



# 2012

**Quarterly consolidated  
report  
of the ING Bank  
Śląski Group S.A.  
for the 3 quarter 2012**



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## SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

### Selected financial data

	III quarter 2012	3 quarters 2012	III quarter 2011	3 quarters 2011
<b>Interest income</b>	963.2	2 853.6	882.3	2 488.5
<b>Commission income</b>	283.8	849.9	297.7	879.3
<b>Result on basic activities</b>	782.9	2 403.2	717.5	2 177.5
<b>Result before tax</b>	252.7	777.6	276.6	833.7
<b>Net profit attributable to shareholders of ING Bank Śląski S.A.</b>	203.2	642.3	220.1	666.5
<b>Earnings per ordinary share (PLN)</b>	1.56	4.94	1.69	5.12

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>Loans and advances to customers (net)</b> Including leasing and factoring receivables and corporate bonds	45 390.1	44 620.9	38 357.2	35 739.8	33 617.4
<b>Customers deposits</b> including matched funding for leasing portfolio in amount:	56 493.2	55 962.8	52 334.6	50 040.1	47 540.6
- <i>matched funding</i>	2 597.4	2 738.2	0.0	0.0	0.0
<b>Total assets</b>	73 637.8	70 260.1	69 723.4	73 696.1	67 500.9
<b>Equity</b> attributable to shareholders of ING Bank Śląski S.A.	7 424.9	6 978.8	6 413.7	6 194.6	5 951.5
<b>Initial capital</b>	130.1	130.1	130.1	130.1	130.1

### Key effectiveness ratios

	3 quarters 2012	3 quarters 2011	Change 3 quarters 2012 /3 quarters 2011
<b>C/I</b> - Cost/Income ratio (%)	56.5	56.7	-0.2 p.p.
<b>ROA</b> - Return on assets (%)	1.2	1.3	-0.1 p.p.
<b>ROE</b> - Return on equity (%)	12.7	14.7	-2.0 p.p.
<b>L/D</b> - Loans-to-deposits ratio (%)	80.3	71.4	8.9 p.p.
<b>Solvency ratio (%) - regulatory*</b>	13.67	12.56	1.11 p.p.
<b>Solvency ratio (%)</b> – calculated under standard approach (SA)	13.97	12.56	1.41 p.p.
<b>Solvency ratio (%)</b> – calculated with Advanced Internal Rating-Based method (AIRB)	15.16	-	-

\*) Following the letter of the Polish Financial Supervision Authority (PFSA) dated 18 May 2012 related to the decision of 06 October 2011 on a conditional approval of application of the Advanced Internal Rating-Based Approach (AIRB) by the Bank" (...) the solvency ratio should be computed based on the following figures:

- 1) for the capital requirement for credit risk computed with AIRB being lower than the capital requirement for credit risk computed using standard approach:
  - a) for own funds – considering the amount calculated with AIRB,
  - b) for the total capital requirement – considering the supplementary amount of capital requirement for credit risk to the requirement calculated under standard approach (SA),
- 2) for the capital requirement for credit risk computed with AIRB being higher than the capital requirement for credit risk computed under standard approach:
  - a) for own funds – considering the amount calculated with AIRB,
  - b) for the total capital requirement – considering the capital requirement for credit risk calculated with AIRB."

AIRB method may be applied in full to calculate the capital requirement for credit risk for supervisory purposes only upon fulfillment by the Bank of the requirements listed in the aforesaid decision of PFSA. By then the Bank is obliged to consider the supplementary amount of capital requirement for credit risk to the requirement calculated under standard approach - in 100% in the period ending 31.12.2012 and in 90% in the period ending 30.06.2013.

Explanations:

**C/I** - Cost to Income ratio – total costs to income from operating activity per type.

**ROA** - Return on assets – net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average assets for 5 subsequent quarters.

**ROE** - Return on equity - net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average equity for 5 subsequent quarters.

**L/D** - Loans-to-deposits ratio – loans and advances to customers (net) including leasing and factoring receivables and corporate bonds to customers deposits including matched funding for leasing portfolio.

**Solvency ratio** – equity to risk weighted assets and off-balance sheet liabilities.

For the purpose of converting the presented figures into EUR, the Bank applies the following FX rates:

- for income statement items and cash flow statement items:
  - PLN 4.1948 - exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 3 quarters 2012,
  - PLN 4.0413 - exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 3 quarters 2011.
- for statement of financial positions items:
  - PLN 4.1138 - NBP exchange rate of 30 September 2012
  - PLN 4.2613 - NBP exchange rate of 30 June 2012,
  - PLN 4.4168 - NBP exchange rate of 31 December 2011,
  - PLN 4.4112 – NBP exchange rate of 30 September 2011,
  - PLN 3.9866 - NBP exchange rate of 30 June 2011.

## I. Interim condensed consolidated financial statements

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 Q 2012 the period from 01 Jul 2012 to 30 Sep 2012	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 the period from 01 Jul 2011 to 30 Sep 2011	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
- Interest income	7.1	963.2	2 853.6	882.3	2 488.5
- Interest expenses	7.1	447.7	1 310.5	404.9	1 116.7
<b>Net interest income</b>	7.1	<b>515.5</b>	<b>1 543.1</b>	<b>477.4</b>	<b>1 371.8</b>
- Commission income	7.2	283.8	849.9	297.7	879.3
- Commission expenses	7.2	32.6	101.3	36.3	108.1
<b>Net commission income</b>	7.2	<b>251.2</b>	<b>748.6</b>	<b>261.4</b>	<b>771.2</b>
Net income on financial instruments measured at fair value through profit or loss and FX result	7.3	18.9	84.9	-8.1	30.1
Net income on investments	7.4	-0.9	24.8	7.7	32.1
Net income on hedge accounting	7.5	-5.5	-9.0	-23.6	-43.1
Net income on other basic activities		3.7	10.8	2.7	15.4
<b>Result on basic activities</b>		<b>782.9</b>	<b>2 403.2</b>	<b>717.5</b>	<b>2 177.5</b>
General and administrative expenses	7.6	454.2	1 375.4	421.9	1 250.4
Result on other operating income and expenses		-1.0	2.3	-0.1	-2.6
Impairment losses and provisions for off-balance sheet liabilities	7.7	82.6	278.1	27.1	121.9
Share in net profit (loss) of associated entities recognised under the equity method		7.6	25.6	8.2	31.1
<b>Profit (loss) before tax</b>		<b>252.7</b>	<b>777.6</b>	<b>276.6</b>	<b>833.7</b>
Income tax	7.8	49.5	135.3	56.5	167.2
<b>Net profit (loss)</b>		<b>203.2</b>	<b>642.3</b>	<b>220.1</b>	<b>666.5</b>
- attributable to shareholders of ING Bank Śląski S.A.		<b>203.2</b>	<b>642.3</b>	<b>220.1</b>	<b>666.5</b>
<b>Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.</b>		<b>203.2</b>	<b>642.3</b>	<b>220.1</b>	<b>666.5</b>
<b>Weighted average number of ordinary shares</b>		<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>
<b>Earnings per ordinary share (PLN)</b>		<b>1.56</b>	<b>4.94</b>	<b>1.69</b>	<b>5.12</b>

Diluted earnings per share agrees with earnings per ordinary share

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 Q 2012 the period from 01 Jul 2012 to 30 Sep 2012	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 the period from 01 Jul 2011 to 30 Sep 2011	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
<b>Net result for the period</b>	<b>203.2</b>	<b>642.3</b>	<b>220.1</b>	<b>666.5</b>
<b>Other comprehensive income</b>	<b>239.9</b>	<b>367.0</b>	<b>20.2</b>	<b>65.7</b>
<b>Total comprehensive income for the period</b>	<b>443.1</b>	<b>1 009.3</b>	<b>240.3</b>	<b>732.2</b>
- attributable to shareholders of ING Bank Śląski S.A.	443.1	1 009.3	240.3	732.2

### SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.

**Małgorzata Kołakowska**  
 President  
 Signed on the Polish original

**Mirosław Boda**  
 Vice President  
 Signed on the Polish original

**Michał Bolesławski**  
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**Oscar Edward Swan**  
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**Ignacio Juliá Vilar**  
 Vice President  
 Signed on the Polish original

### SIGNATURE OF THE PERSON ENTRUSTED WITH KEEPING THE ACCOUNTING BOOKS

**Tomasz Biłous**  
 Director of Accounting Department, Chief Accountant  
 Signed on the Polish original

Katowice, 06-11-2012

Interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>ASSETS</b>						
- Cash in hand and balances with the Central Bank		2 126.0	2 321.2	1 493.1	4 064.9	1 566.6
- Loans and receivables to other banks	7.9	3 415.5	1 605.3	1 018.1	2 706.4	1 758.3
- Financial assets measured at fair value through profit and loss	7.10	1 522.6	791.5	639.6	1 120.5	572.5
- Valuation of derivatives		1 524.7	1 235.1	1 858.4	1 782.0	912.6
- Investments	7.11	13 536.1	13 817.5	20 450.7	22 396.3	23 947.5
- available-for-sale		13 536.1	10 299.0	15 468.4	17 379.6	18 998.1
- held-to-maturity		0.0	3 518.5	4 982.3	5 016.7	4 949.4
- Derivative hedge instruments		675.3	420.0	433.4	337.1	168.0
- Loans and receivables to customers	7.12, 7.13	49 275.1	48 490.6	42 329.7	39 789.7	37 094.8
- Investments in controlled entities recognised under the equity method		104.3	96.8	105.0	94.8	86.6
- Investment real estates		118.7	118.7	118.7	118.2	118.2
- Property, plant and equipment		583.4	579.5	575.3	516.6	511.2
- Intangible assets		361.1	358.8	362.0	355.6	357.8
- Property, plant and equipment held for sale		33.8	37.3	33.6	44.4	40.9
- Current income tax assets		0.0	0.2	147.5	56.2	55.2
- Deferred tax assets		45.2	139.2	16.5	97.4	100.6
- Other assets		316.0	248.4	141.8	216.0	210.1
<b>Total assets</b>		<b>73 637.8</b>	<b>70 260.1</b>	<b>69 723.4</b>	<b>73 696.1</b>	<b>67 500.9</b>

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Katowice, 06-11-2012

Interim condensed consolidated statement of financial position shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Note	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>EQUITY AND LIABILITIES</b>						
<b>LIABILITIES</b>						
- Liabilities due to other banks	7.14	4 961.7	4 108.3	4 961.9	7 597.1	8 938.1
- Financial liabilities measured at fair value through profit and loss	7.15	2 758.7	1 679.0	1 814.7	5 370.3	1 643.6
- Valuation of derivatives		1 499.9	1 287.4	1 694.1	1 865.7	938.9
- Derivative hedge instruments		1 069.0	871.7	900.6	813.1	427.5
- Liabilities due to customers	7.16	54 867.2	54 157.0	52 932.1	50 758.7	48 286.1
- Provisions	7.17	65.4	64.2	58.1	52.8	66.9
- Current income tax liabilities		12.7	25.2	0.0	0.4	0.6
- Deferred tax provision		2.3	1.8	0.0	0.0	0.0
- Other liabilities		973.7	1 084.4	945.9	1 041.1	1 245.4
<b>Total liabilities</b>		<b>66 210.6</b>	<b>63 279.0</b>	<b>63 307.4</b>	<b>67 499.2</b>	<b>61 547.1</b>
<b>EQUITY</b>						
- Share capital		130.1	130.1	130.1	130.1	130.1
- Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3	956.3	956.3
- Revaluation reserve from measurement of available-for-sale financial assets		290.9	123.4	20.8	6.1	45.6
- Revaluation reserve from measurement of property, plant and equipment		38.0	38.1	39.3	44.7	45.7
- Revaluation reserve from measurement of cash flow hedging instruments		154.7	82.7	58.2	67.4	7.8
- Revaluation of share-based payment		38.5	35.5	30.8	27.8	25.0
- Retained earnings		5 816.4	5 612.7	5 178.2	4 962.2	4 741.0
<b>Equity attributable to shareholders of ING Bank Śląski S.A.</b>		<b>7 424.9</b>	<b>6 978.8</b>	<b>6 413.7</b>	<b>6 194.6</b>	<b>5 951.5</b>
- Non-controlling interests		2.3	2.3	2.3	2.3	2.3
<b>Total equity</b>		<b>7 427.2</b>	<b>6 981.1</b>	<b>6 416.0</b>	<b>6 196.9</b>	<b>5 953.8</b>
<b>Total equity and liabilities</b>		<b>73 637.8</b>	<b>70 260.1</b>	<b>69 723.4</b>	<b>73 696.1</b>	<b>67 500.9</b>
<b>Net book value</b>		<b>7 424.9</b>	<b>6 978.8</b>	<b>6 413.7</b>	<b>6 194.6</b>	<b>5 951.5</b>
<b>Number of shares</b>		<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>
<b>Net book value per share (PLN)</b>		<b>57.07</b>	<b>53.64</b>	<b>49.30</b>	<b>47.61</b>	<b>45.75</b>

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.

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**Tomasz Bitous**  
 Director of Accounting Department, Chief Accountant  
 Signed on the Polish original

Katowice, 06-11-2012

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3 Q 2012

the period from 01 Jul 2012 to 30 Sep 2012

	Share capital	Supplemen- tary 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>123.4</b>	<b>38.1</b>	<b>82.7</b>	<b>35.5</b>	<b>5 612.7</b>	<b>2.3</b>	<b>6 981.1</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	203.2	0.0	<b>203.2</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>167.5</b>	<b>-0.1</b>	<b>72.0</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>239.9</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	167.5	-	-	-	-	-	167.5
- effective part of cash flow hedging instruments revaluation	-	-	-	-	72.0	-	-	-	72.0
- disposal of property, plant and equipment	-	-	-	-0.1	-	-	0.5	-	0.4
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.0</b>
- revaluation of share-based payment	-	-	-	-	-	3.0	-	-	3.0
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>290.9</b>	<b>38.0</b>	<b>154.7</b>	<b>38.5</b>	<b>5 816.4</b>	<b>2.3</b>	<b>7 427.2</b>

3 Q 2012 YTD

the period from 01 Jan 2012 to 30 Sep 2012

	Share capital	Supplemen- tary 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>20.8</b>	<b>39.3</b>	<b>58.2</b>	<b>30.8</b>	<b>5 178.2</b>	<b>2.3</b>	<b>6 416.0</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	642.3	0.0	<b>642.3</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>270.1</b>	<b>-1.3</b>	<b>96.5</b>	<b>0.0</b>	<b>1.7</b>	<b>0.0</b>	<b>367.0</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	287.8	-	-	-	-	-	287.8
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-17.5	-	-	-	-	-	-17.5
- 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	-	-	-0.2	-	-	-	-	-	-0.2
- remeasurement of property, plant and equipment	-	-	-	-0.6	-	-	-	-	-0.6
- effective part of cash flow hedging instruments revaluation	-	-	-	-	96.5	-	-	-	96.5
- disposal of property, plant and equipment	-	-	-	-0.7	-	-	1.7	-	1.0
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7.7</b>	<b>-5.8</b>	<b>0.0</b>	<b>1.9</b>
- revaluation of share-based payment	-	-	-	-	-	7.7	-	-	7.7
- purchase of subsidiary settlement	-	-	-	-	-	-	-5.8	-	-5.8
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>290.9</b>	<b>38.0</b>	<b>154.7</b>	<b>38.5</b>	<b>5 816.4</b>	<b>2.3</b>	<b>7 427.2</b>

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Katowice, 06-11-2012

Interim condensed consolidated statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued**

year 2011  
 the period from 01 Jan 2011 to 31 Dec 2011

	Share capital	Supplemen- tary 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>8.6</b>	<b>47.4</b>	<b>0.4</b>	<b>21.1</b>	<b>4 486.9</b>	<b>2.3</b>	<b>5 653.1</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	880.1	0.0	<b>880.1</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>12.2</b>	<b>-8.1</b>	<b>57.8</b>	<b>0.0</b>	<b>6.4</b>	<b>0.0</b>	<b>68.3</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	36.7	-	-	-	-	-	<b>36.7</b>
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-24.2	-	-	-	-	-	<b>-24.2</b>
- 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	-	-	-0.3	-	-	-	-	-	<b>-0.3</b>
- remeasurement of property, plant and equipment	-	-	-	-2.5	-	-	-	-	<b>-2.5</b>
- effective part of cash flow hedging instruments revaluation	-	-	-	-	57.8	-	-	-	<b>57.8</b>
- disposal of property, plant and equipment	-	-	-	-5.6	-	-	6.4	-	<b>0.8</b>
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.7</b>	<b>-195.2</b>	<b>0.0</b>	<b>-185.5</b>
- revaluation of share-based payment	-	-	-	-	-	9.7	-	-	<b>9.7</b>
- dividends paid	-	-	-	-	-	-	-195.2	0.0	<b>-195.2</b>
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>20.8</b>	<b>39.3</b>	<b>58.2</b>	<b>30.8</b>	<b>5 178.2</b>	<b>2.3</b>	<b>6 416.0</b>

**SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.**

**Małgorzata Kotakowska**  
 President  
 Signed on the Polish original

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**Tomasz Biłous**  
 Director of Accounting Department, Chief Accountant  
 Signed on the Polish original

Katowice, 06-11-2012

Interim condensed consolidated statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued

3 Q 2011

the period from 01 Jul 2011 to 30 Sep 2011

	Share capital	Supplemen- tary 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>45.6</b>	<b>45.7</b>	<b>7.8</b>	<b>25.0</b>	<b>4 741.0</b>	<b>2.3</b>	<b>5 953.8</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	220.1	0.0	220.1
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>-39.5</b>	<b>-1.0</b>	<b>59.6</b>	<b>0.0</b>	<b>1.1</b>	<b>0.0</b>	<b>20.2</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-33.5	-	-	-	-	-	-33.5
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-6.0	-	-	-	-	-	-6.0
- effective part of cash flow hedging instruments revaluation	-	-	-	-	59.6	-	-	-	59.6
- disposal of property, plant and equipment	-	-	-	-1.0	-	-	1.1	-	0.1
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.8</b>	<b>0.0</b>	<b>0.0</b>	<b>2.8</b>
- revaluation of share-based payment	-	-	-	-	-	2.8	-	-	2.8
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>6.1</b>	<b>44.7</b>	<b>67.4</b>	<b>27.8</b>	<b>4 962.2</b>	<b>2.3</b>	<b>6 196.9</b>

3 Q 2011 YTD

the period from 01 Jan 2011 to 30 Sep 2011

	Share capital	Supplemen- tary 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>8.6</b>	<b>47.4</b>	<b>0.4</b>	<b>21.1</b>	<b>4 486.9</b>	<b>2.3</b>	<b>5 653.1</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	666.5	0.0	666.5
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.5</b>	<b>-2.7</b>	<b>67.0</b>	<b>0.0</b>	<b>3.9</b>	<b>0.0</b>	<b>65.7</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	18.3	-	-	-	-	-	18.3
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-20.6	-	-	-	-	-	-20.6
- 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	-	-	-0.2	-	-	-	-	-	-0.2
- remeasurement of property, plant and equipment	-	-	-	0.4	-	-	-	-	0.4
- effective part of cash flow hedging instruments revaluation	-	-	-	-	67.0	-	-	-	67.0
- disposal of property, plant and equipment	-	-	-	-3.1	-	-	3.9	-	0.8
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.7</b>	<b>-195.1</b>	<b>0.0</b>	<b>-188.4</b>
- revaluation of share-based payment	-	-	-	-	-	6.7	-	-	6.7
- dividends paid	-	-	-	-	-	-	-195.1	-	-195.1
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>6.1</b>	<b>44.7</b>	<b>67.4</b>	<b>27.8</b>	<b>4 962.2</b>	<b>2.3</b>	<b>6 196.9</b>

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Katowice, 06-11-2012

Interim condensed consolidated statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
<b>OPERATING ACTIVITIES</b>		
<b>Net profit (loss)</b>	<b>642.3</b>	<b>666.5</b>
<b>Adjustments</b>	<b>-1 984.3</b>	<b>477.2</b>
- Share in net profit (loss) of associated entities	-25.6	-31.1
- Depreciation and amortisation	103.4	96.4
- Interest accrued (from the profit and loss account)	1 543.1	1 371.8
- Interest paid	1 284.0	1 074.3
- Interest received	-3 148.2	-2 760.4
- Dividends received	-4.1	-4.7
- Gains (losses) on investment activities	-8.4	-0.7
- Income tax (from the profit and loss account)	135.3	167.2
- Income tax paid	-1.5	-290.8
- Change in provisions	7.3	-3.0
- Change in loans and other receivables to other banks	-637.1	-872.5
- Change in financial assets at fair value through profit or loss	-884.2	-461.4
- Change in available-for-sale financial assets	2 230.9	-562.1
- Change in valuation of derivatives	139.5	-50.0
- Change in derivative hedge instruments	23.0	47.3
- Change in loans and other receivables to customers	-6 826.7	-5 040.7
- Change in other assets	39.9	-46.6
- Change in liabilities due to other banks	-3.9	3 558.1
- Change in liabilities at fair value through profit or loss	944.0	688.9
- Change in liabilities due to customers	3 069.5	3 400.9
- Change in other liabilities	35.5	196.3
<b>Net cash flow from operating activities</b>	<b>-1 342.0</b>	<b>1 143.7</b>
<b>INVESTMENT ACTIVITIES</b>		
- Purchase of property plant and equipment	-77.5	-61.7
- Disposal of property, plant and equipment	0.8	1.3
- Purchase of intangible assets	-38.4	-56.0
- Purchase of investments in subordinated entities	-206.1	0.0
- Disposal of fixed assets held for sale	9.4	0.0
- Redemption / sale of held-to-maturity financial assets	4 998.5	1 290.4
- Interest received from held-to-maturity financial assets	148.3	0.0
- Dividends received	4.1	4.7
<b>Net cash flow from investment activities</b>	<b>4 839.1</b>	<b>1 178.7</b>
<b>FINANCIAL ACTIVITIES</b>		
- Long-term loans received	125.4	0.0
- Long-term loans repaid	-1 229.6	0.0
<b>Net cash flow from financial activities</b>	<b>-1 104.2</b>	<b>0.0</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-94.1</b>	<b>97.2</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>2 392.9</b>	<b>2 322.4</b>
<b>Opening balance of cash and cash equivalents</b>	<b>2 356.7</b>	<b>3 119.6</b>
<b>Closing balance of cash and cash equivalents</b>	<b>4 749.6</b>	<b>5 442.0</b>

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Katowice, 06-11-2012

Interim condensed consolidated cash flow statement shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

## II. Additional information

### 1. Information on the Bank and the Capital Group

#### 1.1. Key Bank data

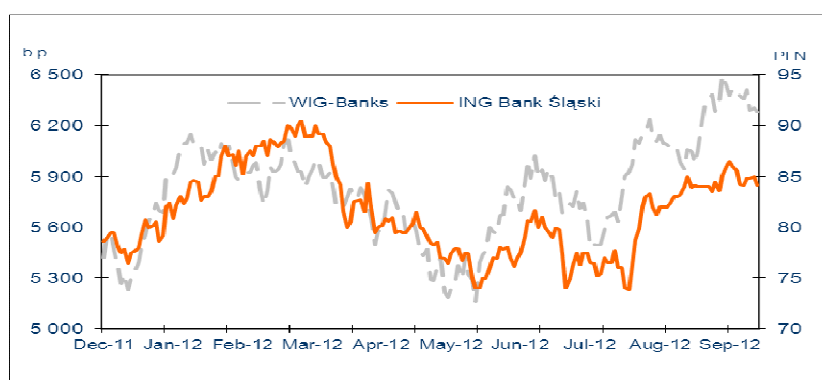
ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459. The parent entity statistic number is REGON 271514909, and the taxation identification number is NIP 634-013-54-75.

#### 1.2. Scope and duration of operations

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 scope of services offered by the Bank was expanded with leasing and factoring operations, following the acquisition of new companies, as described in Chapter II. *Additional information* in item 1.4. *Capital Group of ING Bank Śląski S.A.* 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. The duration of the parent entity and entities forming the Capital Group is indefinite.

#### 1.3. Initial capital, share price

The initial capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares with a par value of PLN 1.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange (sector: banks). As of 30<sup>th</sup> September 2012, the share price of ING Bank Śląski S.A. was PLN 84.10, whereas during the same period last year it was at the level of PLN 74,00<sup>1</sup>. In the 9 months of 2012, the price of ING Bank Śląski S.A. shares was as follows:



<sup>1</sup> After making figures comparable (1:10 split in Q4 2011).

#### 1.4. Capital Group of ING Bank Śląski S.A.

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group", "Group"). At the beginning of 2012, the Group was joined by:

- ING ABL Polska S.A.

ING Bank Śląski S.A. purchased from ING Lease Holding N.V. with its registered office in Amsterdam 100% of ING ABL Polska S.A. shares, being the parent entity of ING Lease Polska Sp. z o.o. (ING Lease) and ING Commercial Finance S.A. (ING CF), wherein it holds 100% of the share capital. The main objective of acquiring the said companies, whose operations cover leasing and factoring, was to extend the product offer with ABL products for the corporate segment clients.

The consolidated assets and liabilities of ING ABL developed in compliance with the IAS/IFRS as at the consolidation date (1<sup>st</sup> January 2012) and as at the end of 3<sup>rd</sup> quarter 2012 (30<sup>th</sup> September 2012) have been presented in the table below:

	as of 01 Jan 2012	as of 31 Mar 2012	as of 30 Jun 2012	as of 30 Sep 2012
<b>ASSETS</b>				
Cash in hand and on accounts	100.1	107.1	91.4	113.2
Receivables to customers, in which:	5 940.2	6 006.7	6 253.8	6 047.2
- loans and advances	1 474.7	1 356.0	1 383.0	1 332.0
- leasing receivables	3 034.1	3 045.8	3 082.5	3 067.2
- factoring receivables	1 431.4	1 604.9	1 788.3	1 648.0
Intangible assets	1.1	1.0	0.9	0.9
Property, plant and equipment	1.5	1.8	1.6	1.6
Other assets	25.9	37.1	71.8	53.3
<b>TOTAL ASSETS</b>	<b>6 068.8</b>	<b>6 153.7</b>	<b>6 419.5</b>	<b>6 216.2</b>
<b>LIABILITIES</b>				
<b>Liabilities, in which:</b>	<b>5 868.6</b>	<b>5 920.7</b>	<b>6 179.1</b>	<b>5 964.2</b>
- loans received from banks	5 424.8	5 465.6	5 707.3	5 521.9
- in which from ING Bank Śląski S.A.	1 974.1	2 712.5	2 969.1	2 924.5
- other liabilities	443.8	455.1	471.8	442.3
<b>Equity</b>	<b>200.2</b>	<b>233.0</b>	<b>240.4</b>	<b>252.0</b>
<b>TOTAL LIABILITIES</b>	<b>6 068.8</b>	<b>6 153.7</b>	<b>6 419.5</b>	<b>6 216.2</b>

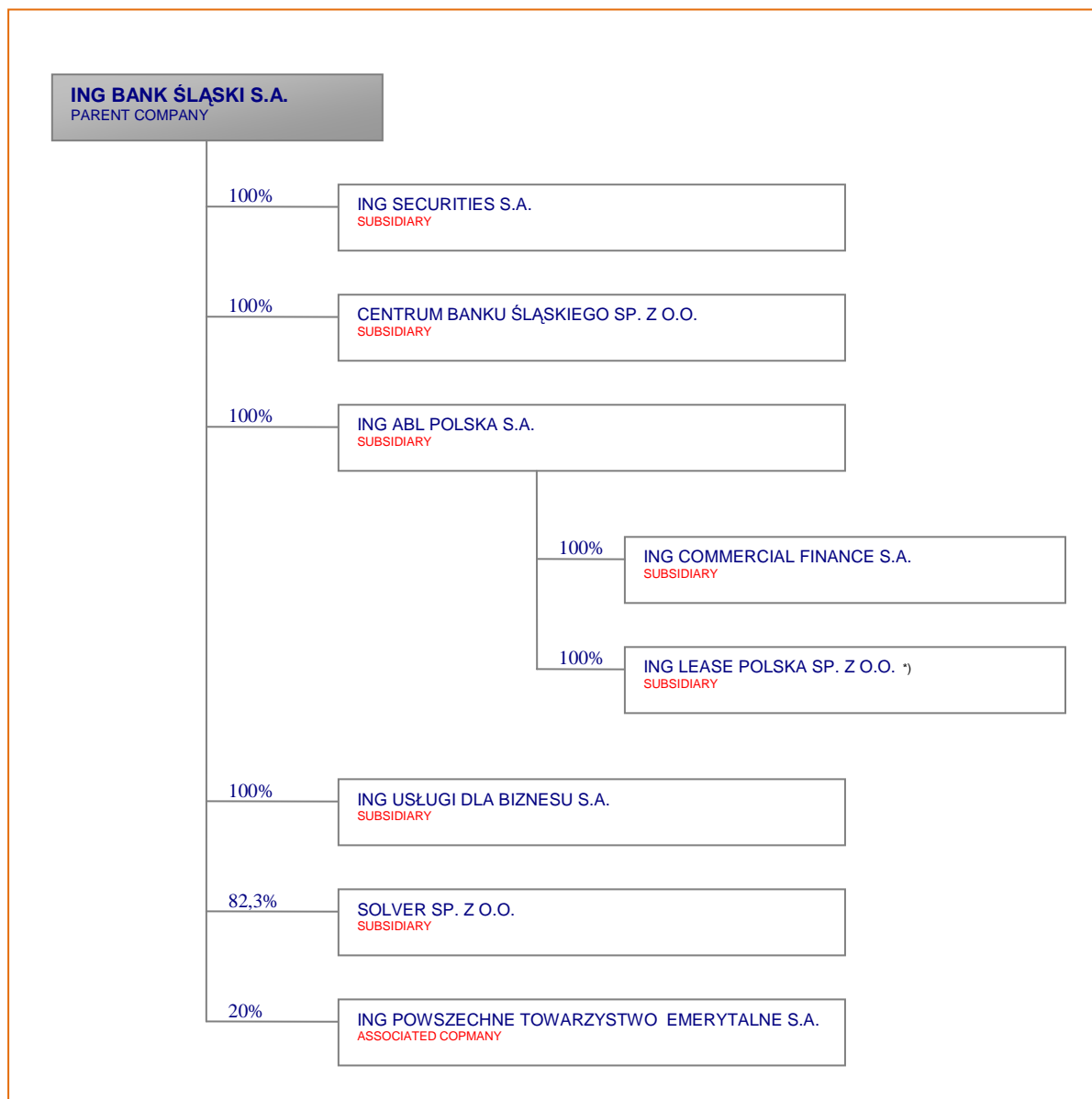
ING ABL consolidated income statement in line with the Bank's approach has been presented below:

	3 quarters 2012 the period from 01 Jan 2012 to 30 Sep 2012
Net interest income	77.5
Net commission income	17.8
Net income on financial instruments measured at fair value through profit and loss and FX result	1.5
Net income on other basic activities	3.2
<b>Result on basic activities</b>	<b>100.0</b>
General and administrative expenses	51.4
Result on other operating income and expenses	0.0
Impairment losses and provisions for off-balance sheet liabilities	4.3
<b>Profit (loss) before tax</b>	<b>44.3</b>
Income tax	-7.4
<b>Net profit (loss)</b>	<b>51.7</b>

- ING Usługi dla Biznesu S.A.

The operations of the newly established company, wherein ING Bank Śląski S.A. holds 100% of shares, include provision of a wide array of services for Bank's clients as regards handling their business operations.

In Q3 2012, there were no changes to the ING Bank Śląski S.A. Capital Group structure. As at 30<sup>th</sup> September 2012, the composition of ING Bank Śląski S.A. Capital Group was the following:



\*) The capital group of ING lease Sp. z o.o. is composed of 10 special purpose vehicles wherein ING Lease Sp. z o.o. holds 100% of shares.

### 1.5. Shareholding structure of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30<sup>th</sup> September 2012 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 30<sup>th</sup> September 2012, the shareholders owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna were:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Shareholders Meeting
1.	ING Bank N.V.	97,575,000	75.00
2.	Otwarty Fundusz Emerytalny PZU "Złota Jesień" and Dobrowolny Fundusz Emerytalny PZU	6,631,428	5.097

### 1.6. Number of ING Bank Śląski shares held by Bank Management Board and Supervisory Board members

As at 30<sup>th</sup> September 2012, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain.

### 1.7. Entity authorised to audit financial statements

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.

### 1.8. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2011 were approved by the General Meeting on 19<sup>th</sup> April 2012.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 6<sup>th</sup> November 2012.

## 2. Significant events in 3<sup>rd</sup> quarter 2012

None.

## 3. Significant events after the balance sheet date

None.

## 4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 3<sup>rd</sup> quarter 2012 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 30<sup>th</sup> September 2012 as well as in accordance with the Ordinance of Finance Minister of 19<sup>th</sup> February 2009 on current and interim information submitted by

issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

Presented interim condensed consolidated financial statements meet the requirements of IAS 34 (International Accounting Standards) with regard to interim financial statements. These interim condensed consolidated financial statements have been prepared in a condensed version and does not cover all disclosures required in the annual financial statements.

