ING

2011

Interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for I quarter 2011

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SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

	PLN thousand		EUR thousand	
	I quarter 2011 period from 01.01.2011 to 31.03.2011	**I quarter 2010** period from 01.01.2010 to 31.03.2010	**I quarter 2011** period from 01.01.2011 to 31.03.2011	**I quarter 2010** period from 01.01.2010 to 31.03.2010
Interest income	772 557	726 806	194 393	183 218
Commission income	285 865	264 082	71 930	66 571
Result on basic activities	722 759	650 850	181 863	164 070
Result before tax	267 124	219 479	67 215	55 328
Net profit attributable to owners of the parent	212 543	177 520	53 481	44 750
Net cash flows	259 435	84 884	65 280	21 398
Earnings per ordinary share (PLN / EUR)	16.34	13.64	4.11	3.44

	PLN thousand			EUR thousand		
	I quarter 2011 as of 31.03.2011	**end of 2010** as of 31.12.2010	**I quarter 2010** as of 31.03.2010	**I quarter 2011** as of 31.03.2011	**end of 2010** as of 31.12.2010	**I quarter 2010** as of 31.03.2010
Total assets	65 839 777	64 517 528	62 099 106	16 411 121	16 291 071	16 078 687
Equity attributable to owners of the parent	5 781 950	5 650 753	5 131 712	1 441 200	1 426 850	1 328 702
Share capital	130 100	130 100	130 100	32 429	32 851	33 685
Number of shares (per item)	13 010 000	13 010 000	13 010 000	-	-	-
Book value per share (PLN / EUR)	444.42	434.34	394.44	110.78	109.67	102.13
Solvency ratio (%)	12.74%	13.15%	13.00%	-	-	-

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

- for statement of financial positions items – PLN 4.0119, NBP exchange rate of 31 March 2011; PLN 3.8622 NBP exchange rate of 31 March 2010,
- for income statement items and cash flow statement items for the period of 3 months ending on 31 March 2011 - PLN 3.9742 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q 2011; PLN 3.9669 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q 2010.

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

I. Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**I quarter 2011** the period from 01 Jan 2011 to 31 Mar 2011	**I quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010
- Interest income	*5.1*	772 557	726 806
- Interest expenses	*5.1*	337 656	336 379
Net interest income	*5.1*	**434 901**	**390 427**
- Commission income	*5.2*	285 865	264 082
- Commission expenses	*5.2*	34 513	35 614
Net commission income	*5.2*	**251 352**	**228 468**
Net income on instruments measured at fair value through profit or loss and FX result	*5.3*	26 756	28 482
Net income on investments	*5.4*	18 227	4 037
Net income on hedge accounting	*5.5*	-16 259	-6 894
Net income on other basic activities		7 782	6 330
Result on basic activities		**722 759**	**650 850**
General and administrative expenses	*5.6*	408 748	394 104
Result on other operating income and expenses		461	3 552
Impairment losses and provisions for off-balance sheet liabilities	*5.7*	57 068	48 099
Share in net profit (loss) of associated entities recognised under the equity method		9 720	7 280
Profit (loss) before tax		**267 124**	**219 479**
Income tax		54 594	41 966
Net profit (loss)		**212 530**	**177 513**
- attributable to owners of the parent		**212 543**	**177 520**
- attributable to non-controlling interests		-13	-7

Net profit (loss) attributable to owners of the parent	**212 543**	**177 520**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**16,34**	**13,64**

Diluted earnings per share agrees with earnings per ordinary share

Interim condensed consolidated financial statements for I quarter 2011 _(PLN thousand)_

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	**I quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010
Net result for the period	**212 530**	**177 513**
Other comprehensive income, of which:		
- Gains/losses on remeasurement of available-for-sale financial assets charged to equity	-39 891	52 253
including deferred tax	*9 276*	*-12 298*
- Reclassification to the financial result as a result of sale of available-for-sale financial assets	-14 751	-3 060
including deferred tax	*3 460*	*718*
- 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	-101	-292
including deferred tax	*24*	*67*
- Remeasurement of property, plant and equipment	-132	0
including deferred tax	*31*	*0*
- Effective part of cash flow hedging instruments revaluation	-28 690	19 882
including deferred tax	*6 731*	*-4 664*
- Other	566	283
including deferred tax	*-133*	*4*
Other comprehensive income (loss)	**-82 999**	**69 066**
Total comprehensive income for the period	**129 531**	**246 579**

Total comprehensive income		
- attributable to owners of the parent	129 544	246 586
- attributable to non-controlling interests	-13	-7
Total comprehensive income for the period	**129 531**	**246 579**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	1 quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	1 quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
A S S E T S					
- Cash in hand and balances with the Central Bank		1 401 545	2 394 196	2 387 809	2 656 593
- Loans and receivables to other banks	5.8	2 386 784	1 181 105	1 280 652	1 184 103
- Financial assets measured at fair value through profit and loss	5.9	576 858	659 606	3 758 408	8 267 661
- Valuation of derivatives		879 111	1 158 897	1 408 240	1 566 652
- Investments	5.10	23 574 081	23 006 812	21 639 720	14 166 281
- available-for-sale		*17 266 776*	*16 788 801*	*14 852 817*	*6 835 875*
- held-to-maturity		*6 307 305*	*6 218 011*	*6 786 903*	*7 330 406*
- Derivative hedge instruments		112 344	104 796	111 708	90 444
- Loans and receivables to customers	5.11 5.12	35 332 355	34 508 999	30 159 626	30 592 794
- Investments in controlled entities recognised under the equity method		166 552	156 832	122 880	115 600
- Investment real estates		118 187	118 187	129 667	129 667
- Property, plant and equipment		531 338	544 211	539 007	548 847
- Intangible assets		342 021	342 213	322 939	327 343
- Property, plant and equipment held for sale		12 296	13 996	224	224
- Current income tax assets		37 914	614	416	762
- Deferred tax assets		143 928	167 397	62 404	86 447
- Other assets		224 463	159 667	175 406	150 038
T o t a l a s s e t s		**65 839 777**	**64 517 528**	**62 099 106**	**59 883 456**
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	10 435 062	4 039 111	5 372 174	3 973 786
- Financial liabilities measured at fair value through profit and loss	5.14	561 645	4 681 424	2 649 169	998 051
- Valuation of derivatives		868 927	1 292 661	1 109 704	1 193 944
- Derivative hedge instruments		421 051	600 455	557 035	482 563
- Liabilities due to customers	5.15	46 461 958	47 400 069	46 184 170	47 584 673
- Provisions	5.16	54 019	55 844	48 279	55 247
- Current income tax liabilities		0	138 499	19 790	156 133
- Other liabilities		1 252 826	656 360	1 024 767	552 348
T o t a l l i a b i l i t i e s		**60 055 488**	**58 864 423**	**56 965 088**	**54 996 745**
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		-46 157	8 586	47 518	-1 383
- Revaluation reserve from measurement of property, plant and equipment		45 935	47 370	51 095	51 115
- Revaluation reserve from measurement of cash flow hedging instruments		-28 259	431	18 914	-968
- Revaluation of share-based payment		22 733	21 080	16 574	15 846
- Retained earnings		4 701 348	4 486 936	3 911 261	3 733 438
Equity attributable to owners of the parent		**5 781 950**	**5 650 753**	**5 131 712**	**4 884 398**
- Non-controlling interests		**2 339**	**2 352**	**2 306**	**2 313**
T o t a l e q u i t y		**5 784 289**	**5 653 105**	**5 134 018**	**4 886 711**
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		**65 839 777**	**64 517 528**	**62 099 106**	**59 883 456**

Solvency ratio	5.17	**12,74%**	**13,15%**	**13,00%**	**12,01%**

Net book value	**5 781 950**	**5 650 753**	**5 131 712**	**4 884 398**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (PLN)	**444,42**	**434,34**	**394,44**	**375,43**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 quarter 2011
the period from 01 Jan 2011 to 31 Mar 2011

