2010

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

ING BANK ŚLĄSKI

ING

www.ing.pl

Table of contents

I. Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (PLN '000)

	Note	**IV quarter 2010** the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
- Interest income	*5.1*	751 486	2 948 721	711 589	3 077 718
- Interest expenses	*5.1*	329 795	1 321 134	357 103	1 675 224
Net interest income	*5.1*	**421 691**	**1 627 587**	**354 486**	**1 402 494**
- Commission income	*5.2*	288 268	1 117 122	275 660	1 085 074
- Commission expenses	*5.2*	31 949	129 791	48 225	120 667
Net commission income	*5.2*	**256 319**	**987 331**	**227 435**	**964 407**
- Net income on instruments measured at fair value through profit or loss and FX result	*5.3*	1 808	77 503	19 521	97 981
- Net income on investments	*5.4*	-5 604	2 174	-10 728	3 336
- Net income on hedge accounting	*5.5*	17 964	-12 052	2 893	20 065
- Net income on other basic activities		-9 877	7 910	-24 133	-8 081
Result on basic activities		**682 301**	**2 690 453**	**569 474**	**2 480 202**
- General and administrative expenses	*5.6*	390 027	1 582 920	349 261	1 487 756
- Result on other operating income and expenses		-2 507	-10 989	-1 770	-1 731
- Impairment losses and provisions for off-balance sheet liabilities	*5.7*	61 150	203 627	84 761	304 454
- Share in net profit (loss) of associated entities recognised under the equity method		12 384	41 232	16 058	52 082
Profit (loss) before tax		**241 001**	**934 149**	**149 740**	**738 343**
Income tax		49 353	181 010	28 936	143 277
Net profit (loss)		**191 648**	**753 139**	**120 804**	**595 066**
- attributable to owners of the parent		**191 680**	**753 100**	**120 802**	**595 052**
- attributable to non-controlling interests		-32	39	2	14

Net profit (loss) attributable to owners of the parent	**191 680**	**753 100**	**120 802**	**595 052**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**14,73**	**57,89**	**9,29**	**45,74**

Diluted earnings per share agrees with earnings per ordinary share

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

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	4 quarters 2010 the period from 01 Jan 2010 to 31 Dec 2010	IV quarter 2009 the period from 01 Oct 2009 to 31 Dec 2009	4 quarters 2009 the period from 01 Jan 2009 to 31 Dec 2009
Net result for the period	**191 648**	**753 139**	**120 804**	**595 066**
- Gains/losses on remeasurement of available-for-sale financial assets charged to equity	-38 847	8 471	26 669	96 302
including deferred tax	*9 383*	*-2 059*	*-6 269*	*-22 678*
- Reclassification to the financial result as a result of sale of available-for-sale financial assets	4 689	2 288	8 739	794
including deferred tax	*-1 100*	*-537*	*-2 050*	*-186*
- Amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-168	-790	-240	2 502
including deferred tax	*40*	*186*	*57*	*-586*
- Remeasurement of property, plant and equipment	-4 073	-3 619	-1 704	-1 704
including deferred tax	*955*	*848*	*400*	*400*
- Effective part of cash flow hedging instruments revaluation	-33 696	1 399	-12 873	-46 549
including deferred tax	*7 903*	*-329*	*3 020*	*10 919*
- Other	-12	272	-1	25
including deferred tax	*25*	*30*	*0*	*10*
Other comprehensive income (loss)	**-72 107**	**8 021**	**20 590**	**51 370**
Total comprehensive income for the period	**119 541**	**761 160**	**141 394**	**646 436**

Total comprehensive income				
- attributable to owners of the parent	119 573	761 121	141 392	646 422
- attributable to non-controlling interests	-32	39	2	14
Total comprehensive income for the period	**119 541**	**761 160**	**141 394**	**646 436**

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

	Note	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
A S S E T S					
- Cash in hand and balances with the Central Bank		2 394 196	1 265 104	2 656 593	1 685 972
- Loans and receivables to other banks	5.8	1 181 105	1 859 227	1 184 103	3 639 939
- Financial assets measured at fair value through profit and loss	5.9	659 606	3 945 735	8 267 661	12 177 694
- Valuation of derivatives		1 158 897	1 527 884	1 566 652	1 953 334
- Investments	5.10	23 006 812	18 736 413	14 166 281	14 334 484
- available-for-sale		*16 788 801*	*12 239 940*	*6 835 875*	*6 990 808*
- held-to-maturity		*6 218 011*	*6 496 473*	*7 330 406*	*7 343 676*
- Derivative hedge instruments		104 796	86 065	90 444	64 605
- Loans and receivables to customers	5.11 5.12	34 508 999	33 320 661	30 592 794	29 049 972
- Investments in controlled entities recognised under the equity method		156 832	144 448	115 600	99 542
- Investment real estates		118 187	140 399	129 667	151 458
- Property, plant and equipment		544 211	520 455	548 847	541 341
- Intangible assets		342 213	325 790	327 343	316 369
- Property, plant and equipment held for sale		13 996	1 924	224	224
- Current income tax assets		614	0	762	0
- Deferred tax assets		167 397	77 344	86 447	34 337
- Other assets		159 667	214 086	150 038	207 201
T o t a l a s s e t s		**64 517 528**	**62 165 535**	**59 883 456**	**64 256 472**
E Q U I T Y A N D L I A B I L I T I E S					
LIABILITIES					
- Liabilities due to other banks	5.13	4 039 111	3 149 358	3 973 786	6 395 045
- Financial liabilities measured at fair value through profit and loss	5.14	4 681 424	2 580 454	998 051	3 701 045
- Valuation of derivatives		1 292 661	1 202 195	1 193 944	1 341 038
- Derivative hedge instruments		600 455	775 966	482 563	493 729
- Liabilities due to customers	5.15	47 400 069	47 667 866	47 584 673	46 480 785
- Provisions	5.16	55 844	49 757	55 247	49 708
- Current income tax liabilities		138 499	60 526	156 133	101 080
- Other liabilities		656 360	1 147 513	552 348	949 543
T o t a l l i a b i l i t i e s		**58 864 423**	**56 633 635**	**54 996 745**	**59 511 973**
EQUITY					
- Share capital		130 100	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value		956 250	956 250	956 250	956 250
- Revaluation reserve from measurement of available-for-sale financial assets		8 586	42 912	-1 383	-36 551
- Revaluation reserve from measurement of property, plant and equipment		47 370	51 550	51 115	52 819
- Revaluation reserve from measurement of cash flow hedging instruments		431	34 127	-968	11 905
- Revaluation of share-based payment		21 080	19 416	15 846	15 028
- Retained earnings		4 486 936	4 295 161	3 733 438	3 612 637
Equity attributable to owners of the parent		**5 650 753**	**5 529 516**	**4 884 398**	**4 742 188**
- Non-controlling interests		**2 352**	**2 384**	**2 313**	**2 311**
T o t a l e q u i t y		**5 653 105**	**5 531 900**	**4 886 711**	**4 744 499**
T o t a l e q u i t y a n d l i a b i l i t i e s		**64 517 528**	**62 165 535**	**59 883 456**	**64 256 472**

Solvency ratio	5.17	**13,15%**	**13,30%**	**12,01%**	**12,07%**

Net book value	**5 650 753**	**5 529 516**	**4 884 398**	**4 742 188**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (PLN)	**434,34**	**425,02**	**375,43**	**364,50**

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

year 2010

the period from 01 Jan 2010 to 31 Dec 2010

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-1 383**	**51 115**	**-968**	**15 846**	**3 733 438**	**2 313**	**4 886 711**
Net result for the current period	-	-	-	-	-	-	753 100	39	**753 139**
Other comprehensive income, of which:	**0**	**0**	**9 969**	**-3 745**	**1 399**	**0**	**398**	**0**	**8 021**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*8 471*	-	-	-	-	-	*8 471*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*2 288*	-	-	-	-	-	*2 288*
- amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	*-790*	-	-	-	-	-	*-790*
- remeasurement of property, plant and equipment	-	-	-	*-3 619*	-	-	-	-	*-3 619*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*1 399*	-	-	-	*1 399*
- other	-	-	-	*-126*	-	-	*398*	-	*272*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**5 234**	**0**	**0**	**5 234**
- revaluation of share-based payment	-	-	-	-	-	*5 234*	-	-	*5 234*
Closing balance of equity	**130 100**	**956 250**	**8 586**	**47 370**	**431**	**21 080**	**4 486 936**	**2 352**	**5 653 105**

year 2009

the period from 01 Jan 2009 to 31 Dec 2009

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-100 981**	**52 864**	**45 581**	**0**	**3 138 316**	**2 299**	**4 224 429**
Net result for the current period	-	-	-	-	-	-	595 052	14	**595 066**
Other comprehensive income, of which:	**0**	**0**	**99 598**	**-1 749**	**-46 549**	**0**	**70**	**0**	**51 370**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*96 302*	-	-	-	-	-	*96 302*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*794*	-	-	-	-	-	*794*
- amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	*2 502*	-	-	-	-	-	*2 502*
- remeasurement of property, plant and equipment	-	-	-	*-1 704*	-	-	-	-	*-1 704*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*-46 549*	-	-	-	*-46 549*
- other	-	-	-	*-45*	-	-	*70*	-	*25*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**15 846**	**0**	**0**	**15 846**
- revaluation of share-based payment	-	-	-	-	-	*15 846*	-	-	*15 846*
Closing balance of equity	**130 100**	**956 250**	**-1 383**	**51 115**	**-968**	**15 846**	**3 733 438**	**2 313**	**4 886 711**

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (PLN '000)

	4 quarters 2010 the period from 01 Jan 2010 to 31 Dec 2010	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
OPERATING ACTIVITIES		
Net profit (loss)	**753 100**	**595 052**
Adjustments	**-2 043 534**	**-1 957 998**
- Profit (loss) attributable to non-controlling interests	39	14
- Share in net profit (loss) of associated entities	-41 232	-52 082
- Depreciation and amortisation	120 985	123 909
- Interest accrued (from the profit and loss account)	1 627 587	1 402 494
- Interest paid	1 385 024	1 952 956
- Interest received	-3 284 786	-3 452 457
- Dividends received	-4 793	-4 156
- Gains (losses) on investment activities	221	1 257
- Income tax (from the profit and loss account)	181 010	143 277
- Income tax paid	-279 446	-64 708
- Change in provisions	597	4 668
- Change in loans and other receivables to other banks	329 920	4 133 359
- Change in financial assets at fair value through profit or loss	7 563 511	2 188 274
- Change in available-for-sale financial assets	-9 918 531	3 924 854
- Change in valuation of derivatives	506 472	-114 581
- Change in derivative hedge instruments	104 939	122 526
- Change in loans and other receivables to customers	-3 916 084	-4 865 995
- Change in other assets	-28 417	13 858
- Change in liabilities due to other banks	66 853	-8 044 178
- Change in liabilities at fair value through profit or loss	3 683 373	172 991
- Change in liabilities due to customers	-250 022	557 200
- Change in other liabilities	109 246	-101 478
Net cash flow from operating activities	**-1 290 434**	**-1 362 946**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-86 223	-85 755
- Disposal of property, plant and equipment	1 204	219
- Purchase of intangible assets	-66 009	-58 120
- Disposal of fixed assets held for sale	132	56
- Redemption of held-to-maturity financial assets	1 145 000	50 000
- Interest received from held-to-maturity financial assets	363 327	366 327
- Dividends received	4 793	4 156
Net cash flow from investment activities	**1 362 224**	**276 883**
Effect of exchange rate changes on cash and cash equivalents	***-36 305***	***41 136***
Net increase/decrease in cash and cash equivalents	**71 790**	**-1 086 063**
Opening balance of cash and cash equivalents	**3 047 826**	**4 133 889**
Closing balance of cash and cash equivalents	**3 119 616**	**3 047 826**