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 1<sup>st</sup> January 2012 to 30<sup>th</sup> September 2012, and interim condensed consolidated statement of financial position as at 30<sup>th</sup> September 2012 together with comparable data were prepared according to the same principles of accounting for each period.

#### **4.1. 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.

#### **4.2. Discontinued operations**

No operations were discontinued during the 3 quarters 2012 and 3 quarters 2011.

#### **4.3. Financial statements scope and currency**

These interim condensed consolidated financial statements of the Group for the 3<sup>rd</sup> quarter 2012 comprise the Bank and its subsidiaries and the Group's interest in associates and jointly controlled entities.

These interim condensed consolidated financial statements have been developed in Polish zloties ("PLN"). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

#### **4.4. Comparable data**

The comparative data cover the period from 1<sup>st</sup> January 2011 to 30<sup>th</sup> September 2011 for the interim condensed consolidated income statement; the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated cash flow statement, additionally for the period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2011 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 30<sup>th</sup> June 2012, 31<sup>st</sup> December 2011, 30<sup>th</sup> September 2011 and 30<sup>th</sup> June 2011. Interim condensed consolidated income statements, interim condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated income statements include data for the 3<sup>rd</sup> quarter 2012 (period from 1<sup>st</sup> July 2012 to 30<sup>th</sup> September 2012) as well as comparative data for the 3<sup>rd</sup> quarter 2011 (period from 1<sup>st</sup> July 2011 to 30<sup>th</sup> September 2011). The Group adopted the approach whereunder



comparable data are not adjusted when control is assumed over an entity subject to common control under IFRS 3. The Group shall be consistent in applying this approach.

#### **4.5. Changes to accounting standards**

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2011 (Annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2011) and the following effective standards and interpretations adopted by the European Union:

<b>Change</b>	<b>Scope</b>	<b>Influence on the Bank statements</b>
IFRS 7 <i>Financial Instruments: Disclosures</i>	The amendment specifies in more details the requirements as to transfer of financial assets.	It has no impact on the financial statements of the Group.

The published standards and interpretations which were already issued but are still ineffective as they were not approved by the European Union or were approved by the European Union but were not previously applied by the Group:

<b>Change</b>	<b>Scope</b>	<b>Influence on the Bank statements</b>
IAS 1 Presentation of Financial Statements	The changes result from co-operation between IASB and FASB (US GAAP has been changed in the same manner) and refer to the guidelines for items presentation under other total income.	The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.
IAS 12 <i>Income Taxes</i>	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.
IAS 19 Employee Benefits	The changes refer to the removal of the possibility to defer income and costs recognition (i.e. elimination of the "corridor method"), presentation under other total income and requirements for disclosure.	The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.
IAS 27 <i>Separate financial statements</i>	The amendment introduces the necessity to recognize investments in subsidiaries, jointly controlled entities and associates at cost or in line with rules set forth in IFRS 9 <i>Financial Instruments</i> in separate financial statements. The name of the standard was also changed.	The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.

<p>IAS 28 <i>Investments in associates</i></p>	<p>The amendments concern the accounting principles for investments in associates and determine the requirements that have to be met in order to apply accounting using the equity method for investments in associates and jointly controlled entities.</p>	<p>The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.</p>
<p>IAS 32 <i>Financial instruments: Presentation</i></p>	<p>The change specifies the meaning of the phrase "have the on-going possibility to exercise the right to set off" and that certain systemic gross settlements can be treated as the equivalent of net settlement.</p>	<p>The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.</p>
<p>IFRS 1 <i>First-time Adoption of International Financial Reporting Standards: severe hyperinflation and removal of fixed dates for those who adopt IFRS for the first time.</i></p>	<p>The change specifies the guidelines related to reinstatement of the financial statements presentation in line with the IFRS following the term when the functional currency was exposed to significant hyperinflation, thus enabling the given entity to fulfil the IFRS requirements and to delete the fixed dates of IFRS first-time application. Change concerning cash loans obtained from the government below market rates.</p>	<p>It has no impact on the financial statements of the Group.</p>
<p>IFRS 7 <i>Financial Instruments: Disclosures</i></p>	<p>Change of requirements for disclosures related to offsetting of financial assets and liabilities.</p>	<p>Currently, the Group is analyzing the impact of the amendments on financial statements.</p>
<p>IFRS 9 <i>Financial Instruments</i></p>	<p>The standard is the result of the outcome of the first stage of IASB Project focusing on the replacement of IAS 39 and it comprises the classification and valuation of assets and financial liabilities. The subsequent stages of IASB Project will cover hedge accounting and permanent impairment of financial assets. The change concerns shift of the obligatory date for standard application from 1 January 2013 to 1 January 2015.</p>	<p>Standard implementation will affect the structure of the financial statements; however, the Group will comprehensively assess the impact of the new standard together with the guidelines related to hedge accounting and impairment, which were not published before.</p>
<p>IAS 10 <i>Consolidated Financial Statements</i></p>	<p>New standard presenting the guidelines for financial statements consolidation including in particular but not limited to the indications confirming the requirement to include entities in the Consolidated Financial Statements. The change published on 28 June 2012 is to specify implementation requirements.</p>	<p>The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.</p>
<p>IAS 11 <i>Joint Arrangements</i></p>	<p>New standard sets out the requirements for joint arrangements recognition and measurement. The change published on 28 June 2012 is to specify implementation requirements.</p>	<p>The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.</p>

IAS 12 <i>Disclosure of Interest in Other Entities</i>	New standard sets out the disclosures of interest in other entities. The change published on 28 June 2012 is to specify implementation requirements.	The Group is currently analysing the impact of the changes on the financial statements. The preliminary analysis shows that the change will affect the structure of the Group financial statements but it will be of immaterial nature.
IAS 13 <i>Fair Value Measurement</i>	New standard sets out the fair value guidelines.	Currently, the Group is analyzing the impact of the amendments on financial statements.
IFRIC 20 <i>Stripping Costs in the Production of a Surface Mine</i>	The interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.	Not applicable.
The changes following the IFRS review (published in May 2012) apply to annual periods starting on 01 January 2013.	The changes cover the issues discussed during the IFRS reviews commenced in 2009 and considered in the draft changes earlier presented for consultation, but not included in the final changes published in earlier periods. The changes published on 17 May 2012 impact IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 and are of specifying nature.	The initial analyses show that the changes made will not materially affect the Group financial statements.

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.

## 5. 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<sup>st</sup> January 2011 to 31<sup>st</sup> December 2011 published on 2<sup>nd</sup> March 2012 that is available on the Internet site of ING Bank Śląski S.A. ([www.ingbank.pl](http://www.ingbank.pl)).

Selected accounting principles applied by the Capital Group are presented below.

### 5.1. Basis for preparation of consolidated financial statements

The concept of fair value has been applied in the statements for own 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.

### 5.2. 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.

Below are the most significant booking estimates made by the Group.

#### **5.2.1. Impairment of financial assets**

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.

#### **5.2.2. Credit risk connected with derivative instruments**

The Group has been systematically reviewing the level of credit risk concerning derivative instruments portfolio.

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 per counterparty considering the expected presettlement exposure and PD and LGD ratios as well as the expected credit exposure.

In 2011 the Group made the methodology to generate valuation adjustment more precise by including the element resulting from the credit risk of negative exposures on derivatives, i.e. the so-called debit valuation adjustment. The change is aimed at presenting the valuation adjustment in real terms considering an element resulting from costs of potential counterparty hedging against the Group credit risk.

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 and 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 and 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 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.

In addition, the Group assesses the level of FX option risk, being the consequence of:

- fair value change of the FX rate-based derivatives,
- change to the counterparty credit risk assessment made by the Group.

The assessment is made at the balance sheet date based on the valuation figures as at that date and taking into account the risk assessment as at that day. The Group will perform periodic assessment of the financial condition of clients holding similar instruments.

### **5.2.3. 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.

#### **5.2.4. 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-option derivatives, the models based on discounted cash flows apply. 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). The change of assumptions concerning these factors may influence valuation of some financial instruments.

#### **5.2.5. Retirement and pension benefit provision**

The Group establishes the provisions for retirement and pension benefit in accordance with IAS 19. The provision for retirement and pension benefit pay awarded as part of the benefits under the Labour Code regulations is calculated using the actuarial method by an independent actuary as the current value of the future long-term Group obligations towards its employees according to the headcount and payroll state as at the updating date.

The provisions are calculated based on the range of assumptions, related to both macroeconomic conditions as well as to those related to staff rotation, death risk and others. The employees provision is calculated based on the estimated retirement or pension benefit which the Group undertakes to pay under the General Conditions of Remuneration effective in every Group unit. The estimated retirement amount is calculated as the product of the following elements:

- the estimated assessment basis for retirement and pension benefit, in keeping with the General Conditions of Remuneration for each Entity,
- the estimated growth of assessment basis by the time of reaching the retirement age,
- percentage rate depending on seniority (in keeping with the General Conditions of Remuneration).

The resulting amount is discounted on an actuarial basis as at the year end day. In accordance with IAS 19 requirements, the financial discount rate used for calculating the current value of the employee benefit obligations is determined on the basis of the market yield on government bonds, whose currency and maturity date is consistent with the currency and estimated term of the employees benefit obligations.

The discounted amount is lowered by the annual impairment provisions discounted using actuarial method as at the same day, the purpose whereof is to increase the employee provisions. The actuarial discount stands for the product of the financial discount and the probability that the given individual will survive until the retirement age as the Group employee.

The amount of annual impairments and the probability are calculated based on the models assuming the following three risks:

- probability of quitting work,
- full incapacity to work,
- death.

The probability of quitting work is estimated according to the statistical distribution principle,

with the consideration of the Group's statistical data. The probability of employee quitting work depends on the age of employee and is at fixed level in every work year.

The risk of death has been reflected in the latest statistical data from the Polish life-tables for men and women published by the Central Statistical Office as at the valuation date.

The provision being the result of the actuarial valuation 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.

The potential impact of implementation of the planned changes to IAS 19 on the Group financial statements considered as immaterial was presented in Chapter II. *Additional information* in item 4. *Compliance with International Financial Reporting Standards* in the item related to changes to the accounting standards.

#### **5.2.6. Leased object residual value**

The expected residual value is usually the agreed future price of non-current asset purchase by the client after the end of the leasing term. The value is calculated as at the leasing commencement, based on the non-current asset initial value. The residual values are usually established based on certain contractual amount and recognised in net leasing investment position. Recovery of non-current asset residual value in leasing operations depends on the fulfilment of terms and conditions of leasing agreement and completion thereof.

### **5.3. Consolidation policies**

#### **5.3.1. 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.

### **5.3.2. Consolidations of companies**

#### **5.3.2.1. Consolidation with subsidiary in legal terms**

When settling the transactions of consolidating the Bank with its subsidiary (subject to common control), the Group applies the approach correspondent with the terms and conditions of the approach whereunder shares are consolidated under the Accounting Act of 29<sup>th</sup> September 1994.

Under this approach, individual items of relevant assets and liabilities of the consolidated subsidiary are included in the standalone financial statements of the Bank according to values recognized in the consolidated financial statements of the dominant entity as at the consolidation date. The consolidation does not affect the comparable data; thus the data do not require any change.

#### **5.3.2.2. Assumption of control over an entity subject to common control under IFRS 3.**

The Group applies the method discussed in item 5.3.2.1. hereinabove also to recognise the fact of control assumption over the entity subject to common control under IFRS 3 in the consolidated financial statements.

The Group adopted the approach whereunder comparable data are not adjusted when control is assumed over an entity subject to common control under IFRS 3.

#### **5.3.2.3. Assumption of control over an entity other than the ING Group member**

The takeover approach is applied when settling the purchase of entities from non-associated parties. At the takeover date, the Group recognizes, separately from goodwill, purchased identifiable assets and taken over identifiable liabilities, taking into account recognition criteria and all non-controlling interests in the taken over entity.

### **5.3.3. 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.



#### **5.3.4. 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.

#### **5.4. Foreign currency**

##### **5.4.1. 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.

##### **5.4.2. 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 and 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.

#### **5.5. Financial assets and liabilities**

##### **5.5.1. Classification**

The Group classifies financial instruments to the following categories: financial assets and liabilities valued at fair value through profit and 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 and 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

Those are the financial assets other than derivatives with payments specified or possible to specify and with the maturity date specified, other than those defined as loans or receivables, which the Group intends to and is able to hold by the maturity date.

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.

In Q3 2012, the Group took decision to reclassify all investments held to maturity to the category of assets available for sale, being aware of the consequences described hereinabove.

- 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 and 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 and 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 and 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.

#### **5.5.2. 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 and 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.

#### **5.5.3. 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 cancelled or 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.

#### **5.5.4. 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 and 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 and 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.

#### **5.5.5. 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.

### **5.5.6. 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 and 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.

As of impairment of items of financial assets or a group of financial assets, the Group carries the amount of contractual interest not paid at the impairment date through profit and loss. Since then, the Group accrues interest on the items of financial assets or a group of financial assets less the impairment charge. Interest is accrued at the interest rate used to calculate the impairment charge for the financial assets affected. Later, the value is adjusted with the contractual interest paid in a given period.

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.

### **5.6. Derivative instruments and hedge accounting**

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 and 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.

#### **5.6.1. 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.

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.

In 2012, the Group implemented a new hedging strategy to hedge against FX risk and base risk being the consequence of funding the CHF-indexed mortgage loans portfolio with PLN liabilities using FX interest rate swaps; i.e.: Currency Interest Rate Swap (CIRS).

With one economic link between the concluded CIRS transactions and the extended CHF loans as well as PLN deposits used to fund them, the Bank sets two hedge links for cash flow hedge accounting purposes. The foregoing is made by separating the real CIRS transaction part hedging the portfolio of CHF-indexed loans against FX risk and interest rate risk and the real CIRS transaction part hedging PLN liabilities against interest rate risk.

### 5.6.2. 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 and 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 and 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 and loss and FX-result*.

### 5.7. Impairment

#### 5.7.1. 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 valued 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.

#### **5.7.2. 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.

### **5.7.3. 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.

## **5.8. Non-financial assets**

### **5.8.1. 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 profit and loss).

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 profit and loss account. 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	rent and lease term of maximum 10 year
➤ 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 1<sup>st</sup> January 2010 the Group extended the use period to 7 years.

## **5.9. Leasing contracts and factoring services**

### **5.9.1. The Group as lessor**

The Group is a party to lease contracts, on the basis of which it grants and is paid for the use on the benefits on the current assets.

Leasing agreements are classified by the Group based on the extent whereto the risk and benefits due to holding of leased asset are attributable to lessor and lessee.

A leasing agreement is considered as financial leasing provided the following terms and conditions are met individually or jointly:

- the agreement transfers the asset ownership to the lessee before the end of leasing term,
- the agreement includes the right of lessee to purchase the asset at the price which, as expected, is that lower than the fair value agreed as at the date when purchase right execution becomes feasible that at the leasing commencement date it is certain that the lessee shall take advantage of this right,
- the leasing term corresponds in majority to the term of asset economic lifetime, even if the legal title is not transferred,
- the present value of minimum leasing fees as at the leasing commencement date in principle equals the leased asset fair value,
- the leased assets are specialised enough that only the lessee may take advantage thereof, without making major modifications thereto,
- the lessee may prolong the agreement (or conclude a new one) for additional term for the fee which is materially lower compared to the market,
- the lessee may terminate the agreement and any losses of the lessor arising therefrom shall be covered by the lessee,
- profits or losses related to fluctuation of asset residual value are attributable to the lessee.

The leasing agreements whereunder the lessor basically retains all the risk as well as benefits arising from holding of leased asset are classified as operational leasing agreements.

The leasing agreement shall be concluded for the term ranging from five to ten years, including transfer of the legal title to the beneficiary (lessee) after leasing agreement expiry. The ownership of leased asset is the collateral for the liabilities arising from leasing agreements.

There are no conditional leasing fees within the Group. There are no unguaranteed residual values attributable to the lessor within the Group.

In case of lease contracts, which result in transferring substantially all the risks and rewards following the ownership of that asset under lease the subject of such lease agreement is derecognized from the balance sheet. A receivable amount is recognized, in an amount equal to the present value of minimum lease payments. Lease payments are divided into financial income and reduction of the balance of receivables in such a way as to achieve reaching a fixed rate of return from the outstanding receivables.

Lease payments for contracts which do not fulfil requirements of a finance lease are recognized as income in the profit and loss account, using the straight-line method, throughout the period of the lease.

### **5.9.2. The Group as lessee**

The Group is also a party to lease contracts, under which it takes another party's non-current assets or intangible assets for an agreed period for paid use or other benefits.