	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**	**8 586**	**47 370**	**431**	**21 080**	**4 486 936**	**2 352**	**5 653 105**
Net result for the current period	-	-	-	-	-	-	212 543	-13	**212 530**
Other comprehensive income, of which:	**0**	**0**	**-54 743**	**-1 435**	**-28 690**	**0**	**1 869**	**0**	**-82 999**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*-39 891*	-	-	-	-	-	*-39 891*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*-14 751*	-	-	-	-	-	*-14 751*
- 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	-	-	*-101*	-	-	-	-	-	*-101*
- remeasurement of property, plant and equipment	-	-	-	*-132*	-	-	-	-	*-132*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*-28 690*	-	-	-	*-28 690*
- other	-	-	-	*-1 303*	-	-	*1 869*	-	*566*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**1 653**	**0**	**0**	**1 653**
- revaluation of share-based payment	-	-	-	-	-	*1 653*	-	-	*1 653*
Closing balance of equity	**130 100**	**956 250**	**-46 157**	**45 935**	**-28 259**	**22 733**	**4 701 348**	**2 339**	**5 784 289**

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**

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

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	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	-	-	-	-	-	-	177 520	-7	**177 513**
Other comprehensive income, of which:	**0**	**0**	**48 901**	**-20**	**19 882**	**0**	**303**	**0**	**69 066**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*52 253*	-	-	-	-	-	*52 253*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*-3 060*	-	-	-	-	-	*-3 060*
- 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	-	-	*-292*	-	-	-	-	-	*-292*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*19 882*	-	-	-	*19 882*
- other	-	-	-	*-20*	-	-	*303*	-	*283*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**728**	**0**	**0**	**728**
- revaluation of share-based payment	-	-	-	-	-	*728*	-	-	*728*
Closing balance of equity	**130 100**	**956 250**	**47 518**	**51 095**	**18 914**	**16 574**	**3 911 261**	**2 306**	**5 134 018**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	1 quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	1 quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010
OPERATING ACTIVITIES		
Net profit (loss)	**212 543**	**177 520**
Adjustments	**64 029**	**-728 057**
- Profit (loss) attributable to non-controlling interests	-13	-7
- Share in net profit (loss) of associated entities	-9 720	-7 280
- Depreciation and amortisation	30 529	29 155
- Interest accrued (from the profit and loss account)	434 901	390 427
- Interest paid	322 382	374 163
- Interest received	-752 510	-748 122
- Dividends received	-16	-260
- Gains (losses) on investment activities	-110	-74
- Income tax (from the profit and loss account)	54 594	41 966
- Income tax paid	-206 924	-153 920
- Change in provisions	-1 825	-6 968
- Change in loans and other receivables to other banks	47 791	252 691
- Change in financial assets at fair value through profit or loss	85 036	4 472 177
- Change in available-for-sale financial assets	-562 827	-7 936 052
- Change in valuation of derivatives	-143 948	74 172
- Change in derivative hedge instruments	-215 642	73 090
- Change in loans and other receivables to customers	-816 966	428 636
- Change in other assets	-152 157	-96 217
- Change in liabilities due to other banks	6 405 219	1 399 347
- Change in liabilities at fair value through profit or loss	-4 119 779	1 651 118
- Change in liabilities due to customers	-932 105	-1 439 246
- Change in other liabilities	598 119	473 147
Net cash flow from operating activities	**276 572**	**-550 537**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-4 508	-7 486
- Disposal of property, plant and equipment	277	92
- Purchase of intangible assets	-12 922	-7 808
- Redemption of held-to-maturity financial assets	0	615 000
- Interest received from held-to-maturity financial assets	0	35 363
- Dividends received	16	260
Net cash flow from investment activities	**-17 137**	**635 421**
Effect of exchange rate changes on cash and cash equivalents	***3 194***	***-7 239***
Net increase/decrease in cash and cash equivalents	**259 435**	**84 884**
Opening balance of cash and cash equivalents	**3 119 616**	**3 047 826**
Closing balance of cash and cash equivalents	**3 379 051**	**3 132 710**

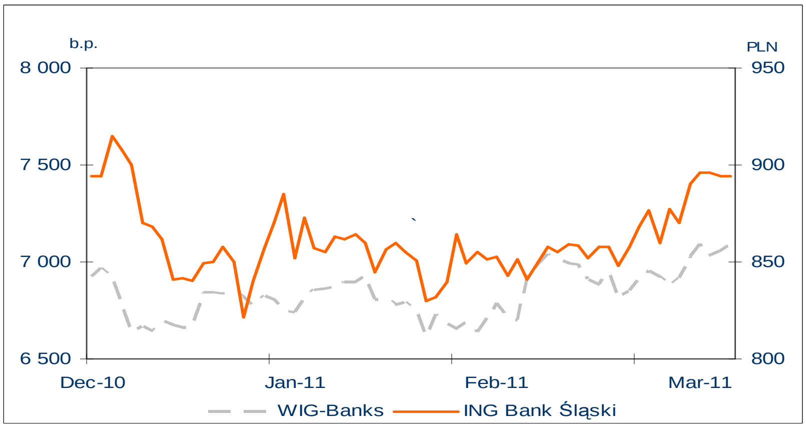
II. Additional information

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 March 2011, 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 746.00. In the 3 months of 2011, 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 March 2011:

- 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 3 months 2011 the Group's structure did not change.

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

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

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

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2011 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 March 2011, 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 condensed consolidated financial statements of Capital Group of ING Bank Śląski S.A. for I quarter 2011, 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 I quarter 2011 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 2010 to 31 December 2010 were approved by the General Meeting on 7 April 2011.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 4 May 2011.

2. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the I quarter 2011 were prepared under the International Financial Reporting Standards (IFRS) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2011 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 2011 to 31 March 2011, and interim condensed consolidated statement of financial position as at 31 March 2011 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 2010 to 31 March 2010 for the interim condensed consolidated income statement; the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated cash flow statement; additionally, as of 31 December 2010 for 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 2010, 31 March 2010 and 31 December 2009.

Presented interim condensed consolidated financial statements for the I quarter 2011 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 I quarter 2011 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).

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual comprehensive consolidated financial statements for the year 2010 as well as the following binding standards and interpretations approved by the European Union:

Change	Scope	Influence on the Group 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.
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.	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.
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.	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.	It has no impact on the financial statements of the Group. .

Published standards and interpretations which were issued; however, they are not effective yet and they have not been approved by the European Union yet:

Change	Scope	Influence on the Group statements
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.	Not applicable.	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 standard constitutes the first phase of the works of the IASB to supersede the International Accounting Standard 39 and covers both the classification and measurement of financial assets. During the next phases the IASB will work on financial liabilities, hedge accounting and removal of financial assets/liabilities from the financial statements.	The Group will assess the influence of the new standard comprehensively together with the phases that have not been published yet.
Amendments resulting from annual review of IFRS applicable to annual reporting periods starting 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 1Q 2011 and 1Q 2010.

Material accounting principles

Detailed accounting principles are presented in annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2010 to 31 December 2010 published on 4 March 2011 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:

Impairment of loans

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

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

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 profit or loss account in the position *Impairment charges and provisions for off-balance liabilities*. Therefore the financial result is influenced only by the amount of surplus of the current impairment charge (or write-down) for a mature transaction above the amount of the fair value adjustment established before the transaction has matured.

Uncertainty of the estimates

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

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

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

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

Impairment of other non-current assets

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

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

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

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

Retirement and sick pension severance payments provision

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

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

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

A portion of the actuarial gains and losses above the said limit is recognised in the 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 changed the way of presenting certain items in the profit and loss account in the interim condensed consolidated financial statements for the period started on 1 January 2011 ended on 31 March 2011 when compared to the interim condensed consolidated financial statements for the period started on 1 January 2010 ended 31 March 2010:

1. the result on valuation of IR-derivatives and the result on valuation of FX-derivatives were decomposed. As a result, the following items were singled out:
   - interest result (i.e. 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),
   - remaining part of valuation result (i.e. change of fair value due to change of interest rates).
2. the interest on derivatives not covered by the hedge accounting was moved from the item *Net income on investment* to the item *Interest income.*

Moreover, more details were provided for the presentation of interest on instruments hedging cash flows, which were previously presented under *Interest income* and currently the item concerning cash flows hedging under deposits is presented under *Interest expenses.*

In the opinion of the Group, as a result of the change the quality of reported data is enhanced, and the current presentation reflects the essence and economic language of the described items in a better way.

