

**Report of the Supervisory Board of ING Bank Śląski S.A.**  
**on their operations for 2011 with self-assessment of the Supervisory Board**

Pursuant to § 19 item 5 of the Charter of ING Bank Śląski S.A., Members of the Supervisory Board are appointed for the joint 5-year term of office. Current term-of office started on 3 April 2009.

As at 31.12.2011, the composition of the Supervisory Board was as follows:

<b>Anna Fornalczyk</b>	-	<b>Chair</b>
<b>Brunon Bartkiewicz</b>	-	<b>Deputy Chair</b>
<b>Wojciech Popiołek</b>	-	<b>Secretary</b>
<b>Roland Boekhout</b>	-	<b>Member</b>
<b>Ralph Hamers</b>	-	<b>Member</b>
<b>Nicolaas Cornelis Jue</b>	-	<b>Member</b>
<b>Mirosław Kośmider</b>	-	<b>Member</b>

There were the following changes on the Supervisory Board throughout the year:

- Mr. Cornelis Leenaars, the then-Deputy Chair of the Supervisory Board, tendered his resignation from his capacity as member of the Supervisory Board, effective 6 April 2011,
- on 26 May 2011, the Supervisory Board elected Mr. Brunon Bartkiewicz as the Deputy Chair of the Supervisory Board,
- Mr. César González-Bueno tendered his resignation from his capacity as member of the Supervisory Board, effective 16 September 2011,
- on 24 October 2011, the Extraordinary General Meeting appointed Mr. Roland Boekhout to the Supervisory Board.

### **General Issues**

In keeping with the approved plan of work, the Supervisory Board met five times during the year, and adopted 51 resolutions in total, including 15 adopted by circulation. The majority of members attended all of the meetings. Attendance at the meetings of the Supervisory Board



Committees, i.e. Audit Committee and Remuneration & Nomination Committee, was equally high. Both Committees met 4 times in 2011.

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

During their first meeting on 3 March 2011, the Supervisory Board approved the financial statements including the opinion of external auditor – Ernst & Young, and the MTP. The Supervisory Board also agreed on the date and the agenda of the General Meeting and gave their advice on the draft resolutions of the General Meeting. In keeping with the recommendation of the Audit Committee, the Supervisory Board elected Ernst&Young Audit Spółka z o.o. as the entity authorised to audit the financial statements of ING Bank Śląski S.A. and of the ING Bank Śląski S.A. Group. The Supervisory Board also resolved to approve the amendments to the Audit Committee Bylaw so as to adjust it to the provisions of the “Recommendations on Audit Committee” issued by the Polish Financial Supervision Authority.

The most important corporate event, that is the General Meeting, was held on 7 April. The Supervisory Board also met on that day and passed a resolution on the 2011 bonus tasks for the members of the Bank’s Management Board, among others.

In May, the Supervisory Board discussed the Bank’s results after the 1<sup>st</sup> quarter of 2011. In keeping with the recommendation of the Audit Committee, the Supervisory Board approved the Policy on external auditor independence and reviewed the Management Board’s update on selected strategic projects conducted at the Bank.

The meeting was of major importance for the Company as it was during that meeting that the Supervisory Board approved the consolidation of ING Bank Śląski S.A. and ING Bank Hipoteczny S.A. The main reasons behind the consolidation process included:

- mitigating a number of financial and non-financial risks in the environment of ING Bank Hipoteczny,
- enabling further development of the commercial real estate financing in the capital group of ING Bank Śląski,



- optimal use of resources by taking advantage of the synergy effect and improved effectiveness of the commercial real estate financing by the group of ING Bank Śląski,
- more effective use of capital.

During that same meeting, the Supervisory Board gave positive advice on the draft resolution of the General Meeting regarding an amendment to the Charter of ING Bank Śląski S.A., whereby the face value of the Bank's stock would be split by 10. The decision of the Bank's authorities was dictated by the intention to increase the availability of the shares of ING Bank Śląski S.A. and to make them available to a larger investor pool, especially individual investors, as well as to increase the liquidity of ING Bank Śląski S.A. shares on the Warsaw Stock Exchange.