In case of lease contracts, under which essentially all risks and rewards resulting from ownership of the leased assets are transferred, subject of such lease agreement is recognized as a non-current asset, and a liability is recognized in the amount equal to the present value of minimum lease payments as of the date of commencement of the lease. Lease payments are divided into financial costs and reduction of the balance of the liability in such way as to achieve obtaining a fixed rate of interest on the outstanding liability. Financial costs are recognized directly in profit and loss account.

Fixed assets which are the basis of the finance lease contract are depreciated in the manner defined for the Group's non-current assets. However, if it is uncertain whether the ownership of an asset has been transferred, then non-current assets used pursuant to finance lease contracts are depreciated over the shorter of two: the expected useful life or the period of lease.

Lease payments for contracts which do not fulfil qualifications of a finance lease agreement are recognized as costs in the profit and loss account in a straight-line method throughout the period of the lease.

### **5.9.3. Factoring services**

The Group provides factoring services in local and international trade. Handling and financing receivables as well as risk management are their essence. Further, as part of factoring, the Group offers additional services being financial limits for debtors, debt recovery and takeover of trading risk. Local factoring without taking over risk (without recourse) prevails in the factoring operations of the Group.

Factoring amounts due classified as at the purchase date (initial recognition date) as cash loans and amounts due are thus measured at amortised cost at effective interest rate considering commission income.

Factoring receivables are purchased by the Group under agreements negotiated with clients case by case. The said receivables are recognized in the balance sheet as an increase in financial assets or decrease in cash, or increase in financial liabilities. Receivables can be held until maturity and maturity dates can be postponed.

Factoring receivables with recourse and without recourse are presented differently in the financial statements. Factoring receivables with recourse are presented in the balance sheet as net amounts due; i.e., only financed receivables less the amount of the security deposit. The factoring receivables without recourse are presented separately; i.e., all financial and non-financial receivables are presented as amounts due, while receivables excluded from funding and the security deposit are shown as liabilities.

The base income on factoring operations comprises commissions and interest on the advance payments made for the receivables purchased. Commission income is carried through profit or loss at the time of execution of activity under the factoring agreement concluded.

Income on provision of factoring services comprises factoring commissions, limit fees, preparation fees, insurance fees, handling fees and other fees as given in the price list.

Interest income includes regular and discount interest. Interest is accrued monthly on the actual factoring exposure. Discount interest is charged up-front on the amount of factoring receivables acquired, considering their maturity.

Interest income is shown in the income statement, in item *Net interest income*, while

commission income is shown in item *Net commission income*.

### **5.10. Provisions**

Provisions, including provisions for off-balance sheet commitments, are recognized in the balance sheet when the Group has a legal or constructive obligation (common law) as a result of past events, as well as when it is probable that an outflow of resources will be required to settle the obligation. If the effect is material, the amount of provision is measured by discounted, expected cash flows using pre-tax rate that reflects current market assessments of the time value of money and those risks specific to the liability. This is also applicable for the recognition of provisions for risk-bearing off-balance sheet commitments including guarantees, letters of credit and irrevocable unused credit lines.

As the committed unused credit lines for wholesale exposures are treated as equivalent of balance sheet exposures, the provisions against the exposures of that type are established and recognised together with impairment loss.

The Group establishes provisions for restructuring costs only on condition that the general criteria of recognising provisions under IAS 37 be fulfilled and in particular but not limited to the situation when the Group is in possession of the specific, formal restructuring plan determining at least the operations or a part thereof, basic locations, place of employment, the functions and estimated number of employees entitled to compensation, the expenditure to be undertaken and the term of execution. The commencement of restructuring procedure or the public announcement thereof is the condition indispensable for establishing the provision. The established provisions comprise only the direct and necessary expenditures to be undertaken due to the restructuring procedure, which are not related to the current business operations nor cover the future operating costs.

The Group maintains the detailed record of court cases and other amounts due of legal claims nature. Potential future settlements will be recognised under established provisions.

The Group recognises the provisions for all estimated losses. In certain justified cases, despite the fact that the Group is entitled to reimburse the funds due to the provisions established, because of the uncertainty whether the expected economic benefits be earned or not, the Group may decide not to recognise the assets there under in the financial statements.

In 2012, the Group recognised a provision for the planned revision of the derivative pricing approach. The modification is to reflect the changing market derivative pricing standard following the practice of hedging transactions on deposits placed to the amounts approximating their present market value and considering their funding costs.

## **6. Comparability of financial data**

In the interim condensed consolidated financial statements for the period started 1<sup>st</sup> January 2012 and ended 30<sup>th</sup> September 2012 the Group did not change the principles of presentation, compared to the financial statements for the period started 1<sup>st</sup> January 2011 and ended 30<sup>th</sup> September 2011.

## 7. Supplementary notes to interim condensed consolidated financial statements

### 7.1. Net interest income

	3 Q 2012 the period from 01 Jul 2012 to 30 Sep 2012	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 the period from 01 Jul 2011 to 30 Sep 2011	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
<b>Interest income</b>				
- interest on loans and receivables to banks	37.4	94.6	30.2	86.3
- interest on loans and receivables to customers	674.6	1 984.4	604.9	1 644.2
- interest on debt securities	164.9	543.2	245.7	782.1
- interest on leasing agreements	43.6	127.7	0.0	0.0
- interest on factoring agreements	24.0	70.0	3.3	7.4
- interest result on derivatives	18.7	32.2	-1.9	-31.9
- other	0.0	1.5	0.1	0.4
<b>Total interest income</b>	<b>963.2</b>	<b>2 853.6</b>	<b>882.3</b>	<b>2 488.5</b>
<b>Interest expenses</b>				
- interest on deposits from banks	24.2	95.4	44.3	135.2
- interest on deposits from customers	423.5	1 215.1	360.6	981.5
<b>Total interest expenses</b>	<b>447.7</b>	<b>1 310.5</b>	<b>404.9</b>	<b>1 116.7</b>
<b>Net interest income</b>	<b>515.5</b>	<b>1 543.1</b>	<b>477.4</b>	<b>1 371.8</b>

## 7.2. Net commission income

	<b>3 Q 2012</b> the period from 01 Jul 2012 to 30 Sep 2012	<b>3 Q 2012 YTD</b> the period from 01 Jan 2012 to 30 Sep 2012	<b>3 Q 2011</b> the period from 01 Jul 2011 to 30 Sep 2011	<b>3 Q 2011 YTD</b> the period from 01 Jan 2011 to 30 Sep 2011
<b>Commission income</b>				
- the transaction margin on currency exchange transactions	72.0	203.7	70.3	194.4
- commission related to keeping accounts	61.4	186.7	63.9	190.7
- commission related to payment and credit cards	51.9	152.6	52.2	154.1
- commission related to loans	43.0	132.0	49.1	134.5
- commission related to distribution of participation units	14.7	44.7	18.9	64.5
- commission related to brokerage activity	10.8	42.2	17.6	60.7
- fiduciary and custodian fees	6.8	20.4	9.0	24.5
- commission related to factoring agreements	4.5	15.1	0.2	0.4
- commission related to loans insurance	6.1	14.8	4.2	15.2
- foreign commercial business	3.5	10.3	3.7	10.8
- commissions related to rendering the insurance available for deposit products	2.4	6.9	2.2	6.6
- commission related to sales of financial products	1.1	1.9	0.5	0.8
- commission related to leasing agreements	0.5	1.7	0.0	0.0
- commission related to subscription of structured products	0.0	1.1	0.2	7.4
- other	5.1	15.8	5.7	14.7
<b>Total commission income</b>	<b>283.8</b>	<b>849.9</b>	<b>297.7</b>	<b>879.3</b>
<b>Commission expenses</b>				
- of which costs of the Bank Guarantee Fund (BFG)	11.0	33.0	9.1	27.3
<b>Net commission income</b>	<b>251.2</b>	<b>748.6</b>	<b>261.4</b>	<b>771.2</b>

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

	3 Q 2012 the period from 01 Jul 2012 to 30 Sep 2012	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 the period from 01 Jul 2011 to 30 Sep 2011	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
<b>Net income on financial assets and liabilities held for trading, of which:</b>	<b>-39.3</b>	<b>-330.9</b>	<b>-120.5</b>	<b>-163.5</b>
- Net income on equity instruments	0.0	0.0	-3.5	-4.7
- Net income on debt instruments	0.4	15.1	4.4	18.3
- Net income on derivatives*, of which:	-39.7	-346.0	-121.4	-177.1
- currency derivatives	-53.4	-368.3	-143.0	-211.7
- interest rate derivatives	13.2	20.7	17.2	26.9
- securities derivatives	0.5	1.6	4.4	7.7
<b>Net income on financial assets and liabilities measured at fair value upon initial recognition, of which:</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>-0.8</b>
- Net income on debt instruments	0.0	-0.6	0.0	-0.8
<b>FX-result</b>	<b>58.2</b>	<b>416.4</b>	<b>112.4</b>	<b>194.4</b>
<b>Net income on financial instruments measured at fair value through profit or loss and FX result</b>	<b>18.9</b>	<b>84.9</b>	<b>-8.1</b>	<b>30.1</b>

\*) The item *net income on derivatives* includes a counterparty risk charge related to derivative transactions. In the presented periods the write-offs for the amount of PLN 32.6 million were released within 3 quarters of 2012 (PLN 4.4 million in Q3 2012) and the write-offs for the amount of PLN 20.3 million were established in 3 quarters of 2011 (PLN 26.0 million in Q3 2011).

### 7.4. Net income on investments

	3 Q 2012 the period from 01 Jul 2012 to 30 Sep 2012	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 the period from 01 Jul 2011 to 30 Sep 2011	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
Net income on equity instruments available-for-sale	0.0	6.8	0.0	0.0
Net income on debt instruments available-for-sale	0.0	14.8	7.4	25.4
Dividend income	0.0	4.1	0.3	4.7
Other	-0.9	-0.9	0.0	2.0
<b>Net income on investments</b>	<b>-0.9</b>	<b>24.8</b>	<b>7.7</b>	<b>32.1</b>



## 7.5. Net income on hedge accounting

	<b>3 Q 2012</b> the period from 01 Jul 2012 to 30 Sep 2012	<b>3 Q 2012 YTD</b> the period from 01 Jan 2012 to 30 Sep 2012	<b>3 Q 2011</b> the period from 01 Jul 2011 to 30 Sep 2011	<b>3 Q 2011 YTD</b> the period from 01 Jan 2011 to 30 Sep 2011
<b>Fair value hedge accounting for securities</b>	<b>-2.1</b>	<b>-5.3</b>	<b>-21.9</b>	<b>-43.4</b>
- valuation of the hedged transaction	70.1	161.7	205.9	153.5
- valuation of the hedging transaction	-72.2	-167.0	-227.8	-196.9
<b>Cash flow hedge accounting</b>	<b>-3.4</b>	<b>-3.7</b>	<b>-1.7</b>	<b>0.3</b>
- ineffectiveness that arises from cash flow hedges	-3.4	-3.7	-1.7	0.3
<b>Net income on hedge accounting</b>	<b>-5.5</b>	<b>-9.0</b>	<b>-23.6</b>	<b>-43.1</b>

## 7.6. General and administrative expenses

	<b>3 Q 2012</b> the period from 01 Jul 2012 to 30 Sep 2012	<b>3 Q 2012 YTD</b> the period from 01 Jan 2012 to 30 Sep 2012	<b>3 Q 2011</b> the period from 01 Jul 2011 to 30 Sep 2011	<b>3 Q 2011 YTD</b> the period from 01 Jan 2011 to 30 Sep 2011
Personnel expenses	219.1	660.2	210.8	619.0
Depreciation and amortisation	35.1	103.4	34.0	96.4
Cost of marketing and promotion	23.1	66.8	20.2	58.3
Other general and administrative expenses	176.9	545.0	156.9	476.7
<b>General and administrative expenses</b>	<b>454.2</b>	<b>1 375.4</b>	<b>421.9</b>	<b>1 250.4</b>

### 7.6.1. Headcount

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

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
FTEs	8 514.8	8 557.0	8 263.2	8 252.9	8 362.0
Individuals	8 678	8 712	8 409	8 398	8 502

In 2012, there was a headcount increase in the Group. It is mainly the result of the expansion of the Group's operations with the two new companies namely ING Lease Polska Sp. z o.o. and ING Commercial Finance S.A. The companies' purchase transaction was described in Chapter 1. "Information on the Bank and the Capital Group".

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

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
FTEs	8 086.9	8 140.4	8 068.7	8 027.0	8 123.2
Individuals	8 244	8 290	8 211	8 166	8 257

## 7.7. Impairment losses and provisions for off-balance sheet liabilities

	3 Q 2012	3 Q 2012 YTD	3 Q 2011	3 Q 2011 YTD
	the period from 01 Jul 2012 to 30 Sep 2012	the period from 01 Jan 2012 to 30 Sep 2012	the period from 01 Jul 2011 to 30 Sep 2011	the period from 01 Jan 2011 to 30 Sep 2011
Impairment losses	144.1	560.3	89.6	335.2
Release of impairment write-offs	-61.5	-282.2	-62.5	-213.3
<b>Net impairment losses and provisions for off-balance sheet liabilities</b>	<b>82.6</b>	<b>278.1</b>	<b>27.1</b>	<b>121.9</b>

## 7.8. Effective tax rate

	3 Q 2012	3 Q 2012 YTD	3 Q 2011	3 Q 2011 YTD
	the period from 01 Jul 2012 to 30 Sep 2012	the period from 01 Jan 2012 to 30 Sep 2012	the period from 01 Jul 2011 to 30 Sep 2011	the period from 01 Jan 2011 to 30 Sep 2011
Profit before tax	252.7	777.6	276.6	833.7
Income tax	49.5	135.3	56.5	167.2
Net profit (loss)	203.2	642.3	220.1	666.5
<b>Effective tax rate</b>	<b>19.6%</b>	<b>17.4%</b>	<b>20.4%</b>	<b>20.1%</b>

In 2012, the amount of PLN 16.5 million (tax reduction) was recognized as income tax. The abovementioned amount resulted from changing the methodology whereunder FX differences are calculated for tax purposes in one of the subsidiaries. By the end of 2011, for the purpose of calculating realised and not realised FX differences and their adequate recognition in the tax calculation the company applied the so-called tax approach. As of the beginning of 2012, the company switched to the so-called accounting method whereunder realised and not realised FX differences are recognised identically to costs and income due to FX differences calculated for the accounting purposes. The tax impact, resulting from changing the methodology through update the deferred income tax provision, lowered the effective tax rate in 2012.

## 7.9. Loans and receivables to other banks

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Current accounts	1 108.9	978.3	805.7	514.8	257.0
Interbank deposits	1 802.1	435.1	40.9	2 087.1	1 428.0
Loans and advances	149.6	148.9	113.6	63.4	43.3
Factoring receivables	166.3	23.6	7.1	1.6	0.0
Reverse repo transactions	158.1	0.0	0.0	0.0	0.0
Other receivables	31.0	19.8	51.0	39.6	30.0
<b>Total (gross)</b>	<b>3 416.0</b>	<b>1 605.7</b>	<b>1 018.3</b>	<b>2 706.5</b>	<b>1 758.3</b>
Impairment losses, of which:	-0.5	-0.4	-0.2	-0.1	0.0
- concerning loans and advances	-0.1	-0.1	-0.2	-0.1	0.0
- concerning factoring receivables	-0.4	-0.3	0.0	0.0	0.0
<b>Total (net)</b>	<b>3 415.5</b>	<b>1 605.3</b>	<b>1 018.1</b>	<b>2 706.4</b>	<b>1 758.3</b>

## 7.10. Financial assets measured at fair value through profit and loss

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Financial assets held for trading, of which:	994.0	412.4	444.7	327.3	436.1
- debt instruments	994.0	412.4	444.7	319.5	431.1
- equity instruments	0.0	0.0	0.0	7.8	5.0
Financial assets designated as at fair value upon initial recognition, of which:	528.6	379.1	194.9	793.2	136.4
- buy-sell-back transactions	528.6	379.1	194.9	793.2	73.9
- debt instruments	0.0	0.0	0.0	0.0	62.5
<b>Total</b>	<b>1 522.6</b>	<b>791.5</b>	<b>639.6</b>	<b>1 120.5</b>	<b>572.5</b>

## 7.11. Investments

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Available-for-sale financial assets, of which:	13 536.1	10 299.0	15 468.4	17 379.6	18 998.1
- debt instruments, including:	13 516.3	10 278.2	15 437.7	17 350.3	18 950.3
- hedged items in fair value hedging	1 027.4	1 007.1	1 020.3	1 459.4	2 097.7
- equity instruments	19.8	20.8	30.7	29.3	47.8
Held-to-maturity financial assets, of which:	0.0	3 518.5	4 982.3	5 016.7	4 949.4
- debt instruments	0.0	3 518.5	4 982.3	5 016.7	4 949.4
<b>Total</b>	<b>13 536.1</b>	<b>13 817.5</b>	<b>20 450.7</b>	<b>22 396.3</b>	<b>23 947.5</b>

In Q3 2012, the ING Bank Śląski S.A. Group took decision to reclassify all investments held to maturity to the category of assets available for sale. In such a case, the Group must not classify any financial assets as investments held to maturity for 2 years.

