)	170.9	148.2
Share of the impaired portfolio (%)	2.4	2.0
Impaired portfolio provisioning ratio (%)	65.2	76.9

2. Market Risk Management

General Information

Market risk is defined in ING Bank Śląski S.A. as a potential loss due to unfavourable changes in market prices (e.g. interest rates, FX rates, share prices, etc.) and/or market parameters (e.g. volatility of equity prices and correlation between movements in market prices) and/or customer behaviour (e.g. early loan repayments).

Market risk management within ING Bank Śląski S.A. covers market risk identification, measurement, monitoring, and reporting, both within the Bank itself and in its subsidiaries. Independent from the Bank business units generating market risk, Market Risk Management Department provides FM Management, Management Board and ALCO Committee members with market risk updates. An important consultative role in the market risk management process is performed by the Bank's majority shareholder – ING Bank N.V.

The Market Risk Management Department is sub-divided into three sections: the Trading Risk Management Section for proprietary trading, the Banking Risk Management Section focussing on the balance sheet management, and the Product Control Section, which assures correctness of products valuation and P&L reporting in the FM area.

The intention-based book structure reflects the types of market risk and areas where market risk should be internally transferred/hedged within the Bank. Specifically, books are categorised based on intention as:

- **Trading.** Those are FM books (FX, FX Options and Interest Rate Trading) and ING Securities books – equity market-making and arbitrage activities (reported under FM structure). Those positions are taken in expectation of short-term financial gain from market movements or arbitrage activities.
- **Banking.** The risks of those commercial deposits and loans are transferred to the Financial Markets via internal transactions to centralise all market risks within the specialised treasury function. The primary purpose of the Banking books (Liquidity Management & Funding and ALM book) is to ensure the management of liquidity and interest rate of the Bank's overall positions.

Risk measurement tools

Value at Risk (VaR) is the main methodology used to calculate market risk in FM books, both Trading and Banking. It is also used for periodic check of market risk in Commercial books (non-FM books). The VaR ratio gives the potential loss that is not to be exceeded assuming certain confidence (probability) level. The Bank calculates VaR separately for individual interest rate, FX and FX options portfolios. As VaR does not present a full picture of market risk under extreme conditions – event risk calculation(stress testing) is performed additionally.

Earnings at Risk (EAR) concept is applied for (parts of) banking book positions. Calculations cover a 1-year time horizon and provide for the possible changes in accrual results given shock changes of +/- 1% and +/- 2%. Two approaches are used: a basic approach for positions comprised of term transactions and/or small volumes of demand positions and an advanced approach for material volumes of demand positions (at present: the Bank's PLN demand deposit base and its internal contracts into FM banking books). The positions in Commercial Banking books are also subject to measurements of non-linear interest rate risk. Specifically, the Bank measures optionality risk (the potential losses on those positions given early-withdrawal of deposits and/or early re-payment of loans) and base risk (the potential losses on those positions arising from non-standard rate-setting mechanisms).

VaR exposures and limits in H1 2010

In the first half of 2010 the financial markets initially stabilised after which in the 2nd part became more uncertain and volatile. The liquidity and depth in the market was manageable, however in FX the market showed illiquidity for several periods.

In 1H 2010, the Financial Markets kept their trading exposures at low levels compared to the limits. The average usage of limits in H1 2010 was respectively: 26% for interest rate trading, 31% for FX spot and 35% for FX options. The barrier options portfolio of the Bank was steadily decreasing during the year as a result of restructuring process, maturing options and limited demand from customers.

In 1H 2010, no FX options limits were exceeded. FX spot risk limit was exceeded once. The position was immediately reduced. There were no VaR limit excesses for IR positions in the trading portfolio.

Liquidity risk management

Liquidity risk is the potential risk that the Bank will be unable to meet its obligations because it will be unable to:

- Cash assets or obtain adequate funding (funding liquidity risk); or
- Easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (market liquidity risk).

The process of liquidity management at ING Bank Śląski S.A. covers:

- Developing and analysing liquidity ratios, as well as monitoring liquidity limits;
- Preparation of liquidity procedures/policies (The policy took into account the following, among other things: the new liquidity risk regulations from the Polish Financial Supervision Authority

and ING Bank N.V. liquidity regulations);

- Harmonisation of contingency planning in regard to liquidity with the changes in the Bank's organisational structure and the changes in definition of warning signals.

One of the most important aspects of the liquidity risk management process in the Bank is contingency funding plan which provides guidance as regards pro-active identification of the liquidity crisis and actions to be taken to survive it.

In light of difficult liquidity situation on the market and global financial crisis, the Liquidity Crisis Team was established in the Bank in 2008. In 2009, the Team had defined additional measures of liquidity profile, monitor liquidity on a daily basis, and to decide which necessary actions are to be taken.

During the entire 1H 2010, the liquidity of the Bank stayed within all regulatory and internal limits.

