



## **Report of the Supervisory Board** **on their operations and self-assessment of the Supervisory Board for the year 2010.**

In the opinion of the Supervisory Board, 2010 was yet another year of good co-operation between the Supervisory Board and the Management Board, both at regular meetings and throughout the year. All issues important for functioning of the Bank were discussed at the Supervisory Board meetings, the main ones being: financial results, risk management, reports and audit plans and human resources management.

### **General Issues**

The Supervisory Board met five times during the year 2010, adopted 50 resolutions in total, including 9 adopted by circulation. The majority of Members attended all of the meetings. Attendance at the meetings of the Supervisory Board Committees i.e. Audit Committee and Remuneration & Nomination Committee remained at a high level, as well. Both, Audit Committee and Nomination & Remuneration Committee met 4 times in 2010.

### **Agenda of the Supervisory Board Meetings**

During the first meeting the Supervisory Board discussed the financial results of the Bank for 4Q 2009, approved MTP, as well as financial reports including the opinion of external auditor – Ernst & Young. The date and agenda of the General Meeting were specified and drafts of resolutions of the General Meeting were accepted. The Supervisory Board also approved the Report on observance of the “Best Practices in Public Companies” at the Bank.

Beginning of the year was a time of changes in the composition of the Supervisory Board. On 13 January 2010 Professor Jerzy Hausner, due to his appointment to the Monetary Policy Council, resigned from the function of the Supervisory Board Member. On 5 February 2010, Mr. Tom Kliphuis handed in to the Chair of the Supervisory Board a resignation as Supervisory Board Member. The resignation of Mr. Tom Kliphuis who at that time was the CEO for ING Insurance Central Europe responsible for life insurance and pension funds in Central Europe was dictated by planned organisational changes in ING Group (split between Bank and Insurance) and his duties related thereto.

On 23 February 2010, the Polish Financial Supervision Authority consented to appoint Ms. Małgorzata Kołakowska the President of the Bank Management Board. In light of the above, the Resolution of the Supervisory Board of 8 December 2009 in the abovementioned matter entered into force.

On 8 April 2010, the General Meeting appointed new Members of the Supervisory Board – Messrs. Brunon Bartkiewicz and César González-Bueno. On that day, the Supervisory Board meeting was held as well. At this meeting, the Supervisory Board appointed the Management Board of ING Bank Śląski for the next five-year term of office.



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In June 2009 the Supervisory Board discussed financial results for the first quarter of 2010 and acknowledged the Management Letter. The Supervisory Board approved the bonus tasks for the Management Board Members for 2010 (bonus tasks were also discussed at the previous meetings.) The Supervisory Board gave consent for introducing amendments to the main body of the Bank's Organisational Bylaw.

During the meeting held in September the Supervisory Board became acquainted with the financial results for 1H 2010, including the presentation on competitive position of the Bank vis-à-vis its peer group. Further to the Management Board's motion, the Supervisory Board gave consent for concluding a significant agreement and approved updated documentation on "Internal Capital Adequacy Assessment Process in ING Bank Śląski". The Supervisory Board passed the Resolution on updated corporate governance rules as set out in the "Best Practice of WSE-Listed Companies. Moreover, the Supervisory Board Members familiarized themselves with the information regarding civil liability insurance coverage for the Bank's authorities.

In December, the financial results for 3Q 2010 were reviewed. Assumptions to MTP and plan of work of the Supervisory Board and Committees for the following year were discussed. Also, policies from the area of Operational Risk Management, Compliance & Anti-Fraud were approved. The Supervisory Board acknowledged the information on Polish Financial Supervision Authority's inspection conducted at the Bank in September 2010.

On 23 December 2010 Extraordinary General Meeting was convened in order to implementing changes to the Charter of ING Bank Śląski. The Supervisory Board approved all required documentation for the Extraordinary General Meeting by circulation in November.

Supporting positive opinions of the Audit Committee throughout the year, the Supervisory Board approved the following documents of the Internal Audit Department: audit plan and semi-annual reports on the Department activities. Risk Report including Bank-Wide Credit and Market Risk Sensitivity Analysis / Stress Tests was also a regular item on the agenda.

### **Agenda of the Audit Committee Meetings**

At the first meeting held in 2010, the Audit Committee focused their attention on the Annual Report – Financial Report for the operating year 2009 with the opinion of Ernst & Young. Management Board's Report for 2009 was also approved. The Audit Committee familiarized themselves with the Management Letter.

In June, the Audit Committee accepted the Management Board information regarding SOX process and gave positive opinions to the Internal Audit Department's documents: "Semi-Annual Report on the Standard of Internal Control", "Rules of ING Bank Śląski - Internal Control System" and "Updated Annual Audit Plan", recommending to the Supervisory Board their approval.

During the meeting held in September Audit Committee discussed the financial results of the 1H 2010 with the external auditor's report of review. The Committee gave positive opinion to the "Internal Capital Adequacy Assessment Process in ING Bank Śląski". Moreover, the Committee Members familiarised themselves with the results of stress tests performed at the

request of Polish Financial Supervision Authority (KNF) according to the assumptions and scenarios of the Polish banking regulator. They also accepted the presentation of the analysis concerning incident losses over the last 5 years.

In December, the Audit Committee gave positive opinion to the Annex to the Cooperation Agreement with ING Group NV and ING Bank NV for the year 2010 and accepted the information regarding inspection by the Polish Financial Supervision Authority. The Committee issued a positive opinion to IAD report, the updated audit plan for the year 2010 and audit plan for 2011 and recommended adopting suitable Resolutions to the Supervisory Board.