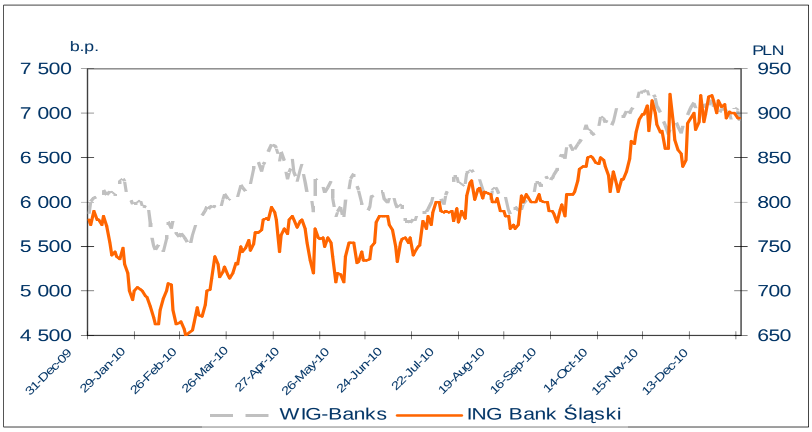
II. Additional information

1. Information on the Bank and the Capital Group

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

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

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 13,010,000 ordinary bearer shares with a par value of PLN 10.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange (sector: banks). As of 31 December 2010, the share price of ING Bank Śląski S.A. was PLN 894.00, whereas during the same period last year it was at the level of PLN 780.00. In the 12 months of 2010, the price of ING Bank Śląski S.A. shares was as follows:



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

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

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

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

In 12 months 2010 the Group's structure did not change.

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

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

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

As at the date 31 December 2010, the shareholder owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna was:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Shareholders Meeting
1.	ING Bank N.V.	9,757,500	75.00

Among members of the Supervisory Board of the Bank as of the day of publishing the interim consolidated financial statements of Capital Group of ING Bank Śląski S.A. for IV quarter 2010, Mr. Wojciech Popiołek held shares of ING Bank Śląski S.A. in the number of 6 shares. The other members of the Bank Management Board and the Bank Supervisory Board did not hold any shares of ING Bank Śląski S.A. The number of shares of ING Bank Śląski held by Members of the Bank Supervisory Board and Members of the Bank Management Board was analogous to the number as at the day when the financial statements for the previous quarter were made public.

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

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

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 15 February 2011.

2. Compliance with International Financial Reporting Standards

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

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, and interim condensed consolidated cash flow statement for the period from 01 January 2010 to 31 December 2010, and interim condensed consolidated statement of financial position as at 31 December 2010 together with comparable data were prepared according to the same principles of accounting for each period.

The comparative data cover the period from 1 January 2009 to 31 December 2009 for the interim condensed consolidated income statement; the interim condensed consolidated statement of comprehensive income; the interim condensed consolidated cash flow statement; and the interim condensed consolidated statement of changes in equity; and in the case of the interim condensed consolidated statement of financial position data as of 31 December 2009. Interim condensed consolidated income statements, interim condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated income statements include data for the Q4 2010 (period from 01 October 2010 to 31 December 2010) as well as comparative data for the Q4 2009 (period from 01 October 2009 to 31 December 2009).

Presented interim condensed consolidated financial statements for the IV quarter 2010 meet the requirements of International Financial Reporting Standards (IFRS), including IAS 34 (International Accounting Standards) with regard to interim financial statements. These interim condensed consolidated financial statements for the IV quarter 2010 have been prepared in a condensed version and does not cover all disclosures required in the annual financial statements.

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

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

- IFRIC 15 *Agreements for the Construction of Real Estates* – interpretation as to the recognition of revenue from construction of real estates, as well as explanation whether the agreement for the construction of real estate is covered by the provisions of IAS 11 *Construction Contracts* or by IAS 18 *Revenue.* It has no impact on the financial statements of the Group.

- IFRS 1 *First-time adoption of International Financial Reporting Standards* – the amended IFRS1 supersedes the existing IFRS1 in order to make the application of the said standard and is its future modifications easier. It has no impact on the financial statements of the Group.
- IFRS 1 *First-time adoption of International Financial Reporting Standards* — the amendment pertains to the entity conducting business in the oil and natural gas sector which wants to move to IFRS and, therefore, it has no impact on the financial statements of the Group.
- IFRS 2 *Shared-based payment* – amendments to IFRS 2 specify in detail the recognition of share-based payment transaction settled in cash in the capital group. Application of this interpretation had impact neither on the financial standing nor on Group business activity, because there were no events to which the said amendment would apply.
- Amendments to International Financial Reporting Standards – as part of annual procedure for introducing the amendments, the aim of which is to improve and specify in more details the international accounting standards. The majority of amendments either specify the existing IFRS in more detail, introduce amendments thereto or constitute amendments resulting from previous amendments to IFRS. The amendments to IFRS 8, IFRS 17, IAS 36, and IAS 39 embrace amendments to existing requirements or constitute additional explanation as to application of the said requirements.

Published standards and interpretations, which have been issued and approved by the European Union, but which are not effective yet, and have not been applied by the Group so far:

- IFRIC 14 *The Limit of a Defined Benefit Asset, and Minimum Funding Requirements and their Interaction* – applicable to annual periods beginning 1 January 2011 onwards. Interpretation concerns the plan of specified benefits under minimum funding requirements the prepayment of which is recognized as element of financial assets. Currently, the Group is analyzing the impact of the amendments on financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity* – applicable to annual periods beginning after 1 July 2010. The interpretation presents recommendation as to recognizing by the debtor the equity instruments issued by such creditor as a result of renegotiation of the terms and conditions of financial liability in order to extinguish such liability fully or partially. It has no impact on the financial statements of the Group.

- IFRS 1 *Limited Exemption from Comparative IFRS7 Disclosures for First-time adopters* – applicable to annual periods beginning after 1 July 2010. It has no impact on the financial statements of the Group.
- IAS 24 Related Party Disclosure – applicable to annual periods beginning on or after 1 January 2011. The introduced amendments concern the simplification of the definition of the related entity and deletion of some internal inconsistencies and exemption of some entities related to government form certain requirements of information disclosure. Currently, the Group is analyzing the impact of the amendments on financial statements.
- *IAS 32 Financial Instruments: Presentation* applicable to annual periods beginning after 1 February 2010. The amendment pertains to the manner of classification of specified pre-emptive right where the issued financial instruments are denominated in the currency other than the functional currency of the issuer.

Published standards and interpretations, which have not been issued yet and which are not effective and which have not been approved by the European Union yet.

- IAS 12 *Income Taxes* – the amendments pertain to classification of the revenue depending on expectations of the entity whether or not it will recover the carrying value of a given assets either through use or sale. Currently, the Group is analyzing the impact of the amendments on financial statements.
- *IFRS 1 First-time Adoption of International Financial Reporting Standards:* severe hyperinflation and removal of fixed dates for those who adopt IFRS for the first time. It has no impact on the financial statements of the Group.
- *IFRS 7 Financial Instruments: Disclosures* – the amendment specifies in more details the requirements as to transfer of financial assets. Currently, the Group is analyzing the impact of the amendments on financial statements.
- IFRS 9 *Financial instruments* – this new standard is to replace International Accounting Standard 39. Currently, the Group is analyzing the impact of the amendments on financial statements.
- Amendments resulting from annual review of IFRS applicable to annual reporting periods starting after 1 January 2011. The annual reviews is to improve and specify in more detail the international accounting standards. The majority of amendments either specify existing IFRS in more detail, introduce amendments thereto or constitute amendments resulting from previous amendments to IFRS. Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13 embrace amendments to existing requirements or constitute additional explanation as to application of the said requirements.

In view of the ongoing process of IFRS introduction in the EU and the business run by the Company, as at the approval date of this report, there were no differences between the already effective IFRSs and the IFRSs approved by the EU in terms of the accounting principles applied by the Company.

Going-concern

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

Discontinued operations

No operations were discontinued during the four quarters of 2009 and 2010.

Material accounting principles (policy)

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

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

Basis for preparation of consolidated financial statements

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

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

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

Consolidation policies

Subsidiaries

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

- rights to more than a half of the voting rights by virtue of an agreement with other investors;

- power to govern the financial and operating policies of the entity under a statute or an agreement;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body;
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

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

Acquisition method

The acquisition method is applied while settling the acquisition of subsidiaries by the Group. On the day of the acquisition the Group recognizes, separately from the goodwill, identifiable acquired assets and assumed liabilities taking into consideration the recognition conditions as well as all non-controlling shares in the acquired entity.

The Group measures the identifiable acquired assets and assumed liabilities at fair value as at the acquisition day and classifies or determines them on the basis of provisions of the contract, conditions, rules of its activity or accounting policy or other relevant conditions existing as at the day of the acquisition.

Goodwill is an asset representing future economic benefits arising from the acquired assets as part of combination of entities that cannot be identified individually or recognized separately. The goodwill on acquisition of a business entity is initially recognized at cost constituting the surplus of the costs of:

- provided payment,
- sums of all non-controlling shares in the acquired entity, and
- in the case of combining entities executed at fair value as at the day of acquiring share in the capital of the acquired entity, previously belonging to the acquiring entity

over the net amount determined as at the day of acquiring values of the identifiable acquired assets and assumed liabilities.

