

**REPORT OF DIRECTORS ON THE ACTIVITIES OF
CENTRUM BANKU ŚLĄSKIEGO SP. Z O.O.
IN THE PERIOD
FROM JANUARY TO DECEMBER 2011**

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DESCRIPTION OF ACTIVITY, MEMBERS, SHARE CAPITAL AND AUTHORITIES OF THE COMPANY

Centrum Banku Śląskiego Spółka z ograniczoną odpowiedzialnością with its registered office in Katowice, ul. Chorzowska 50, recorded in the National Court Register kept by the District Court in Katowice under the number 0000047713.

On 30 June 2010, on the basis of the Notarial Deed, Reg. A No. 5997/2010, the existing Member of the Company, ING Bank Śląski SA in Katowice, made a statement on taking over 138 552 new shares in the Company of the par value of PLN 1 000 each and increasing the Company's share capital by PLN 138 552 000, i.e. to PLN 230 343 000.00.

On 1 July 2010, on the basis of the Notarial Deed, Reg. A No. 6040/2010, all new shares were covered with an in-kind contribution in the form of an organised part of the Bank's enterprise carried out under the name of the Commercial Property Management Section, including, without limitation, properties located in Katowice at 50 Chorzowska Street and in Warsaw at 64A Powsińska Street.

As a result of the above changes, the Company's share capital as of 31 December 2011 is PLN 230 343 000 and is divided into 230 343 shares of PLN 1 000 each.

As of 31 December 2011, the Company's shareholder is ING Bank Śląski SA with its registered office in Katowice, which holds 230 343 (100%) shares

THE ACTIVITY OF THE COMPANY

CBS Sp. z o.o. was re-established in 2008 to provide, without limitation, support in the management of the Bank's commercial facilities. This decision was mainly based on the specific character of the management of such facilities, a substantial growth of competition, in particular in the area of Katowice, as well as difficulties in the real property market. The Company took over the historic portfolio of difficult real properties to reduce significant impairment risk and focused its strategy on the optimisation and sale of the properties in profitable market conditions.

The Company's main duties is to manage buildings at 34 Sokolska and 50 Chorzowska Street in Katowice, 64a Powsińska Street in Warsaw and administer a building at 45 Malczewskiego Street in Warsaw.

The Company carries out intensive actions in particular with regard to the rental of office and commercial premises in the properties at 50 Chorzowska Street in Katowice and 64A

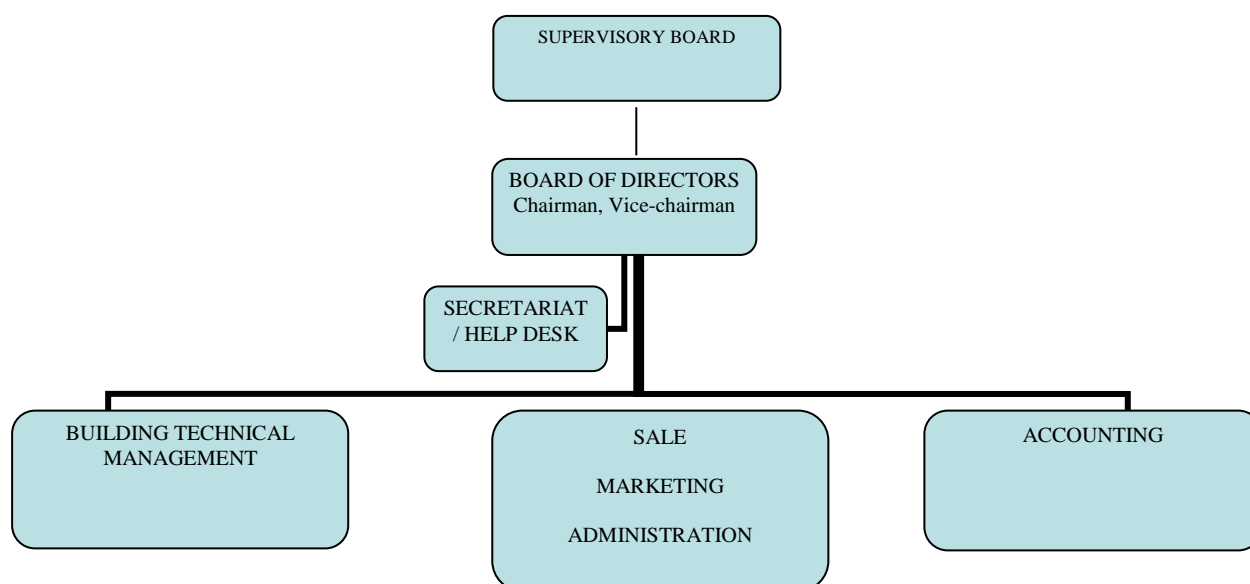
Powsińska Street in Warsaw. For such a purpose, the Company actively manages the value of the properties.