Replicating Portfolios

The Bank's demand deposits are a sizeable balance sheet position. Replications of duration and liquidity profiles are based on client behaviour and are reviewed at least every six months with an advanced Value for Savings model (VoS).

3. Capital adequacy

As at the end of June 2010, the solvency ratio for the Capital Group of ING Bank Śląski S.A. totalled 12.6% (against 12.0% in December 2009).

In the first half of 2010, the level of capital adequacy of the Capital Group of ING Bank Śląski S.A. was mainly affected by the following factors:

- Allocating the entire Bank's profit for 2009 for increase of own funds,
- Increase of the credit exposure and increase of capital requirement for credit risk,
- Actions conducted by the Bank to limit the scale of off-balance sheet financial operations,
- Introduction of the Resolution no. 76/2010 of the Polish Supervision Financial Authority as of 10 March 2010 regarding the scope and detailed principles as to establishing capital requirements.

4. Operational Risk and Compliance

ING Bank Śląski S.A. manages operational risk in accordance with the requirements of the Banking Act, Recommendation M of the National Bank of Poland, which relies on the guidelines of the Basel Committee, the provisions of Resolution no. 383/2008 of the Polish Financial Supervision Authority and the standards developed by ING Group.

In 2004, the Bank adopted and implemented the *Operational Risk Management Policy*, which sets out a consistent methodology and practice in that respect. The policy together with detailed regulations is updated on a regular basis as needed or as required by the banking regulator.

In accordance with the Policy, operational risk management is an integrated regulated area of banking activity to reduce the risk level at the Bank and secure it from potential losses by applying adequate controls and capital levels. The principles described in the Policy are not only to improve the security and safety of the Bank and its clients but also to lower the costs of the Bank's operations and improve its effectiveness.

Operational risk is understood at ING Bank Śląski as the risk of suffering direct or indirect material loss or as the loss of reputation resulting from failure to adjust or improper functioning of the internal processes, people or technical systems, and also as the result of external events. This definition also covers the litigation risk.

In order to ensure maximum effectiveness of processes, the Bank introduced a 3-defence line model of operational risk management where roles and responsibilities are split among:

- Business units,
- Operational risk management units supporting the business units in their activities in order to identify and mitigate operational risk incidents,
- Internal audit.

The scope of operations of ING Bank Śląski S.A. in the area of operational risk management includes:

- Maintaining control environment for operational risk management,
- Planning operational risk tasks,
- Identifying operational risk incidents,
- Assessing risk level,
- Co-ordinating mitigation activities,
- Follow-up activities,
- Monitoring operational risk,
- Communicating and reporting operational risk.

Compliance risk is managed at ING Bank Śląski S.A. in accordance with the requirements of the Polish Financial Supervision Authority Resolution no. 383/2008 dated 17 December 2008 concerning detailed principles of operating the risk management system and internal audit system, as well as detailed terms of estimating internal capital at banks and making reviews of internal capital estimation and maintenance process.

In order to ensure compliance with the law, regulatory requirements, and adherence to ethical standards existing at ING Group, in 2009 the Bank implemented the *Compliance Risk Management Policy at ING Bank Śląski SA*.

In the first half of 2010, as required under the amended Anti-Money Laundering Act, the Bank updated the Principles of Preventing Money Laundering and Terrorism Financing.

The Bank performs regular tasks to monitor and mitigate compliance risk in accordance with the existing Compliance Monitoring Plan. Furthermore, the Bank conducts training programmes to improve the knowledge and raise the awareness of the employees in that respect, including programmes concerning adherence to the regulations on fair competition and prevention of money laundering.

VII. ORGANISATION AND INFRASTRUCTURE DEVELOPMENT AT CAPITAL GROUP OF ING BANK ŚLĄSKI S.A. IN 1H 2010

1. IT and Operations

To ensure adequate support for commercial business, the IT activities pursued by ING Bank Śląski S.A. in the first half of 2010 were primarily focused on:

- Expanding the scope of the Front End system's functionalities. The new branch application that has been being implemented since 2007, has been expanded with new functionalities (such as: handling credit card processes in branches, presenting the offer in the branch, foreign exchange withdrawal calculator), a modification of processes related to the MiFID Directive (examining the investment profile of suitability of products outside FE) was launched and the streamlining of the deposits/ withdrawal processes from the accounts covered with writ of execution.
- Implementing the new version of application handling the financial markets. As part of this project, the functionalities required under the MiFID directive and compliant with Polish legislation were introduced.
- Expanding the Contact Center, included but not limited to: launching the possibility to execute processes in the new Front End application such as: client's verification, data changing process, granting PIN and card's activation.
- Expanding the functionality of the application in the area of payment cards by: enabling clients to generate PIN number on their own (at the same time the risk of sending PIN by post was reduced) and by expanding the card products by adding the card in the shape of a key ring and in the form of a sticker.