Associates

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

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

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

Transactions eliminated in consolidation process

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

Foreign currency

The functional currency and the presentation's currency

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

Transactions and balances in foreign currency

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

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

Financial statements of investments in a foreign operation

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

Financial assets and liabilities

Classification

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

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

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

- are classified as held for trading. A financial asset or financial liability is classified as held for trading if it is: acquired or incurred principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also classified as held for trading (other than those that are designated and effective hedging instruments),
- upon initial recognition it is designated by the Group as at fair value through profit or loss. Such designation can be made only if:
  - the designated financial asset or financial liability is a hybrid instrument containing one or many embedded derivatives, which qualify for separate recognition and embedded derivatives cannot change significantly the cash flows resulting from the host contract or separation of embedded derivative is forbidden;
  - usage of such classification of financial asset or liability eliminates or decreases significantly the inconsistency of measurement or recognition (so called accounting difference due to various methods of assets and liabilities valuation or various recognition of gains and losses attributable to them);
  - the group of financial assets and liabilities or both categories is managed properly, and its results are measured using fair value, in accordance with documented risk management principles or the Group's investment strategy.

Investment held to maturity

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

Loans and receivables

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

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

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

Financial assets available for sale

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

Other financial liabilities

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

Financial guarantee contracts

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

Recognition

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

Derecognition

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

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

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

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

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

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

Measurement

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

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

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method;

- investments in equity instruments that do not have a quoted market price in an active market and their fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which are measured at cost.

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

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

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

Granted financial guarantees are measured at the higher of:

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

Reclassification

With the current scope of Groups' activity the principles of reclassification described below are applicable.

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

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

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

Gains and losses resulting from subsequent measurement

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

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

The interest calculated using the effective interest rate method is recognised in the income statement.

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

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

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

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

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

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

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

- Level I: financial assets/liabilities measured directly on the basis of prices quoted in the active market or measurement techniques based solely on market data,
- Level II: financial assets/liabilities measured on the basis of measurement techniques based on assumptions using data from an active market or market

observations,

- Level III: financial assets/liabilities measured on the basis of measurement techniques commonly used by the market players, the assumptions of which are not based on data from an active market.

Derivative instruments

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

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

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

The Group uses derivative instruments in order to hedge against FX and interest rate risk, arising from activity of the Group. Those derivatives, which were not designated as hedge instruments pursuant to the principles of hedge accounting, are classified as instruments earmarked for trade and evaluated in fair value.

Hedge Accounting

Hedge accounting presents the offset effects of fair value changes of both hedging instruments and hedged items which impact the income statement.
The Group designates certain derivative instruments as fair value hedge or cash flow hedge.
The Group uses hedge accounting, if the following conditions are met:

- formalised documentation of the hedging relationship was prepared when the hedging was established. The documentation sets out the purpose of risk management and the hedging strategy adopted by the Group. In the documentation, the Group designates the hedging instrument to hedge a given position or transaction, and specifies the type of risk to be hedged against. The Group specifies the manner for assessing the effectiveness of the hedging instrument in compensating for changes in cash flows due to the hedged transaction in terms of mitigation of risk the Group hedges against,

- the hedging instrument and hedged instrument are similar, especially nominal value, maturity date and volatility for interest rate and foreign exchange changes,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge may be assessed credibly, so the fair value of the hedged item or the cash flows of the said item as well as fair value of a hedge instrument may be valued credibly,
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

- ***Fair value hedge***

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

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

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

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

- ***Cash flow hedge***

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

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

- could affect income statement.

A cash flow hedge is accounted for as follows: the changes of the fair value of the hedge instrument, which are an effective part of hedging relationship, are recognised directly in equity through the statement of comprehensive income, while the ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement.

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

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

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

Derivative instruments not qualifying as hedging instruments

Changes in fair value of derivatives that do not fulfil the criteria of hedge accounting are disclosed in the income statement for the current period. Changes in fair value of IR-derivatives arising from ongoing accrual of interest coupon are disclosed under *Interest result on derivatives,* whereas the remaining part of changes in the fair value of IR-derivatives are presented under *Net income on instruments measured at fair value through profit or loss and FX-result.*

Changes in the fair value of FX-derivatives are decomposed into three elements, which are presented as follows:

- changes in fair value arising from ongoing accrual of swap/forward points are presented under *Interest result on derivatives,*
- changes in fair value due to changes of foreign exchange rates are presented under *Net income on instruments measured at fair value through profit or loss and FX-result,*
- the remaining part of change in fair value (i.e. due to the change of interest rates) is presented under *Net income on instruments measured at fair value through profit or loss and FX-result.*

Impairment

Assets valued at amortized cost

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

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

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

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

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

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

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

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

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

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

Financial assets available for sale

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised.
The amount of the cumulative loss that is removed from equity and recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and

amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

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

Financial assets carried at cost

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

Depreciation and amortization charges

The depreciation charge of tangible and intangible fixed assets is applied using the straight line method, using defined depreciation rates throughout the period of their useful lives. The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The useful life, amortization/ depreciation rates and residual values of tangible and intangible assets are reviewed annually. Conclusions of the review may lead to a change of depreciation periods recognized prospectively from the date of application (the effect of this change is in accordance with IAS 8 charged to the income statement).

In case of buildings valued at fair value, the accumulated depreciation balance at the revaluation date is removed from the carrying value gross, and the net carrying value adjusted to the revalued value.

Depreciation and amortization charges are recognized in the income statement. At each balance sheet date goodwill and other intangible assets with indefinite useful life are regularly tested for impairment. The depreciation periods are as follows:

➢ lands and buildings	50 years
➢ leaseholds improvements	period of the lease or hire
➢ vehicles and others	3 - 7 years
➢ equipment	5 years
➢ costs of development of software	3 years
➢ software licenses, copyrights	3 years

For ATMs and CDMs introduced for use after 01 January 2010 the Group extended the use period to 7 years.

Valuation of motivational programmes for employees

The fair value of options granted is recognised as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation. This model takes the risk free interest rate into account (2.02% to 4.62%), as well as the expected term of realisation of the options granted (5 to 9 years), the exercise price, the current share price (EUR 2.9 – EUR 26.05), the expected volatility of the certificates of ING Group shares (25% – 84%) and the expected dividends yield (0.94% to 8.99%).

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

3. Accounting estimates

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

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

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

Major accounting estimations adopted by the Group are as follows:

<u>Impairment of loans</u>

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

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

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

Credit risk connected with derivative instruments

The Group has been systematically reviewing of the portfolio of FX options. The Group has structured its approach so that the results of the above reviews better reflect the risk level.

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

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

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

Uncertainty of the estimates

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

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

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

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

Impairment of other non-current assets

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

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

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

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

Retirement and sick pension severance payments provision

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

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

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

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

Provisions for the bonus for employees and top executives

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

4. Comparability of financial data

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

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

In the opinion of the Group, the current presentation is a better reflection of the nature and economic substance of the positions.

The Group also decomposed the result on valuation of IR-derivatives and the result on valuation of FX-derivatives. As a result, the following items were singled out:

- interest result (arising from ongoing accrual of interest coupon on the transaction or ongoing accrual of swap/ forward points),
- FX result in terms of FX-derivatives (i.e. change in fair value due to change of foreign exchange rates),
- other part of valuation result (i.e. change of fair value due to change of interest rates).

The interest result is currently presented under *Interest income,* whereas the FX result and the result on valuation are presented under *Net income on instruments measured at fair value through profit or loss and FX result* in *FX result* and *Net income on financial assets and liabilities held for trading – net income on derivatives,* respectively.

Furthermore, the Group moved amount PLN 64,733,000.00 from the position *Net income on instruments measured at fair value through profit or loss and FX result* to the position *Result on commission.* The change was a consequence of the implementation of a new system for registering international payments that was executed in 4Q 2009. Previously the international transactions were recorded in the system in which there was no split into transactional result and revaluation result – thus, the entire result made on those transactions was recognised as part of foreign exchange position without separating the transactional margin. By including the above transactions in the margin calculation, the amount of transactional margin presented in the financial statements increased. The values presented in the previous periods were re-calculated and adjusted in this interim condensed consolidated financial statements. In the opinion of the Group, the change resulted in higher quality of the reported data.

Data for the period of 12 months 2009 presented herein was adjusted for comparability.

Interim condensed consolidated income statement (in PLN thousands)	period from 1 January 2009 to 31 December 2009 in the interim consolidated financial statements for the IV quarter 2009	changes	period from 1 January 2009 to 30 December 2009 in the interim condensed consolidated financial statements for the IV quarter 2010
Interest income	3 116 760	-39 042	3 077 718
Interest expenses	1 674 666	558	1 675 224
Net interest income	**1 442 094**	**-39 600**	**1 402 494**
Commission income	1 020 341	64 733	1 085 074
Commission expenses	120 667	0	120 667
Net commission income	**899 674**	**64 733**	**964 407**
Net income on instruments measured at fair value through profit or loss and FX result	260 718	-162 737	97 981
Net income on investment	-114 203	117 539	3 336
Net income on hedge accounting	0	20 065	20 065
Net income on other basic activities	-8 081	0	-8 081
Result on basic activities	**2 480 202**	**0**	**2 480 202**
General and administrative expenses	1 487 756	0	1 487 756
Result on other operating income and expenses	-1 731	0	-1 731
Impairment losses and provision for off-balance sheet liabilities	304 454	0	304 454
Share in net profit (loss) of associated entities recognised under the equity method	52 082	0	52 082
Profit (loss) before tax	**738 343**	**0**	**738 343**
Income tax	143 277	0	143 277
Net profit (loss)	**595 066**	**0**	**595 066**
- attributable to owners of the parent	**595 052**	**0**	**595 052**
- attributable to non-controlling interests	**14**	**0**	**14**

5. Supplementary notes to interim condensed consolidated financial statements

5.1. Net interest income

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
Interest income				
- interest on loans and receivables to banks	23 460	99 266	32 192	168 967
- interest on loans and receivables to customers	479 123	1 796 179	404 721	1 659 160
- interest on debt securities	254 224	1 004 733	259 848	1 201 771
- interest result on derivatives	-5 399	48 272	14 784	47 573
- other	78	271	44	247
Total interest income	**751 486**	**2 948 721**	**711 589**	**3 077 718**
Interest expenses				
- interest on deposits from banks	34 684	91 252	16 629	185 010
- interest on deposits from customers	295 111	1 229 882	340 474	1 490 214
Total interest expenses	**329 795**	**1 321 134**	**357 103**	**1 675 224**
Net interest income	**421 691**	**1 627 587**	**354 486**	**1 402 494**

The presentation of the net interest income was changed in comparison with the financial statements for the previous reporting periods. The change consists in including additional items in interest income. In these interim condensed consolidated financial statements, the interest income includes all interest elements of financial assets and liabilities, as well as derivative instruments. The change included recognizing as part of interest revenue in the line *Interest result on derivatives* the following elements, among other things: swap points, forward points, as well as interest on CIRS and IRS transactions that are not covered by hedge accounting and that were previously recognized in the income statement under *Net income on instruments measured at fair value through profit or loss and FX result,* sub-line: *Net income on financial assets and liabilities held for trading – net income on derivatives.*

The data for Q4 2009 and the data for the first four quarters of 2009 were made comparable. The change has been described in greater detail in Chapter 4 “Comparability of Financial Data” of these interim condensed consolidated financial statements.