At the same time, the Company actively searches for potential investors for the Bank's facilities that are to be sold.

THE ORGANISATIONAL STRUCTURE OF THE COMPANY

To carry out its statutory activities, the Company employs 19 persons as of 31 December 2011, including 2 Directors and 18 persons working on the basis of employment contracts (including 1 person as a substitute).

The following chart presents the organisational structure of the Company:



THE AUTHORITIES OF THE COMPANY:

Supervisory Board:

As of 31 December 2011, the Supervisory Board of the Company was composed of:

Mirosław Boda, Chairman of the Supervisory Board

Justyna Kesler, Member of the Supervisory Board

Sławomir Stawczyk, Member of the Supervisory Board

Tomasz Biłous, Member of the Supervisory Board

Ilona Dzierżanowska, Member of the Supervisory Board

Board of Directors:

Jacek Frejlich, Chairman of the Board of Directors

Piotr Syrnicki, Vice-chairman of the Board of Directors

DESCRIPTION OF THE MARKET AND COMMERCIAL ACTIVITIES

➤ ***Market of office properties in Katowice:***

Last year, there was still a weaker demand for luxury goods, including, without limitation, A-class premises. Companies were still unwilling to make investments which were not necessary from the point of view of their activity.

The biggest interest in office premises in Katowice was recorded in the years 2007 – 2008 and was connected with a great interest in premises that may be used as back-offices of banks, insurance companies and BPO centres. The previous year was better in terms of profitability than 2010, but, given high oversupply of office premises in Katowice, the rate of unrented facilities was still very high and reached over 17% at the end of the year. In the centre of Katowice, there are plans to construct further buildings, which may cause that the rental of the existing premises will be even more difficult, although interest in BPO segment facilities has been slowly increasing recently, which may reflect better rental perspectives in a long run.

A reduced minimum rental area, rent holidays of up to 9 months, and an additional budget (approximately 250 €/m²) for overstandard finishing works were only some of attractions offered by the market to potential tenants last year.

Rents decreased by over 20%. In Katowice, rents offered in A-class buildings oscillate around EUR 8-11. In the market of lower class premises, the rental of facilities of 100-200 m² at an average rent of EUR 7-8.5 prevailed.

In 2011, an average value of most transactions remained relatively small. As regards competitive transactions, the Company executed only five important agreements for the rental of over 1000m² with: Tauron (5 700 m²), Capgemini (5 700 m²), Opal Development (4 400 m²), Żywiec Group (2 500 m²), and Ruch SA (2 400 m²). Most agreements were executed on conditions highly profitable for tenants and much below the market average.

At present, the biggest competitors of the Company are as follows:

Centrum Biurowe Francuska, 21 000m², which is rented only in 30% and Atrium, 12 500m², which is rented in 75%.