Data for the period of 3 months 2010 presented herein was adjusted for comparability.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (in PLN thousands)	period from 1 January 2010 to 31 March 2010 in the interim condensed consolidated financial statements for the I quarter 2010	changes	period from 1 January 2010 to 31 March 2010 in the interim condensed consolidated financial statements for the I quarter 2011
Interest income	703 402	23 404	726 806
Interest expenses	336 020	359	336 379
Net interest income	**367 382**	**23 045**	**390 427**
Commission income	264 082	0	264 082
Commission expenses	35 614	0	35 614
Net commission income	**228 468**	**0**	**228 468**
Net income on instruments measured at fair value through profit or loss and FX result	51 527	-23 045	28 482
Net income on investment	4 037	0	4 037
Net income on hedge accounting	-6 894	0	-6 894
Net income on other basic activities	6 330	0	6 330
Result on basic activities	**650 850**	**0**	**650 850**
General and administrative expenses	394 104	0	394 104
Result on other operating income and expenses	3 552	0	3 552
Impairment losses and provision for off-balance sheet liabilities	48 099	0	48 099
Share in net profit (loss) of associated entities recognised under the equity method	7 280	0	7 280
Profit (loss) before tax	**219 479**	**0**	**219 479**
Income tax	41 966	0	41 966
Net profit (loss)	**177 513**	**0**	**177 513**
- attributable to owners of the parent	**177 520**	**0**	**177 520**
- attributable to non-controlling interests	**-7**	**0**	**-7**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

5. Supplementary notes to interim condensed consolidated financial statements

5.1. Net interest income

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010
Interest income		
- interest on loans and receivables to banks	26 340	24 219
- interest on loans and receivables to customers	496 887	424 077
- interest on debt securities	265 773	255 403
- interest result on derivatives	-16 620	23 045
- other	177	62
Total interest income	**772 557**	**726 806**
Interest expenses		
- interest on deposits from banks	41 972	18 564
- interest on deposits from customers	295 684	317 815
Total interest expenses	**337 656**	**336 379**
Net interest income	**434 901**	**390 427**

5.2. Net commission income

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010
Commission income		
- commission related to brokerage activity	19 888	21 318
- commission related to keeping accounts	62 395	70 014
- commission related to loans	42 769	36 579
- commission related to loans insurance	6 199	1 486
- commission related to payment and credit cards	50 789	39 233
- commission related to distribution of participation units	22 591	16 427
- fiduciary and custodian fees	7 281	6 821
- foreign commercial business	3 442	3 125
- commission related to subscription of structured products	4 271	372
- the transactional margin on foreign exchange transactions*)	59 686	60 555
- commission related to sales of financial products	1 948	2 247
- other	4 606	5 905
Total commission income	**285 865**	**264 082**
Commission expenses	**34 513**	**35 614**
Net commission income	**251 352**	**228 468**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

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

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	**I quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010
Net income on financial assets and liabilities held for trading, of which:	**-157 288**	**-207 232**
- Net income on equity instruments	-1 011	45
- Net income on debt instruments	8 931	35 196
- Net income on derivatives, of which:	-165 208	-242 473
- currency derivatives)*	*-167 348*	*-241 769*
- interest rate derivatives	*-38*	*-2 482*
- securities derivatives	*2 178*	*1 778*
Net income on financial assets and liabilities measured at fair value upon initial recognition, of which:	**-261**	**-168**
- Net income on debt instruments	-261	-168
FX-result	**184 305**	**235 882**
Net income on instruments measured at fair value through profit or loss and FX result	**26 756**	**28 482**

*) The item *net income on derivatives - currency derivatives* includes a counterparty risk charge related to transactions on FX Options. In the presented periods the releases occured which amounted to PLN 8,618 thousand in IQ 2011 and PLN 3,633 thousand in IQ 2010.

5.4. Net income on investments

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	**I quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010
Net income on debt instruments available for sale	18 211	3 777
Dividend income	16	260
Net income on investments	**18 227**	**4 037**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

5.5. Net income on hedge accounting

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010
Fair value hedge accounting for securities	**-15 899**	**-7 049**
- valuation of the hedged transaction	-128 668	133 023
- valuation of the hedging transaction	112 769	-140 072
Cash flow hedge accounting	**-360**	**155**
- ineffectiveness that arises from cash flow hedges	-360	155
Net income on hedge accounting	**-16 259**	**-6 894**

5.6. General and administrative expenses

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010
Personnel expenses	201 039	179 454
Other	207 709	214 650
General and administrative expenses	**408 748**	**394 104**

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

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	I quarter 2010 the period from 01 Jan 2010 to 31 Mar 2010
Impairment losses	132 101	160 562
Reversed impairment losses	-75 033	-112 463
Net impairment losses and provisions for off-balance sheet liabilities	**57 068**	**48 099**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

5.8. Loans and receivables to other banks

	I quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
Current accounts	909 890	375 718	250 458	356 981
Interbank deposits	1 423 947	685 954	885 935	564 712
Other receivables, of which:	52 975	119 523	144 284	262 460
- loans and advances	*1 081*	*73 145*	*95 826*	*228 109*
- reverse repo transactions	*15 692*	*0*	*0*	*0*
- other receivables	*36 202*	*46 378*	*48 458*	*34 351*
Total (gross)	**2 386 812**	**1 181 195**	**1 280 677**	**1 184 153**
Impairment losses	-28	-90	-25	-50
Total (net)	**2 386 784**	**1 181 105**	**1 280 652**	**1 184 103**

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

	I quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
Financial assets held for trading, of which:	387 700	512 732	3 445 563	7 533 634
- debt instruments	*362 522*	*489 863*	*3 424 388*	*7 531 497*
- equity instruments	*25 178*	*22 869*	*21 175*	*2 137*
Financial assets designated as at fair value upon initial recognition, of which:	189 158	146 874	312 845	734 027
- debt instruments	*62 593*	*61 222*	*185 533*	*186 468*
- transactions with the buy-back commitment	*126 565*	*85 652*	*127 312*	*547 559*
Total	**576 858**	**659 606**	**3 758 408**	**8 267 661**

5.10. Investments

	I quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
Available-for-sale financial assets, of which:	17 266 776	16 788 801	14 852 817	6 835 875
- debt instruments, including:	*17 218 675*	*16 740 506*	*14 800 823*	*6 783 023*
- hedged items in fair value hedging	*2 118 662*	*3 221 405*	*3 096 853*	*3 137 714*
- equity instruments	*48 101*	*48 295*	*51 994*	*52 852*
Held-to-maturity financial assets, of which:	6 307 305	6 218 011	6 786 903	7 330 406
- debt instruments	*6 307 305*	*6 218 011*	*6 786 903*	*7 330 406*
Total	**23 574 081**	**23 006 812**	**21 639 720**	**14 166 281**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

5.11. Loans and receivables to customers

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

	I quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
Loans and advances, of which:	2 491 156	2 585 001	2 369 170	2 545 597
- in the current account	*438 085*	*434 847*	*332 816*	*381 053*
- term ones	*2 053 071*	*2 150 154*	*2 036 354*	*2 164 544*
Reverse repo transactions	39 565	0	186 312	626 732
Other receivables	175 076	83 234	145 592	151 459
Total (gross)	**2 705 797**	**2 668 235**	**2 701 074**	**3 323 788**
Impairment losses, of which	-1 377	-1 942	-1 728	-1 863
- concerning loans and advances	*-1 377*	*-1 942*	*-1 728*	*-1 863*
Total (net)	**2 704 420**	**2 666 293**	**2 699 346**	**3 321 925**