A new application for the purpose of mandatory reporting which draws on the data from the new warehouse and on the application used to monitor the limits of concentration risk.

In order to increase the quality of IT services the implementation of the model of process management of the IT infrastructure was continued. The particular emphasis was placed on increasing the level of availability of services; cost optimization; automation of operations; increasing system's security; and monitoring infrastructure and applications.

The Operations Division contributes materially to proper functioning of the Bank. All units belonging to Operations Division apply the uniform production management system under Lean Pack methodology. By extension, they are subject to a uniform methodology of: resource planning, determining the time necessary to process the required volumes, and monitoring the level of efficiency of work performed by a given team.

In order to improve further the efficiency and effectiveness of actions pursued by the operations area, in the first half of 2010 ING Bank Śląski S.A. conducted the following projects

- Easy OPS Projects. This project aimed at changing the model of servicing the corporate clients. In June 2010, the first stage of the project, consisting in: making the electronic archive of hardcopies of corporate clients documents' available for Front and Back Office units was finalized; moreover, the processes related to Cash Management and some credit process were centralized.
- New application to handle the international payments. The new system launched in 2009 was expanded by new functionalities such as: TARGET 2 payments, handling Elixir payments.
- Mass print. A decision to outsource the mass print process was taken, the tender for service providers was already finalized and the contracts with service providers were signed. Migration of the mass print is planned to be carried out in 3Q 2010.

2. Development of Electronic Distribution Channels

The Bank introduced the following modifications to the electronic Distribution Channels:

- ING BankOnLine – it launched insurance cover for debit cards, handling the Fund with the Term Deposit Package, it enabled unblocking of the debit- and pre-paid cards and it expanded the functionalities of "Transfers 24/7" service.
- ING BusinessOnLine – it launched the possibility to insure the corporate pre-paid card, the new module of Safe Envelope and Banking Slip of Deposit which facilitates the execution of cash transactions.

As at the end of June 2010, 1,713,900 clients used the electronic banking systems, up by 9.9% from the end of 2009. Also the number of users of the HaloŚląski telephone service increased by 18.3% from December 2009.

Table. Clients of electronic banking system of ING Bank Śląski S.A.

	30.06.10	31.12.09	31.12.08
ING BankOnLine, ING OnLine, ING BusinessOnLine and MultiCash	1,713,940	1,559,504	1,167,054
HaloŚląski	930,097	786,008	617,422
SMS	697,476	619,664	387,456

As at the end of June 2010, ING Bank Śląski S.A. possessed a network of 741 ATMs, while as at the end of 2009 it possessed 737 ATMs. Furthermore, the Bank 379 cash deposit machines, which gave a total of 1,120 ATM and CDMs.

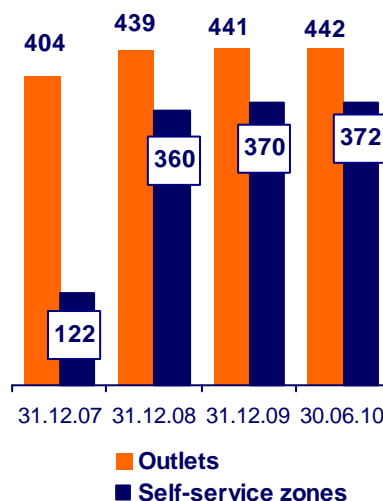
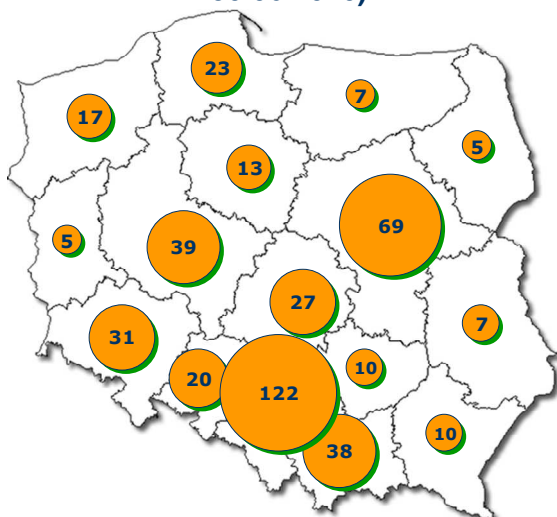
In 2010, the process of replacing ATMs was started, and so far 60 machines that failed the most frequently and which were burdened with the higher number of transactions were replaced. In the second half of 2010, as part of this project the Bank will install the first dual device which will be a combination of ATM and CDM.

3. Bank Network

As at 30 June 2010, there were 442 branches of ING Bank Śląski S.A. (including 68 franchise outlets). In the first half of 2010, the Bank opened one new branch.

There were 372 self-banking zones at Bank branches (370 zones at the end of 2009). After a period of dynamic increase of self-banking zones, in 1H 2010 the Bank focused on improvement of their functioning and increasing their availability.