- **Further investments planned in 2012-2014:**

- *Glass Office Building (GC Investment) will be constructed at Astrów Street in the place of tennis courts. The building will be made of two parts and two-level underground car park. Everything on 20 000 m². Construction works are to be commenced still in 2012 and will last 18 months.*
- *Silesia Business Park I (Skanska Property), a complex of 4 office buildings of the total rentable area of 46 000 m² at Chorzowska Street. Completion date: the second half of 2012.*
- *GPP Business Park of around 30 000 m² of modern office premises located in four detached buildings. At the first project stage, in the second quarter of 2012, an office building of 7 500 m² will be commissioned. The buildings are designed in modern technologies that enables to reduce maintenance costs to a significant extent.*
- *Steel Building (Opal Property), 2-floor building of 4 400 m² in total. The project is located at 9 Żelazna Street.*
- *Katowice Business Centre, 8-floor building of 18 000 m² in total, located at Sokolska Street. The financial centre of Katowice. Construction works are underway.*
- *Kostki, (Opal Property), a complex of 3 office buildings of 3 900 m² in total.*
- *Neinver Office Building, a building being a part of the complex of the new railway station in Katowice. 14 000 m² in the central part of the city.*
- *Silesia Towers, Trigranit. Two towers will offer 70 000 m² of modern surface for rental at Chorzowska Street, next to Silesia City Center.*

- **Commercial activity:**

While monitoring and analysing the real estate market, the Company's Directors decided to carry on actions taken up last year to promote and single the office building out from among many other competitive, in particular, new buildings, which as *technologically younger facilities* have provided a *significant quantity of free space* and form a strong competition for the "Chorzowska 50" building.

The Directors focus on analysing the existing and future tenants in order to improve service quality and actively promote the building and brand of "Chorzowska 50" among the existing

and potential customers, like well-known large companies and corporations by, without limitation, direct presentations at meetings with business entities, active contacts and cooperation with local authorities and the Regional Chamber of Commerce, as well as the Katowice Economic Zone. For promotion purposes, the Company organises events that are important for the Region and take place in the complex of facilities in Katowice which are managed by the Company.

As a result of actions carried out by the Company's Directors, the Company's strategic portfolio, i.e. the commercial building at 50 Chorzowska Street, the Company managed to maintain a high occupancy rate of the building in 2011, which as of 31 December 2011 was 98%. The Company also managed to maintain an average rate that was much higher than a market rate. The average rent for office premises in the commercial building at 50 Chorzowska Street was 17.77 €/m², and for commercial premises 22.11 €/m², while the market average was 15 €/m².

KEY EVENTS AND CONTRACTS

In 2011, the Company extended big contracts on profitable terms and conditions with its key tenants like Mentor Graphics, Ernst&Young and Ruukkii.

In 2011, the Company celebrated the 10th anniversary of the commissioning of the commercial building at 50 Chorzowska Street, which together with the adjoining building of the Head Office of ING Bank Śląski SA (ING BS) forms a financial and business centre in Katowice.

The event was attended, without limitation, by Piotr Uszok, Mayor of Katowice, who was also the Patron of the Event, as well as representatives of local public institutions, including the Regional Chamber of Commerce, the Katowice Special Economic Zone, and persons from local business zones, business and university environments, and media. The event was also attended by authorities of ING Bank Śląski, Tenants and employees of the Company. The importance of the jubilee was increased by the presence of Małgorzata Handzlik, Member of the European Parliament, who said many positive words on the buildings where ceremonies took place.

Key commercial actions:

- Active cooperation with local offices: Marshal's Office, Regional Chamber of Commerce, Katowice Special Economic Zone, to promote the buildings and attract potential investors.
- Direct presentations and meetings with business entities.
- Active promotion at conferences and business meetings held by local authorities of the city of Katowice, including, without limitation,:
 - participation in the discussion panel during the 2011 European Economic Congress,
 - promotion of the region during Invest Expo in Chorzów,
 - participation in monthly member meetings held by the Regional Chamber of Commerce.