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

	I quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
Loans and advances granted to business entities, of which:	13 309 902	12 963 925	12 011 141	12 042 288
- in the current account	*4 031 173*	*3 724 286*	*3 713 756*	*3 504 520*
- term ones	*9 278 729*	*9 239 639*	*8 297 385*	*8 537 768*
Loans and advances granted to households, of which:	13 277 437	12 630 824	10 282 599	9 822 755
- in the current account	*1 341 779*	*1 255 844*	*1 316 099*	*1 226 942*
- term ones	*11 935 658*	*11 374 980*	*8 966 500*	*8 595 813*
Debt securities	584 788	646 560	304 333	306 471
Other receivables	39 134	64 438	38 201	72 738
Total (gross)	**27 211 261**	**26 305 747**	**22 636 274**	**22 244 252**
Impairment losses, of which:	-1 122 695	-1 081 946	-930 911	-874 057
- concerning loans and advances	*-1 117 517*	*-1 076 767*	*-922 346*	*-865 491*
- concerning other receivables	*-5 178*	*-5 179*	*-8 565*	*-8 566*
Total (net)	**26 088 566**	**25 223 801**	**21 705 363**	**21 370 195**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

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

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Loans and advances, of which:	2 789 058	2 820 476	2 256 964	2 305 234
- in the current account	*62 686*	*8 416*	*36 466*	*7 450*
- term ones	*2 726 372*	*2 812 060*	*2 220 498*	*2 297 784*
Debt securities, of which:	3 751 665	3 799 874	3 500 009	3 600 794
- hedged items in fair value hedging	*3 215 559*	*3 268 457*	*3 147 946*	*3 261 868*
Other receivables	158	58	131	0
Total (gross)	**6 540 881**	**6 620 408**	**5 757 104**	**5 906 028**
Impairment losses, of which:	-1 512	-1 503	-2 187	-5 354
- concerning loans and advances	*-1 512*	*-1 503*	*-2 187*	*-5 354*
Total (net)	**6 539 369**	**6 618 905**	**5 754 917**	**5 900 674**

Loans and other receivables to customers – total

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Loans and advances	31 867 553	31 000 226	26 919 874	26 715 874
Debt securities	4 336 453	4 446 434	3 804 342	3 907 265
Reverse repo transactions	39 565	0	186 312	626 732
Other receivables	214 368	147 730	183 924	224 197
Loans and other receivables to customers (gross)	**36 457 939**	**35 594 390**	**31 094 452**	**31 474 068**
Impairment losses, of which	-1 125 584	-1 085 391	-934 826	-881 274
- concerning loans and advances	*-1 120 406*	*-1 080 212*	*-926 261*	*-872 708*
- concerning other receivables	*-5 178*	*-5 179*	*-8 565*	*-8 566*
Loans and other receivables to customers (net)	**35 332 355**	**34 508 999**	**30 159 626**	**30 592 794**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

5.12. Quality of portfolio of loans and advances

Quality of loans and advances to customers portfolio

	I quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
Corporate activity				
Exposure	**18 791 418**	**18 405 410**	**16 699 164**	**16 959 134**
- unimpaired (IBNR – incured but not reported)	17 606 717	17 227 793	15 659 511	15 987 175
- impaired, including:	1 184 701	1 177 617	1 039 653	971 959
Impairment losses and provisions	**795 377**	**785 850**	**697 688**	**668 680**
- related to unimpaired portfolio	56 018	62 106	75 984	77 244
- related to impaired portfolio, including:	729 485	712 668	604 272	571 375
- provisions for off-balance sheet liabilities	9 874	11 076	17 432	20 061
Impaired portfolio coverage ratio (%)	61,6%	60,5%	58,1%	58,8%
Retail activity				
Exposure	**13 076 135**	**12 594 816**	**10 220 710**	**9 756 740**
- unimpaired (IBNR – incured but not reported)	12 735 927	12 264 806	9 982 211	9 564 117
- impaired	340 208	330 010	238 499	192 623
Impairment losses	**334 922**	**305 504**	**246 005**	**224 089**
- related to unimpaired portfolio	98 386	90 064	85 598	75 889
- related to impaired portfolio	236 517	215 374	160 407	148 200
- provisions for off-balance sheet liabilities	19	66	0	0
Impaired portfolio coverage ratio (%)	69,5%	65,3%	67,3%	76,9%
Total exposure	**31 867 553**	**31 000 226**	**26 919 874**	**26 715 874**
Impairment losses and total provisions, of which:	**1 130 299**	**1 091 354**	**943 693**	**892 769**
- impairment losses	1 120 406	1 080 212	926 261	872 708
- provisions for off-balance sheet liabilities	9 893	11 142	17 432	20 061
Total portfolio coverage ratio	3,5%	3,5%	3,5%	3,3%
Share of the impaired portfolio	4,8%	4,9%	4,7%	4,4%
Impaired portfolio coverage ratio (%)	**63,3%**	**61,6%**	**59,8%**	**61,8%**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

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

I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	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	**803 267**	***90***	**288 177**	**1 091 444**
- changes in income statement	55 211	*-62*	1 855	57 066
- depreciation	-1 950	*0*	0	-1 950
- restructuring and forgiveness of the debts related to transactions on derivatives*)	0	*0*	-11 122	-11 122
- transfer of provisions from off-balance sheet after their repayment	4 360	*0*	0	4 360
- other (inclusive, but not limited to unwinding interest, FX differences)	-9 471	*0*	0	-9 471
Closing balance of impairment losses	**851 417**	***28***	**278 910**	**1 130 327**

I quarter 2010 the period from 01 Jan 2010 to 31 Mar 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	43 201	*-25*	4 899	48 100
- depreciation	-2 777	*0*	0	-2 777
- restructuring and forgiveness of the debts related to transactions on derivatives*)	0	*0*	3 838	3 838
- transfer of provisions from off-balance sheet after their repayment	8 721	*0*	0	8 721
- other (inclusive, but not limited to unwinding interest, FX differences)	-6 983	*0*	0	-6 983
Closing balance of impairment losses	**671 788**	***25***	**271 930**	**943 718**

*) 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.

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

5.13. Liabilities due to other banks

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Current accounts	218 715	278 926	197 495	248 720
Interbank deposits	5 571 387	3 086 280	5 124 522	429 024
Repo transactions	4 616 474	657 776	0	3 241 530
Other liabilities	28 486	16 129	50 157	54 512
Total	**10 435 062**	**4 039 111**	**5 372 174**	**3 973 786**

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

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Financial liabilities designated as at fair value upon initial recognition, of which:	366 151	4 323 698	2 435 072	543 129
Transactions with the buy-back commitment	*366 151*	*4 323 698*	*2 435 072*	*543 129*
Book short position in trading securities	195 494	357 726	214 097	454 922
Total	**561 645**	**4 681 424**	**2 649 169**	**998 051**

5.15. Liabilities due to customers

Liabilities due to entities from the financial sector other than banks

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Deposits	2 641 263	2 540 617	3 033 911	3 306 618
- current accounts	*1 418 535*	*1 442 475*	*1 585 958*	*1 685 817*
- term deposit	*1 222 728*	*1 098 142*	*1 447 953*	*1 620 801*
Repo transactions	122 774	0	464 665	286 511
Other liabilities	107 253	137 319	100 660	92 921
Total	**2 871 290**	**2 677 936**	**3 599 236**	**3 686 050**

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

<u>*Liabilities due to entities from the non-financial sector*</u>

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Business entities' deposits	11 139 964	12 483 581	11 717 562	11 861 687
- current accounts	*8 251 552*	*9 153 387*	*8 626 608*	*7 815 670*
- term deposit	*2 888 412*	*3 330 194*	*3 090 954*	*4 046 017*
Households' deposits	30 146 600	30 117 734	28 875 849	30 039 683
- current accounts	*4 926 924*	*4 792 359*	*3 957 125*	*4 122 157*
- saving accounts and term deposits	*25 219 676*	*25 325 375*	*24 918 724*	*25 917 526*
Other liabilities	514 697	424 008	440 284	462 903
Total	**41 801 261**	**43 025 323**	**41 033 695**	**42 364 273**

