

ING Bank Śląski S.A.

Supplementary report on the audit of the separate financial statements Financial Year ended 31 December 2012

The supplementary report contains 11 pages
The supplementary report
on the audit of the separate financial statements
for the financial year ended
31 December 2012

*This document is a free translation of the Polish original. Terminology current in
Anglo-Saxon countries has been used where practicable for the purposes of this
translation in order to aid understanding. The binding Polish original should be
referred to in matters of interpretation*

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1. General

1.1. General information about the Bank

1.1.1. The Bank's name

ING Bank Śląski S.A.

1.1.2. Registered office

Katowice, ul. Sokolska 34

1.1.3. Registration in the National Court Register

Registration court:	District Court in Katowice, VIII Commercial Department of the National Court Register
Date:	10 April 2001
Registration number:	KRS 0000005459
Share capital as at the end of reporting period:	PLN 130,100,000

1.1.4. Management of the Bank

The Management Board is responsible for management of the Bank.

At 31 December 2013, the Management Board of the Bank was comprised of the following members:

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

On 7 March 2013 Joanna Erdman has been appointed to the position of Vice President of the Management Board effective from 1 April 2013.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname:	Ewa Józwik
Registration number:	11154

1.2.2. Audit Firm information

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000339379
Registration court:	District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register

NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of entities authorised to audit financial statements, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2012 were audited by Ernst & Young Audit sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 19 April 2013 where it was resolved to allocate the net profit for the prior financial year of PLN 757.8 million as follows:

- PLN 707.8 million allocated to Bank's reserve capital,
- PLN 50 million allocated to Bank's general risk fund.

The separate financial statements were submitted to the Registry Court on 25 April 2013.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of ING Bank Śląski S.A. with its registered office in Katowice, Sokolska 34 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2013, the separate statement of profit or loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Bank prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the General Meeting dated 19 April 2013.

The separate financial statements have been audited in accordance with the contract dated 16 May 2013, concluded on the basis of the resolution of the Supervisory Board dated 18 January 2013 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Bank during the period from 2 October 2013 to 6 March 2014.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Bank's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Bank submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Bank

2.1. Summary analysis of the separate financial statements

2.1.1. Statement of financial position

ASSETS	31.12.2013 PLN '000	% of total assets	31.12.2012 PLN '000	% of total assets
Cash in hand and balances with the Central Bank	6,970.1	8.3	4,071.6	5.4
Loans and receivables to other banks	1,388.9	1.7	1,365.3	1.8
Financial assets measured at fair value through profit of loss	1,951.4	2.3	1,554.6	2.1
Valuation of derivatives	1,471.7	1.8	1,822.7	2.4
Investments	19,492.9	23.3	17,880.5	23.8
Derivative hedge instruments	1,051.9	1.3	1,112.6	1.5
Loans and receivables to customers	49,119.6	58.7	45,764.0	60.9
Receivables from customers due to repo transactions	638.8	0.8	-	-
Investments in controlled entities recognised under the equity method	461.4	0.5	454.4	0.6
Non-financial assets	946.5	1.1	965.2	1.3
Tax assets	62.1	0.1	-	-
Other assets	115.2	0.1	168.3	0.2
TOTAL ASSETS	83,670.5	100.0	75,159.2	100.0
EQUITY AND LIABILITIES	31.12.2013 PLN '000	% of total equity and liabilities	31.12.2012 PLN '000	% of total equity and liabilities
Liabilities				
Liabilities due to other banks	2,239.2	2.7	1,870.0	2.5
Financial liabilities measured at fair value through profit and loss	1,234.2	1.5	3,003.4	4.0
Valuation of derivatives	1,493.4	1.8	1,778.3	2.4
Derivative hedge instruments	1,114.4	1.3	1,364.0	1.8
Liabilities due to customers	67,250.6	80.3	57,782.6	76.9
Liabilities due to customers under repo transactions	433.5	0.5	-	-
Liabilities under issue of debt securities	566.4	0.7	567.1	0.7
Provisions	63.7	0.1	68.9	0.1
Tax liabilities	108.9	0.1	97.3	0.1
Other liabilities	838.3	1.0	748.8	1.0
Total liabilities	75,342.6	90.0	67,280.4	89.5
Equity				
Share capital	130.1	0.2	130.1	0.2
Supplementary capital - issuance of shares over nominal value	956.3	1.1	956.3	1.3
Revaluation reserve	513.4	0.6	990.7	1.3
Revaluation of share-based payment	46.1	0.1	41.3	0.1
Retained earnings	6,682.0	8.0	5,760.4	7.6
Total equity	8,327.9	10.0	7,878.8	10.5
TOTAL EQUITY AND LIABILITIES	83,670.5	100.0	75,159.2	100.0