After audits in 2011, the Company was awarded as the "**Fair Play Company**" for:

- reliable customer service;
- adequate cooperation with and the timely settlement of amounts due to business partners;
- the timely fulfilment of liabilities towards the State budget;
- fair and reliable advertisement that does not discredit competitors;
- the establishment of conditions for the effective work and professional development of employees;
- supporting all types of educational and cultural activities;
- environment-friendly attitude, and
- satisfactory cooperation with demanding recipients.

Positive changes that have taken place in the neighbourhood of the building at 50 Chorzowska Street since its construction show that the building is not only positively perceived by tenants, local municipal authorities and residents of the city, but also by investors who turned attention to first-rate office facilities.

At present, the complex of buildings is one of the best recognisable buildings in the city and region. It is kind of a mark of the modern city, which reflects well-prepared city logistics that is ready to absorb further investments.

In the last decade, the building, as the first building of this class in the region, opened new opportunities and gave a potential for changes and development of Katowice and became a building of big prestige and investor-friendly climate.

THE COMPANY'S DEVELOPMENT STRATEGY

The Company continues its strategy developed in the previous year which focuses on establishing professional and modern property management based on value management.

As a part of this strategy, the Directors plan to carry on actions to maintain the brand of "Chorzowska 50" in the local market and strengthen relations with local business entities and authorities. The Company will also keep direct contacts with its customers (direct mailing, various channels to reach customers, presentations at meetings with business representatives). The Company also plans to expand its analytic tools to analyse expenses and optimise the value of facilities it manages, as well as be active in the market of investors to acquire offers for the sale of buildings from the portfolio of bank facilities for sale. In 2012, the Company also plans to carry on actions aiming at the optimisation of the value of the building in Warsaw, 64a Powsińska Street and selling the building on profitable market conditions.

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

The following information is presented as of 31 December 2011.

Balance sheet

The balance-sheet total as of 31 December 2011 was PLN 214 662 143.80, which means that it grew in comparison to the previous year by 6.15%.

The structure of the Company's assets, equity and liabilities changed visible in comparison to the previous year as a result of the growth of cash (short-term investments) by PLN 11.6 million.

Under current assets, the Company holds short-term investments in the form of bank deposits that will mature in the first quarter of 2012 (PLN 78 286 334.25), cash of PLN 2 865 761.43 and receivables connected with its current activities (PLN 3 164 483.28).

As regards equity and liabilities, the Company's equity increased by PLN 10.4 million)

Assets

Fixed assets as of the balance-sheet date amounted PLN 130 344 430.65 and constituted 61% of all assets, while current assets amounted PLN 84 317 713.15 and constituted 39% of all assets.

Fixed assets comprise mainly (99.6%) long-term investments (investment properties at 50 Chorzowska Street in Katowice and 64A Powsińska Street in Warsaw).

Current assets mainly comprise cash equivalents in the form of a deposit that matures in March 2012 and is kept with ING Bank Śląski SA, which amounts, together with interest accrued till the balance-sheet date, PLN 78 286 334.25, deposits paid by tenants of PLN 1 606 088.26 =, and cash in hand and bank accounts of PLN 1 259 673.17 in total, i.e. **96%** of current assets.

Service receivables form **3.75%** and trade receivables **0.7%** of current assets.

Equity and liabilities

The Company's equity and liabilities comprise mainly the equity of PLN 207 550 898.60, which constitutes 96.7% of the balance-sheet total.

The equity comprises:

- share capital (PLN 230 343 000.00);
- supplementary capital (PLN 87 526.12);
- losses of previous years (PLN -33 289 882.59);
- net profit of the current year (PLN 10 410 255.07).

Liabilities comprise deferred income tax provisions, provisions for pension and other benefits, short-term trade payables, and tax payables (3% of the balance-sheet total).

Long-term provisions and payables of PLN 7 111 245.20 include mainly a deferred income tax provision (PLN 1 367 185.00), a provision for pension benefits of PLN 155 902.22, trade payables of PLN 3 791 426.53 and deposits of PLN 1 606 088.26.