<u>*Liabilities due to entities from the government and self-government institutions' sector*</u>

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Deposits	1 787 269	1 694 915	1 525 629	1 508 176
- current accounts	*1 357 889*	*1 455 261*	*1 141 434*	*1 303 955*
- term deposit	*429 380*	*239 654*	*384 195*	*204 221*
Repo transactions	0	0	25 017	25 043
Other liabilities	2 138	1 895	593	1 131
Total	**1 789 407**	**1 696 810**	**1 551 239**	**1 534 350**

Liabilities due to customers – total

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Deposits	45 715 096	46 836 847	45 152 951	46 716 164
Repo transactions	122 774	0	489 682	311 554
Other liabilities	624 088	563 222	541 537	556 955
Liabilities due to customers	**46 461 958**	**47 400 069**	**46 184 170**	**47 584 673**

5.16. Provisions

	I quarter 2011 as of 31 Mar 2011	**end of year 2010** as of 31 Dec 2010	**I quarter 2010** as of 31 Mar 2010	**end of year 2009** as of 31 Dec 2009
Provision for issues in dispute	20 244	20 218	7 940	11 690
Provision for off-balance sheet liabilities	9 893	11 142	17 432	20 061
Provision for retirement benefits	15 888	15 888	14 410	14 410
Provision for unused holidays	6 256	6 256	5 460	5 460
Provision for employment restructuring	1 738	2 340	3 037	3 626
Total	**54 019**	**55 844**	**48 279**	**55 247**

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5.17. Solvency ratio

	I quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	I quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 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	75 055	74 931	74 931
Capital reserve including retained profit of past years	2 810 471	2 808 602	2 273 579	2 273 276
Net profit of current period in audited part	0	369 049	0	263 524
Net profit under approval	557 950	0	595 052	0
Non-controlling interests	2 339	2 352	2 306	2 313
General risk fund	850 179	850 179	790 179	790 179
Revaluation reserve	-46 204	8 125	2 679	-2 382
Funds adjustment by intangibles	-342 021	-342 213	-322 939	-327 343
Funds adjustment by capital commitments in financial institutions	-40 000	-40 000	-40 000	-40 000
Short-term capital	62 108	26 506	55 420	65 495
Total own funds	**5 016 227**	**4 844 005**	**4 517 557**	**4 186 343**
Capital requirements				
Capital requirements for credit risk, credit counterparty, dilution and delivery of instruments for future settlement	2 725 143	2 581 597	2 398 145	2 432 020
Capital requirement for the risk of settlement - delivery	5 619	5 064	2 187	2 187
Capital requirements for the capital securities rate risk, debt instruments rates risk, FX risk and commodity rates risk	18 049	1 753	8 749	15 308
Capital requirement for operational risk	361 683	326 871	326 871	290 789
Capital requirement for general interest rate risk	38 440	19 689	44 485	48 000
Capital requirement due to exposure concentration limit and large exposures limit overrun	1 208	11 998	0	0
Total capital requirement	**3 150 142**	**2 946 972**	**2 780 437**	**2 788 304**
Solvency ratio	**12,74%**	**13,15%**	**13,00%**	**12,01%**

6. Significant events in I quarter 2011

Registration of amendments to the Charter of ING Bank Śląski S.A.

By the decision dated 14 March 2011 of the District Court in Katowice, the Commercial Section of the National Court Register, the amendments to the Bank's Charter adopted by the Extraordinary General Meeting dated 23 December 2011 were entered into the register.

Portfolio sale

On 9 March 2011, ING Bank Śląski S.A. concluded agreement on sale of portfolio of identified non-performing loans with Ultimo Non-standardised Closed Securitization Investment Fund. The total amount of debt claims sold as part of the above agreement totalled PLN 40 million (principal, interests and related accounts receivable) covered in essential part with impairment valuation or written off the Group balance sheet in full.

Selection of Chartered Auditor

On 3 March 2011, the Supervisory Board of ING Bank Śląski S.A. selected Ernst & Young Audit Spółka z o.o. with registered office in Warszawa as its chartered auditor examining the financial statements of ING Bank Śląski S.A. and the Capital Group of ING Bank Śląski S.A. for the period of one year, starting with review of the 1Q 2011 financial statements to annual financial statements for the year 2011.

ING Bank Śląski S.A. uses the services of Ernst & Young Audit Spółka z o.o. within the scope of examining the Bank financial statements since 2008.

Judgment of the Appellate Court dismissing the appeal of petitioners in the lawsuit concerning revocation of resolutions of the General Meeting.

The Management Board of ING Bank Śląski S.A. hereby give notice that on 22 February 2011 it learnt about the fact of issuing a judgment by the Appellate Court in Katowice dismissing the appeal of the Miners Trade Union in Poland and "Kadra" Trade Union of Employees of Katowicki Holding Węglowy S.A. against the partial judgment of the Regional Court in Katowice dated 06 October 2010 whereby the said Court dismissed the claim for declaration of invalidity of resolutions of the Ordinary General Meeting of ING Bank Śląski S.A. of 08 April 2010 mentioned in the Bank's current report no.17/2010 of 18 May 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 by the President of 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 by the President of 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 Resolution no. 1.

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 1Q 2011 was 4.1%, whereas in 2011 it will be 4.3%),
- relatively low ongoing demand of enterprises for loans as a result of reducing investments (visible investment growth is only possible when there are no more fears of a slowdown in the global growth caused e.g. by high prices of oil and as a consequence energy),
- smaller demand for loans among local governments as a result of new regulations introduced by the government,
- change of the situation in the labour market – unemployment rate increased from 12.3% at the end of December 2010 to 13.1% at the end of March 2011; however, during the last few quarters an increase in the employment rate has been observed (in the entrepreneurs sector employment is higher than a year ago by approx. 4%). The salary dynamics in 1Q 2011 was comparable with inflation level, this year salary will grow only slightly in real terms,
- inflation growth per annum from 3.1% at the end of December 2010 to 4.3% in March 2011, with the perspective of returning to the level of 3.6-3.9% in the second half of the year,
- possibility of further increase of the main interest rates in Poland (the Monetary Policy Council raised the key interest rates in January 2011 by 0.25bp, and again in April 2011); ING economists forecast that in June or July and then again in autumn the rates will be raised.

8. Significant developments after the closing of the interim period

Resignation of the Supervisory Board Member of ING Bank Śląski S.A.

On 1 April 2011, Mr. Cornelis Leenaars handed in to the Chair of the Supervisory Board of ING Bank Śląski S.A. a resignation as Supervisory Board Member of ING Bank Śląski S.A., as of 6 April 2011.

General Meeting of ING Bank Śląski S.A.

On 7 April 2011, the General Meeting of ING Bank Śląski S.A. was held.

Information on objections raised to the agenda of the Ordinary General Meeting of ING Bank Śląski S.A.

On 7 April 2011, during session of the Ordinary General Meeting to the following resolutions:

– Resolution No. 1 on approving the annual financial statements of ING Bank Śląski S.A. for the period started 1 January 2010 and ended 31 December 2010,

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- Resolution No. 2 on approving the Management Board's report on the operations of ING Bank Śląski S.A. in the year 2010, including report on observance of corporate governance rules,
- Resolution No. 3 on approving the annual consolidated financial statements of the capital group of ING Bank Śląski S.A. for the period started 1 January 2010 and ended 31 December 2010,
- Resolution No. 4 on approving of the Management Board's report on the operations of the Capital Group of ING Bank Śląski S.A. in the year 2010,
- Resolution No. 5 on acknowledgement of fulfilment of duties by the President of the Bank Management Board – Ms. Małgorzata Kołakowska in the year 2010,
- Resolution No. 6 on acknowledgement of fulfilment of duties by the Vice-President of the Bank Management Board – Mr. Mirosław Boda in the year 2010,
- Resolution No. 7 on acknowledgement of fulfilment of duties by the Vice-President of the Bank Management Board – Mr. Michał Bolesławski in the year 2010,
- Resolution No. 8 on acknowledgement of fulfilment of duties by the Vice-President of the Bank Management Board – Mr. Evert Derks Drok in the year 2010,
- Resolution No. 9 on acknowledgement of fulfilment of duties by the Vice-President of the Bank Management Board – Ms. Justyna Kesler in the year 2010,
- Resolution No. 10 on acknowledgement of fulfilment of duties by the Vice-President of the Bank Management Board – Mr. Oscar Edward Swan in the year 2010,
- Resolution No. 21 on distribution of profit for the year 2010,
- Resolution No. 22 on dividend payout for the year 2010.