2.1.2. Separate profit or loss statement

	1.01.2013 - 31.12.2013 PLN '000	1.01.2012 - 31.12.2012 PLN '000
Interest income	3,467.9	3,678.6
Interest expense	1,543.1	1,747.3
Net interest income	1,924.8	1,931.3
Commission income	1,043.4	1,058.5
Commission expense	124.4	119.8
Net commission income	919.0	938.7
Net income of financial instruments measured at fair value through profit and loss and FX result	94.2	83.6
Net income on investments	146.0	61.7
Net income on hedge accounting	(1.5)	(13.3)
Net income on other basic activities	4.1	(1.2)
Result on core activities	3,086.6	3,000.8
General and administrative expenses	1,709.9	1,710.1
Impairment losses and provisions for off-balance sheet liabilities	236.6	350.1
Profit before income tax	1,140.1	940.6
Income tax expense	220.0	182.8
Profit for the period	920.1	757.8
Earnings per share (in PLN)	7.07	5.82

2.1.3. Statement of comprehensive income

	1.01.2013 - 31.12.2013 PLN '000	1.01.2012 - 31.12.2012 PLN '000
Profit for the period	920.1	757.8
Gains/losses on remeasurement of available-for-sale financial assets charged to equity	(229.3)	590.5
Reclassification to the financial result as a result of sale of available-for-sale financial assets	(87.8)	(20.4)
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)
Effective part of cash flow hedging instruments revaluation	(161.5)	308.8
Remeasurement of property, plant and equipment	0.7	(0.7)
Disposal of property, plant and equipment	0.2	1.0
Actuarial profits/losses	1.8	-
Other comprehensive income for the period, net of income tax	(475.9)	879.0
Total comprehensive income for the period	444.2	1,636.8

2.2. Selected financial ratios

	2013	2012	2011
Total assets (PLN '000)	83,670.5	75,159.2	69,624.3
Profit (loss) before income tax (PLN '000)	1,140.1	940.6	1,131.7
Profit (loss) for the period (PLN '000)	920.1	757.8	903.8
Shareholders' equity (PLN '000)*	7,407.8	7,121.0	5,327.7
Return on equity**	12.42%	10.64%	16.96%
Capital adequacy ratio	17.18%	14.00%	11.58%
Receivables to total assets	24.55%	25.27%	62.14%
Income generating assets to total assets***	84.92%	87.98%	85.27%
Interest bearing liabilities to total liabilities****	86.69%	83.55%	85.90%

* excluding current-year net profit

** profit for the period attributable to shareholders of the Bank / equity attributable to shareholders of the Bank

*** (financial assets measured at fair value through profit or loss + loans and receivables to banks + loans and receivables to customers + financial assets held for sale) / total assets

**** (liabilities due to banks + liabilities due to customers + liabilities under issue of debt securities + financial liabilities measured at fair value through profit and loss) / total equity and liabilities

3. Detailed report

3.1. Accounting system

The Bank maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2010 No 191, item 1279).

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Bank performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2010 No 191, item 1279) and reconciled and recorded the results thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Compliance with banking regulations

Based on our audit we have not identified instances of significant incompliance by the Bank with the banking prudential regulatory norms pertaining among other to exposure concentration, obligatory reserve and capital adequacy.

3.4. Report on the Bank's activities

The report on the Bank's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No 33, item 259 with amendments) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

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Ewa Józwik
Key Certified Auditor
Registration No. 11154

Signed on the Polish original

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Stacy Ligas
Limited Liability Partner with power of
attorney

6 March 2014
Warsaw