5.2. Net commission income

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
Commission income				
- commission related to brokerage activity	15 933	74 960	21 355	73 906
- commission related to keeping accounts	65 550	267 202	73 031	290 167
- commission related to loans	39 558	154 839	37 912	141 854
- commission related to loans insurance	5 296	25 050	12 733	56 194
- commission related to payment and credit cards	52 999	184 955	42 978	161 908
- commission related to distribution of participation units	23 138	81 348	23 168	63 087
- fiduciary and custodian fees	7 328	28 511	6 768	25 775
- foreign commercial business	3 492	13 043	3 743	14 331
- commission related to subscription of structured products	51	2 448	419	4 924
- the transactional margin on foreign exchange transactions*)	62 769	243 958	45 073	210 490
- commission related to sales of financial products	11 238	21 515	5 353	19 087
- other	916	19 293	3 127	23 351
Total commission income	**288 268**	**1 117 122**	**275 660**	**1 085 074**
Commission expenses	**31 949**	**129 791**	**48 225**	**120 667**
Net commission income	**256 319**	**987 331**	**227 435**	**964 407**

*) The amount of PLN 210,490 thousand recognised in the item *the transactional margin on foreign exchange transactions* for the 4 quarters of 2009 (PLN 45,073 thousand in IV quarter 2009) included the amount of PLN 64,733 thousand (PLN 12,472 thousand in IV quarter) which was transferred from the item *FX result* (from the income statement line: *Net income on instruments measured at fair value through profit or loss and FX result*). The change derived from the movement of the margin on internal payments from the FX-result. Those transactions were previously excluded from the margin calculation but upon the introduction of a new system to record international payments they are included in the calculation. The change was described in detail in these interim condensed consolidated financial statements in Chapter 4: "Comparability of Financial Data”.

5.3. Net income on instruments measured at fair value through profit or loss and FX result

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	4 quarters 2010 the period from 01 Jan 2010 to 31 Dec 2010	IV quarter 2009 the period from 01 Oct 2009 to 31 Dec 2009	4 quarters 2009 the period from 01 Jan 2009 to 31 Dec 2009
Net income on financial assets and liabilities held for trading, of which:	**-201 262**	**-336 299**	**-276 049**	**1 476 001**
- Net income on equity instruments	-28	1 595	-531	6 453
- Net income on debt instruments	4 190	49 957	20 566	58 219
- Net income on derivatives, of which:	-205 424	-387 851	-296 084	1 411 329
- currency derivatives	*-210 133*	*-423 508*	*-357 218*	*1 191 911*
- interest rate derivatives	*2 676*	*30 446*	*57 082*	*211 336*
- securities derivatives	*2 033*	*5 211*	*4 052*	*8 082*
Net income on financial assets and liabilities measured at fair value upon initial recognition, of which:	**-977**	**-3 895**	**-757**	**-2 632**
- Net income on debt instruments	-977	-3 895	-757	-620
- Net income on the measurement of the deposits designated to be measured at their fair value	0	0	0	-2 012
FX-result	**204 047**	**417 697**	**296 327**	**-1 375 388**
Net income on instruments measured at fair value through profit or loss and FX result	**1 808**	**77 503**	**19 521**	**97 981**

The presentation of derivatives measurement was changed in comparison with the financial statements for the previous reporting periods. In these interim condensed consolidated financial statements, the result on derivative instruments has been decomposed into the interest result, FX-result (change in fair value due to the change foreign exchange rates) and the result on measurement (change in fair value due to change of interest rates). The interest element of the derivatives result is currently presented under *Interest income*, whereas the FX-result and the result on measurement are presented under *Net income on instruments measured at fair value through profit or loss and FX result,* respectively under *FX-result* and *Net income on financial assets and liabilities held for trading – net income on derivatives.*

The data for Q4 2009 and the data for the first four quarters of 2009 were made comparable. The change has been described in greater detail in Chapter 4 “Comparability of Financial Data” of these interim condensed consolidated financial statements.

The amount presented in the item *FX result* for IV quarter 2009 and 2009 year-to-date includes the change in presentation described in the note 5.2.

The item *net income on derivatives - currency derivatives* includes a counterparty risk charge related to transactions on FX Options. Net charges in respective periods were presented in table below:

	IV quarter 2010	*4 quarters 2010*	*IV quarter 2009*	*4 quarters 2009*
Counterparty risk net charges related to FX options	***-2 915***	***792***	***-34 916***	***-185 943***

5.4. Net income on investments

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
Net income on equity instruments available for sale	0	206	-56	4 239
Net income on debt instruments available for sale	-5 733	-2 825	-10 729	-5 059
Dividend income	129	4 793	57	4 156
Net income on investments	**-5 604**	**2 174**	**-10 728**	**3 336**

5.5. Net income on hedge accounting

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
Fair value hedge accounting for securities	**17 993**	**-12 177**	**3 332**	**20 342**
- valuation of the hedged transaction	-224 094	114 322	-66 372	-142 355
- valuation of the hedging transaction	242 087	-126 499	69 704	162 697
Cash flow hedge accounting	**-29**	**125**	**-439**	**-277**
- ineffectiveness that arises from cash flow hedges	-29	125	-439	-277
Net income on hedge accounting	**17 964**	**-12 052**	**2 893**	**20 065**

5.6. General and administrative expenses

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
Personnel expenses	258 975	821 869	205 183	717 047
Other	131 052	761 051	144 078	770 709
General and administrative expenses	**390 027**	**1 582 920**	**349 261**	**1 487 756**

5.7. Impairment losses and provisions for off-balance sheet liabilities

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
Impairment losses	92 074	465 810	153 585	603 840
Reversed impairment losses	-30 924	-262 183	-68 824	-299 386
Net impairment losses and provisions for off-balance sheet liabilities	**61 150**	**203 627**	**84 761**	**304 454**

5.8. Loans and receivables to other banks

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Current accounts	375 718	675 726	356 981	565 088
Interbank deposits	685 954	1 078 181	564 712	1 662 848
Other receivables, of which:	119 523	105 416	262 460	1 412 044
- loans and advances	*73 145*	*70 897*	*228 109*	*227 066*
- reverse repo transactions	*0*	*0*	*0*	*1 144 023*
- other receivables	*46 378*	*34 519*	*34 351*	*40 955*
Total (gross)	**1 181 195**	**1 859 323**	**1 184 153**	**3 639 980**
Impairment losses	-90	-96	-50	-41
Total (net)	**1 181 105**	**1 859 227**	**1 184 103**	**3 639 939**

5.9. Financial assets measured at fair value through profit and loss

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Financial assets held for trading, of which:	512 732	2 667 508	7 533 634	11 560 822
- debt instruments	*489 863*	*2 652 374*	*7 531 497*	*11 558 873*
- equity instruments	*22 869*	*15 134*	*2 137*	*1 949*
Financial assets designated as at fair value upon initial recognition, of which:	146 874	1 278 227	734 027	616 872
- debt instruments	*61 222*	*188 309*	*186 468*	*199 792*
- transactions with the buy-back commitment	*85 652*	*1 089 918*	*547 559*	*417 080*
Total	**659 606**	**3 945 735**	**8 267 661**	**12 177 694**

5.10. Investments

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Available-for-sale financial assets, of which:	16 788 801	12 239 940	6 835 875	6 990 808
- debt instruments, including:	*16 740 506*	*12 185 672*	*6 783 023*	*6 939 787*
- hedged items in fair value hedging	*3 221 405*	*3 076 297*	*3 137 714*	*3 157 892*
- equity instruments	*48 295*	*54 268*	*52 852*	*51 021*
Held-to-maturity financial assets, of which:	6 218 011	6 496 473	7 330 406	7 343 676
- debt instruments	*6 218 011*	*6 496 473*	*7 330 406*	*7 343 676*
Total	**23 006 812**	**18 736 413**	**14 166 281**	**14 334 484**

5.11. Loans and receivables to customers

Loans and other receivables to entities from the financial sector other than banks

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Loans and advances, of which:	2 585 001	2 428 506	2 545 597	2 673 448
- in the current account	*434 847*	*408 581*	*381 053*	*414 293*
- term ones	*2 150 154*	*2 019 925*	*2 164 544*	*2 259 155*
Reverse repo transactions	0	90 764	626 732	214 769
Other receivables	83 234	153 744	151 459	138 322
Total (gross)	**2 668 235**	**2 673 014**	**3 323 788**	**3 026 539**
Impairment losses, of which	-1 942	-2 079	-1 863	-2 232
- concerning loans and advances	*-1 942*	*-2 079*	*-1 863*	*-2 232*
Total (net)	**2 666 293**	**2 670 935**	**3 321 925**	**3 024 307**

Loans and other receivables to entities from the non-financial sector

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Loans and advances granted to business entities, of which:	12 963 925	13 091 447	12 042 288	12 409 294
- in the current account	*3 724 286*	*4 036 454*	*3 504 520*	*4 001 944*
- term ones	*9 239 639*	*9 054 993*	*8 537 768*	*8 407 350*
Loans and advances granted to households, of which:	12 630 824	11 646 818	9 822 755	9 336 896
- in the current account	*1 255 844*	*1 354 226*	*1 226 942*	*1 266 140*
- term ones	*11 374 980*	*10 292 592*	*8 595 813*	*8 070 756*
Debt securities	646 560	566 512	306 471	440 518
Other receivables	64 438	25 540	72 738	23 985
Total (gross)	**26 305 747**	**25 330 317**	**22 244 252**	**22 210 693**
Impairment losses, of which:	-1 081 946	-1 037 928	-874 057	-804 922
- concerning loans and advances	*-1 076 767*	*-1 032 747*	*-865 491*	*-796 355*
- concerning other receivables	*-5 179*	*-5 181*	*-8 566*	*-8 567*
Total (net)	**25 223 801**	**24 292 389**	**21 370 195**	**21 405 771**

Loans and other receivables to entities from the government and self-government institutions' sector

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Loans and advances, of which:	2 820 476	2 479 220	2 305 234	1 177 337
- in the current account	*8 416*	*55 976*	*7 450*	*16 829*
- term ones	*2 812 060*	*2 423 244*	*2 297 784*	*1 160 508*
Debt securities, of which:	3 799 874	3 880 231	3 600 794	3 445 443
- hedged items in fair value hedging	*3 268 457*	*3 425 128*	*3 261 868*	*1 728 063*
Other receivables	58	153	0	80
Total (gross)	**6 620 408**	**6 359 604**	**5 906 028**	**4 622 860**
Impairment losses, of which:	-1 503	-2 267	-5 354	-2 966
- concerning loans and advances	*-1 503*	*-2 267*	*-5 354*	*-2 966*
Total (net)	**6 618 905**	**6 357 337**	**5 900 674**	**4 619 894**