Regular issues debated during all Audit Committees included:

- “Non – Financial Risk Dashboard” document submitted by the Bank Executive Director responsible for the Operational Risk Management, Compliance and Anti–Fraud area,
- Risk Report including Bank-Wide Credit and Market Risk Sensitivity Analysis / Stress Test,
- List of agreements with related entities accepted by the Committee upon confirmation that the agreements are concluded on an arm’s length basis.

### **Agenda of the Remuneration and Nomination Committee Meetings**

During the first meeting of the Remuneration and Nomination Committee held in March, the Committee focused on bonus tasks (KPI) of the Management Board Members.

In June, the Committee became acquainted with the activities after Winning Performance Culture Scan, and accepted the information on elections to the Work Council of ING Bank Śląski for the second term. The Remuneration and Nomination Committee acknowledged with appreciation the information on the distinctions awarded to the Bank: Top Employers Polska 2010, 2009 Employer of the Year by AIESEC Poland, and 2009 Reliable Employer. The Committee Members discussed KPIs of the Management Board Members for 2010 recommending to the Supervisory Board their approval.

In September, the Committee accepted the Management Board information on electing a new Bank Executive Director in charge of HR area and became acquainted with the new structure of that area. The Committee gave positive opinion to the document “Remuneration policy for the Members of the Management Board of ING Bank Śląski” and recommended its approval to the Supervisory Board. The Committee Members familiarized themselves with the report on the spring salary according to Hay Group. The information on preparations for WPC scan was discussed.

First (very high) results of WPC were presented at the meeting in December. At this meeting, the Committee also accepted the report on autumn payroll report.

**Self-assessment of the Supervisory Board of ING Bank Śląski.**

The Supervisory Board exercise an ongoing supervision over the Bank's activity in all fields.

In 2010, the composition of the Supervisory Board was following:

<b>Anna Fornalczyk</b>	- <b>Chair (Independent Member)</b>
<b>Cornelis Leenaars</b>	- <b>Vice-Chairman</b>
<b>Wojciech Popiołek</b>	- <b>Secretary (Independent Member)</b>
<b>Brunon Bartkiewicz</b>	- <b>Member (since 08.04.2010)</b>
<b>César González-Bueno</b>	- <b>Member (since 08.04.2010)</b>
<b>Ralph Hamers</b>	- <b>Member</b>
<b>Jerzy Hausner</b>	- <b>Member (Independent Member) (through 13.01.2010)</b>
<b>Nicolaas Cornelis Jue</b>	- <b>Member</b>
<b>Tom Kliphuis</b>	- <b>Member (through 05.02.2010)</b>
<b>Mirosław Kośmider</b>	- <b>Member (Independent Member)</b>

All the Supervisory Board Members represent a very high level of professional qualifications. Their CVs are available at the Bank's web site.

At the moment, three of the Supervisory Board Members meet the criteria of Independent Supervisory Board Members defined in the Company's Charter. The remaining Supervisory Board Members are connected with the strategic Shareholder of the Bank - ING Bank N.V.

In order to assist the Board in exercising of their rights and duties, and in particular in performing control functions, the Supervisory Board appointed from among its Members the Audit Committee as well as Remuneration and Nomination Committee.

The Audit Committee support the Supervisory Board with regard to monitoring and supervising the internal and external audit and management system at the Bank and its subsidiaries, including in particular the adequacy and effectiveness of the internal control system, risk management system, including compliance risk, relations between the Bank and related entities as well as between the Bank and the entity auditing Bank's financial statements.

In 2010, the Audit Committee operated in the following composition:

<b>Mirosław Kośmider</b>	- <b>Chair</b>
<b>Ralph Hamers</b>	- <b>Member</b>
<b>Jerzy Hausner</b>	- <b>Member (through 13.01.2010)</b>
<b>Tom Kliphuis</b>	- <b>Member (through 05.02.2010)</b>
<b>Nicolaas Cornelis Jue</b>	- <b>Member (since 22.02.2010)</b>
<b>César González-Bueno</b>	- <b>Member (since 08.04.2010)</b>



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The Remuneration and Nomination Committee support the Supervisory Board with regard to monitoring and supervising HR and pay area, including in particular successions plans, the process of employees' turnover, examining the satisfaction of employees and the policy of remuneration and bonuses.

In 2010, the Remuneration and Nomination Committee operated in the following composition:

<b>Anna Fornalczyk</b>	<b>- Chair</b>
<b>Cornelis Leenaars</b>	<b>- Member</b>
<b>Wojciech Popiołek</b>	<b>- Member</b>
<b>Nicolaas Cornelis Jue</b>	<b>- Member</b>
<b>Brunon Bartkiewicz</b>	<b>- Member (since 08.04.2010)</b>

In compliance with the provisions of the Charter and By-laws, the Supervisory Board holds meetings at least 5 times a year, while the Audit Committee as well as Remuneration and Nomination Committee meet at least once a quarter.

All key matters connected with functioning of the Bank are discussed at the Supervisory Board meetings. The agenda items are set forth in such a way that all issues the Supervisory Board should deal with according to the law in force are covered. More detailed information on subjects handled by the Supervisory Board has been presented in the first part of this Report.

Taking the above statements into account, in the Supervisory Board's opinion, the Supervisory Board are well prepared to exercise all statutory and Charter-defined rights and duties and perform their tasks in an appropriate manner, ensuring proper supervision over the Bank in all material aspects of its operation.

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