

ING BANK ŚLĄSKI S.A. CAPITAL GROUP

**LONG-FORM AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

I. GENERAL NOTES

1. Background

The holding company of the ING Bank Śląski S.A. Group (hereinafter 'the Group' or 'the Capital Group') is ING Bank Śląski S.A. ('the holding company', 'the Company', 'the Bank').

The holding company was incorporated on the basis of decree of Minister of Finance dated 11 April 1988 on creation of Bank Śląski in Katowice (Journal of Law No. 21, item 141). The holding company's registered office is located in Katowice at 34 Sokolska Street.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the European Union.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000005459 on 10 April 2001.

The holding company was issued with tax identification number (NIP) 634-01-35-475 on 20 December 2000 and statistical number (REGON) 271514909.

The holding company is a subsidiary of the ING Bank N.V. capital group which is a part of ING Groep N.V. Capital Group.

The principal activities of the holding company are as follows:

- banking activity,
- broker activity and fund management,
- other activity connected with finance, insurance and pension funds.

The scope of activities of the subsidiaries, jointly controlled entities and associates is connected to this of the holding company.

As at 31 December 2011, the holding company's issued share capital amounted to 130.1 million zlotys. The Group's equity as at that date amounted to 6,416.0 million zlotys.

In accordance with the confirmation obtained from the Management Board Office dated 17 February 2012, as at 31 December 2011, the ownership structure of the holding company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
ING Bank N.V.	97,575,000	97,575,000	97,575,000	75.00%
Other shareholders	32,525,000	32,525,000	32,525,000	25.00%
	-----	-----	-----	-----
Total	130,100,000	130,100,000	130,100,000	100.00%
	=====	=====	=====	=====

On 31 October 2011 the nominal value of the holding company's shares was split according to 1:10 ratio. As a result of the split, as at 31 December 2011, the holding company's issued share capital consisted of 130,000,100 shares at nominal value of PLN 1 each share.

During the reporting period and between the balance sheet date and the date of this report there were no movements in the share capital.

As at 28 February 2012, the holding company's Management Board was composed of:

Małgorzata Kołakowska	President,
Mirosław Boda	Vice-President
Justyna Kesler	Vice-President
Oscar Edward Swan	Vice-President
Michał Bolesławski	Vice-President
Ignacio Juliá Vilar	Vice-President

On 27 June 2011 Evert Derks Drok resigned from the position of Vice President of the Management Board.

On 9 January 2012 Ignacio Juliá Vilar have been appointed to the position of Vice President of the Management Board from 1 February 2012.

2. Group Structure

As at 31 December 2011, the ING Bank Śląski S.A. Group consisted of the following subsidiaries (direct or indirect):

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
ING Securities S.A.	Full consolidation	Till the issue date of this report, opinion has not been issued	Ernst & Young Audit sp. z o. o.	31 December 2011
Centrum Banku Śląskiego Sp. z o.o.	Full consolidation	Till the issue date of this report, opinion has not been issued	BUFIKS - Biuro Usług Finansowo-Księgowych Sp. z o.o.; Grupa Finans-Servis	31 December 2011
SOLVER sp. z o.o.	Full consolidation	Till the issue date of this report, opinion has not been issued	Kancelaria Biegłego Rewidenta Czesławy Klimunt Kowalskiej	31 December 2011

As at 31 December 2011 shares in the following associates (direct and indirect) were recognised in the Group's consolidated financial statements using the equity method:

Name and registered office	Type of activity
ING Powszechne Towarzystwo Emerytalne S.A. located in Warsaw at 2 Ludna Street	Pension Fund Management

On 31 October 2011 ING Bank Śląski S.A. incorporated ING Bank Hipoteczny S.A. that was its former subsidiary and part of ING Bank Śląski S.A. Group. The transaction had no significant impact on the audited consolidated financial statements of the Group for the year ended 31 December 2011.