The Proxy representing two Shareholders, who held 1 share of the Bank each, requested that an objection be placed on record with respect to the said Resolutions.

9. Off-balance sheet items

	I quarter 2011 as of 31.03.2011	**end of year 2010** as of 31.12.2010	**I quarter 2010** as of 31.03.2010	**end of year 2009** as of 31.12.2009
Contingent liabilities granted	15 387 552	14 545 891	11 271 475	14 096 603
Contingent liabilities received	21 143 518	17 153 553	12 541 806	12 483 266
Off-balance sheet financial instruments	119 650 095	131 521 156	105 794 411	119 086 563
Total off-balance sheet items	**156 181 165**	**163 220 600**	**129 607 692**	**145 666 432**

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

None.

11. Dividends paid

On 7 April 2011, the General Shareholders Meeting approved the payout of dividend for 2010 of PLN 15.00 gross per 1 share, which is equivalent to PLN 195,150,000. The dividend shall be paid on 1 July 2011.

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)

	I quarter 2011 period from 01.01.2011 to 31.03.2011	**I quarter 2010** period from 01.01.2009 to 31.12.2009
Status at the period beginning:	**20 218**	**11 690**
Establishment of provisions as costs	220	102
Release of provisions as income	-54	-3 644
Utilisation of provision due to dispute loss or settlement	-140	-208
Status as at the period end	**20 244**	**7 940**

Either in 3 months of 2011 or 3 months of 2010, 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 1.01.2011 – 31.03.2011 the following transactions were made of the total value exceeding EURO 500.000:

- in connection with execution of the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV the remuneration for the services provided as to financial consulting in 3 months of 2011 amounted to PLN 14.5 million versus PLN 13.2 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 2.7 million versus PLN 3.1 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 10.1 million versus PLN 5.5 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 4.3 million versus PLN 4.4 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 4.3 million in 3 months of 2011 versus PLN 4.1 million in the analogical period of the previous year (gross amounts).

Transactions with related entities (in PLN thousands)

31.03.2011

	ING Bank NV	Other ING Group entities	Subsidiary undertakings*	Associated undertakings*
Receivables				
Deposits placed	969 393	12	-	-
Nostro accounts	584 161	2 649	-	-
Loans	-	1 868 602	404 553	-
Securities	-	-	20 007	-
Other receivables	25 699	758	53	-
Liabilities				
Deposits received	4 261 779	317 480	372 876	28 690
Loro accounts	8 728	54 070	-	-
Repo	4 616 473	-	-	-
Other liabilities	365	158	263	-
Off-balance-sheet operations				
Contingent liabilities	277 643	749 861	415 852	15
FX transactions	2 565 246	499 465	-	-
Forward transactions	49 969	41 551	-	-
IRS	10 554 516	6 139 548	-	-
FRA	2 258 797	-	-	-
Options	455 836	1 157 599	-	-
Revenue and costs**				
Revenue	26 069	17 767	-1 727	-656
Costs	18 010	18 896	480	-

31.03.2010

	ING Bank NV	Other ING Group entities	Subsidiary undertakings*	Associated undertakings*
Receivables				
Deposits placed	552 692	143 577	-	-
Nostro accounts	14 206	2 102	-	-
Loans	-	1 319 850	317 921	-
Securities	-	-	20 007	-
Other receivables	9 781	4 899	7	-
Liabilities				
Deposits received	4 187 763	719 223	251 684	131 636
Loro accounts	20 152	15 069	-	-
Other liabilities	34 100	13	383	-
Off-balance-sheet operations				
Contingent liabilities	202 116	1 110 778	162 228	-
FX transactions	3 404 696	574 375	-	-
Forward transactions	1 223 298	334 862	-	-
IRS	13 376 939	5 596 336	-	-
Options	287 372	-	-	-
FRA	874 838	811 760	-	-
Revenue and costs**				
Revenue	-11 003	10 703	1 032	67
Costs	16 613	14 812	2 656	398

*/ 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 ING Bank Śląski is conducted within the areas defined in the Bank's business model.

The Bank's business model, above all for the purpose of management reporting, includes division of clients into two main segments:

- retail customer segment,
- corporate banking segment.

The segments are separated based on the financial (especially turnover, level of collected assets) and subject-related criteria. The specific rules of putting clients to respective segments are governed by the clients segmentation criteria specified in the Bank's internal regulations.

Retail customers segment

Within the framework of retail banking, the Bank provides services for individual customers (segments of mass customers and wealthy customers) and small enterprises.

This activity is analysed by the leading products, including i.e.: 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), structured product, ING fund units, brokerage services provided by ING Securities SA and bank cards.

Corporate banking segment

Corporate banking area encompasses as follows:

- providing services to institutional clients,
- Financial Markets products,

Services to institutional clients encompasses strategic clients, large corporate entities and mid-sized companies. For corporate activity, the Bank provides reporting broken down by leading products covering i.e. loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), financial markets products, trust services, capital market operations conducted by the parent and by ING Securities and operations of intermediation in lease services.

Financial Markets products 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.

Own operations

Proprietary operations are carried out by Financial Markets and ALCO (Assets and Liabilities Management Committee). The task of own operating area is above all to invest funds originating from own funds and to fund some assets of the parent. The main element of the core business income of ALCO is income from investing proprietary funds (book capital). Profit on own operations is allocated to the segments of retail clients and corporate banking according to economic capital requirements structure.

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 2010 the Bank introduced changes concerning operations segments to the reporting area. In the Bank's opinion the current presentation illustrates the core of activity division into segments in a better way.

Geographical segments

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

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

	period from 01.01.2011 to 31.03.2011		
	Retail customers segment	**Corporate banking segment**	**TOTAL**
Revenue total*	**393 776**	**338 703**	**732 479**
Net interest income	245 117	189 784	434 901
external	*89 618*	*345 283*	*434 901*
internal	*155 499*	*-155 499*	*0*
Net commission income, of which:	145 739	105 613	251 352
income	*168 240*	*117 625*	*285 865*
expenses	*-22 501*	*-12 012*	*-34 513*
Other income/expenses	-6 800	43 306	36 506
Share in net profit (loss) of associated entities recognised under the equity method	9 720	0	9 720
Expenses total	**250 746**	**157 541**	**408 287**
Operational expenses, including:	250 746	157 541	408 287
personnel expenses	*122 027*	*79 012*	*201 039*
depreciation	*21 780*	*8 749*	*30 529*
other	*106 939*	*69 780*	*176 719*
Result before risk	**143 030**	**181 162**	**324 192**
Risk cost	33 872	23 196	57 068
Result after risk cost (profit before tax)	**109 158**	**157 966**	**267 124**
CIT	-	-	54 594
Result after tax	-	-	**212 530**
- attributable to owners of the parent	-	-	**212 543**
- attributable to non-controlling interests	-	-	-13