Network of ING Bank Śląski's Outlets (as at 30.06.2010)



4. HR management

Headcount

As at 30 June 2010, the Capital Group of ING Bank Śląski S.A. employed 8,438 individuals. In the first half of 2010, the headcount of companies belonging to Bank's Group increased by 147 individuals.

In June 2010, ING Bank Śląski S.A. employed 8,199 individuals, up by 146 individuals (or, 1.8%) from December 2009.

Table. Headcount structure in ING Bank Śląski S.A.

	30.06.2010		31.12.2009	
	individuals	%	individuals	%
Retail banking	4,395	53.6	4,398	54.6
Wholesale banking and financial market	1,059	12.9	968	12.1
Operations/IT/Services	1,889	23.0	1,836	22.8
Risk/Organization/Finance/HR matters	856	10.5	851	10.5
Total	8,199	100.0	8,053	100.0

The changes of the headcount structure observed in the first half of the year were mainly a result of: increase of employees involved in the credit process and implementation of new solutions related to customer service of Small Business clients. Moreover, automation and centralisation of a number of banking processes were continued at the Bank, which affected the headcount in the individual areas of the Bank.

Remuneration Policy

In the first half of 2010, ING Bank Śląski S.A. undertook actions aimed at ensuring the competitiveness of the offer that Bank's addresses to its employees and ensuring that Bank's strategic goals are effectively supported by the remuneration system existing at the Bank. The payroll policy continued by the Bank is based on market research regarding banking sector remuneration and it takes into account the capacity of ING budget.

Also the changes within the incentive system were implemented as of the beginning of 2010. Pursuant to the best practices in terms of remuneration, the level of the variable remuneration should be based on performance appraisal of a given employee and his/ her organizational unit in relation to the overall performance of the Bank.

Recruitment and Selection

In the first half of 2010, actions were focused on improving the quality of communication regarding both opportunities for internal promotion and the internal labour market.

The recruitment processes that occurred at the Bank regarded mainly sales positions or operational ones related to the execution of credit process. As a result of organizational changes, the internal recruitment was also conducted. The main assumption of the recruitment was to enable professional development and internal promotions of employees.

Trainings and Employees Development

In the first half of 2010, ING Bank Śląski S.A. conducted mainly internal training programmes.

Main areas of training programmes conducted at ING Bank Śląski S.A. in 2010 are as follows:

- Professional development management. The comprehensive programme "Development Navigator" oriented towards effective management of professional development by employees themselves and supporting such development by managers was introduced.
- Employees' competences. Taking into account the outcome of the Annual Interview the Competence Trainings Catalogue was updated and expanded to 70 items. It embraces training programmes with regard to general, expert and managerial competences.
- Managerial training. conducted by internal trainers. The trainings covered the following modules: Recruitment and Selection, Team Building, Motivating and Managing.

- Development programmes, enabling management of experts' and managers' development on a regular basis.
- For the employees of the Corporate Banking Sales Network Division and Strategic Customers Division as part of Corporate Banking Training Centre. Apart from the standard offer suitable for the corporate banking, training initiatives regarded requirements of New Capital Agreement, financial instruments (e.g. credit risk and legal risk of FM products). Two training blocks were executed as part of Master of Corporate Lending.
- For employees of sales network. As part of the Best Service Programme, there were training programmes devoted to changes of the IT systems, new and modified products, service quality and development of sales skills as well as skills pertaining to managing the sales team.
- Language courses.

E-learning training programmes constitute a separate trend within training programmes at ING Bank Śląski S.A. At the beginning of the year, the offer covered 150 items. The main categories of trainings are as follows: product trainings, application trainings, security and operational risk, expert trainings as well as specialized and competence trainings. In 2010, the process of updating and producing of more than 20 trainings was either undertaken or finalized. There were 33,000 training units as part of e-learning formula.

In 2010, the actions leading towards determining the employees' potential were continued. They were conducted as part of Development Centre, 360-degree Qualitative Assessment and 360-degree Quantitative Assessment. Moreover, the Management Development Programme, directed to individuals with the highest managerial potential, was continued.

Just as in the previous year, the Bank continued the policy of diversifying the development methods and apart from trainings; mentoring, development and competence coaching were promoted as development actions.

VIII. STRATEGIC LINES OF ING BANK ŚLĄSKI S.A. DEVELOPMENT IN 2010

It is the mission of ING Bank Śląski S.A. to set the standard in helping our customers manage their financial future.

There are two elements which are of key significance for the functioning of the institution, namely assistance in meeting financial needs and orientation towards future. They translate into the Bank's need to build long-term relations with clients including but not limited to providing the client with a product offer tailored to their changing preferences (in respect of both products functionality and their price) as well as development of multi-channel distribution system.