Loans and other receivables to customers – total

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Loans and advances	31 000 226	29 645 991	26 715 874	25 596 975
Debt securities	4 446 434	4 446 743	3 907 265	3 885 961
Reverse repo transactions	0	90 764	626 732	214 769
Other receivables	147 730	179 437	224 197	162 387
Loans and other receivables to customers (gross)	**35 594 390**	**34 362 935**	**31 474 068**	**29 860 092**
Impairment losses, of which	-1 085 391	-1 042 274	-881 274	-810 120
- concerning loans and advances	*-1 080 212*	*-1 037 093*	*-872 708*	*-801 553*
- concerning other receivables	*-5 179*	*-5 181*	*-8 566*	*-8 567*
Loans and other receivables to customers (net)	**34 508 999**	**33 320 661**	**30 592 794**	**29 049 972**

5.12. Quality of portfolio of loans and advances

Quality of loans and advances to customers portfolio

	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
Corporate activity				
Exposure	**18 405 410**	**18 031 707**	**16 959 134**	**16 406 690**
- unimpaired (IBNR – incured but not reported)	17 227 793	16 892 521	15 987 175	15 612 117
- impaired, including:	1 177 617	1 139 186	971 959	794 573
- receivables related to transactions on derivatives	*359 323*	*396 911*	*346 101*	*328 568*
Impairment losses and provisions	**785 850**	**765 436**	**668 680**	**613 765**
- related to unimpaired portfolio	62 106	70 263	77 244	96 520
- related to impaired portfolio, including:	712 668	685 950	571 375	502 353
- receivables related to transactions on derivatives	*288 177*	*284 905*	*263 193*	*245 465*
- provisions for off-balance sheet liabilities	11 076	9 223	20 061	14 892
Impaired portfolio coverage ratio	60,5%	60,2%	58,8%	63,2%
Impaired portfolio coverage ratio exclusive of receivables related to transactions on derivatives	51,9%	54,0%	49,2%	55,1%
Retail activity				
Exposure	**12 594 816**	**11 614 284**	**9 756 740**	**9 190 285**
- unimpaired (IBNR – incured but not reported)	12 264 806	11 323 010	9 564 117	9 018 275
- impaired	330 010	291 274	192 623	172 010
Impairment losses	**305 504**	**280 929**	**224 089**	**202 680**
- related to unimpaired portfolio	90 064	92 182	75 889	63 920
- related to impaired portfolio	215 374	188 698	148 200	138 760
- provisions for off-balance sheet liabilities	66	49	0	0
Impaired portfolio coverage ratio	65,3%	64,8%	76,9%	80,7%
Total exposure	**31 000 226**	**29 645 991**	**26 715 874**	**25 596 975**
Impairment losses and total provisions, of which:	**1 091 354**	**1 046 365**	**892 769**	**816 445**
- impairment losses	1 080 212	1 037 093	872 708	801 553
- provisions for off-balance sheet liabilities	11 142	9 272	20 061	14 892
Total portfolio coverage ratio	3,5%	3,5%	3,3%	3,2%
Share of the impaired portfolio	4,9%	4,8%	4,4%	3,8%
Share of the impaired portfolio exclusive of receivables related to transactions on derivatives	3,7%	3,5%	3,1%	2,5%
Impaired portfolio coverage ratio (%) (including transactions on derivatives)	**61,6%**	**61,1%**	**61,8%**	**66,3%**

Changes in impairment losses
(including provisions for off-balance sheet liabilities)

4 quarters 2010 the period from 01 Jan 2010 to 31 Dec 2010	Charges for loans and advances and off-balance sheet exposure	*including charges for loans and advances to other banks*	Charges for receivables related to transactions on derivatives	**TOTAL**
Opening balance of impairment losses	**629 626**	***50***	**263 193**	**892 819**
- changes in income statement	178 360	*40*	25 267	203 627
- depreciation	-10 625	*0*	0	-10 625
- restructuring and forgiveness of the debts related to transactions on derivatives*)	0	*0*	-283	-283
- transfer of provisions from off-balance sheet after their repayment	28 047	*0*	0	28 047
- other (inclusive, but not limited to unwinding interest, FX differences)	-22 141	*0*	0	-22 141
Closing balance of impairment losses	**803 267**	***90***	**288 177**	**1 091 444**

4 quarters 2009 the period from 01 Jan 2009 to 31 Dec 2009	Charges for loans and advances and off-balance sheet exposure	*including charges for loans and advances to other banks*	Charges for receivables related to transactions on derivatives	**TOTAL**
Opening balance of impairment losses	**483 900**	***2 667***	**21 593**	**505 493**
- changes in income statement	189 268	*-2 617*	115 186	304 454
- depreciation	-87 408	*0*	0	-87 408
- restructuring and forgiveness of the debts related to transactions on derivatives*)	0	*0*	126 414	126 414
- transfer of provisions from off-balance sheet after their repayment	51 184	*0*	0	51 184
- other (inclusive, but not limited to unwinding interest, FX differences)	-7 318	*0*	0	-7 318
Closing balance of impairment losses	**629 626**	***50***	**263 193**	**892 819**

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

5.13. Liabilities due to other banks

	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
Current accounts	278 926	191 735	248 720	434 296
Interbank deposits	3 086 280	2 682 192	429 024	3 742 708
Repo transactions	657 776	228 361	3 241 530	2 202 825
Other liabilities	16 129	47 070	54 512	15 216
Total	**4 039 111**	**3 149 358**	**3 973 786**	**6 395 045**

5.14. Financial liabilities measured at fair value through profit and loss

	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
Financial liabilities designated as at fair value upon initial recognition	4 323 698	2 229 080	543 129	3 591 378
Transactions with the buy-back commitment	*4 323 698*	*2 229 080*	*543 129*	*3 591 378*
Book short position in trading securities	357 726	351 374	454 922	109 667
Total	**4 681 424**	**2 580 454**	**998 051**	**3 701 045**

5.15. Liabilities due to customers

Liabilities due to entities from the financial sector other than banks

	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
Deposits	2 540 617	3 177 198	3 306 618	4 171 319
- current accounts	*1 442 475*	*1 615 654*	*1 685 817*	*1 668 558*
- term deposit	*1 098 142*	*1 561 544*	*1 620 801*	*2 502 761*
Repo transactions	0	0	286 511	15 011
Other liabilities	137 319	108 564	92 921	116 470
Total	**2 677 936**	**3 285 762**	**3 686 050**	**4 302 800**

Liabilities due to entities from the non-financial sector

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Business entities' deposits	12 483 581	11 555 013	11 861 687	10 922 826
- current accounts	*9 153 387*	*8 454 817*	*7 815 670*	*8 210 046*
- term deposit	*3 330 194*	*3 100 196*	*4 046 017*	*2 712 780*
Households' deposits	30 117 734	29 558 016	30 039 683	28 963 424
- current accounts	*4 792 359*	*4 257 531*	*4 122 157*	*3 847 597*
- saving accounts and term deposits	*20 496 940*	*25 300 485*	*25 917 526*	*25 115 827*
Other liabilities	424 008	469 236	462 903	606 922
Total	**43 025 323**	**41 582 265**	**42 364 273**	**40 493 172**

Liabilities due to entities from the government and self-government institutions' sector

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Deposits	1 694 915	2 799 240	1 508 176	1 679 349
- current accounts	*1 455 261*	*1 878 332*	*1 303 955*	*1 198 352*
- term deposit	*239 654*	*920 908*	*204 221*	*480 997*
Repo transactions	0	0	25 043	0
Other liabilities	1 895	599	1 131	5 464
Total	**1 696 810**	**2 799 839**	**1 534 350**	**1 684 813**

Liabilities due to customers – total

	end of year 2010 as of 31 Dec 2010	**3 quarters 2010** as of 30 Sep 2010	**end of year 2009** as of 31 Dec 2009	**3 quarters 2009** as of 30 Sep 2009
Deposits	46 836 847	47 089 467	46 716 164	45 736 918
Repo transactions	0	0	311 554	15 011
Other liabilities	563 222	578 399	556 955	728 856
Liabilities due to customers	**47 400 069**	**47 667 866**	**47 584 673**	**46 480 785**

5.16. Provisions

	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
Provision for issues in dispute	20 218	18 179	11 690	11 625
Provision for off-balance sheet liabilities	11 142	9 272	20 061	14 892
Provision for retirement benefits	15 888	14 416	14 410	12 543
Provision for unused holidays	6 256	5 460	5 460	7 993
Provision for employment restructuring	2 340	2 430	3 626	2 655
Total	**55 844**	**49 757**	**55 247**	**49 708**

5.17. Solvency ratio

	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
Own funds components				
Share capital	130 100	130 100	130 100	130 100
Issue premium	956 250	956 250	956 250	956 250
Other supplementary capital	75 055	74 978	74 931	74 931
Capital reserve including retained profit of past years	2 808 602	2 808 584	2 273 276	2 288 305
Net profit of current period in audited part	369 049	369 049	263 524	263 524
Minority equity	2 352	2 384	2 313	2 311
General risk fund	850 179	850 179	790 179	790 179
Revaluation reserve	8 125	31 684	-2 382	-37 785
Funds adjustment by intangibles	-342 213	-325 790	-327 343	-316 369
Funds adjustment by capital commitments in financial institutions	-40 000	-40 000	-40 000	-40 000
Short-term capital	26 506	32 192	65 495	54 819
Total own funds	**4 844 005**	**4 889 610**	**4 186 343**	**4 166 265**
Capital requirements				
Capital requirements for credit risk, credit counterparty, dilution and delivery of instruments for future settlement	2 581 597	2 581 555	2 432 020	2 416 016
Capital requirement for the risk of settlement - delivery	5 064	4 570	2 187	2 187
Capital requirements for the capital securities rate risk, debt instruments rates risk, FX risk and commodity rates risk	1 753	412	15 308	13 675
Capital requirement for operational risk	326 871	326 871	290 789	290 789
Capital requirement for general interest rate risk	19 689	27 210	48 000	38 957
Capital requirement due to exposure concentration limit and large exposures limit overrun	11 998	0	0	0
Total capital requirement	**2 946 972**	**2 940 618**	**2 788 304**	**2 761 624**
Solvency ratio	**13,15%**	**13,30%**	**12,01%**	**12,07%**

6. Significant events in IV quarter 2010.

Concluding a Significant Agreement

On 9 November 2010 ING Bank Śląski S.A. together with a consortium of other banks concluded an agreement with Polska Grupa Energetyczna S.A. concerning the Programme of Bond Issue by the said entity for the period of 3 years up to the maximum amount of PLN 10 billion

Under the Agreement ING Bank Śląski S.A. will hold the function of one of the Lead Arrangers of the Issue Programme, the Issue Agent and the Documentation Agent. Moreover, ING Bank Śląski SA is entitled to enter into rights and obligations of one of the banks being issue guarantors, as a result of which, it may take up bonds, the amount of which may exceed 10% of the Bank's equity but no more than PLN 1.5 billion.