On 29 December 2011 ING Bank Śląski S.A. signed the agreement of purchase 100% shares of ING ABL Polska S.A. from ING Lease Holding N.V. on 1 January 2012. ING ABL Polska S.A. is the sole shareholder of ING Lease Polska Sp z o.o. and ING Commercial Finance Polska S.A. That companies will be incorporated into the structure of ING Bank Śląski S.A. Group and consolidated from 1 January 2012.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under No. 130.

Ernst & Young Audit sp. z o.o. was appointed by Supervisory Board on 3 March 2011 to audit the Group's consolidated financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 8 April 2011 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2011.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an unqualified auditors' opinion dated 28 February 2012, stating the following:

'To the Supervisory Board of ING Bank Śląski S.A.

1. We have audited the attached consolidated financial statements of ING Bank Śląski S.A. Group ('the Group'), for which the holding company is ING Bank Śląski S.A. ('the Company') located in Katowice at 34 Sokolska Street, for the year ended 31 December 2011 containing the consolidated income statement, the consolidated statement of comprehensive income for the period from 1 January 2011 to 31 December 2011, the consolidated statement of financial position as at 31 December 2011, the consolidated statement of changes in equity, the consolidated statement of cash flow for the period from 1 January 2011 to 31 December 2011 and the summary of significant accounting policies and other explanatory notes ('the attached consolidated financial statements').
2. The truth and fairness¹ of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Report of the Management Board for the period from 1 January 2011 to 31 December 2011 and the rules of preparation of annual statements' ('the Directors' Report') meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152, item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Group.
3. We conducted our audit of the attached consolidated financial statements in accordance with:
 - chapter 7 of the Accounting Act,
 - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.
4. In our opinion, the attached consolidated financial statements, in all material respects:

¹ Translation of the following expression in Polish: 'rzetelność i jasność'

² Translation of the following expression in Polish: 'rzetelne i jasne'

- present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2011 to 31 December 2011, as well as its financial position³ as at 31 December 2011;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
 - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
5. We have read the 'Directors' Report and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (2009 Journal of Laws No. 33, item 259 with subsequent amendments).'

We conducted the audit of the consolidated financial statements during the period from 17 October 2011 to 23 December 2011 and from 03 January 2012 to 28 February 2012. We were present at the holding company's head office from 17 October 2011 to 4 November 2011 and from 3 January 2012 to 28 February 2012.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness⁴ of the audited consolidated financial statements and the preparation of these financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the audited consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 28 February 2012, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete,
- all contingent liabilities had been disclosed in the audited consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the audited consolidated financial statements,

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

³ Translation of the following expression in Polish: 'sytuacja majątkowa i finansowa'

⁴ Translation of the following expression in Polish: "rzetelność i jasność"

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by Arkadiusz Krasowski, key certified auditor no. 10018, acting on behalf of Ernst & Young Audit sp. z o.o. with the seat in Warsaw, Rondo ONZ 1 (Reg. No. 130). The key certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2010.

The consolidated financial statements for the year ended 31 December 2010 were approved by the General Shareholders' Meeting on 7 April 2011.

The consolidated financial statements of the Group for the financial year ended 31 December 2010, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 19 April 2011 with the National Court Register.

The consolidated statement of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 2010, together with the auditors' opinion and a copy of the resolution approving the financial statements were published in Monitor Polski B No. 1115 on 30 June 2011.

4. Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2009 – 2011. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2010 and 31 December 2011.

	2011	2010	2009
Total assets	69,723.4	64,517.5	59,883.5
Shareholders' equity	6,416.0	5,653.1	4,886.7
Net profit/ loss	880.1	753.1	595.1
Capital adequacy ratio according to NBP methodology	12.28%	13.15%	12.01%
Profitability ratio	67.2%	58.6%	49.6%
Profit before taxation			
Total costs*			
Costs to income ratio	56.3%	58.4%	58.8%
Total costs*			
Operating income**			
Return on equity (ROE)	14.6%	14.3%	13.1%
Net profit			
Average shareholders' equity			
Return on assets (ROA)	1.3%	1.2%	0.9%
Net profit			
Average assets			
Rate of inflation:			
Yearly average	4.3%	2.6%	3.5%
December to December	4.6%	3.1%	3.5%

*Total costs comprise general expenses and result on other operating income and expense.

