

ING BANK ŚLĄSKI S.A.

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

I. GENERAL NOTES

1. Background

ING Bank Śląski S.A. (hereinafter 'the Bank', 'the 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 Bank's registered office is located in Katowice at 34 Sokolska Street.

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

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

The Bank is the holding company of the ING Bank Śląski S.A. capital group. Moreover, the Bank is a subsidiary of ING Bank N.V., which is a part of ING Groep N.V. Details of transactions with affiliated entities and the list of companies in which the Bank holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in notes VII.21 and VII.43 of other explanatory notes to the audited financial statements for the year ended 31 December 2011.

The principal activities of the Bank are as follows:

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

As at 31 December 2011, the Bank's issued share capital amounted to 130.1 million zlotys. Equity as at that date amounted to 6,231.5 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 Bank'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%
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Total	130,100,000	130,100,000	130,100,000	100.00%
	=====	=====	=====	=====

On 31 October 2011 the nominal value of the Bank's shares was split according to 1:10 ratio. As a result of the split, as at 31 December 2011, the Bank'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.

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 was described in note II of the other explanatory notes to the audited financial statements for the year ended 31 December 2011.

As at 28 February 2012, the Bank'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. Financial Statements

On 23 December 2004 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

2.1 Auditors' opinion and audit of 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 Bank's 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 Bank's Management Board, we have audited the financial statements for the year ended 31 December 2011.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the 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 financial statements for the year ended 31 December 2011 of ING Bank Śląski S.A. ('the Company') located in Katowice at 34 Sokolska Street, containing the income statement, the statement of comprehensive income for the period from 1 January 2011 to 31 December 2011, statement of financial position as at 31 December 2011, the statement of changes in equity, the 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 financial statements').
2. The truth and fairness¹ of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records 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 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 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, whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached 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 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 financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.

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

² Translation of the following expression in Polish: 'rzetelnie i jasno'

4. In our opinion, the attached financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of the Company'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 and based on properly maintained accounting records;
 - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
5. We have read the 'Directors' Report and concluded that the information derived from the attached 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 Bank's financial statements during the period from 17 October 2011 to 23 December 2011 and from 3 January 2012 to 28 February 2012. We were present at the Bank's head office from 17 October 2011 to 4 November 2011 and from 3 January 2012 to 28 February 2012.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ of the audited financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 28 February 2012, confirming that:

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

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the audited 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"

2.3 Financial statements for prior financial year

The Bank's financial statements 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 financial statements for the year ended 31 December 2010.

The Bank's financial statements for the year ended 31 December 2010 were approved by the General Shareholders' Meeting on 7 April 2011, and the shareholders resolved to appropriate the 2010 net profit as follows:

Dividends for the shareholders	195.2
Retained earnings	447.1
General Risk Fund	60.0

Net Profit	702.3
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The financial statements for the financial year ended 31 December 2010, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 19 April 2011 with the National Court Register.

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

The closing balances as at 31 December 2010 were correctly brought forward in the accounts as the opening balances at 1 January 2011.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Bank 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 respectively.

	2011	2010	2009
Total assets	69,624.3	64,428.4	59,751.5
Shareholders' equity	6,231.5	5,438.1	4,715.5
Net profit/ loss	903.8	702.3	582.2
Capital adequacy ratio according to NBP methodology	11.94%	12.20%	11.24%
Profitability ratio	69.4%	56.8%	49.6%
Profit before taxation			
Total costs*			
Costs to income ratio	55.5%	58.9%	58.6%
Total costs*			
Operating income			
Return on equity (ROE)	15.5%	13.8%	13.3%
Net profit			
Average shareholders' equity			
Return on assets (ROA)	1.3%	1.1%	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 and administrative expenses and result on other operating income and expenses.

3.2 Comments

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

- The profitability ratio increased from 49.6% in 2009 to 56.8% in 2010 and then to 69.4% in 2011.
- Cost to income ratio increased from 58.6% in 2009 to 58.9% in 2010 and then decreased to 55.5% in 2011.
- The return on equity ratio increased from 13.3% in 2009 to 13.8% in 2010 and then to 15.5% in 2011.
- Return on assets ratio increased from 0.9% in 2009 to 1.1% in 2010 and then to 1.3% in 2011.
- The Bank's solvency ratio amounted to 11.94% as at 31 December 2011 as compared to 12.20% at the end of 2010 and 11.24% at the end of 2009.

3.3 Going concern

In Note IV of the other explanatory notes to the audited financial statements for the year ended 31 December 2011, the Management Board has stated that the audited financial statements were prepared on the assumption that the Bank 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 Bank 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.

3.4 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 Bank did not comply with these regulations. We have received written representation from the Management Board that during the year the banking regulatory norms were not breached.

3.5. 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. Accounting System

The Bank's accounts are kept using the following IT systems: ICBS, SAP, MIDAS, K+TP, Prime and CBE (Central Extracts' Database) in which general ledger of the Bank is maintained. In all material aspects concerning the preparation of the audited financial statements the Bank has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Bank's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Bank's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2011.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2011.

3. Other Explanatory Notes

The other explanatory notes to the audited 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.

4. Directors' Report

We have read the Directors' and concluded that the information derived from the audited financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant provisions 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).

5. Materiality Level

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

6. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Bank's Articles of Association 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