The main strategic goal of ING Bank Śląski S.A. is sustainable development leading towards an improvement of our position among leaders of Polish banking sector and keeping it by coherent development of core areas of business activity, namely retail, corporate and financial market banking.

Also the increase of the scale of the operation of ING Bank Śląski S.A. is a crucial factor of sustainable growth of the company's value and ensuring that shareholder will obtain an above average return of investment in the long-term. Expectations of shareholders are met while the strategic balance is ensured i.e. needs of other stakeholders (clients and employees) are taken into account in Bank's operations.

Retail Banking

In 2010, the strategic directions of ING Bank Śląski S.A.'s development in the retail banking market remain unchanged. It is still the strengthening of the Bank's position in the market which is the main goal of the Bank, yet the main emphasis is placed on activities leading towards ensuring top quality service.

The Bank is going to focus on tightening the relations with the existing clients, which is to be facilitated by, above all, simplifying offered products as well as providing easier access to these products by means of simple and client-friendly multi-channel distribution system.

At the same time, the Bank is going to continue its efforts to increase the customer base by means of increasing the number of active current accounts among other methods. The augmentation of clients using Bank's service, as well as actions within the scope of tightening the relations with the existing clients should translate into the increment in the value of funds allocated in the Bank in the form of deposits.

However, the Bank is going to direct its credit offer only to its existing clients. Housing loans will constitute an exception to this rule as the Bank will aim at material increase of its market share in respect of housing loans.

In 2010, the Retail Banking Division will continue the execution of ongoing projects, such as:

- The most Internet-based bank. The works cover an improvement of the ING BankOnLine system and its integration with other distribution channels.
- Self-banking zones. After a period of dynamic increment in the number of self-banking zones, the emphasis will be placed on modification of the existing machines in order to make them more user-friendly.
- Mortgage loans. It is assumed that the procedures will be improved and sales process will be optimized. It will enable offering this product by means of modern, easily accessible distribution channels (Internet, independent financial advisors).
- Front End. The new branch application implemented in previous years has reached the assumed level of functionality. Further works will be directed at creating a modern contact centre.
- Franchise network. The works will aim at integrating the franchise network with other distribution channels.
- Private Banking Segment. Expanding the product and service offer will contribute to tightening

the co-operation with existing affluent clients and it will be the chief asset in respect of the new clients acquisition process.

Corporate Banking

In 2010, the major operations of ING Bank Śląski S.A. on the corporate banking market will aim at:

- Retaining the high level of acquisition of the corporate sales network clients (especially mid-sized companies) and augmenting the number of strategic clients in the target segments.
- Tightening co-operation with held customer base by offering them an attractive product and service offer (increasing the number of transactions and deposit volumes among other things).
- Increasing market share in both deposit market and credit one.
- Maintaining leader position within the scope of client's satisfaction from the offer's quality and service level.

The Bank will treat the lending as a tool enabling development of co-operation with existing clients and as a tool for acquisition of new clients. The Bank will strive for further optimization of credit portfolio by means of better adjustment of granted limits and prices to the client's risk profile and current market conditions.

It is the Bank's ambition to offer the clients: attractive products tailored to their needs, transparent and swift procedures as well as effective electronic distribution channels. Therefore, in 2010 the Bank will focus on executing the following undertakings:

- Resegmending of corporate clients. Apart from introducing new segmentation criteria, works will be underway to adjust the new product offer to the new segments. In particular works on creation of attractive in cost terms offer with wide access to services through the Internet for Small Business.
- Perfectioning the Internet banking system. The Bank's goal is to offer the Internet application of highest market standards to corporate clients and, at the very same time, to optimize significantly the cost of their maintenance incurred by Bank. Works as to development of Internet banking will regard: making all products for mid-sized and large corporations available on the Internet platform, expanding the range of offered products by international trade financial products, payment cards and disseminating the credit module for strategic clients. Also, the ING Trade platform will be implemented for selected FM products.
- Streamlining the credit processes. The process of simplifying the processes and procedures will be continued and a new approach to credit analysis will be adopted. This will enable increasing the share of agreements prepared on the basis of standardized schemes.
- Trade Finance. In order to ensure operational capacity to handle the increased volumes of international trade transactions, the Bank plans to implement back-office platform which will support servicing products necessary to finance the trade (letter of credit, guarantees and documentary collection) as well as develop the existing module of Trade Finance in ING BusinessOnLine system.
- Reviewing the FM product offer. Product changes will be adjusted to the specific nature of the clients' business (the so-called product mandates). Moreover, new procedures with respect to establishing the limits for transactions of FM will be implemented.
- Developing the model of reversed factoring. The new model assumes sale of products in co-operation with ING Commercial Finance, which will facilitate offering the product to new clients.