During the meeting in September, the Supervisory Board reviewed the Bank's results for the 1<sup>st</sup> half of 2011, including a presentation on the Bank's competitive position vis-à-vis its peers. At the request of the Management Board, the Supervisory Board gave positive advice regarding the convention of the Extraordinary General Meeting of ING Bank Śląski S.A., which was held on 24 October 2011. As a consequence, the General Meeting approved amendments to the Bank's Charter and consolidation of ING Bank Śląski S.A. and ING Bank Hipoteczny S.A.; the General Meeting also appointed Mr. Roland Boekhout to the Supervisory Board.

In December, the Supervisory Board discussed the Bank's financial results for the 3<sup>rd</sup> quarter of 2011. The Supervisory Board reviewed the assumptions to the MTP and dealt with the plan of work of the Supervisory Board and its Committees for the following year. During that meeting, the Supervisory Board approved documents concerning the Internal Capital Adequacy Assessment Process (ICAAP) at the Bank, and the updated Policy of ING Bank Śląski - Internal Control System.

As per the recommendations of the Audit Committee throughout the year, the Supervisory Board approved the documents submitted by the IAD: the annual audit plan and the semi-annual reports on the Assessment of Internal Audit System, risk management and audit recommendation implementation. The Risk Report including Bank-Wide Credit and Market Risk Sensitivity Analysis / Stress Test was another regular item on the agenda.

### **Operations of the Supervisory Board Committees**

In order to ensure support for the Supervisory Board in exercising its competences, including in particular consulting and advising functions, the Supervisory Board established the Audit Committee and the Remuneration & Nomination Committee from among its members.

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

In 2011, the Audit Committee operated in the following composition:

<b>Mirosław Kośmider</b>	-	<b>Chair</b>
<b>Ralph Hamers</b>	-	<b>Member</b>
<b>Nicolaas Cornelis Jue</b>	-	<b>Member</b>
<b>César González-Bueno</b>	-	<b>Member (until 16 September 2011)</b>
<b>Brunon Bartkiewicz</b>	-	<b>Member (as of 01 December 2011)</b>

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

At their first meeting in 2011, the Audit Committee focused their attention on the Annual Report and the financial statements for the operating year 2010 with the opinion of the external Auditor and recommended the Supervisory Board giving positive advice. The Audit Committee also discussed the Management Letter. Upon reviewing the Management Board's motion, the Committee recommended selecting Ernst&Young as the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the Group of ING Bank Śląski S.A. The Committee members also acknowledged the Management Board's update on the post-inspection recommendations of the Polish Financial Supervision Authority.



In May, the Committee gave their positive advice on the Policy on external auditor independence and Internal Audit Department's Report on the Assessment of Internal Audit System, risk management and audit recommendation implementation. The Audit Committee recommended their approval to the Supervisory Board.

During the meeting in September, the Audit Committee discussed the financial results for the 1<sup>st</sup> half of 2011 and reviewed the Management Board's update on the SOX process. The Committee gave positive advice on the updated internal audit plan for 2011 and resolved to request that the Supervisory Board pass a resolution to that effect.

In December, the Audit Committee reviewed the Bank's results for the 3<sup>rd</sup> quarter of 2011 and gave positive advice on the Annex to the Co-operation Agreement with ING Group NV and ING Bank NV for 2011. The Committee acknowledged the update on all ratios required under Basel III, as well as an update on the results of the stress tests performed at the request of the PFSA.

The Committee gave positive advice on the Policy of ING Bank Śląski - Internal Control System, the Semi-Annual Report of the Internal Audit Department and the Audit Strategy with Annual Audit Plan for 2012; the Committee recommended that the Supervisory Board approve the aforementioned documents.