Payables related to taxes, wages and salaries and social insurance amounted PLN 175 963.19 and were settled by the Company on a timely basis (January 2012).

Profit (loss)

In the period from January to December 2011, the Company recorded profit from sale of PLN 11 772 606.33, profit before tax of PLN 12 959 699.07 and profit after tax of PLN 10 410 255.07.

Profit from sale reflects the Company's operating activities, i.e. income from the rental of office and commercial premises, property management and administration services, other services related to the maintenance of the buildings, as well as expenses incurred to generate such income, excluding fit-out costs, which were recognised under other operating expenses for presentation purposes.

The profit was influenced by:

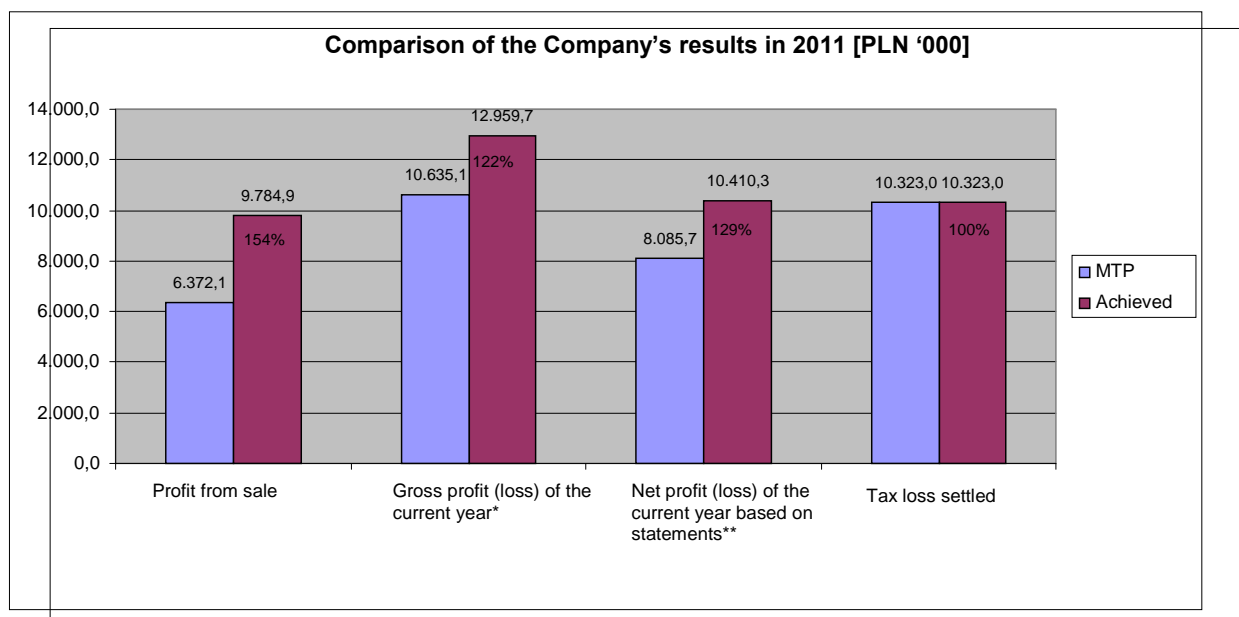
INCOME

- sale of rental services	PLN 18 165 671
– income from other services connected with rental (resale of technical materials, adaptation works, utilities, telephone services)	PLN 1 771 402

– income from services related to the management of buildings of ING Bank Śląski SA	PLN 1 850 357
- other services not connected with building management	PLN 4 215 218
- operating income	PLN 344 603
including:	
income from revaluation of 64 Powsińska St.	PLN 280 000
– financial income	PLN 3 022 455
including interest in the Company's deposit accounts	PLN 3 018 971