IX. INVESTOR INFORMATION

1. Shareholding Structure

The share capital of ING Bank Śląski S.A. amounts to PLN 130,100,000 and is sub-divided into 13,010,000 ordinary shares of the face value of PLN 10 each. There are no constraints as to transferring ownership right and exercising the right to vote on account of shares held. The Bank's shares do not grant any special control powers towards the issuer either.

ING Bank N.V. is the strategic investor of ING Bank Śląski S.A. and holds a 75.0% share in the initial capital of the Company. ING Bank N.V. is member of ING Group, a global financial institution operating on the market of banking, insurance and asset management.

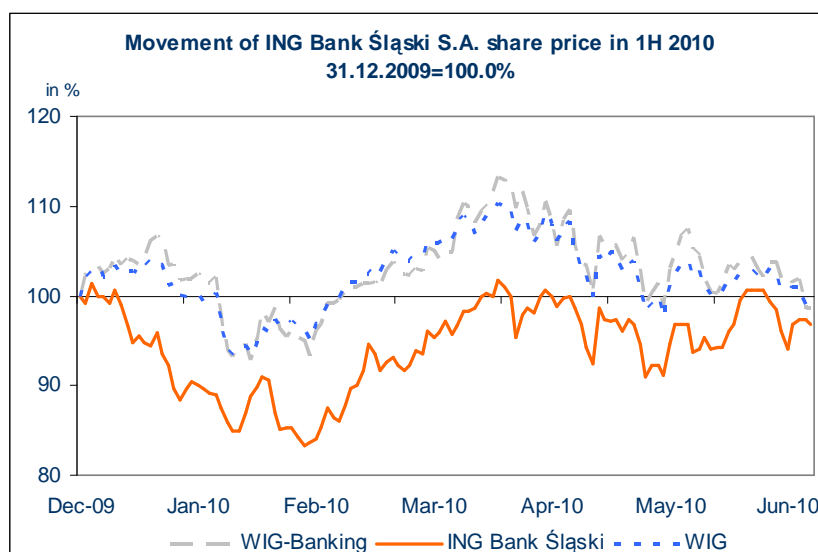
Name of Shareholder	Number of shares and votes at GM	Share in equity and total votes at GM	Name of Shareholder	Number of shares and votes at GM	Share in equity and total votes at GM
30 June 2010			31 December 2009		
ING Bank N.V.	9,757,500	75.00%	ING Bank N.V.	9,757,500	75.00%
Other	3,252,500	25.00%	Aviva OFE Aviva BZ WBK	665,500	5.12%
			Other	2,587,000	19.88%
Total	13,010,000	100.00%	Total	13,010,000	100.00%

On 20 April 2010, the Management Board found that, Aviva Otwarty Fundusz Emerytalny BZ WBK lowered its shareholding in the total number of votes in the Company to less than 5% following a sales transaction concerning the shares of ING Bank Śląski S.A. concluded on 13 April 2010.

As at the date of the report's publication, ING Bank Śląski S.A. was not aware of any agreements as a result of which the proportion of shareholdings of the current shareholders could change in the future.

2. Price of ING Bank Śląski S.A.

In the first half of 2010, the price of ING Bank Śląski S.A. at the close of market session on WSE was between PLN 650 (recorded on 24 February) and PLN 794 (on 14 April). On 30 June 2010, the price of ING Bank Śląski S.A. share amounted to PLN 755, down by 3.2% from the last trading day in 2009 (by comparison, the sub-index Banking went down by 1.4%).



Thus, on 30 June 2010 the market value of the Bank amounted to PLN 9,823 million, while its book value totalled PLN 5,280.1 million

3. Ratings

ING Bank Śląski S.A. co-operates with rating agencies Fitch Ratings and Moody's Investors Service. Fitch Ratings assigns ratings to the Bank on the basis of an agreement, whereas the Bank's rating assigned by Moody's Investors Service is solely based on information found in the public domain.

As at the publication date of this Report, the ratings assigned by Fitch Agency to ING Bank Śląski S.A. were as follows:

Fitch Ratings Ltd.

Long-term liabilities	A
Outlook for sustaining the above rating	Stable
Short-term liabilities	F1
Individual rating	C
Support rating	1

The long-term and short-term liabilities rating denote the entity's ability to meet its financial obligations in a timely manner. Long-term liabilities rating of A denotes high ability of the Bank to meet its long-term financial obligations on time. The short-term liabilities rating at F1 is the highest note concerning the ability to make timely repayment of short-term financial obligations (up to 13 months). In case of both ratings, Fitch Agency took account of high probability of potential support from ING Bank N.V., the majority shareholder of the Bank (the highest support rating).

Individual rating of ING Bank Śląski S.A. at C-level denotes: high liquidity of the Bank; stable sources of funding based on the deposit base of retail clients, strong sales network, low appetite for credit risk and good quality of credit portfolio despite relatively difficult conditions on the operating market. The rating also takes account of the adequate capital position that may, however, require strengthening in the future due to an increase in credit activeness.