The criterion for considering the agreement as a significant one is the amount of bonds that may be taken up by the Bank and which may exceed 10% of the Bank's equity. The Counterparty is not related to ING Bank Śląski S.A.

Partial judgment of the District Court in Katowice dismissing a claim on the annulment of the resolutions of the Ordinary General Meeting.

On 30 November 2010 the Management Board of ING Bank Śląski received a partial judgement of the District Court in Katowice dated 06 October 2010 dismissing a claim of Związek Zawodowy Górników w Polsce (Polish Miners Trade Union) and Związek Zawodowy "Kadra" Pracowników Katowickiego Holdingu Węglowego SA ("Kadra" Trade Union of Katowicki Holding Węglowy SA Employees), on the annulment of the resolutions of the Ordinary General Meeting of ING Bank Śląski SA of 08 April 2010:

- Resolution no. 01 on approving the annual financial statements of ING Bank Śląski S.A. for the period started 1 January 2009 and ended 31 December 2009,
- Resolution no. 05 on acknowledgement of fulfilment of duties to the President of the ING Bank Śląski S.A. Management Board – Mr. Brunon Bartkiewicz for the period started 1 January 2009 and ended 31 December 2009,
- Resolution no. 10 on acknowledgement of fulfilment of duties to the President of the ING Bank Śląski S.A. Management Board – Ms. Małgorzata Kołakowska for the period started 1 January 2009 and ended 31 December 2009, acting as the President of the Management Board on the day of drawing up the financial statements of ING Bank Śląski S.A. for 2009,
- Resolution no. 21 on approving the distribution of profit for the year 2009, as a consequence of an appeal against the Resolution no. 1.

The judgment is not final and binding.

Concluding significant agreement

On 17 December 2010 ING Bank Śląski S.A. issued a payment guarantee to Polskie Górnictwo Naftowe i Gazownictwo S.A. (Polish Oil and Gas Company) concerning payment under delivery contract up to the maximum amount of USD 142 million valid until February 2012. The total amount of all agreements concluded by the said company and the Bank during the last 12 months is PLN 1,017,775,000.00. The criterion for considering the agreement as a significant one is the amount of exposure which exceeds 10% of the Bank's equity.

The Extraordinary General Meeting of ING Bank Śląski S.A.

On 23 December 2010 the Extraordinary General Meeting of ING Bank Śląski was held during which the resolution on amendments to the Charter of ING Bank Śląski S.A. was passed.

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

The macroeconomic factors that may impact the results in subsequent quarters include:

- economic growth rate in Poland (according to forecasts developed at ING Bank Śląski S.A., the GDP growth in 2010 will be 4.4%),
- relatively low demand of enterprises for loans as a result of reducing investments (visible investment growth is only possible when there are no more fears that the global recession will return),
- smaller demand for loans among local governments,
- deterioration of the situation in the labour market (unemployment rate increased from 11.9% at the end of 2009 to 12.3% at the end of December 2010); however, during the last few quarters an increase in the employment rate has been observed and the salary growth rate is regularly above the inflation level),
- increase of inflation on a year-to-year basis from 2.5% at the end of September 2010 to 3.1% at the end of December 2010 caused mainly by the prices of fuel and food. In 2011, the net core inflation net is expected to increase along with the domestic demand,
- possibility of further raises of the key interest rates in Poland (the Monetary Policy Council raised the key interest rates in January 2011 by 0.25bp),
- the existing trends within the area of real estate prices should continue.

8. Significant developments after the closing of the interim period

None.

9. Off-balance sheet items

(in PLN thousands)	end of year 2010 as of 31.12.2010	3 quarters 2010 as of 30.09.2010	end of year 2009 as of 31.12.2009	3 quarters 2009 as of 30.09.2009
Contingent liabilities granted	14 545 891	14 806 104	14 096 603	13 613 979
Contingent liabilities received	17 153 553	15 992 438	12 483 266	13 771 144
Off-balance sheet financial instruments	131 521 156	203 164 097	119 086 563	139 796 995
Total off-balance sheet items	**163 220 600**	**233 962 639**	**145 666 432**	**167 182 118**

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

None.

11. Dividends paid

The Bank Management Board recommends paying out dividend for the year 2010 amounting to PLN 15 per 1 share that is PLN 195,150,000.

The General Meeting held on 8 April 2010 refrained from adopting the dividend payout for the year 2009 and approved allocation of the entire 2009 net profit of the Group parent entity towards own funds.

12. Settlements due to disputable cases

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

Changes to the litigation reserves (in PLN thousands)

	4 quarters 2010 period from 01.01.2010 to 31.12.2010	4 quarters 2009 period from 01.01.2009 to 31.12.2009
Status at the period beginning:	**11 690**	**16 722**
Establishment of provisions as costs	14 693	3 025
Release of provisions as income	-5 389	-2 947
Utilisation of provision due to dispute loss or settlement	-776	-5 110
Status as at the period end	**20 218**	**11 690**

Either in 12 months of 2010 or 12 months of 2009, no proceedings concerning liabilities or debts whose total value would amount to 10% of the Bank's equity were initiated before courts or administrative bodies against the Capital Group of ING Bank Śląski.

13. Seasonality or cyclicity of activity

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

14. Transactions with related entities

Subsidiaries and Related Entities of ING Bank Śląski:

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

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

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

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

In the period 1.01.2010 – 31.12.2010 the following transactions were made of the total value exceeding EURO 500.000:

- in connection with execution of the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV the remuneration for the services provided as to financial consulting in 12 months of 2010 amounted to PLN 52.9 million versus PLN 43.3 million in the analogical period of the previous year (net amounts). Following the implementation of the agreement for provision of data processing and financial information analysis services, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the fee for data processing and financial information analysis services used by ING Bank Śląski amounted to PLN 12.3 million versus PLN 12.6 million in the analogical period of the previous year (net amounts).

- ING Services Polska provides services to ING Bank Śląski with regard to lease of hardware resources. The costs of service were PLN 35.1 million versus PLN 27.7 million in the analogical period of the previous year (gross amounts).
- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 16.8 million versus PLN 18.4 million in the analogical period of the previous year (gross amounts).
- ING Bank Śląski co-operates with ING Car Lease as to leasing of cars and management of car fleet. The derivative amount of payment was PLN 16.6 million in 12 months of 2010 versus PLN 13.4 million in the analogical period of the previous year (gross amounts).

Transactions with related entities (in PLN thousands)

31.12.2010

	ING Bank NV	Other ING Group entities	Subsidiary undertakings*	Associated undertakings*
Receivables				
Deposits placed	677 292	-	-	-
Nostro accounts	45 578	3 968	-	-
Loans	-	1 746 285	362 218	-
Securities	-	-	20 007	-
Other receivables	44 984	3 216	160	-
Liabilities				
Deposits received	2 778 947	316 719	364 123	75 566
Loro accounts	15 360	3 510	-	-
Repo	657 776	-	-	-
Other liabilities	13 540	40	1 127	-
Off-balance-sheet operations				
Contingent liabilities	205 998	844 804	458 073	15
FX transactions	2 808 232	557 681	-	-
Forward transactions	35 212	130 450	-	-
IRS	48 029 776	6 359 734	-	-
FRA	474 910	-	-	-
Options	244 452	911 516	-	-
Revenue and costs**				
Revenue	-55 555	60 452	-6 058	-4 783
Costs	65 955	41 342	2 683	-

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

31.12.2009

	ING Bank NV	Other ING Group entities	Subsidiary undertakings*	Associated undertakings*
Receivables				
Deposits placed	564 712	2	-	-
Nostro accounts	44 866	-	-	-
Loans	-	1 491 241	319 498	-
Securities	-	-	20 007	-
Other receivables	8 251	1 392	11	-
Liabilities				
Deposits received	331 321	784 219	267 539	23 236
Loro accounts	14 992	300 417	-	-
Repo	3 241 530	-	-	-
Other liabilities	10 515	170	1 013	-
Off-balance-sheet operations				
Contingent liabilities	47 882	1 083 691	160 774	-
FX transactions	9 641 495	3 894 773	-	-
Forward transactions	1 439 112	537 181	-	-
IRS	15 575 585	5 158 435	-	-
Options	812 007	2 673 739	-	-
Revenue and costs**				
Revenue	-9 370	95 824	-1 825	-1 210
Costs	57 817	64 289	570	-

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

15. Segmentation of revenue and financial results of the Group

Segments of operation

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

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

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

Retail customers segment

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

Corporate customers segment

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

Own operating

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

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

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

Measurement

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

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

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

In Q4 2010, there was no change to the segment definition or the classification of revenues and costs within the individual segments.

Geographical segments

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

PLN thousand	period from 01.01.2010 to 31.12.2010					
	Retail customers segment	Corporate customers segment	Own operating		Nonallocated items	Total
			Treasury & ALM	ALCO		
Revenue total*	**1 345 112**	**852 198**	**277 300**	**257 075**	**0**	**2 731 685**
Net interest income	779 300	451 129	253 653	143 505	0	1 627 587
external	*-20 020*	*734 430*	*253 685*	*659 492*	*0*	*1 627 587*
internal	*799 320*	*-283 301*	*-32*	*-515 987*	*0*	*0*
Net commission income, of which:	519 299	483 922	-4 597	-11 293	0	987 331
income	*603 917*	*529 095*	*-4 597*	*-11 293*	*0*	*1 117 122*
expenses	*-84 618*	*-45 173*	*0*	*0*	*0*	*-129 791*
Other income/expenses	5 281	-82 853	28 244	124 863	0	75 535
Share in net profit (loss) of associated entities recognised under the equity method	41 232	0	0	0	0	41 232
Expenses total	**1 021 114**	**507 517**	**65 278**	**0**	**0**	**1 593 909**
Operational expenses, including:	1 021 114	507 517	65 278	0	0	1 593 909
personnel expenses	*503 566*	*261 283*	*57 020*	*0*	*0*	*821 869*
depreciation	*90 075*	*25 253*	*5 657*	*0*	*0*	*120 985*
other	*427 473*	*220 981*	*2 601*	*0*	*0*	*651 055*
Result before risk	**323 998**	**344 681**	**212 022**	**257 075**	**0**	**1 137 776**
Risk cost	81 129	122 498	0	0	0	203 627
Result after risk cost	**242 869**	**222 183**	**212 022**	**257 075**	**0**	**934 149**
CIT	0	0	0	0	181 010	181 010
Result after tax	**242 869**	**222 183**	**212 022**	**257 075**	**181 010**	**753 139**
- attributable to owners of the parent	**242 869**	**222 183**	**212 022**	**257 075**	**181 049**	**753 100**
- attributable to non-controlling interests	0	0	0	0	39	39