Regular issues that are debated during all Audit Committee meetings included:

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

The Remuneration and Nomination Committee support the Supervisory Board with regard to monitoring and supervising HR and pay area, including in particular succession plans, employee turnover processes, employee satisfaction surveys, as well as the remunerating and rewarding policy.

In 2011, the Remuneration and Nomination Committee operated in the following composition:

<b>Anna Fornalczyk</b>	-	<b>Chair</b>
<b>Cornelis Leenaars</b>	-	<b>Member (until 06 April 2011)</b>
<b>Brunon Bartkiewicz</b>	-	<b>Member</b>
<b>Nicolaas Cornelis Jue</b>	-	<b>Member</b>
<b>Wojciech Popiołek</b>	-	<b>Member</b>

#### **Agenda of the Remuneration & Nomination Committee**

During their first meeting in March, the Remuneration & Nomination Committee focused on the evaluation of the bonus tasks performed by the members of the Management Board in 2010. Furthermore, the Committee discussed the presentation on the pay policy including pay rises for 2011.

In April, the Committee reviewed the remuneration of the members of the Management Board of ING Bank Śląski S.A. and gave their advice as to the Management Board's bonus tasks for 2011; at the same time, the Committee recommended that the Supervisory Board pass resolutions to that effect.

During the meeting in September, the Committee familiarized themselves with the follow-up actions taken at the Bank after the Winning Performance Culture Scan (WPC); the Committee also acknowledged the Management Board's information regarding the main assumptions of the Employee Pension Plan.

Furthermore, the Committee members discussed the proposal of the Polish Financial Supervision Authority regarding compensation of senior management staff. Discussion on that subject was continued at the following Committee meeting held on December.



## **Self-Assessment of the Supervisory Board's Operations in 2011**

### **Prepared by the Supervisory Board of ING Bank Śląski S.A.**

Throughout 2011, the Supervisory Board of ING Bank Śląski S.A. analysed thoroughly all aspects of the Bank's operations. The Management Board supported the Supervisory Board in the decision-taking process by submitting comprehensive materials and taking an active part in the Supervisory Board's meetings. The co-operation between the Supervisory Board and the Management Board was efficient, and the co-operation formula adopted by the parties ensured unbiased corporate governance and observance of best practices in that respect.

During the year, the members of the Supervisory Board reviewed the financial results and addressed other issues of key importance for the Company's functioning, including but not limited to the Medium-Term Plan, credit- and market risk management, non-financial risk management or HR policy. The meeting agendas have been planned in such a way as to cover all issues that should be addressed by the Supervisory Board under the existing laws. A detailed list of matters handled by the Supervisory Board is presented in the first part of this Report.

In an effort to adhere to the Corporate Governance rules, the Bank introduced independent members to the Supervisory Board. In keeping with the Bank's Charter, at least two members of the Supervisory Board should have no link to the Bank, its shareholders or employees where such link could have material impact on the member's ability to take unbiased decisions. There are currently three members of the Supervisory Board, notably: Ms. Anna Fornalczyk, Mr. Wojciech Popiołek and Mr. Mirosław Kośmider, who meet the independence criteria. The other members, namely: Messrs. Brunon Bartkiewicz, Roland Boekhout, Ralph Hamers and Nicolaas Cornelis Jue, have ties with ING Bank N.V., the strategic shareholder of the Bank. All the Supervisory Board Members represent a very high level of professional qualifications. Their CVs are available at the Bank's web site.

In view of the above, the Supervisory Board are of the opinion that they are well prepared to exercise all statutory and Charter-defined rights and duties and perform their tasks properly,



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ensuring adequate supervision over the Bank in all material aspects of its operation. The Supervisory Board consider their operations in 2011 to have been effective and in keeping with the best market standards.

Overall, the Supervisory Board of ING Bank Śląski S.A. consider 2011 to be yet another year of successful co-operation with the Bank's Management Board, both during the regular meetings and throughout the year. The Supervisory Board express their appreciation for the Management Board's contribution in 2011, including in particular the consistent high financial results, implementation of innovative solutions in the Bank's offer and building positive image of the Company in the society.

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