** Operating income comprises result on basic activities and share in net profit (loss) of associated entities recognized under the equity method.

4.2 Comments

The following trends may be observed based on the above financial ratios:

- Profitability ratio increased from 49.6% in 2009 to 58.6% in 2010 and then to 67.2% in 2011.
- Cost to income ratio decreased from 58.8% in 2009 to 58.4% in 2010 and then to 56.3% in 2011.
- Return on equity ratio increased from 13.1% in 2009 to 14.3% in 2010 and then to 14.6% in 2011.
- Return on assets ratio increased from 0.9% in 2009 to 1.2% in 2010 and then to 1.3% in 2011.
- The Group's solvency ratio amounted to 12.28% as at 31 December 2011 compared with 13.15% at the end of 2010 and 12.01% at the end of 2009.

4.3 Going concern

In Note IV of other explanatory notes to the audited consolidated financial statements for the year ended 31 December 2011, the Management Board of the holding company has stated that the financial statements of the Group entities included in the audited consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to 31 December 2011 and that there are no circumstances that would indicate a threat to its continued activity.

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2011 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

4.4. Application of regulations mitigating banking risk

As at 31 December 2011, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland and Resolutions of the Polish Financial Supervision Authority ('KNF') envisaged banking regulatory norms in relation to the following items:

- level of currency positions,
- concentration of credit risk,
- concentration of investments in shares,
- classification of loans and issued guarantees and suretyships to risk categories, recognition of provisions / impairment allowances related to banking operations,
- solvency,
- liquidity measurement,
- level of obligatory reserve,
- capital adequacy.

During our audit we have not identified any facts indicating that during the period from 1 January 2011 to 31 December 2011 the Group did not comply with these regulations. We have received written representation from the Management Board of the Bank that during the year the banking regulatory norms were not breached.

4.5. Correctness of calculation of capital adequacy ratio

During our audit we have not identified any significant irregularities in relation to the calculation of the capital adequacy ratio as of 31 December 2011 in accordance with Resolution No. 76/2010 of the Polish Financial Supervision Committee of 10 March 2010 on the scope and detailed principles of the capital requirements against particular risks (Official Journal of the Polish Financial Supervision Committee No. 2, dated 9 April 2010 with further amendments).

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note V of other explanatory notes to the audited Group's consolidated financial statements for the year ended 31 December 2011.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2011.

The data disclosed in the audited consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method on determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note V and note VII.25 of other explanatory notes and explanations to the audited consolidated financial statements.

3.2 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. Non-controlling interest amounted to 2.3 million zlotys as at 31 December 2011. It was correctly calculated and is consistent with the consolidation documentation.

Information on shareholders' funds has been presented in notes VII.34, VII.35 and VII.36 of the other explanatory notes to the audited consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2011 and include the financial data for the period from 1 January 2011 to 31 December 2011.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

During the financial year the Group did not sell any shares in subordinated entities. The incorporation of ING Bank Hipoteczny S.A. by ING Bank Śląski S.A. is described in point II.2 of this report.

6. Items which have an impact on the group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2011.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the audited consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting

8. Issues specific for the audit of banks

We have addressed the issue of complying by ING Bank Śląski S.A. ('the Bank') with the obligatory norms mitigating banking risks and the issue of correctness of calculation of capital adequacy ratio in our report dated 28 February 2012, supplementing the independent auditors' opinion on the financial statements of the Bank for the year ended 31 December 2011.

9. Other Explanatory Notes

The other explanatory notes to the audited consolidated financial statements for the year ended 31 December 2011 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

10. Directors' Report

We have read the Directors' Report and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (2009 Journal of Laws No. 33, item 259 with subsequent amendments).

11. Materiality Level

When determining the materiality level, professional judgement was applied taking into account the specific characteristics relating to the Group. This included consideration of both values and quantities.

12. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association having an impact on the consolidated financial statements were breached during the financial year.

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Registration No. 130

Key Certified Auditor

Arkadiusz Krasowski
certified auditor
No. 10018

Warsaw, 28 February 2012