## 7.12. Loans and receivables to customers

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Loans and advances	39 366.5	38 680.3	37 103.6	35 278.6	33 487.9
Leasing receivables	3 135.4	3 146.2	0.0	0.0	0.0
Factoring receivables	2 028.9	2 100.3	275.4	283.1	198.6
Debt securities, of which:	5 946.5	5 738.9	5 959.6	5 143.6	4 256.9
- T-eurobonds	3 732.5	3 758.2	3 872.6	3 786.2	3 189.0
Reverse repo transactions	0.0	0.0	0.0	90.1	80.7
Other receivables	157.7	116.7	105.1	178.8	212.9
<b>Total loans and receivables to customers (gross)</b>	<b>50 635.0</b>	<b>49 782.4</b>	<b>43 443.7</b>	<b>40 974.2</b>	<b>38 237.0</b>
Impairment losses, of which:	-1 359.9	-1 291.8	-1 114.0	-1 184.5	-1 142.2
- concerning loans and advances	-1 233.7	-1 186.4	-1 105.6	-1 175.8	-1 134.5
- concerning leasing receivables	-68.2	-61.8	0.0	0.0	0.0
- concerning factoring receivables	-6.3	-6.1	-3.0	-3.2	-2.3
- concerning debt securities	-46.5	-32.3	-0.2	-0.3	-0.2
- concerning other receivables	-5.2	-5.2	-5.2	-5.2	-5.2
<b>Total loans and receivables to customers (net), of which:</b>	<b>49 275.1</b>	<b>48 490.6</b>	<b>42 329.7</b>	<b>39 789.7</b>	<b>37 094.8</b>
- to entities from the financial sector other than banks	1 525.5	1 377.1	2 908.9	2 963.3	2 949.4
- to entities from the non-financial sector	40 103.6	39 331.9	31 635.8	29 593.5	27 686.6
- to entities from the government and self-government institutions' sector	7 646.0	7 781.6	7 785.0	7 232.9	6 458.8

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

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Loans and advances, of which:	1 409.0	1 276.1	2 821.8	2 733.3	2 714.1
- in the current account	46.3	32.7	4.7	548.2	501.9
- term ones	1 362.7	1 243.4	2 817.1	2 185.1	2 212.2
Leasing receivables	0.6	0.0	0.0	0.0	0.0
Reverse repo transactions	3.5	0.0	0.0	0.0	0.0
Other receivables	0.0	0.0	0.0	90.1	80.7
<b>Total (gross)</b>	<b>112.8</b>	<b>101.7</b>	<b>87.4</b>	<b>140.2</b>	<b>154.8</b>
Impairment losses, of which	<b>1 525.9</b>	<b>1 377.8</b>	<b>2 909.2</b>	<b>2 963.6</b>	<b>2 949.6</b>
- concerning loans and advances	-0.4	-0.7	-0.3	-0.3	-0.2
- concerning leasing receivables	-0.4	-0.7	-0.3	-0.3	-0.2
<b>Total (net)</b>	<b>1 525.5</b>	<b>1 377.1</b>	<b>2 908.9</b>	<b>2 963.3</b>	<b>2 949.4</b>

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

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Loans and advances granted to business entities, of which:	18 187.9	18 113.1	15 714.1	14 868.3	14 014.4
- in the current account	5 440.7	5 409.3	4 316.1	4 624.0	4 490.6
- term ones	12 747.2	12 703.8	11 398.0	10 244.3	9 523.8
Loans and advances granted to households, of which:	16 632.4	16 148.6	15 297.2	14 786.3	14 019.5
- in the current account	1 401.6	1 410.4	1 311.3	1 341.5	1 356.8
- term ones	15 230.8	14 738.2	13 985.9	13 444.8	12 662.7
Leasing receivables	3 123.7	2 973.6	0.0	0.0	0.0
Factoring receivables	2 001.0	2 081.4	273.1	282.3	198.0
Debt securities	1 472.5	1 289.9	1 446.1	800.8	537.5
Other receivables	44.8	14.9	17.6	38.5	57.8
<b>Total (gross)</b>	<b>41 462.3</b>	<b>40 621.5</b>	<b>32 748.1</b>	<b>30 776.2</b>	<b>28 827.2</b>
Impairment losses, of which:	-1 358.7	-1 289.6	-1 112.3	-1 182.7	-1 140.6
- concerning loans and advances to business entities	-788.1	-761.4	-728.1	-809.2	-786.1
- concerning loans and advances to households	-444.5	-422.8	-375.8	-364.8	-346.8
- concerning leasing receivables	-68.2	-61.8	0.0	0.0	0.0
- concerning factoring receivables	-6.2	-6.1	-3.0	-3.2	-2.3
- concerning debt securities	-46.5	-32.3	-0.2	-0.3	-0.2
- concerning other receivables	-5.2	-5.2	-5.2	-5.2	-5.2
<b>Total (net)</b>	<b>40 103.6</b>	<b>39 331.9</b>	<b>31 635.8</b>	<b>29 593.5</b>	<b>27 686.6</b>

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

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Loans and advances, of which:	3 137.2	3 142.5	3 270.5	2 890.7	2 739.9
- in the current account	86.4	114.5	34.7	109.0	64.9
- term ones	3 050.8	3 028.0	3 235.8	2 781.7	2 675.0
Leasing receivables	11.1	172.6	0.0	0.0	0.0
Factoring receivables	24.4	18.9	2.3	0.8	0.6
Debt securities, of which:	4 474.0	4 449.0	4 513.5	4 342.8	3 719.4
- hedged items in fair value hedging	3 732.5	3 758.2	3 872.6	3 786.2	3 189.0
Other receivables	0.1	0.1	0.1	0.1	0.3
<b>Total (gross)</b>	<b>7 646.8</b>	<b>7 783.1</b>	<b>7 786.4</b>	<b>7 234.4</b>	<b>6 460.2</b>
Impairment losses, of which:	-0.8	-1.5	-1.4	-1.5	-1.4
- concerning loans and advances	-0.7	-1.5	-1.4	-1.5	-1.4
- concerning factoring receivables	-0.1	0.0	0.0	0.0	0.0
<b>Total (net)</b>	<b>7 646.0</b>	<b>7 781.6</b>	<b>7 785.0</b>	<b>7 232.9</b>	<b>6 458.8</b>

## 7.13. Quality of portfolio of loans and advances

### Quality of loans and advances to customers portfolio

(Including leasing and factoring receivables)

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>Corporate activity</b>					
<b>Exposure</b>	<b>28 168.7</b>	<b>28 091.6</b>	<b>22 370.1</b>	<b>21 021.1</b>	<b>19 882.2</b>
- unimpaired (IBNR)	26 713.4	26 636.1	21 236.9	19 831.8	18 735.9
- impaired	1 455.3	1 455.5	1 133.2	1 189.3	1 146.3
<b>Impairment losses and provisions</b>	<b>880.9</b>	<b>845.2</b>	<b>736.4</b>	<b>818.4</b>	<b>798.7</b>
- related to unimpaired portfolio	78.6	86.4	62.8	65.6	60.1
- related to impaired portfolio	782.4	741.2	663.0	743.8	728.0
- provisions for off-balance sheet liabilities	19.9	17.6	10.6	9.0	10.6
Share of the impaired portfolio	5.2%	5.2%	5.1%	5.7%	5.8%
Impaired portfolio coverage ratio (%)	53.8%	50.9%	58.5%	62.5%	63.5%
<b>Retail activity</b>					
<b>Exposure</b>	<b>16 362.1</b>	<b>15 835.2</b>	<b>15 008.9</b>	<b>14 540.6</b>	<b>13 804.3</b>
- unimpaired (IBNR)	15 863.2	15 370.2	14 589.1	14 140.6	13 432.4
- impaired	498.9	465.0	419.8	400.0	371.9
<b>Impairment losses</b>	<b>447.2</b>	<b>426.7</b>	<b>382.8</b>	<b>369.6</b>	<b>348.7</b>
- related to unimpaired portfolio	96.0	96.9	96.9	98.7	97.8
- related to impaired portfolio	351.2	329.8	285.9	270.9	250.9
Share of the impaired portfolio	3.0%	2.9%	2.8%	2.8%	2.7%
Impaired portfolio coverage ratio (%)	70.4%	70.9%	68.1%	67.7%	67.5%
<b>Total exposure</b>	<b>44 530.8</b>	<b>43 926.8</b>	<b>37 379.0</b>	<b>35 561.7</b>	<b>33 686.5</b>
<b>Impairment losses and total provisions, of which:</b>	<b>1 328.1</b>	<b>1 271.9</b>	<b>1 119.2</b>	<b>1 188.0</b>	<b>1 147.4</b>
- impairment losses	1 308.2	1 254.3	1 108.6	1 179.0	1 136.8
- provisions for off-balance sheet liabilities	19.9	17.6	10.6	9.0	10.6
Total portfolio coverage ratio	3.0%	2.9%	3.0%	3.3%	3.4%
Share of the impaired portfolio	4.4%	4.4%	4.2%	4.5%	4.5%
<b>Impaired portfolio coverage ratio (%)</b>	<b>58.0%</b>	<b>55.8%</b>	<b>61.1%</b>	<b>63.8%</b>	<b>64.5%</b>

**Changes in impairment losses**

(including provisions for off-balance sheet liabilities and impairment losses concerning loans and advances to other banks)

	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
<b>3 Q 2012</b> the period from 01 Jul 2012 to 30 Sep 2012				
<b>Opening balance of impairment losses</b>	<b>1 094.7</b>	<b>0.4</b>	<b>209.9</b>	<b>1 304.6</b>
<b>Changes in the period (due to):</b>	<b>67.4</b>	<b>0.1</b>	<b>3.2</b>	<b>70.6</b>
- changes in income statement	80.4	0.1	2.3	82.7
- depreciation	-7.6	0.0	0.0	-7.6
- restructuring and forgiveness of the debts related to transactions on derivatives	0.0	0.0	0.9	0.9
- purchase of subsidiaries	0.0	0.0	0.0	0.0
- transfer of provisions from off-balance sheet after their repayment	2.9	0.0	0.0	2.9
- other (inclusive, but not limited to unwinding interest, FX differences)	-8.3	0.0	0.0	-8.3
<b>Closing balance of impairment losses</b>	<b>1 162.1</b>	<b>0.5</b>	<b>213.1</b>	<b>1 375.2</b>
<b>3 Q 2012 YTD</b> the period from 01 Jan 2012 to 30 Sep 2012				
<b>Opening balance of impairment losses</b>	<b>862.6</b>	<b>0.2</b>	<b>256.8</b>	<b>1 119.4</b>
<b>Changes in the period (due to):</b>	<b>299.5</b>	<b>0.3</b>	<b>-43.7</b>	<b>255.8</b>
- changes in income statement	267.6	0.3	10.6	278.2
- depreciation	-45.7	0.0	0.0	-45.7
- restructuring and forgiveness of the debts related to transactions on derivatives	0.0	0.0	-54.3	-54.3
- purchase of subsidiaries	82.8	0.0	0.0	82.8
- transfer of provisions from off-balance sheet after their repayment	10.0	0.0	0.0	10.0
- other (inclusive, but not limited to unwinding interest, FX differences)	-15.2	0.0	0.0	-15.2
<b>Closing balance of impairment losses</b>	<b>1 162.1</b>	<b>0.5</b>	<b>213.1</b>	<b>1 375.2</b>
<b>3 Q 2011</b> the period from 01 Jul 2011 to 30 Sep 2011				
<b>Opening balance of impairment losses</b>	<b>872.3</b>	<b>0.1</b>	<b>275.1</b>	<b>1 147.4</b>
<b>Changes in the period (due to):</b>	<b>22.4</b>	<b>0.0</b>	<b>18.3</b>	<b>40.7</b>
- changes in income statement	25.6	0.0	1.4	27.0
- depreciation	-3.3	0.0	0.0	-3.3
- restructuring and forgiveness of the debts related to transactions on derivatives	0.0	0.0	16.9	16.9
- transfer of provisions from off-balance sheet after their repayment	3.8	0.0	0.0	3.8
- other (inclusive, but not limited to unwinding interest, FX differences)	-3.7	0.0	0.0	-3.7
<b>Closing balance of impairment losses</b>	<b>894.7</b>	<b>0.1</b>	<b>293.4</b>	<b>1 188.1</b>
<b>3 Q 2011 YTD</b> the period from 01 Jan 2011 to 30 Sep 2011				
<b>Opening balance of impairment losses</b>	<b>803.0</b>	<b>0.1</b>	<b>288.2</b>	<b>1 091.2</b>
<b>Changes in the period (due to):</b>	<b>91.7</b>	<b>0.0</b>	<b>5.2</b>	<b>96.9</b>
- changes in income statement	119.7	0.0	2.1	121.8
- depreciation	-23.5	0.0	0.0	-23.5
- restructuring and forgiveness of the debts related to transactions on derivatives	0.0	0.0	3.1	3.1
- transfer of provisions from off-balance sheet after their repayment	12.4	0.0	0.0	12.4
- other (inclusive, but not limited to unwinding interest, FX differences)	-16.9	0.0	0.0	-16.9
<b>Closing balance of impairment losses</b>	<b>894.7</b>	<b>0.1</b>	<b>293.4</b>	<b>1 188.1</b>

#### 7.14. Liabilities due to other banks

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Current accounts	396.8	331.0	335.6	268.8	344.5
Interbank deposits	1 531.8	493.0	3 003.2	3 824.8	4 992.1
Repo transactions	419.7	527.9	1 594.6	3 458.6	3 585.8
Loans received*	2 597.4	2 738.2	0.0	0.0	0.0
Other liabilities	16.0	18.2	28.5	44.9	15.7
<b>Total</b>	<b>4 961.7</b>	<b>4 108.3</b>	<b>4 961.9</b>	<b>7 597.1</b>	<b>8 938.1</b>

\*) The item *Loans received* covers funding of long-term leasing contracts in EUR (the so-called matched funding) received by the subsidiary ING Lease Sp. z o.o. from related entities outside the ING Bank Śląski S.A. Group.