On 2 February 2010, Moody's Investors Service Ltd. closed the reviews of ratings for ING Group, including the review of deposit ratings for ING Bank Śląski S.A. The review was commenced on 21 September 2009. As a result of the review, Moody's affirmed the ratings for long-term deposits (in foreign and home currencies) and short-term deposits; however, the Agency downgraded the outlook for the long-term deposits rating to Negative. The outlooks for the other ratings remained at Stable. Change of the outlook for long-term deposits of ING Bank Śląski S.A. derived from the Agency's decision to apply the same measures with respect to the ratings of other members of ING Group, including the parent company ING Bank N.V.

Moody's Investors Service Ltd.

Long-term deposits in foreign currencies	A2
Long-term deposits in home currency	A2
Short-term deposits	P-1
Financial strength	D+
Long-term and short-term deposits rating outlook	Stable

4. Changes in the Statutory Authorities of ING Bank Śląski

The following changes took place over the first half of 2010 in the composition of the Supervisory Board of ING Bank Śląski S.A.:

- On 13 January 2010, Mr. Jerzy Hausner tendered his resignation from the Supervisory Board to the Chair of the Supervisory Board of ING Bank Śląski S.A., effective 13 January 2010, citing his appointment to the Monetary Policy Council.

- On 5 February 2010, Mr. Tom Kliphuis tendered his resignation from the Supervisory Board to the Chair of the Supervisory Board of ING Bank Śląski S.A. Resignation of Mr. Tom Kliphuis (CEO of ING Insurance Central Europe in ING Group) was related to the intended organisational changes in ING Group (split of banking and insurance businesses) and his new duties in that respect.
- On 8 April 2010, the General Meeting of ING Bank Śląski S.A. appointed the following individual to the Bank's Supervisory Board:
 - Mr. Brunon Bartkiewicz – President of the Management Board of ING Bank Śląski S.A. between 1995 to 2000 and 2004 to 2009; currently General Director at ING Direct.
 - Mr. César González-Bueno – Regional Manager for Europe at ING Bank Retail Banking Direct & International Amsterdam.

As at the end of June 2010, the Supervisory Board of ING Bank Śląski S.A. comprised:

- Ms. Anna Fornalczyk Chair, Independent Member,
- Mr. Cornelis Leenaars Deputy Chair,
- Mr. Wojciech Popiołek Secretary to the Supervisory Board, Independent Member,
- Mr. Brunon Bartkiewicz Member,
- Mr. César González-Bueno Member,
- Mr. Ralph Hamers Member,
- Mr. Mirosław Kośmider Member, Independent Member,
- Mr. Nicolaas Cornelis Jue Member.

Early 2010, there was a change in the position of the President of the Management Board of ING Bank Śląski S.A. On 26 October 2009, Mr. Brunon Bartkiewicz tendered to the Supervisory Board Chair his resignation from the position of the President of the Management Board of ING Bank Śląski S.A., effective 31 December 2009. Mr. Bartkiewicz cited his new appointment within ING Group as the reason for his resignation. On 8 December 2009, the Supervisory Board appointed Ms. Małgorzata Kołakowska, the then-Vice President of the Management Board to the position of the Management Board President, subject to approval of the Polish Financial Supervision Authority. By the decision of 23 February 2010, the Polish Financial Supervision Authority approved the appointment of Ms. Małgorzata Kołakowska as the President of the Management Board.

On 8 April 2010, the Supervisory Board appointed the existing Management Board of ING Bank Śląski S.A. for a new term of office.

Responsibilities of Management Board Members	
● Ms. Małgorzata Kołakowska	President of the Management Board in charge of: Strategic Clients Division, Treasury and Financial Markets Division, as well as units reporting directly to the Management Board (such as: HR Policy and Development Department, Internal Audit Department, Legal Department and Press Office),
● Mr. Mirosław Boda	Vice-President of the Management Board in charge of the Finance Division,
● Mr. Michał Bolesławski	Vice-President of the Management Board in charge of Corporate Sales Network,
● Mr. Evert Drok	Vice-President of the Management Board in charge of Retail Banking Division,
● Ms. Justyna Kesler	Vice-President of the Management Board in charge of Operations Division, Services Division and IT Division,
● Mr. Oscar Swan	Vice-President of the Management Board , in charge of Credit- and Market Risk Management Division.

5. Remuneration of the Members of the Management Board and Supervisory Board of ING Bank Śląski S.A.

In 1H 2010, the total amount of remuneration (understood as the value of remuneration, bonuses, cash benefits, in-kind benefits or any other benefits) paid by ING Bank Śląski S.A. to the Management Board members amounted to PLN 5,459,000. The total amount of remuneration and bonuses paid out or due for 1H 2010 given here is the gross amount of remunerations paid out or due and payable for the period from January to June 2010.