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

PLN thousand	period from 01.01.2009 to 31.12.2009					
	Retail customers segment	Corporate customers segment	Own operating		Nonallocated items	TOTAL
			Treasury & ALM	ALCO		
Revenue total*	**1 213 732**	**600 620**	**469 575**	**248 357**	**0**	**2 532 284**
Net interest income	589 070	375 080	279 432	158 912	0	1 402 494
external	*-401 801*	*653 448*	*287 302*	*863 545*	*0*	*1 402 494*
internal	*990 871*	*-278 368*	*-7 870*	*-704 633*	*0*	*0*
Net commission income, of which:	517 059	382 572	-5 870	70 646	0	964 407
income	*591 489*	*428 809*	*-5 870*	*70 646*	*0*	*1 085 074*
expenses	*-74 430*	*-46 237*	*0*	*0*	*0*	*-120 667*
Other income/expenses	55 521	-157 032	196 013	18 799	0	113 301
Share in net profit (loss) of associated entities recognised under the equity method	52 082	0	0	0	0	52 082
Expenses total	**962 942**	**478 060**	**48 485**	**0**	**0**	**1 489 487**
Operational expenses, including:	962 942	478 060	48 485	0	0	1 489 487
personnel expenses	*438 726*	*232 407*	*45 914*	*0*	*0*	*717 047*
depreciation	*94 416*	*24 215*	*5 278*	*0*	*0*	*123 909*
other	*429 800*	*221 438*	*-2 707*	*0*	*0*	*648 531*
Result before risk	**250 790**	**122 560**	**421 090**	**248 357**	**0**	**1 042 797**
Risk cost	63 863	240 591	0	0	0	304 454
Result after risk cost	**186 927**	**-118 031**	**421 090**	**248 357**	**0**	**738 343**
CIT	0	0	0	0	143 277	143 277
Result after tax	**186 927**	**-118 031**	**421 090**	**248 357**	**143 277**	**595 066**
- attributable to owners of the parent	**186 927**	**-118 031**	**421 090**	**248 357**	**143 291**	**595 052**
- attributable to non-controlling interests	0	0	0	0	14	14

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

16. Other informations

Key effectiveness ratios

	31.12.2010	31.12.2009	Change 31.12.2010 / 31.12.2009
Profitability ratio (%)	28.7	20.5	8.2 b.p.
Return on assets (%)	1.2	0.9	0.3 b.p.
Return on equity (%)	14.2	13.1	1.1 b.p.
Cost/Income ratio (%)	58.3	58.8	-0.5 b.p.
Solvency ratio (%)	13. 15	12.01	1.14 b.p.

Profitability ratio – gross profit to total costs.
Return on assets (ROA) – net profit attributable to owners of the parent for 4 subsequent quarters to average assets for 5 subsequent quarters.
Return on equity (ROE) - net profit attributable to owners of the parent for 4 subsequent quarters to average equity for 5 subsequent quarters.
Cost to Income ratio (C/I) – total costs to income from operating activity per type.
Solvency ratio – equity to risk weighted assets and off-balance sheet liabilities.

Ratings

Fitch Ratings Ltd.

The Fitch Ratings Ltd. Agency assigns full rating to ING Bank Śląski S.A. under the agreement between the bank and the Agency. As at 31.12.2010, the Bank had the rating of financial credibility, issued by the agency:

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

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

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

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. As at 31.12.2010, the Bank had the rating of financial credibility, issued by the agency:

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

<u>Headcount</u>

The headcount in the Capital Group was as follows:

	31.12.2010	30.09.2010	30.06.2010	31.03.2010	31.12.2009
Individuals	8 472	8 525	8 438	8 327	8 291
FTEs	8 332.3	8 391.0	8 295.3	8 183.4	8 146.6

The headcount in the ING Bank Śląski S.A. was as follows:

	31.12.2010	30.09.2010	30.06.2010	31.03.2010	31.12.2009
Individuals	8 224	8 284	8 199	8 085	8 053
FTEs	8 092.3	8 158.5	8 066.4	7 951.7	7 918.8

<u>Number of Branches and ATMs</u>

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

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

	31.12.2010	30.09.2010	30.06.2010	31.03.2010	31.12.2009
Number of outlets	443	441	442	441	441

As at the end of December 2010, the Bank had a network of 775 ATMs compared with 762 ATMs as at the end of September 2010 and 737 ATMs in the analogical period in 2009.

As at the end of December 2010, the Bank also had a network of 442 cash deposit machines, compared with 418 cash deposit machines as at the end of September 2010 and 372 cash deposit machines in the analogical period in 2009.

Electronic distribution channels

Development of electronic distribution channels is one of the Bank's priorities. A regular update of this offer results in an increase of the number of Clients interested in e-banking. The figures for electronic banking clients[1] are as follows:

	31.12.2010	30.09.2010	30.06.2010	31.03.2010	31.12.2009
ING BankOnLine, ING OnLine, ING BusinessOnLine and MultiCash	1 879 525	1 802 126	1 713 940	1 634 606	1 559 504
HaloŚląski	1 072 099	1 005 347	930 097	860 521	786 008
SMS	782 079	742 474	697 476	657 222	619 664

The monthly number of transactions in December 2010 was at the level of 13.1 million, whereas in the analogical period in 2009 it was 10.3 million.

Banking cards

ING Bank Śląski S.A. is one of the largest issuers of banking cards in Poland. The data concerning the number of payment cards issued to ING Bank Śląski S.A. clients are as follows:

(in thousands)	31.12.2010	30.09.2010	30.06.2010	31.03.2010	31.12.2009
Payment cards	2 267	2 226	2 166	2 122	2 082

Out of all cards issued to clients as at the end of December 2010, 231.1 thousand were credit cards[2] (237.0 thousand as at the end of September 2010 and 254.0 thousand in the same period a year earlier). The newest types of cards were very popular among clients. As at the end of December 2010, 202.9 thousand PayPass cards (176.6 thousand as at the end of September 2010) and 19.1 thousand Virtual c@rds (15.8 thousand as at the end of September 2010) were issued to clients.

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

17. Selected financial data from financial statements

	PLN thousand		EUR thousand	
	4 quarters 2010 period from 01.01.2010 to 31.12.2010	**4 quarters 2009** period from 01.01.2009 to 31.12.2009	**4 quarters 2010** period from 01.01.2010 to 31.12.2010	**4 quarters 2009** period from 01.01.2009 to 31.12.2009
Interest income	2 948 721	3 077 718	736 370	709 054
Commission income	1 117 122	1 085 074	278 974	249 982
Result on basic activities	2 690 453	2 480 202	671 874	571 396
Result before tax	934 149	738 343	233 281	170 102
Net profit attributable to owners of the parent	753 100	595 052	188 068	137 090
Net profit attributable to non-controlling interests	39	14	10	3
Net cash flows	71 790	-1 086 063	17 928	-250 210
Earnings per ordinary share (PLN / EUR)	57.89	45.74	14.46	10.54

	PLN thousand		EUR thousand	
	4 quarters 2010 as of 31.12.2010	**4 quarters 2009** as of 31.12.2009	**4 quarters 2010** as of 31.12.2010	**4 quarters 2009** as of 31.12.2009
Total assets	64 517 528	59 883 456	16 291 071	14 576 568
Equity attributable to owners of the parent	5 650 753	4 884 398	1 426 850	1 188 939
Share capital	130 100	130 100	32 851	31 668
Non-controlling interests	2 352	2 313	594	563
Number of shares (per item)	13 010 000	13 010 000	-	-
Book value per share (PLN / EUR)	434.34	375.43	109.67	91.39
Solvency ratio (%)	13.15%	12.01%	-	-

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

- for statement of financial positions items – PLN 3.9603, NBP exchange rate of 31 December 2010; PLN 4.1082 NBP exchange rate of 31 December 2009,
- for income statement items and cash flow statement items for the period of 12 months ending on 31 December 2010 - PLN 4.0044 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 2010; PLN 4.3406 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 2009.

III. Interim condensed standalone financial statement of the Bank

INTERIM CONDENSED STANDALONE INCOME STATEMENT (PLN '000)

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	**4 quarters 2010** the period from 01 Jan 2010 to 31 Dec 2010	**IV quarter 2009** the period from 01 Oct 2009 to 31 Dec 2009	**4 quarters 2009** the period from 01 Jan 2009 to 31 Dec 2009
- Interest income	*747 451*	*2 931 357*	*707 262*	*3 061 971*
- Interest expenses	*332 557*	*1 330 820*	*359 553*	*1 683 679*
Net interest income	**414 894**	**1 600 537**	**347 709**	**1 378 292**
- Commission income	*271 564*	*1 039 653*	*262 517*	*1 018 221*
- Commission expenses	*26 511*	*107 758*	*42 093*	*99 228*
Net commission income	**245 053**	**931 895**	**220 424**	**918 993**
- Net income on instruments measured at fair value through profit or loss and FX result	1 095	75 403	10 170	84 147
- Net income on investments	-5 726	28 309	-10 779	77 485
- Net income on hedge accounting	17 964	-12 052	2 893	20 065
- Net income on other basic activities	-10 157	-1 439	-23 822	-10 079
Result on basic activities	**663 123**	**2 622 653**	**546 595**	**2 468 903**
- General and administrative expenses	377 727	1 533 064	338 206	1 444 492
- Result on other operating income and expenses	-2 510	-10 915	-1 740	-1 650
- Impairment losses and provisions for off-balance sheet liabilities	60 132	201 669	86 147	304 938
Profit (loss) before tax	**222 754**	**877 005**	**120 502**	**717 823**
Income tax	48 051	174 690	26 677	135 672
Net result for the current period	**174 703**	**702 315**	**93 825**	**582 151**

Net profit (loss)	**174 703**	**702 315**	**93 825**	**582 151**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**13,43**	**53,98**	**7,21**	**44,75**

Diluted earnings per share agrees with earnings per ordinary share

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

	IV quarter 2010 the period from 01 Oct 2010 to 31 Dec 2010	4 quarters 2010 the period from 01 Jan 2010 to 31 Dec 2010	IV quarter 2009 the period from 01 Oct 2009 to 31 Dec 2009	4 quarters 2009 the period from 01 Jan 2009 to 31 Dec 2009
Net result for the period	**174 703**	**702 315**	**93 825**	**582 151**
Other comprehensive income, of which:				
- Gains/losses on remeasurement of available-for-sale financial assets charged to equity	-39 308	8 010	26 685	96 364
including deferred tax	*9 491*	*-1 951*	*-6 272*	*-22 692*
- Reclassification to the financial result as a result of sale of available-for-sale financial assets	4 644	2 288	8 739	794
including deferred tax	*-1 089*	*-537*	*-2 050*	*-186*
- Amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-184	-851	-256	2 440
including deferred tax	*43*	*200*	*60*	*-572*
- Remeasurement of property, plant and equipment	3 227	3 681	-2 547	-2 547
including deferred tax	*-757*	*-864*	*598*	*598*
- Effective part of cash flow hedging instruments revaluation	-33 696	1 399	-12 873	-46 549
including deferred tax	*7 903*	*-329*	*3 020*	*10 919*
- Other	-12	583	0	26
including deferred tax	*25*	*30*	*0*	*10*
Total other comprehensive income	**-65 329**	**15 110**	**19 748**	**50 528**
Total comprehensive income for the period	**109 374**	**717 425**	**113 573**	**632 679**