EXPENSES

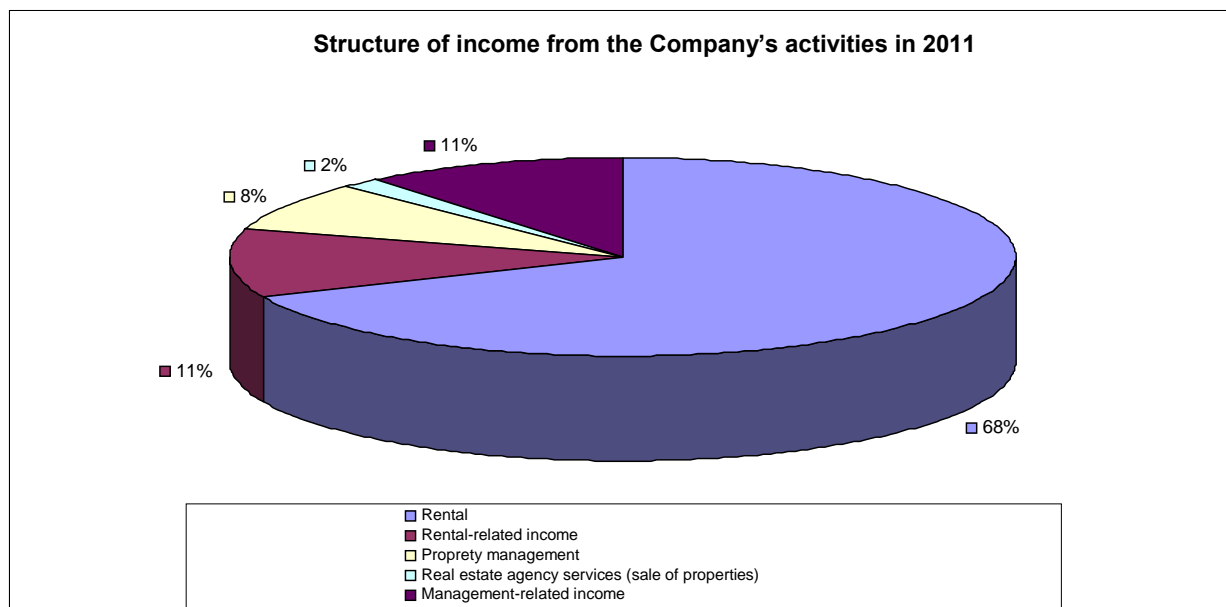
– operating expenses	PLN 14 230 042
(in accordance with specification presented in the profit and loss account)	
– other operating expenses	PLN 1 917 160
including:	
revaluation of properties	PLN 1 768 794
(including fit-out expenses for the building at 50 Chorzowska Street of PLN 1 987 711.76 and a positive expert appraisal of PLN 218 917.03)	
impairment of receivables claimed at courts and disputable receivables	PLN 148 257
other operating expenses	PLN 109



* including consequences of property appraisal

*** the budget provided for zero (current and deferred) taxes; to make data comparable, taxes of 31 December 2011 were taken into account*

Structure of income earned in 2011:



Short-term investments and cash

As of the end of the year, the Company's cash in short-term bank deposits amounted PLN 78 286 334.25 in total, including:

- short-term deposits of the nominal value of PLN 78 000 000,00 PLN (two deposits that mature in March 2012) plus interest of PLN 286 334.25;
- cash deposits of PLN 1 606 088.26 paid by tenants to secure rental agreements;
- cash, including short-term and current accounts, of PLN 1 259 673.17.

In 2011, the Company's financial liquidity was good.

In accordance with Members' resolutions of previous years, the Directors suggest that the net profit of PLN 10 410 255.07 for the current year should be used to pay the loss of previous years (in the light of Art. 192 of the Commercial Companies Code).

Jacek Frejlich
Chairman of the Board of Directors

Piotr Syrnicki
Vice-chairman of the Board of Directors

Katowice, 25 January 2012