Members of the Management Board of ING Bank Śląski S.A. are not covered by any equity-based incentive or bonus scheme. The Group of ING Bank Śląski S.A., on the other hand, participates in the Long-term Equity Ownership Plan (LEO) maintained by ING Group. The principles of that programme have been presented in the additional notes to the 2009 Annual Consolidated Financial Statements of the Capital Group of ING Bank Śląski S.A., item *Employee Benefits*.

The Bank Management Board members and other individuals employed by ING Bank Śląski S.A. receive neither remuneration nor bonus for holding functions in the authorities of subsidiaries and affiliates of the ING Bank Śląski capital group.

Table. Remuneration of Members of the Management Board of ING Bank Śląski in 1H 2010 (PLN thousand).

Period	Remunerations and Bonuses	Benefits	Total
1H 2010	4,359	1,100	5,459
1H 2009	4,079	1,044	5,122

In 1H 2010, the total amount of remunerations (defined as above) paid out by ING Bank Śląski S.A. to Members of the Supervisory Board amounted to PLN 263,000.

Table. Remuneration of Members of the Supervisory Board of ING Bank Śląski in 1H 2010 (in PLN thousand)

Period	Remunerations and Bonuses	Benefits	Total
1H 2010	263	0	263
1H 2009	290	0	290

None of the Management Board members held shares of ING Bank Śląski S.A. As regards members of the Supervisory Board, Mr. Mirosław Kośmider has held 3 shares and Mr. Wojciech Popiołek has held 6 shares of the Bank.

6. Information on the Auditor

According to the resolution of the Bank Supervisory Board, Ernst&Young Audit Spółka z o.o. with its registered office in Warsaw, at Rondo ONZ 1 (entered into the list kept by the National Chamber of Certified Auditors under the number 130) is authorized to audit financial statements of ING Bank Śląski S.A. for the subsequent 3 years, starting from 2008.

ING Bank Śląski S.A. has not previously used the services of Ernst & Young Audit Spółka z o.o.

Ernst & Young is also the only external auditor of consolidated statements of ING Group.

X.STATEMENTS OF MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.

1. Truthfulness and Accuracy of Statements

To the best knowledge of the Management Board of the Bank, the financial data for 1H 2010 and the comparable data presented in the semi-annual condensed consolidated financial statements of the Capital Group of ING Bank Śląski S.A. were prepared, in all material aspects, in accordance with the effective accounting principles and they present fairly, accurately and transparently all the information on the property and financial standing of the Bank's Capital Group and its financial result. The semi-annual report of the Management Board enclosed herewith contain a true presentation of the development, achievements and standing (including a description of key risks) of the Bank's Capital Group in 1H 2010.

2. Selection of Entity Authorized to Audit Financial Statements

The entity, which is authorized to audit the financial statements and which audited the semi-annual condensed financial statements of the Bank's Capital Group, was selected according to the effective laws and the Bank's regulations. The entity and the certified auditors fulfilled the conditions required to make an impartial and independent report on their audit, as required by the applicable Polish laws.

3. Notes

Agreements

The Bank Management Board declare that as at 30 June 2010 ING Bank Śląski S.A. does not have any:

- significant agreements for loans, sureties and guaranties not relating to operating activity,
- obligations towards the central bank,
- contractual obligations arising from the issued debt securities or financial instruments.

Number and value of writs of execution

In order to secure the risk connected with its lending activity, the Bank accepts legal personal and tangible collaterals in various forms, e.g. bank guarantee, surety under civil law, blank promissory note, surety in form of promissory note, transfer of debt claims, mortgage, registered pledge, ordinary pledge, repossession for collateral, transfer of a specific amount to the Bank account and blocking funds on bank account.

As at 30 June 2010, the number of banking writs of execution issued by the Bank with respect to loans for business operations totalled 184, and covered total debt of PLN 322.2 million.

As regards retail clients, during the first half of 2010 the Bank issued 5 680 banking writs of execution to the total amount of PLN 45,508,600 and sent 5,899 lawsuits for the total amount of PLN 32,686,800.

Value of proceedings concerning obligations or debt claims in the first half of 2010 was under 10% of the Bank's own funds.

In the opinion of the Bank, the proceedings before the court, authority relevant for arbitration proceedings or public administration body in the first half of 2010 do not pose a threat to the Bank's financial liquidity, either individually or collectively.

Signatures of the Members of the Management Board of ING Bank Śląski S.A.:

Małgorzata Kołakowska

Executive President

(signed on the Polish original)

Mirosław Boda

Executive Vice President

(signed on the Polish original)

Michał Bolesławski

Executive Vice President

(signed on the Polish original)

Evert Derks Drok

Executive Vice President

(signed on the Polish original)

Justyna Kesler

Executive Vice President

(signed on the Polish original)

Oscar Edward Swan

Executive Vice President

(signed on the Polish original)

10 August 2010