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

	end of year 2010 as of 31 Dec 2010	3 quarters 2010 as of 30 Sep 2010	end of year 2009 as of 31 Dec 2009	3 quarters 2009 as of 30 Sep 2009
ASSETS				
- Cash in hand and balances with the Central Bank	2 394 179	1 265 083	2 656 581	1 685 961
- Loans and receivables to other banks	1 521 478	2 226 649	1 494 053	3 924 552
- Financial assets measured at fair value through profit and loss	636 737	3 930 601	8 265 524	12 176 656
- Valuation of derivatives	1 158 897	1 527 884	1 566 652	1 953 334
- Investments	23 005 928	18 736 171	14 166 032	14 334 332
- available-for-sale	*16 787 917*	*12 239 698*	*6 835 626*	*6 990 656*
- held-to-maturity	*6 218 011*	*6 496 473*	*7 330 406*	*7 343 676*
- Derivative hedge instruments	104 796	86 065	90 444	64 605
- Loans and receivables to customers	33 959 314	32 718 520	29 976 639	28 516 811
- Investments in controlled entities recognised under the equity method	451 716	451 716	313 164	310 569
- Investment real estates	0	0	129 667	151 458
- Property, plant and equipment	530 715	507 098	534 712	526 945
- Intangible assets	340 870	324 457	325 746	315 113
- Property, plant and equipment held for sale	3 081	1 924	224	224
- Deferred tax assets	163 499	74 947	84 850	32 771
- Other assets	157 197	210 622	147 200	206 046
Total assets	**64 428 407**	**62 061 737**	**59 751 488**	**64 199 377**
EQUITY AND LIABILITIES				
LIABILITIES				
- Liabilities due to other banks	4 151 081	3 205 836	3 951 088	6 436 268
- Financial liabilities measured at fair value through profit and loss	4 681 424	2 580 454	998 051	3 701 045
- Valuation of derivatives	1 292 661	1 202 195	1 193 944	1 341 038
- Derivative hedge instruments	600 455	775 966	482 563	493 729
- Liabilities due to customers	47 430 828	47 729 539	47 657 073	46 537 947
- Provisions	54 390	48 564	54 060	48 434
- Current income tax liabilities	138 347	59 445	156 119	100 336
- Other liabilities	641 088	1 132 643	543 116	939 497
Total liabilities	**58 990 274**	**56 734 642**	**55 036 014**	**59 598 294**
EQUITY				
- Share capital	130 100	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value	956 250	956 250	956 250	956 250
- Revaluation reserve from measurement of available-for-sale financial assets	8 064	42 912	-1 383	-36 551
- Revaluation reserve from measurement of property, plant and equipment	35 654	32 534	33 426	35 973
- Revaluation reserve from measurement of cash flow hedging instruments	431	34 127	-968	11 905
- Revaluation of share-based payment	21 080	19 416	15 846	15 028
- Retained earnings	4 286 554	4 111 756	3 582 203	3 488 378
Total equity	**5 438 133**	**5 327 095**	**4 715 474**	**4 601 083**
Total equity and liabilities	**64 428 407**	**62 061 737**	**59 751 488**	**64 199 377**

Solvency ratio	**12,20%**	**12,36%**	**11,24%**	**11,21%**

Net book value	**5 438 133**	**5 327 095**	**4 715 474**	**4 601 083**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (PLN)	**418,00**	**409,46**	**362,45**	**353,66**

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

year 2010
the period from 01 Jan 2010 to 31 Dec 2010

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Total equity
Opening balance of equity	**130 100**	**956 250**	**-1 383**	**33 426**	**-968**	**15 846**	**3 582 203**	**4 715 474**
Net result for the current period	-	-	-	-	-	-	702 315	**702 315**
Other comprehensive income, of which:	**0**	**0**	**9 447**	**2 228**	**1 399**	**0**	**2 036**	**15 110**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*8 010*	-	-	-	-	*8 010*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*2 288*	-	-	-	-	*2 288*
- amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	*-851*	-	-	-	-	*-851*
- remeasurement of property, plant and equipment	-	-	-	*3 681*	-	-	-	*3 681*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*1 399*	-	-	*1 399*
- other	-	-	-	*-1 453*	-	-	*2 036*	*583*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**5 234**	**0**	**5 234**
- revaluation of share-based payment	-	-	-	-	-	5 234	-	*5 234*
Closing balance of equity	**130 100**	**956 250**	**8 064**	**35 654**	**431**	**21 080**	**4 286 554**	**5 438 133**

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

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Total equity
Opening balance of equity	**130 100**	**956 250**	**-100 981**	**36 018**	**45 581**	**0**	**2 999 981**	**4 066 949**
Net result for the current period	-	-	-	-	-	-	582 151	**582 151**
Other comprehensive income, of which:	**0**	**0**	**99 598**	**-2 592**	**-46 549**	**0**	**71**	**50 528**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*96 364*	-	-	-	-	*96 364*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*794*	-	-	-	-	*794*
- amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	*2 440*	-	-	-	-	*2 440*
- remeasurement of property, plant and equipment	-	-	-	*-2 547*	-	-	-	*-2 547*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*-46 549*	-	-	*-46 549*
- other	-	-	-	*-45*	-	-	*71*	*26*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**15 846**	**0**	**15 846**
- revaluation of share-based payment	-	-	-	-	-	*15 846*	-	*15 846*
Closing balance of equity	**130 100**	**956 250**	**-1 383**	**33 426**	**-968**	**15 846**	**3 582 203**	**4 715 474**

INTERIM CONDENSED STANDALONE CASH FLOW STATEMENT (PLN '000)

	4 quarters 2010 the period from 01 Jan 2010 to 31 Dec 2010	4 quarters 2009 the period from 01 Jan 2009 to 31 Dec 2009
OPERATING ACTIVITIES		
Net profit (loss)	**702 315**	**582 151**
Adjustments	**-2 032 114**	**-1 912 748**
- Depreciation and amortisation	119 280	122 022
- Interest accrued (from the profit and loss account)	1 600 537	1 378 292
- Interest paid	1 391 597	1 669 231
- Interest received	-3 268 723	-3 145 420
- Dividends received	-30 928	-78 451
- Gains (losses) on investment activities	89	1 257
- Income tax (from the profit and loss account)	174 690	135 672
- Income tax paid	-271 111	-57 260
- Change in provisions	330	4 756
- Change in loans and other receivables to other banks	288 514	4 140 481
- Change in financial assets at fair value through profit or loss	7 584 243	2 189 443
- Change in available-for-sale financial assets	-9 918 418	3 924 917
- Change in valuation of derivatives	506 472	-114 581
- Change in derivative hedge instruments	104 939	122 526
- Change in loans and other receivables to customers	-3 982 567	-4 718 065
- Change in other assets	-32 960	-28 094
- Change in liabilities due to other banks	201 697	-8 069 781
- Change in liabilities at fair value through profit or loss	3 683 373	172 991
- Change in liabilities due to customers	-288 726	530 877
- Change in other liabilities	105 558	-93 561
Net cash flow from operating activities	**-1 329 799**	**-1 330 597**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-85 417	-84 419
- Disposal of property, plant and equipment	1 204	219
- Purchase of intangible assets	-65 887	-57 457
- Purchase of investments in subordinated entities	0	-102 595
- Disposal of fixed assets held for sale	132	56
- Redemption of held-to-maturity financial assets	1 145 000	50 000
- Interest received from held-to-maturity financial assets	363 327	366 327
- Dividends received	30 928	78 451
Net cash flow from investment activities	**1 389 287**	**250 582**
Effect of exchange rate changes on cash and cash equivalents	***-36 305***	***41 136***
Net increase/decrease in cash and cash equivalents	**59 488**	**-1 080 015**
Opening balance of cash and cash equivalents	**3 018 259**	**4 098 274**
Closing balance of cash and cash equivalents	**3 077 747**	**3 018 259**

1. Introduction

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

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

The comparative data cover the period from 1 January 2009 to 31 December 2009 for the interim condensed standalone income statement; the interim condensed standalone statement of comprehensive income; the interim condensed standalone cash flow statement; and the interim condensed standalone statement of changes in equity; and in the case of the interim condensed standalone statement of financial position data as of 31 December 2009. Interim condensed standalone income statements end interim condensed standalone statement of comprehensive income include data for the Q4 2010 (period from 01 October 2010 to 31 December 2010) as well as comparative data for the Q4 2009 (period from 01 October 2009 to 31 December 2009).

Presented interim condensed standalone financial statements for the IV quarter 2010 meet the requirements of International Financial Reporting Standards (IFRS), including IAS 34 (International Accounting Standards) with regard to interim financial statements. These interim condensed financial statements have been prepared in PLN rounded to one thousand zlotys (unless otherwise noted).

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

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

These interim condensed standalone financial statements have been approved by the Bank Management Board on 15 February 2011.

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

No operations were discontinued during the four quarters of 2009 and 2010.

2. Material accounting principles (policy)

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

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

Investment in subsidiaries and associates

Subsidiaries

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

Associates

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

Recognition and valuation

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

3. Accounting estimates

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

4. Comparability of financial data

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

5. Material events in IV quarter 2010

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

6. Seasonality or cyclicity of activity

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

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

None.

8. Dividends paid

The Bank Management Board recommends paying out dividend for the year 2010 amounting to PLN 15 per 1 share that is PLN 195,150,000.

The General Meeting held on 8 April 2010 refrained from adopting the dividend payout for the year 2009 and approved allocation of the entire 2009 net profit of the Group parent entity towards own funds.

9. Acquisitions

In Q4 2010, the ING Bank Śląski did not make any acquisitions, as in Q4 2009.

10. Off-balance sheet items

(pln '000)	**end of year 2010** as of 31.12.2010	**3 quarters 2010** as of 30.09.2010	**end of year 2009** as of 31.12.2009	**3 quarters 2009** as of 30.09.2009
Contingent liabilities granted	14 984 028	15 227 567	14 257 243	13 766 995
Contingent liabilities received	17 153 553	15 992 438	12 483 266	13 771 144
Off-balance sheet financial instruments	131 521 156	203 164 097	119 086 563	139 796 995
Total off-balance sheet items	**163 658 737**	**234 384 102**	**145 827 072**	**167 335 134**

11. Events after the balance sheet date

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

12. Transactions with related entities

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