#### 7.15. Financial liabilities measured at fair value through profit and loss

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Financial liabilities designated as at fair value upon initial recognition, of which:	2 448.3	1 276.8	1 629.5	5 134.4	1 417.6
- <i>Sell-buy-back transaction</i>	2 448.3	1 276.8	1 629.5	5 134.4	1 417.6
Book short position in trading securities	310.4	402.2	185.2	235.9	226.0
<b>Total</b>	<b>2 758.7</b>	<b>1 679.0</b>	<b>1 814.7</b>	<b>5 370.3</b>	<b>1 643.6</b>

#### 7.16. Liabilities due to customers

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Deposits	53 895.8	53 224.6	52 334.6	50 040.1	47 540.6
Repo transactions	4.5	3.6	116.1	62.0	99.1
Other liabilities	966.9	928.8	481.4	656.6	646.4
<b>Total liabilities due to customers, of which:</b>	<b>54 867.2</b>	<b>54 157.0</b>	<b>52 932.1</b>	<b>50 758.7</b>	<b>48 286.1</b>
- <i>due to entities from the financial sector other than banks</i>	3 184.5	3 694.0	3 082.2	2 478.7	2 846.7
- <i>due to entities from the non-financial sector</i>	50 048.9	48 818.4	47 745.2	46 054.7	43 799.9
- <i>due to entities from the government and self-government institutions' sector</i>	1 633.8	1 644.6	2 104.7	2 225.3	1 639.5

#### Liabilities due to entities from the financial sector other than banks

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Deposits, of which:	3 048.3	3 574.0	2 910.0	2 304.7	2 637.8
- <i>current accounts</i>	2 527.5	2 449.9	1 250.8	1 396.9	1 715.1
- <i>term deposit</i>	520.8	1 124.1	1 659.2	907.8	922.7
Repo transactions	4.5	3.6	116.1	62.0	99.1
Other liabilities	131.7	116.4	56.1	112.0	109.8
<b>Total</b>	<b>3 184.5</b>	<b>3 694.0</b>	<b>3 082.2</b>	<b>2 478.7</b>	<b>2 846.7</b>



Liabilities due to entities from the non-financial sector

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Business entities' deposits, of which:	13 132.6	12 810.1	13 887.3	13 100.1	12 110.7
- current accounts	10 246.7	9 329.2	10 224.7	9 529.4	8 908.9
- term deposit	2 885.9	3 480.9	3 662.6	3 570.7	3 201.8
Households' deposits, of which:	36 082.7	35 197.3	33 434.7	32 412.1	31 154.8
- current accounts	5 909.6	5 215.4	5 065.5	4 880.8	4 957.8
- saving accounts and term deposits	30 173.1	29 981.9	28 369.2	27 531.3	26 197.0
Other liabilities	833.6	811.0	423.2	542.5	534.4
<b>Total</b>	<b>50 048.9</b>	<b>48 818.4</b>	<b>47 745.2</b>	<b>46 054.7</b>	<b>43 799.9</b>

Liabilities due to entities from the government and self-government institutions' sector

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Deposits, of which:	1 632.2	1 643.2	2 102.6	2 223.2	1 637.3
- current accounts	1 318.5	1 254.5	1 930.9	1 569.5	1 285.7
- term deposit	313.7	388.7	171.7	653.7	351.6
Other liabilities	1.6	1.4	2.1	2.1	2.2
<b>Total</b>	<b>1 633.8</b>	<b>1 644.6</b>	<b>2 104.7</b>	<b>2 225.3</b>	<b>1 639.5</b>

## 7.17. Provisions

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Provision for issues in dispute	19.3	20.4	21.0	20.5	20.2
Provision for off-balance sheet liabilities	20.0	17.6	10.6	9.0	10.6
Provision for retirement benefits	17.5	17.5	17.5	15.9	15.9
Provision for unused holidays	8.5	8.5	7.8	6.3	6.3
Provision for employment restructuring	0.1	0.2	1.2	1.1	13.9
<b>Total</b>	<b>65.4</b>	<b>64.2</b>	<b>58.1</b>	<b>52.8</b>	<b>66.9</b>

## 7.18. Solvency ratio

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>Own funds</b>					
<b>A. Own equity in the statement of financial position, of which:</b>	<b>7 427.2</b>	<b>6 981.1</b>	<b>6 416.0</b>	<b>6 196.9</b>	<b>5 953.8</b>
A.I. Own equity included in tier 1 capital, of which:	<b>6 700.3</b>	<b>6 528.3</b>	<b>5 817.2</b>	<b>5 819.5</b>	<b>5 383.3</b>
- share capital	130.1	130.1	130.1	130.1	130.1
- supplementary capital - agio	956.3	956.3	956.3	956.3	956.3
- supplementary capital - other	96.6	96.4	75.4	75.2	75.2
- reserve capital	4 004.4	4 004.4	3 139.8	3 139.8	3 139.8
- general risk fund	960.2	960.2	910.1	910.2	910.2
- retained profit of past years	112.9	112.6	172.8	170.5	169.4
- net profit of current period in audited part	439.1	271.5	446.4	446.4	0.0
- non-controlling interests	2.3	2.3	2.3	2.3	2.3
- revaluation reserve from measurement of available-for-sale financial assets (unrealised losses)	-1.6	-5.5	-16.0	-11.3	0.0
A.II. Own equity included in tier 2 capital, of which:	<b>289.0</b>	<b>127.3</b>	<b>33.3</b>	<b>16.8</b>	<b>44.6</b>
- revaluation reserve from measurement of available-for-sale financial assets (unrealised gains)	289.0	127.3	33.3	16.8	44.6
A.III. Own equity excluded from own funds calculation, of which:	<b>437.9</b>	<b>325.5</b>	<b>565.5</b>	<b>360.6</b>	<b>525.9</b>
- revaluation reserve from measurement of available-for-sale financial assets	3.5	1.6	3.5	0.6	1.0
- revaluation reserve from measurement of property, plant and equipment	38.0	38.1	39.3	44.7	45.7
- revaluation reserve from measurement of cash flow hedging instruments	154.7	82.7	58.2	67.4	7.8
- revaluation of share-based payment	38.5	35.5	30.8	27.8	25.0
- net profit of current period in unaudited part	203.2	167.6	433.7	220.1	446.4
<b>B. Other elements of own funds (decreases and increases), of which:</b>	<b>-503.7</b>	<b>-498.1</b>	<b>-524.0</b>	<b>-355.2</b>	<b>-338.0</b>
B.I. Other elements of tier 1 capital:	<b>-452.6</b>	<b>-449.5</b>	<b>-523.4</b>	<b>-378.8</b>	<b>-377.8</b>
- intangible assets	-361.1	-358.8	-362.0	-355.6	-357.8
- capital commitments in financial institutions (50%)	-20.0	-20.0	-20.0	-23.2	-20.0
- amount of expected losses (50%) – only for AIRB method	-71.5	-70.7	-141.4	0.0	0.0
B.II. Other elements of tier 2 capital:	<b>-91.5</b>	<b>-90.7</b>	<b>-33.3</b>	<b>-16.8</b>	<b>-20.0</b>
- capital commitments in financial institutions (50%)	-20.0	-20.0	-20.0	-16.8	-20.0
- amount of expected losses (50%) – only for AIRB method	-71.5	-70.7	-13.3	0.0	0.0
B.III. Short-term capital	<b>40.4</b>	<b>42.1</b>	<b>32.7</b>	<b>40.4</b>	<b>59.8</b>
<b>Own funds taken into account in solvency ratio calculation according to advanced method (AIRB) (A.I. + A.II. + B.I. + B.II. + B.III.), of which:</b>	<b>6 485.6</b>	<b>6 157.5</b>	<b>5 326.5</b>	<b>-</b>	<b>-</b>
- Tier 1 capital (A.I. + B.I.)	6 247.7	6 078.8	5 293.8	-	-
- Tier 2 capital (A.II. + B.II.)	197.5	36.6	0.0	-	-
- Short-term capital (B.III.)	40.4	42.1	32.7	-	-
<b>Own funds taken into account in solvency ratio calculation according to standard method (SA) (A.I. + A.II. + B.I. + B.II. + B.III.), of which:</b>	<b>6 628.6</b>	<b>6 298.9</b>	<b>5 481.2</b>	<b>5 481.1</b>	<b>5 089.9</b>
- Tier 1 capital (A.I. + B.I.)	6 319.2	6 149.5	5 435.2	5 440.7	5 005.5
- Tier 2 capital (A.II. + B.II.)	269.0	107.3	13.3	0.0	24.6
- Short-term capital (B.III.)	40.4	42.1	32.7	40.4	59.8

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>Capital requirements</b>					
- Capital requirements for credit risk, credit counterparty, dilution and delivery of instruments for future settlement	3 349.6	3 345.7	3 176.6	3 056.2	2 806.1
- including: supplementation of the credit risk capital requirement to the requirement computed using the standard method	372.4	140.8	329.0	-	-
- Capital requirement for the risk of settlement - delivery	12.2	9.4	7.9	7.1	6.3
- Capital requirements for the capital securities rate risk, debt instruments rates risk, FX risk and commodity rates risk	0.0	11.0	0.0	0.2	22.2
- Capital requirement for operational risk	405.9	405.9	364.6	361.7	361.7
- Capital requirement for general interest rate risk	28.2	21.7	24.8	33.2	31.3
- Capital requirement due to exposure concentration limit overrun	0.0	0.0	0.0	33.4	0.9
<b>Total capital requirement computed with Advanced Internal Rating-Based method (AIRB) for calculation of the credit risk requirement</b>	<b>3 423.5</b>	<b>3 652.9</b>	<b>3 244.9</b>	<b>-</b>	<b>-</b>
<b>Total capital requirement computed with Standard Approach (SA) for calculation of the credit risk requirement</b>	<b>3 795.9</b>	<b>3 793.7</b>	<b>3 573.9</b>	<b>3 491.8</b>	<b>3 228.5</b>
<b>Solvency ratio - supervisory</b>	<b>13.67%</b>	<b>12.98%</b>	<b>11.92%</b>	<b>-</b>	<b>-</b>
<b>Solvency ratio (SA)</b>	<b>13.97%</b>	<b>13.28%</b>	<b>12.27%</b>	<b>12.56%</b>	<b>12.61%</b>
<b>Solvency ratio (AIRB)</b>	<b>15.16%</b>	<b>13.49%</b>	<b>13.13%</b>	<b>-</b>	<b>-</b>

Following the letter of the Polish Financial Supervision Authority (PFSA) dated 18 May 2012 related to the decision of 06 October 2011 on a conditional approval of application of the Advanced Internal Rating-Based Approach (AIRB) by the Bank "(...) the solvency ratio should be computed based on the following figures:

- 1) for the capital requirement for credit risk computed with AIRB being lower than the capital requirement for credit risk computed using standard approach:
  - a) for own funds – considering the amount calculated with AIRB,
  - b) for the total capital requirement – considering the supplementary amount of capital requirement for credit risk to the requirement calculated under standard approach (SA),
- 2) for the capital requirement for credit risk computed with AIRB being higher than the capital requirement for credit risk computed under standard approach:
  - a) for own funds – considering the amount calculated with AIRB,
  - b) for the total capital requirement – considering the capital requirement for credit risk calculated with AIRB."

AIRB method may be applied in full to calculate the capital requirement for credit risk for supervisory purposes only upon fulfillment by the Bank of the requirements listed in the aforesaid decision of PFSA. By then the Bank is obliged to consider the supplementary amount of capital requirement for credit risk to the requirement calculated under standard approach - in 100% in the period ending 31.12.2012 and in 90% in the period ending 30.06.2013.

## 8. Factors potentially affecting the financial results in the following quarters

The macroeconomic factors that may impact the results in subsequent quarters include:

- progress in fighting back against debt crisis within the Eurozone, including effectiveness of ECB liquidity-focused efforts,
- potential results of presidential elections in the USA, there is a risk of decision paralysis which may negatively impact financial markets as well as US and global economy growth,
- economic slowdown in Poland – according forecasts developed by ING Bank Śląski S.A., in 2012 the GDP growth rate may fall to 2.3% (yty) and in 2013 it may range from 1.5% to 2.0%,
- slow consumption growth and investments drop in 2013,
- Eurozone recession – ING economists believe that in 2012 GDP will fall by 0.5% in the Eurozone, at the same time it is projected that the growth in 2013 will be close to 0%,
- slight easing of regulations concerning household loans,
- change on the labour market – as at the end of September 2012 the unemployment rate was 12.4% against 12.3% as at the end of H1 2012, a significant unemployment growth is projected at the turn of of 2012 and 2013,
- main interest rates in Poland – on account of economic slowdown it is expected that the monetary policy will be eased. ING economists expect that within 9 months the Monetary Policy Council will reduce interest rates by 100bp in total to the level of 3.75% (reference rate) in 2013.

## 9. Off-balance sheet items

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Contingent liabilities granted	15 925.6	16 278.4	16 777.7	15 965.2	15 372.1
Contingent liabilities received	42 477.5	41 646.8	34 334.8	21 420.3	20 926.7
Off-balance sheet financial instruments	136 847.1	135 716.9	157 928.2	139 922.9	131 763.5
<b>Total off-balance sheet items</b>	<b>195 250.2</b>	<b>193 642.1</b>	<b>209 040.7</b>	<b>177 308.4</b>	<b>168 062.3</b>

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

None.

## 11. Dividends paid

On 19<sup>th</sup> April 2012, the General Meeting resolved not to pass a resolution on dividend payout for 2011 and approved earmarking the entire 2011 net profit of the Group's dominant entity for equity.

On 7<sup>th</sup> 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 195.2 million. The dividend was paid on 1<sup>st</sup> July 2011.

## 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 million)

	3 quarters 2012 the period from 01 Jan 2012 to 30 Sep 2012	3 quarters 2011 the period from 01 Jan 2011 to 30 Sep 2011
<b>Status at the period beginning:</b>	<b>21.0</b>	<b>20.2</b>
Establishment of provisions as costs	0.4	0.6
Release of provisions as income	-3.0	-0.1
Utilisation of provision due to dispute loss or settlement	-0.3	-0.2
Increase following acquisition of subsidiaries	1.2	0.0
<b>Status as at the period end</b>	<b>19.3</b>	<b>20.5</b>

Either in 9 months of 2012 or 9 months of 2011, 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

ING Bank Śląski subsidiaries and affiliated entities (their list has been presented in Chapter II. *Supplementary information* in item 1.4. *ING Bank Śląski S.A. Capital Group*) 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. Similarly, ING Bank Śląski maintains bank accounts of other members of ING Group. 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 management and employees' insurance contributions.

In the period from 1<sup>st</sup> January 2012 to 30<sup>th</sup> September 2012 the following transactions were made of the total value exceeding EURO 500.000:

- transactions with ING Bank NV – under execution of Co-operation Agreement and Agreement on Provision of Data Processing and Financial Information Analysis Services, the fee for services rendered under financial advisory and the fee for using by ING Bank Śląski the data processing and financial information analysis services for the 9 months of 2012 totalled PLN 61.8 million against PLN 51.4 million in the analogous period of the previous year (net amounts).
- transactions with ING Services Polska – the company renders hardware lease services for ING Bank Śląski. Services' costs amounted to PLN 30.9 million versus PLN 29.9 million in the analogous period of the previous year (gross amounts).

*Transactions with related entities (in PLN million)*

**30.09.2012**

	ING Bank NV	Other ING Group	Subsidiary undertakings*	Associated undertakings*
<b>Receivables</b>				
Deposits placed	655.9	-	-	-
Nostro accounts	10.2	3.4	-	-
Loans	-	3.5	2 924.5	-
Positive valuation of derivatives	356.3	344.3	-	-
Repo	158.1	-	-	-
Other receivables	37.3	0.5	0.6	-
<b>Liabilities</b>				
Deposits received	-	487.2	873.1	21.3
Loans received	2 503.2	-	-	-
Loro accounts	12.5	6.6	-	-
Negative valuation of derivatives	345.7	399.6	-	-
Repo	162.3	-	-	-
Other liabilities	8.0	-	0.8	-
<b>Off-balance-sheet operations</b>				
Contingent liabilities	146.5	39.2	1 159.7	-
FX transactions	3 634.9	125.9	-	-
Forward transactions	-	2.5	-	-
IRS	8 168.2	5 986.3	-	-
Options	700.5	1 975.5	-	-
<b>Revenue and costs**</b>				
Revenue	-79.7	-15.7	98.0	-2.4
Costs	57.4	31.4	15.4	-

30.09.2011

	ING Bank NV	Other ING Group	Subsidiary undertakings*	Associated undertakings*
<b>Receivables</b>				
Deposits placed	969.7	4.1	-	-
Nostro accounts	11.6	4.3	-	-
Loans	-	1 951.0	462.3	-
Positive valuation of derivatives	250.5	303.5	-	-
Other receivables	0.5	0.6	0,1	-
<b>Liabilities</b>				
Deposits received	2 824.0	600.5	371.6	7.2
Loro accounts	25.6	14,1	-	-
Negative valuation of derivatives	248.9	412.8	-	-
Repo	3 287.8	-	-	-
Other liabilities	0.1	-	0.6	-
<b>Off-balance-sheet operations</b>				
Contingent liabilities	304.8	554.9	233.2	-
FX transactions	901.7	68.6	-	-
Forward transactions	78.7	27.8	-	-
IRS	11 385.0	6 443.9	-	-
Options	649.9	1 315.4	-	-
<b>Revenue and costs**</b>				
Revenue	-63.6	78.7	-4.9	-1.6
Costs	45.2	56.0	1.2	-

\*/ 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

### 15.1. 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 banking 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.

#### 15.1.1. Retail banking segment

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

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), deposit products (current accounts, term deposits, savings accounts), structured product, ING fund units, brokerage services provided by ING Securities SA and bank cards.

### **15.1.2. 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, products related to leasing and factoring services offered by ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.

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.

### **15.1.3. Measurement**

The measurement of the segment's assets and liabilities, segment's revenue and costs is based on the accounting standards applied by the Bank, included in notes describing applied accounting standards. 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 Bank 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 2012, the Bank changed reporting for its operating segments. The change was the consequence of client resegmentation and update of the allocation key for ALCO income. Data for the 9 months of 2012 presented herein were made comparable.