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

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

	period from 01.01.2010 to 31.03.2010		
	Retail customers segment	**Corporate banking segment**	**TOTAL**
Revenue total*	**307 650**	**350 480**	**658 130**
Net interest income	178 039	212 388	390 427
external	*11 580*	*378 847*	*390 427*
internal	*166 459*	*-166 459*	*0*
Net commission income, of which:	116 147	112 321	228 468
income	*138 114*	*125 968*	*264 082*
expenses	*-21 967*	*-13 647*	*-35 614*
Other income/expenses	6 184	25 771	31 955
Share in net profit (loss) of associated entities recognised under the equity method	7 280	0	7 280
Expenses total	**248 501**	**142 051**	**390 552**
Operational expenses, including:	248 501	142 051	390 552
personnel expenses	*110 168*	*69 286*	*179 454*
depreciation	*21 676*	*7 479*	*29 155*
other	*116 657*	*65 286*	*181 943*
Result before risk	**59 149**	**208 429**	**267 578**
Risk cost	21 227	26 872	48 099
Result after risk cost (profit before tax)	**37 922**	**181 557**	**219 479**
CIT	-	-	41 966
Result after tax	-	-	**177 513**
- attributable to owners of the parent	-	-	**177 520**
- attributable to non-controlling interests	-	-	-7

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

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16. Other informations

Key effectiveness ratios

	31.03.2011	31.03.2010	Change 31.03.2011 / 31.03.2010
Profitability ratio (%)	31.3	26.7	4.6 b.p.
Return on assets (%)	1.2	1.1	0.1 b.p.
Return on equity (%)	14.4	14.7	-0.3 b.p.
Cost/Income ratio (%)	55.7	59.3	-3.6 b.p.
Solvency ratio (%)	12.74	13.00	-0.26 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. In the 1Q 2011 the Agency reviewed the ratings of ING Bank Śląski S.A. As a result of the review, the Agency affirmed all the ratings of the Bank (press release of Fitch dated 4 March 2011). As at 31.03.2011, 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).

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

In the opinion of the Fitch Agency, the individual rating at C reflects the Bank's strong market position, high liquidity, stable sources of funding using the deposits of retail clients, as well as adequate capital position and assets quality, which is considerably higher than the market median.

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. As at 31.03.2011, 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:

	31.03.2011	**31.12.2010**	**30.09.2010**	**30.06.2010**	**31.03.2010**
Individuals	8 522	8 472	8 525	8 438	8 327
FTEs	8 383.8	8 332.3	8 391.0	8 295.3	8 183.4

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

	31.03.2011	**31.12.2010**	**30.09.2010**	**30.06.2010**	**31.03.2010**
Individuals	8 274	8 224	8 284	8 199	8 085
FTEs	8 143.6	8 092.3	8 158.5	8 066.4	7 951.7

<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	**31.12.2010**	**30.09.2010**	**30.06.2010**	**31.03.2010**
Number of outlets	445	443	441	442	441

As at the end of March 2011, the Bank had a network of 776 ATMs[1] compared with 775 ATMs as at the end of December 2010 and 739 ATMs in the analogical period in 2010.

As at the end of March 2011, the Bank also had a network of 449 cash deposit machines[2], compared with 442 cash deposit machines as at the end of December 2010 and 373 cash deposit machines in the analogical period in 2010.

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[3] are as follows:

	31.03.2011	31.12.2010	30.09.2010	30.06.2010	31.03.2010
ING BankOnLine, ING OnLine, ING BusinessOnLine and MultiCash	1 960 757	1 879 525	1 802 126	1 713 940	1 634 606
HaloŚląski	1 140 561	1 072 099	1 005 347	930 097	860 521
SMS	823 135	782 079	742 474	697 476	657 222

The monthly number of transactions in March 2011 was at the level of 13.1 million, whereas in the analogical period in 2010 it was 11.0 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)	31.03.2011	31.12.2010	30.09.2010	30.06.2010	31.03.2010
Payment cards	2 300	2 267	2 226	2 166	2 122

Out of all cards issued to clients as at the end of March 2011, 225.9 thousand were credit cards[4] (231.1 thousand as at the end of December 2011 and 245.9 thousand in the same period a year earlier). The newest types of cards were very popular among clients. As at the end of March 2011, 226.6 thousand PayPass cards (202.9 thousand as at the end of December 2010) and 23.0 thousand Virtual c@rds (19.1 thousand as at the end of December 2010) were issued to clients.

[1] Including duals the number of which as of the end of March 2011 was 77.
[2] As above.
[3] The number of clients is not the same as the number of users as one client may represent several users in a given system.
[4] Inclusive of VE Credit and VE Credit NN-P cards.

Interim condensed consolidated financial statements for I quarter 2011 _(PLN thousand)_

III. Interim condensed standalone financial statement of the Bank

INTERIM CONDENSED STANDALONE INCOME STATEMENT

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	**I quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010
- Interest income	768 214	722 113
- Interest expenses	340 698	338 330
Net interest income	**427 516**	**383 783**
- Commission income	265 766	242 503
- Commission expenses	28 850	29 883
Net commission income	**236 916**	**212 620**
Net income on instruments measured at fair value through profit or loss and FX result	26 419	27 831
Net income on investments	18 418	3 868
Net income on hedge accounting	-16 259	-6 894
Net income on other basic activities	650	4 988
Result on basic activities	**693 660**	**626 196**
General and administrative expenses	395 469	382 117
Result on other operating income and expenses	464	3 574
Impairment losses and provisions for off-balance sheet liabilities	58 119	47 352
Profit (loss) before tax	**240 536**	**200 301**
Income tax	51 259	39 512
Net result for the current period	**189 277**	**160 789**

Net profit (loss)	**189 277**	**160 789**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**14,55**	**12,36**

Diluted earnings per share agrees with earnings per ordinary share

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

	I quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	**I quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010
Net result for the period	**189 277**	**160 789**
Other comprehensive income, of which:		
- Gains/losses on remeasurement of available-for-sale financial assets charged to equity	-39 873	52 266
including deferred tax	*9 272*	*-12 303*
- Reclassification to the financial result as a result of sale of available-for-sale financial assets	-14 751	-3 060
including deferred tax	*3 460*	*718*
- 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	-116	-305
including deferred tax	*27*	*72*
- Remeasurement of property, plant and equipment	-132	0
including deferred tax	*31*	*0*
- Effective part of cash flow hedging instruments revaluation	-28 690	19 882
including deferred tax	*6 731*	*-4 664*
- Other	566	283
including deferred tax	*-133*	*4*
Total other comprehensive income	**-82 996**	**69 066**
Total comprehensive income for the period	**106 281**	**229 855**

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

	1 quarter 2011 as of 31 Mar 2011	end of year 2010 as of 31 Dec 2010	1 quarter 2010 as of 31 Mar 2010	end of year 2009 as of 31 Dec 2009
A S S E T S				
- Cash in hand and balances with the Central Bank	1 401 506	2 394 179	2 387 792	2 656 581
- Loans and receivables to other banks	2 782 961	1 521 478	1 582 854	1 494 053
- Financial assets measured at fair value through profit and loss	551 680	636 737	3 737 233	8 265 524
- Valuation of derivatives	879 111	1 158 897	1 408 240	1 566 652
- Investments	23 573 199	23 005 928	21 639 470	14 166 032
- available-for-sale	*17 265 894*	*16 787 917*	*14 852 567*	*6 835 626*
- held-to-maturity	*6 307 305*	*6 218 011*	*6 786 903*	*7 330 406*
- Derivative hedge instruments	112 344	104 796	111 708	90 444
- Loans and receivables to customers	34 695 152	33 959 314	29 563 576	29 976 639
- Investments in controlled entities recognised under the equity method	451 716	451 716	313 164	313 164
- Investment real estates	0	0	129 667	129 667
- Property, plant and equipment	517 808	530 715	525 047	534 712
- Intangible assets	340 724	340 870	321 440	325 746
- Property, plant and equipment held for sale	1 381	3 081	224	224
- Current income tax assets	37 529	0	0	0
- Deferred tax assets	141 801	163 499	61 104	84 850
- Other assets	220 796	157 197	173 466	147 200
T o t a l a s s e t s	**65 707 708**	**64 428 407**	**61 954 985**	**59 751 488**
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	10 529 330	4 151 081	5 369 812	3 951 088
- Financial liabilities measured at fair value through profit and loss	561 645	4 681 424	2 649 169	998 051
- Valuation of derivatives	868 927	1 292 661	1 109 704	1 193 944
- Derivative hedge instruments	421 051	600 455	557 035	482 563
- Liabilities due to customers	46 507 214	47 430 828	46 240 768	47 657 073
- Provisions	52 565	54 390	47 092	54 060
- Current income tax liabilities	0	138 347	19 787	156 119
- Other liabilities	1 220 909	641 088	1 015 561	543 116
T o t a l l i a b i l i t i e s	**60 161 641**	**58 990 274**	**57 008 928**	**55 036 014**
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	-46 676	8 064	47 518	-1 383
- Revaluation reserve from measurement of property, plant and equipment	34 219	35 654	33 406	33 426
- Revaluation reserve from measurement of cash flow hedging instruments	-28 259	431	18 914	-968
- Revaluation of share-based payment	22 733	21 080	16 574	15 846
- Retained earnings	4 477 700	4 286 554	3 743 295	3 582 203
T o t a l e q u i t y	**5 546 067**	**5 438 133**	**4 946 057**	**4 715 474**
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	**65 707 708**	**64 428 407**	**61 954 985**	**59 751 488**

Solvency ratio	**11,73%**	**12,20%**	**12,18%**	**11,24%**

Net book value	**5 546 067**	**5 438 133**	**4 946 057**	**4 715 474**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (PLN)	**426,29**	**418,00**	**380,17**	**362,45**

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

1 quarter 2011
the period from 01 Jan 2011 to 31 Mar 2011

	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**	**8 064**	**35 654**	**431**	**21 080**	**4 286 554**	**5 438 133**
Net result for the current period	-	-	-	-	-	-	189 277	**189 277**
Other comprehensive income, of which:	**0**	**0**	**-54 740**	**-1 435**	**-28 690**	**0**	**1 869**	**-82 996**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*-39 873*	-	-	-	-	*-39 873*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*-14 751*	-	-	-	-	*-14 751*
- 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	-	-	*-116*	-	-	-	-	*-116*
- remeasurement of property, plant and equipment	-	-	-	*-132*	-	-	-	*-132*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*-28 690*	-	-	*-28 690*
- other	-	-	-	*-1 303*	-	-	*1 869*	*566*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**1 653**	**0**	**1 653**
- revaluation of share-based payment	-	-	-	-	-	1 653	-	*1 653*
Closing balance of equity	**130 100**	**956 250**	**-46 676**	**34 219**	**-28 259**	**22 733**	**4 477 700**	**5 546 067**

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**

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

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Revaluation reserve from measurement of cash flow hedging instruments	Revaluation of share-based payment	Retained earnings	Total equity
Opening balance of equity	**130 100**	**956 250**	**-1 383**	**33 426**	**-968**	**15 846**	**3 582 203**	**4 715 474**
Net result for the current period	-	-	-	-	-	-	160 789	**160 789**
Other comprehensive income, of which:	**0**	**0**	**48 901**	**-20**	**19 882**	**0**	**303**	**69 066**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	*52 266*	-	-	-	-	*52 266*
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	*-3 060*	-	-	-	-	*-3 060*
- 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	-	-	*-305*	-	-	-	-	*-305*
- effective part of cash flow hedging instruments revaluation	-	-	-	-	*19 882*	-	-	*19 882*
- other	-	-	-	*-20*	-	-	*303*	*283*
Transactions with owners, of which:	**0**	**0**	**0**	**0**	**0**	**728**	**0**	**728**
- revaluation of share-based payment	-	-	-	-	-	*728*	-	*728*
Closing balance of equity	**130 100**	**956 250**	**47 518**	**33 406**	**18 914**	**16 574**	**3 743 295**	**4 946 057**

INTERIM CONDENSED STANDALONE CASH FLOW STATEMENT (PLN '000)

	1 quarter 2011 the period from 01 Jan 2011 to 31 Mar 2011	**1 quarter 2010** the period from 01 Jan 2010 to 31 Mar 2010
OPERATING ACTIVITIES		
Net profit (loss)	**189 277**	**160 789**
Adjustments	**105 623**	**-715 097**
- Depreciation and amortisation	30 194	28 675
- Interest accrued (from the profit and loss account)	427 516	383 783
- Interest paid	324 595	376 095
- Interest received	-748 581	-743 878
- Dividends received	-208	-91
- Gains (losses) on investment activities	-75	-74
- Income tax (from the profit and loss account)	51 259	39 512
- Income tax paid	-205 437	-152 098
- Change in provisions	-1 825	-6 968
- Change in loans and other receivables to other banks	11 486	257 207
- Change in financial assets at fair value through profit or loss	87 345	4 491 215
- Change in available-for-sale financial assets	-562 826	-7 936 051
- Change in valuation of derivatives	-143 948	74 172
- Change in derivative hedge instruments	-215 642	73 090
- Change in loans and other receivables to customers	-729 704	408 483
- Change in other assets	-150 959	-97 114
- Change in liabilities due to other banks	6 387 688	1 419 699
- Change in liabilities at fair value through profit or loss	-4 119 779	1 651 118
- Change in liabilities due to customers	-916 950	-1 455 045
- Change in other liabilities	581 474	473 173
Net cash flow from operating activities	**294 900**	**-554 308**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-4 230	-7 290
- Disposal of property, plant and equipment	242	92
- Purchase of intangible assets	-12 878	-7 798
- Redemption of held-to-maturity financial assets	0	615 000
- Interest received from held-to-maturity financial assets	0	35 363
- Dividends received	208	91
Net cash flow from investment activities	**-16 658**	**635 458**
Effect of exchange rate changes on cash and cash equivalents	***3 194***	***-7 239***
Net increase/decrease in cash and cash equivalents	**278 242**	**81 150**
Opening balance of cash and cash equivalents	**3 077 747**	**3 018 259**
Closing balance of cash and cash equivalents	**3 355 989**	**3 099 409**

1. Introduction

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for I quarter 2011 were prepared under the International Financial Reporting Standards (IFRS) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2011 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 2011 to 31 March 2011, and interim condensed standalone statement of financial position as at 31 March 2011 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 2010 to 31 March 2010 for the interim condensed standalone income statement; the interim condensed standalone statement of comprehensive income and the interim condensed standalone cash flow statement; additionally, as of 31 December 2010 for the interim condensed standalone statement of changes in equity; and in the case of the interim condensed standalone statement of financial position data as of 31 December 2010, 31 March 2010 and 31 December 2009.

Presented interim condensed standalone financial statements for the I quarter 2011 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 2010 annual standalone financial statements, except that amendments to the standards and new interpretations applicable to annual periods starting on or after 1 January 2011. 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 4 May 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 1Q 2011 and 1Q 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 2010 to 31 December 2010 published on 4 March 2011 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 2010 to 31 March 2010, the Bank introduced several amendments into interim condensed financial statement for the period from 1 January 2011 to 31 March 2011. 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.

Interim condensed consolidated financial statements for I quarter 2011 (PLN thousand)

5. Material events in I quarter 2011

Material events that occurred in I quarter 2011 are described in the summary interim consolidated financial statement in paragraph II.6.

6. Seasonality or cyclicity of activity

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

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

None.

8. Dividends paid

On 7 April 2011, the General Shareholders Meeting approved the payout of dividend for 2010 of PLN 15.00 gross per 1 share, which is equivalent to PLN 195,150,000. The dividend shall be paid on 1 July 2011.

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 1Q 2011, the ING Bank Śląski did not make any acquisitions, as in 1Q 2010.

10. Off-balance sheet items

	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	15 803 270	14 984 028	11 433 569	14 257 243
Contingent liabilities received	21 143 533	17 153 553	12 541 806	12 483 266
Off-balance sheet financial instruments	119 650 095	131 521 156	105 794 411	119 086 563
Total off-balance sheet items	**156 596 898**	**163 658 737**	**129 769 786**	**145 827 072**

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.

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