### **15.2. Geographical segments**

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



PLN million	3 quarters 2012 the period from 01 Jan 2012 to 30 Sep 2012		
	Retail banking segment	Corporate banking segment	TOTAL
<b>Revenue total*</b>	<b>1 170.2</b>	<b>1 258.6</b>	<b>2 428.8</b>
Net interest income	789.8	753.3	1 543.1
<i>external</i>	189.3	1 353.8	1 543.1
<i>internal</i>	600.5	-600.5	0.0
Net commission income	341.7	406.9	748.6
<i>external</i>	403.1	446.8	849.9
<i>internal</i>	-61.4	-39.9	-101.3
Other income/expenses	13.1	98.4	111.5
Share in net profit (loss) of associated entities recognised under the equity method	25.6	0.0	25.6
<b>Expenses total</b>	<b>834.0</b>	<b>539.1</b>	<b>1 373.1</b>
personnel expenses	381.1	279.1	660.2
depreciation	74.3	29.1	103.4
other	378.6	230.9	609.5
<b>Result before risk</b>	<b>336.2</b>	<b>719.5</b>	<b>1 055.7</b>
Risk cost	65.9	212.2	278.1
<b>Result after risk cost (profit before tax)</b>	<b>270.3</b>	<b>507.3</b>	<b>777.6</b>
CIT	-	-	135.3
<b>Result after tax</b>	-	-	<b>642.3</b>
- attributable to shareholders of ING Bank Śląski S.A.	-	-	<b>642.3</b>

PLN million	III quarter 2012 the period from 01 Jul 2012 to 30 Sep 2012		
	Retail banking segment	Corporate banking segment	TOTAL
<b>Revenue total*</b>	<b>385.7</b>	<b>404.8</b>	<b>790.5</b>
Net interest income	290.6	224.9	515.5
<i>external</i>	82.0	433.5	515.5
<i>internal</i>	208.6	-208.6	0.0
Net commission income	115.2	136.0	251.2
<i>external</i>	135.6	148.2	283.8
<i>internal</i>	-20.4	-12.2	-32.6
Other income/expenses	-27.7	43.9	16.2
Share in net profit (loss) of associated entities recognised under the equity method	7.6	0.0	7.6
<b>Expenses total</b>	<b>274.0</b>	<b>181.2</b>	<b>455.2</b>
personnel expenses	125.9	93.2	219.1
depreciation	25.4	9.7	35.1
other	122.7	78.3	201.0
<b>Result before risk</b>	<b>111.7</b>	<b>223.6</b>	<b>335.3</b>
Risk cost	21,5	61.1	82.6
<b>Result after risk cost (profit before tax)</b>	<b>90.2</b>	<b>162.5</b>	<b>252.7</b>
CIT	-	-	49.5
<b>Result after tax</b>	-	-	<b>203.2</b>
- attributable to shareholders of ING Bank Śląski S.A.	-	-	<b>203.2</b>

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

PLN million	3 quarters 2011 the period from 01 Jan 2011 to 30 Sep 2011		
	Retail banking segment	Corporate banking segment	TOTAL
<b>Revenue total*</b>	<b>1 158.3</b>	<b>1 050.3</b>	<b>2 208.6</b>
Net interest income	717.9	653.9	1 371.8
<i>external</i>	228.1	1 143.7	1 371.8
<i>internal</i>	489.8	-489.8	0.0
Net commission income	371.8	399.4	771.2
<i>external</i>	438.0	441.3	879.3
<i>internal</i>	-66.2	-41.9	-108.1
Other income/expenses	37.5	-3.0	34.5
Share in net profit (loss) of associated entities recognised under the equity method	31.1	0.0	31.1
<b>Expenses total</b>	<b>764.2</b>	<b>488.8</b>	<b>1 253.0</b>
personnel expenses	360.2	258.8	619.0
depreciation	68.4	28.0	96.4
other	335.6	202.0	537.6
<b>Result before risk</b>	<b>394.1</b>	<b>561.5</b>	<b>955.6</b>
Risk cost	76.1	45.8	121.9
<b>Result after risk cost (profit before tax)</b>	<b>318.0</b>	<b>515.7</b>	<b>833.7</b>
CIT	-	-	167.2
<b>Result after tax</b>	-	-	<b>666.5</b>
<b>- attributable to shareholders of ING Bank Śląski S.A.</b>	-	-	<b>666.5</b>

PLN million	III quarter 2011 the period from 01 Jul 2011 to 30 Sep 2011		
	Retail banking segment	Corporate banking segment	TOTAL
<b>Revenue total*</b>	<b>373.4</b>	<b>352.3</b>	<b>725.7</b>
Net interest income	233.9	243.5	477.4
<i>external</i>	58.8	418.6	477.4
<i>internal</i>	175.1	-175.1	0.0
Net commission income	119.4	142.0	261.4
<i>external</i>	141.0	156.7	297.7
<i>internal</i>	-21.6	-14.7	-36.3
Other income/expenses	11.9	-33.2	-21.3
Share in net profit (loss) of associated entities recognised under the equity method	8.2	0.0	8.2
<b>Expenses total</b>	<b>260.3</b>	<b>161.7</b>	<b>422.0</b>
personnel expenses	122.0	88.8	210.8
depreciation	24.5	9.5	34.0
other	113.8	63.4	177.2
<b>Result before risk</b>	<b>113.1</b>	<b>190.6</b>	<b>303.7</b>
Risk cost	21.0	6.1	27.1
<b>Result after risk cost (profit before tax)</b>	<b>92.1</b>	<b>184.5</b>	<b>276.6</b>
CIT	-	-	56.5
<b>Result after tax</b>	-	-	<b>220.1</b>
<b>- attributable to shareholders of ING Bank Śląski S.A.</b>	-	-	<b>220.1</b>

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

## 16. Other informations

### 16.1. 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. At the beginning of 2012, the Agency revised rating of ING Bank Śląski S.A. and as a result affirmed all the Bank's ratings assigned before (Fitch's press release of 28<sup>th</sup> February 2012 as well as the full report on the Bank's rating of 16<sup>th</sup> March 2012). As at 30.09.2012, the Bank had the rating of financial credibility, issued by the agency:

Rating	Level
Long-term IDR	A
Short-term IDR	F1
Viability rating	bbb+
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). Viability rating (VR) issued by the Agency was bbb+ which denotes good fundamental creditworthiness of the Bank. Viability Rating was introduced to supersede individual rating which was withdrawn on 25<sup>th</sup> January 2012. VR bbb+ was the highest possible rating that a financial institution with individual C-rating (before individual rating withdrawal, ING Bank Śląski had C rating).

#### 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 30.09.2012, the Bank had the rating of financial credibility, issued by the agency:

Rating	Level
Long-term deposits (LT rating)	Baa1
Short-term deposits (ST rating)	P-2
Financial strength (BFSR)/ individual rating (BCA)	D+ / baa3
Financial strength outlook	Stable

On 21 February 2012, the Moody's Agency has placed on review for downgrade ING Bank Śląski S.A. deposit ratings. This was caused by the analogous rating action addressed at the parent company ING Bank NV as part of a mass rating review – 114 banks from 16 countries (Moody's press release of 15 February 2012). As a result of the then-announced mass review of financial institutions' ratings, on 15 June 2012, the Moody's Agency downgraded Dutch banks' ratings, among others: ING Bank N.V. to A2 (from Aa3; i.e., by two notches)

for long-term deposit rating and to C-/baa1 (from C+/a2; i.e. by two notches as well) for the Bank financial strength rating (BSFR). For both ratings the outlook remained negative.

ING Bank N.V. BFSR downgrade caused the following ING Bank Śląski S.A. ratings to be lowered on 18 June 2012: the long-term deposit rating to Baa1 (from A2; i.e., by two notches), while the short-term deposit rating was set at P-2 (downgrade from P-1). The Bank financial strength rating (BSFR) was not changed and remained at D+, which matches the individual assessment, the so called Baseline Credit Assessment (BCA) of baa3. Keeping the individual assessment of the Bank unchanged and at the same time downgrading the long-term deposit rating parallel to the parent company's rating indicates that less significance was attached to the potential support provided to the Bank by its parent company and the local system support. Thanks to assessment of the possibility and probability of support provision by the parent company and local system support before 18 June 2012 the long-term rating of ING Bank Śląski S.A. was 4 notches above the individual assessment, while thereafter, the support of the parent company and local system support causes the long-term rating to be increased by two notches versus the individual assessment. On 28 June 2012, Moody's Agency published the report on ING Bank Śląski S.A. rating and rating action of 18 June 2012, the so-called Credit Opinion.

### 16.2. Number of Branches and ATMs

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:

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Number of outlets	432	437	439	441	443

As at the end of September 2012, the Bank had a network of 774 ATMs<sup>2</sup> compared with 773 ATMs as at the end of December 2011 and 772 ATMs in the analogical period last year.

As at the end of September 2012, the Bank also had a network of 653 cash deposit machines<sup>3</sup>, compared with 583 deposit machines as at the end of December 2011 and 541 deposit machines in the analogical period last year.

### 16.3. 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.

<sup>2</sup> Including duals the number of which as of the end of September 2012 was 303.

<sup>3</sup> As above.

The figures for electronic banking clients<sup>4</sup> are as follows:

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
ING BankOnLine, ING OnLine, ING BusinessOnLine and MultiCash	2 293 958	2 237 399	2 115 325	2 067 794	2 017 255
HaloŚląski	1 387 112	1 391 331	1 285 261	1 235 080	1 187 239
SMS	1 003 993	990 598	918 954	885 984	853 978

The monthly number of transactions in September 2012 was at the level of 14.4 million, whereas at the end of December 2011 it was 14.2 million and in the analogical period last year it was 13.2 million.

#### 16.4. 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:

<i>(in thousands)</i>	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Payment cards, of which:	2 456	2 413	2 386	2 375	2 350
<i>Debit cards</i>	2 188	2 144	2 116	2 102	2 075
<i>Credit cards</i>	202	205	211	216	221
<i>Other cards</i>	66	64	59	57	54

In last year, proximity payment cards were launched by the Bank. They are issued for PLN personal accounts for individual clients (VISA PayWave and MasterCard Debit PayPass). To promote their use, a marketing and promotional campaign was held. At the same time, the action to replace payment cards for personal accounts in the current portfolio with proximity cards started. By the end of September 2012, clients were issued 1,386.1 thousand proximity cards in total<sup>5</sup> (844.1 thousand as at the end of December 2011 and 636.4 thousand in the same period last year) and 32.9 thousand Virtual C@rds (28.0 thousand as at the end of December 2011 and 27.0 thousand in the same period last year).

<sup>4</sup> The number of clients is not the same as the number of users as one client may represent several users in a given system.

<sup>5</sup> Cards: Maestro PayPass, MasterCard Debit PayPass, Proximity Card and VISA PayWave

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## SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2012-11-06 **Małgorzata Kołakowska** President *(signed on the Polish original)*

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2012-11-06 **Mirosław Boda** Vice-President *(signed on the Polish original)*

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2012-11-06 **Michał Bolesławski** Vice-President *(signed on the Polish original)*

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2012-11-06 **Justyna Kesler** Vice-President *(signed on the Polish original)*

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2012-11-06 **Oscar Edward Swan** Vice-President *(signed on the Polish original)*

---

2012-11-06 **Ignacio Juliá Vilar** Vice-President *(signed on the Polish original)*

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## SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2012-11-06 **Tomasz Biłous** Director of Accounting  
Department  
Chief Accountant *(signed on the Polish original)*

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### III. Interim condensed standalone financial statement of the Bank

#### INTERIM CONDENSED STANDALONE INCOME STATEMENT

	3 Q 2012 the period from 01 Jul 2012 to 30 Sep 2012	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 the period from 01 Jul 2011 to 30 Sep 2011	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
- Interest income	926.8	2 735.1	877.1	2 474.5
- Interest expenses	440.5	1 280.4	408.5	1 126.6
<b>Net interest income</b>	<b>486.3</b>	<b>1 454.7</b>	<b>468.6</b>	<b>1 347.9</b>
- Commission income	266.7	786.7	280.5	818.2
- Commission expenses	28.8	88.0	30.9	90.7
<b>Net commission income</b>	<b>237.9</b>	<b>698.7</b>	<b>249.6</b>	<b>727.5</b>
Net income on financial instruments measured at fair value through profit or loss and FX result	18.2	83.2	-8.2	29.4
Net income on investments	-0.9	61.9	7.4	136.3
Net income on hedge accounting	-5.5	-9.0	-23.6	-43.1
Net income on other basic activities	-1.1	-1.2	-1.6	1.2
<b>Result on basic activities</b>	<b>734.9</b>	<b>2 288.3</b>	<b>692.2</b>	<b>2 199.2</b>
General and administrative expenses	428.3	1 294.0	408.0	1 211.4
Result on other operating income and expenses	-0.9	2.5	0.0	-2.5
Impairment losses and provisions for off-balance sheet liabilities	80.3	273.9	27.8	123.1
<b>Profit (loss) before tax</b>	<b>225.4</b>	<b>722.9</b>	<b>256.4</b>	<b>862.2</b>
Income tax	45.3	138.3	54.1	158.6
<b>Net result for the current period</b>	<b>180.1</b>	<b>584.6</b>	<b>202.3</b>	<b>703.6</b>

<b>Net profit (loss)</b>	<b>180.1</b>	<b>584.6</b>	<b>202.3</b>	<b>703.6</b>
<b>Weighted average number of ordinary shares</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>
<b>Earnings per ordinary share (PLN)</b>	<b>1.38</b>	<b>4.49</b>	<b>1.55</b>	<b>5.41</b>

*Diluted earnings per share agrees with earnings per ordinary share*

#### INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	3 Q 2012 the period from 01 Jul 2012 to 30 Sep 2012	3 Q 2012 YTD the period from 01 Jan 2012 to 30 Sep 2012	3 Q 2011 the period from 01 Jul 2011 to 30 Sep 2011	3 Q 2011 YTD the period from 01 Jan 2011 to 30 Sep 2011
<b>Net result for the period</b>	<b>180.1</b>	<b>584.6</b>	<b>202.3</b>	<b>703.6</b>
<b>Other comprehensive income</b>	<b>239.9</b>	<b>367.0</b>	<b>20.3</b>	<b>65.9</b>
<b>Total comprehensive income for the period</b>	<b>420.0</b>	<b>951.6</b>	<b>222.6</b>	<b>769.5</b>

#### SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.

**Małgorzata Kołakowska**  
 President  
*Signed on the Polish original*

**Mirosław Boda**  
 Vice President  
*Signed on the Polish original*

**Michał Bolesławski**  
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**Ignacio Juliá Vilar**  
 Vice President  
*Signed on the Polish original*

#### SIGNATURE OF THE PERSON ENTRUSTED WITH KEEPING THE ACCOUNTING BOOKS

**Tomasz Biłous**  
 Director of Accounting Department, Chief Accountant  
*Signed on the Polish original*

Katowice, 06-11-2012

*Interim condensed standalone income statement and interim condensed standalone statement of comprehensive income shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.*

**INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION**

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>ASSETS</b>					
- Cash in hand and balances with the Central Bank	2 126.0	2 321.2	1 493.1	4 064.9	1 566.6
- Loans and receivables to other banks	3 384.5	1 585.5	967.1	3 140.6	2 143.3
- Financial assets measured at fair value through profit and loss	1 522.6	791.5	639.6	1 112.7	567.5
- Valuation of derivatives	1 525.2	1 235.5	1 858.4	1 781.9	912.6
- Investments	13 535.5	13 816.9	20 450.1	22 395.5	23 946.6
- available-for-sale	13 535.5	10 298.4	15 467.8	17 378.8	18 997.2
- held-to-maturity	0.0	3 518.5	4 982.3	5 016.7	4 949.4
- Derivative hedge instruments	675.3	420.0	433.4	337.1	167.9
- Loans and receivables to customers	46 118.4	45 171.6	42 298.7	39 109.4	36 468.5
- Investments in controlled entities recognised under the equity method	454.4	454.4	238.3	451.8	451.8
- Property, plant and equipment	569.2	565.1	562.4	502.5	497.3
- Intangible assets	355.9	355.3	360.8	354.2	356.5
- Property, plant and equipment held for sale	22.6	26.1	22.4	33.4	30.0
- Current income tax assets	0.0	0.0	146.5	56.2	55.2
- Deferred tax assets	10.4	104.7	15.4	96.1	98.9
- Other assets	292.5	208.3	138.1	212.7	205.8
<b>Total assets</b>	<b>70 592.5</b>	<b>67 056.1</b>	<b>69 624.3</b>	<b>73 649.0</b>	<b>67 468.5</b>

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 Director of Accounting Department, Chief Accountant  
 Signed on the Polish original

Katowice, 06-11-2012

Interim condensed standalone statement of financial position shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.



**INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL POSITION - continued**

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
<b>EQUITY AND LIABILITIES</b>					
<b>LIABILITIES</b>					
- Liabilities due to other banks	2 363.8	1 369.9	4 951.8	7 661.0	9 021.8
- Financial liabilities measured at fair value through profit and loss	2 758.7	1 679.0	1 814.7	5 370.3	1 643.6
- Valuation of derivatives	1 500.5	1 288.1	1 694.1	1 865.7	938.9
- Derivative hedge instruments	1 069.0	871.7	900.6	813.1	427.5
- Liabilities due to customers	54 729.0	53 996.7	53 044.3	50 842.2	48 345.8
- Provisions	62.0	59.7	56.6	51.3	65.5
- Current income tax liabilities	11.5	23.2	0.0	0.0	0.0
- Other liabilities	907.2	1 000.0	930.7	1 026.2	1 231.6
<b>Total liabilities</b>	<b>63 401.7</b>	<b>60 288.3</b>	<b>63 392.8</b>	<b>67 629.8</b>	<b>61 674.7</b>
<b>EQUITY</b>					
- Share capital	130.1	130.1	130.1	130.1	130.1
- Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3	956.3
- Revaluation reserve from measurement of available-for-sale financial assets	290.5	123.0	20.4	5.6	45.0
- Revaluation reserve from measurement of property, plant and equipment	33.5	33.6	34.8	33.0	34.0
- Revaluation reserve from measurement of cash flow hedging instruments	154.7	82.7	58.2	67.4	7.9
- Revaluation of share-based payment	38.5	35.5	30.8	27.8	25.0
- Retained earnings	5 587.2	5 406.6	5 000.9	4 799.0	4 595.5
<b>Total equity</b>	<b>7 190.8</b>	<b>6 767.8</b>	<b>6 231.5</b>	<b>6 019.2</b>	<b>5 793.8</b>
<b>Total equity and liabilities</b>	<b>70 592.5</b>	<b>67 056.1</b>	<b>69 624.3</b>	<b>73 649.0</b>	<b>67 468.5</b>
<b>Net book value</b>	<b>7 190.8</b>	<b>6 767.8</b>	<b>6 231.5</b>	<b>6 019.2</b>	<b>5 793.8</b>
<b>Number of shares</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>	<b>130 100 000</b>
<b>Net book value per share (PLN)</b>	<b>55.27</b>	<b>52.02</b>	<b>47.90</b>	<b>46.27</b>	<b>44.53</b>

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Katowice, 06-11-2012

Interim condensed standalone statement of financial position shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

**INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY**

3 Q 2012

the period from 01 Jul 2012 to 30 Sep 2012

	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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>123.0</b>	<b>33.6</b>	<b>82.7</b>	<b>35.5</b>	<b>5 406.6</b>	<b>6 767.8</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	180.1	<b>180.1</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>167.5</b>	<b>-0.1</b>	<b>72.0</b>	<b>0.0</b>	<b>0.5</b>	<b>239.9</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	167.5	-	-	-	-	167.5
- effective part of cash flow hedging instruments revaluation	-	-	-	-	72.0	-	-	72.0
- disposal of property, plant and equipment	-	-	-	-0.1	-	-	0.5	0.4
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.0</b>	<b>0.0</b>	<b>3.0</b>
- revaluation of share-based payment	-	-	-	-	-	3.0	-	3.0
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>290.5</b>	<b>33.5</b>	<b>154.7</b>	<b>38.5</b>	<b>5 587.2</b>	<b>7 190.8</b>

3 Q 2012 YTD

the period from 01 Jan 2012 to 30 Sep 2012

	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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>20.4</b>	<b>34.8</b>	<b>58.2</b>	<b>30.8</b>	<b>5 000.9</b>	<b>6 231.5</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	584.6	<b>584.6</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>270.1</b>	<b>-1.3</b>	<b>96.5</b>	<b>0.0</b>	<b>1.7</b>	<b>367.0</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	287.8	-	-	-	-	287.8
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-17.5	-	-	-	-	-17.5
- 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	-	-	-0.2	-	-	-	-	-0.2
- remeasurement of property, plant and equipment	-	-	-	-0.6	-	-	-	-0.6
- effective part of cash flow hedging instruments revaluation	-	-	-	-	96.5	-	-	96.5
- disposal of property, plant and equipment	-	-	-	-0.7	-	-	1.7	1.0
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7.7</b>	<b>0.0</b>	<b>7.7</b>
- revaluation of share-based payment	-	-	-	-	-	7.7	-	7.7
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>290.5</b>	<b>33.5</b>	<b>154.7</b>	<b>38.5</b>	<b>5 587.2</b>	<b>7 190.8</b>

**SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.**

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 Director of Accounting Department, Chief Accountant  
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Katowice, 06-11-2012

Interim condensed standalone statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

**INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY - continued**

year 2011

the period from 01 Jan 2011 to 31 Dec 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>8.1</b>	<b>35.6</b>	<b>0.4</b>	<b>21.1</b>	<b>4 286.5</b>	<b>5 438.1</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	903.8	<b>903.8</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>12.3</b>	<b>-0.8</b>	<b>57.8</b>	<b>0.0</b>	<b>5.8</b>	<b>75.1</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	36.8	-	-	-	-	36.8
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-24.2	-	-	-	-	-24.2
- 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	-	-	-0.3	-	-	-	-	-0.3
- remeasurement of property, plant and equipment	-	-	-	4.7	-	-	-	4.7
- effective part of cash flow hedging instruments revaluation	-	-	-	-	57.8	-	-	57.8
- merger with subsidiary	-	-	-	-	-	-	-0.7	-0.7
- disposal of property, plant and equipment	-	-	-	-5.5	-	-	6.5	1.0
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.7</b>	<b>-195.2</b>	<b>-185.5</b>
- revaluation of share-based payment	-	-	-	-	-	9.7	-	9.7
- dividends paid	-	-	-	-	-	-	-195.2	-195.2
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>20.4</b>	<b>34.8</b>	<b>58.2</b>	<b>30.8</b>	<b>5 000.9</b>	<b>6 231.5</b>

**SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.**

**Małgorzata Kotakowska**  
 President  
 Signed on the Polish original

**Mirosław Boda**  
 Vice President  
 Signed on the Polish original

**Michał Bolesławski**  
 Vice President  
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**Justyna Kesler**  
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**Oscar Edward Swan**  
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**Ignacio Juliá Vilar**  
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**SIGNATURE OF THE PERSON ENTRUSTED WITH KEEPING THE ACCOUNTING BOOKS**

**Tomasz Biłous**  
 Director of Accounting Department, Chief Accountant  
 Signed on the Polish original

Katowice, 06-11-2012

Interim condensed standalone statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY - continued

3 Q 2011

the period from 01 Jul 2011 to 30 Sep 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>45.0</b>	<b>34.0</b>	<b>7.9</b>	<b>25.0</b>	<b>4 595.5</b>	<b>5 793.8</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	202.3	<b>202.3</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>-39.4</b>	<b>-1.0</b>	<b>59.5</b>	<b>0.0</b>	<b>1.2</b>	<b>20.3</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-33.4	-	-	-	-	-33.4
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-6.1	-	-	-	-	-6.1
- 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	-	-	0.1	-	-	-	-	0.1
- effective part of cash flow hedging instruments revaluation	-	-	-	-	59.5	-	-	59.5
- disposal of property, plant and equipment	-	-	-	-1.0	-	-	1.2	0.2
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.8</b>	<b>0.0</b>	<b>2.8</b>
- revaluation of share-based payment	-	-	-	-	-	2.8	-	2.8
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>5.6</b>	<b>33.0</b>	<b>67.4</b>	<b>27.8</b>	<b>4 799.0</b>	<b>6 019.2</b>

3 Q 2011 YTD

the period from 01 Jan 2011 to 30 Sep 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>8.1</b>	<b>35.6</b>	<b>0.4</b>	<b>21.1</b>	<b>4 286.5</b>	<b>5 438.1</b>
<b>Net result for the current period</b>	-	-	-	-	-	-	703.6	<b>703.6</b>
<b>Other comprehensive income, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.5</b>	<b>-2.6</b>	<b>67.0</b>	<b>0.0</b>	<b>4.0</b>	<b>65.9</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	18.4	-	-	-	-	18.4
- reclassification to the financial result as a result of sale of available-for-sale financial assets	-	-	-20.7	-	-	-	-	-20.7
- 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	-	-	-0.2	-	-	-	-	-0.2
- remeasurement of property, plant and equipment	-	-	-	0.4	-	-	-	0.4
- effective part of cash flow hedging instruments revaluation	-	-	-	-	67.0	-	-	67.0
- disposal of property, plant and equipment	-	-	-	-3.0	-	-	4.0	1.0
<b>Transactions with owners, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.7</b>	<b>-195.1</b>	<b>-188.4</b>
- revaluation of share-based payment	-	-	-	-	-	6.7	-	6.7
- dividends paid	-	-	-	-	-	-	-195.1	-195.1
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>5.6</b>	<b>33.0</b>	<b>67.4</b>	<b>27.8</b>	<b>4 799.0</b>	<b>6 019.2</b>

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.

**Małgorzata Kotakowska**  
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 Signed on the Polish original

Katowice, 06-11-2012

Interim condensed standalone statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

**INTERIM CONDENSED STANDALONE CASH FLOW STATEMENT**

	<b>3 Q 2012 YTD</b> the period from 01 Jan 2012 to 30 Sep 2012	<b>3 Q 2011 YTD</b> the period from 01 Jan 2011 to 30 Sep 2011
<b>OPERATING ACTIVITIES</b>		
<b>Net profit (loss)</b>	<b>584.6</b>	<b>703.6</b>
<b>Adjustments</b>	<b>-3 040.6</b>	<b>543.1</b>
- Depreciation and amortisation	101.6	95.3
- Interest accrued (from the profit and loss account)	1 454.7	1 347.9
- Interest paid	1 325.2	1 086.1
- Interest received	-2 973.3	-2 521.7
- Dividends received	-41.3	-108.9
- Gains (losses) on investment activities	-8.1	-0.6
- Income tax (from the profit and loss account)	138.3	158.6
- Income tax paid	24.7	-285.7
- Change in provisions	5.4	-3.1
- Change in loans and other receivables to other banks	-636.8	-955.1
- Change in financial assets at fair value through profit or loss	-884.2	-476.4
- Change in available-for-sale financial assets	2 230.9	-562.1
- Change in valuation of derivatives	139.6	-50.0
- Change in derivative hedge instruments	23.0	47.3
- Change in loans and other receivables to customers	-3 757.7	-5 132.2
- Change in other assets	-162.7	-138.9
- Change in liabilities due to other banks	-2 588.2	3 511.1
- Change in liabilities at fair value through profit or loss	944.0	688.9
- Change in liabilities due to customers	1 640.1	3 450.7
- Change in other liabilities	-15.8	391.9
<b>Net cash flow from operating activities</b>	<b>-2 456.0</b>	<b>1 246.7</b>
<b>INVESTMENT ACTIVITIES</b>		
- Purchase of property plant and equipment	-76.6	-60.1
- Disposal of property, plant and equipment	0.5	1.1
- Purchase of intangible assets	-36.4	-55.7
- Purchase of investments in subordinated entities	-216.1	0.0
- Disposal of fixed assets held for sale	9.4	0.0
- Redemption / sale of held-to-maturity financial assets	4 998.5	1 290.4
- Interest received from held-to-maturity financial assets	148.3	0.0
- Dividends received	41.3	108.9
<b>Net cash flow from investment activities</b>	<b>4 868.9</b>	<b>1 284.6</b>
<b>FINANCIAL ACTIVITIES</b>		
- Dividends paid	0.0	-195.2
<b>Net cash flow from financial activities</b>	<b>0.0</b>	<b>-195.2</b>
<i>Effect of exchange rate changes on cash and cash equivalents</i>	<i>-94.1</i>	<i>97.2</i>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>2 412.9</b>	<b>2 336.1</b>
<b>Opening balance of cash and cash equivalents</b>	<b>2 305.7</b>	<b>3 077.7</b>
<b>Closing balance of cash and cash equivalents</b>	<b>4 718.6</b>	<b>5 413.8</b>

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Katowice, 06-11-2012

*Interim condensed standalone cash flow statement shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.*

## **1. Introduction**

### **1.1. Going-concern**

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.

### **1.2. Discontinued operations**

No operations were discontinued during the 3 quarters 2012 and 3 quarters 2011.

### **1.3. Compliance with IFRS**

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 3<sup>rd</sup> quarter 2012 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 30<sup>th</sup> September 2012 as well as in accordance with the Ordinance of Finance Minister of 19<sup>th</sup> February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

Presented interim condensed standalone financial statements meet the requirements of IAS 34 (International Accounting Standards) with regard to interim financial statements.

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 1<sup>st</sup> January 2012 to 30<sup>th</sup> September 2012, and interim condensed standalone statement of financial position as at 30<sup>th</sup> September 2012 together with comparable data were prepared according to the same principles of accounting for each period.

### **1.4. Comparable data**

The comparative data cover the period from 1<sup>st</sup> January 2011 to 30<sup>th</sup> September 2011 for the interim condensed standalone income statement; the interim condensed standalone statement of comprehensive income and the interim condensed standalone cash flow statement, additionally for the period from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2011 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 30<sup>th</sup> June 2012, 31<sup>st</sup> December 2011, 30<sup>th</sup> June 2011 and 30<sup>th</sup> September 2011.

Interim condensed standalone income statements and interim condensed standalone statement of comprehensive income include data for the 3<sup>rd</sup> quarter 2012 (period from 1<sup>st</sup> July 2012 to 30<sup>th</sup> September 2012) as well as comparative data for the 3<sup>rd</sup> quarter 2011 (period from 1<sup>st</sup> July 2011 to 30<sup>th</sup> September 2011).

### **1.5. Financial statements scope and currency**

From the Bank's point of view all significant disclosures are presented in interim condensed consolidated financial statements.

These interim condensed financial statements have been developed in Polish zloties ("PLN"). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

### **1.6. Changes to accounting standards**

In these interim condensed standalone financial statements the same principles of accounting have been applied as the ones applied for developing the 2011 annual standalone financial statements. Amendments to standards and new interpretations are described in interim condensed consolidated statements of the ING Bank Śląski S.A. Capital Group enclosed herewith ("interim condensed consolidated financial statements"), in chapter II. *Additional information* in item 4.5. *Changes to accounting standards*.

### **1.7. Approval of financial statements**

These interim condensed standalone financial statements have been approved by the Bank Management Board on 6<sup>th</sup> November 2012.

## **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<sup>st</sup> January 2011 to 31<sup>st</sup> December 2011 published on 2<sup>nd</sup> March 2012 that is available on the Internet site of ING Bank Śląski S.A. ([www.ingbank.pl](http://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.

### **2.1. Investment in subsidiaries and associates**

#### **2.1.1. 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.

#### **2.1.2. 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.

#### **2.1.3. 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 36. 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 interim condensed consolidated financial statement in Chapter II. *Additional information* in item 5.2. *Accounting estimates*

### 4. Comparability of financial data

In the interim condensed standalone financial statements for the period started 1<sup>st</sup> January 2012 and ended 30<sup>th</sup> September 2012 the Bank did not change the principles of presentation, compared to the financial statements for the period started 1<sup>st</sup> January 2011 and ended 30<sup>th</sup> September 2011.

### 5. Significant events in 3<sup>rd</sup> quarter 2012

None.

### 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 19<sup>th</sup> April 2012, the General Meeting resolved not to pass a resolution on dividend payout for 2011 and approved earmarking the entire 2011 net profit of the Bank for equity.

On 7<sup>th</sup> 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 195.2 million. The dividend was paid on 1<sup>st</sup> July 2011.

### 9. Acquisitions

In the 3<sup>rd</sup> quarter 2012, the ING Bank Śląski did not make any acquisitions, as in 3<sup>rd</sup> quarter 2011.

### 10. Off-balance sheet items

	as of 30 Sep 2012	as of 30 Jun 2012	as of 31 Dec 2011	as of 30 Sep 2011	as of 30 Jun 2011
Contingent liabilities granted	15 775.2	16 167.7	16 792.8	16 152.0	15 789.0
Contingent liabilities received	41 412.3	40 449.5	34 334.8	21 420.3	20 926.7
Off-balance sheet financial instruments	136 916.3	135 793.1	157 928.2	139 922.9	131 763.5
<b>Total off-balance sheet items</b>	<b>194 103.8</b>	<b>192 410.3</b>	<b>209 055.8</b>	<b>177 495.2</b>	<b>168 479.2</b>



## **11. Significant events after the balance sheet date**

None.

## **12. Transactions with related entities**

Transactions with related entities have been described in the interim condensed consolidated financial statements in Chapter II. *Additional information* in item 14. *Transactions with related entities*.

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## SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2012-11-06 **Małgorzata Kołakowska** President *(signed on the Polish original)*

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2012-11-06 **Mirosław Boda** Vice-President *(signed on the Polish original)*

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2012-11-06 **Michał Bolesławski** Vice-President *(signed on the Polish original)*

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2012-11-06 **Justyna Kesler** Vice-President *(signed on the Polish original)*

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2012-11-06 **Oscar Edward Swan** Vice-President *(signed on the Polish original)*

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2012-11-06 **Ignacio Juliá Vilar** Vice-President *(signed on the Polish original)*

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## SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2012-11-06 **Tomasz Biłous** Director of Accounting  
Department  
Chief Accountant *(signed on the Polish original)*

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