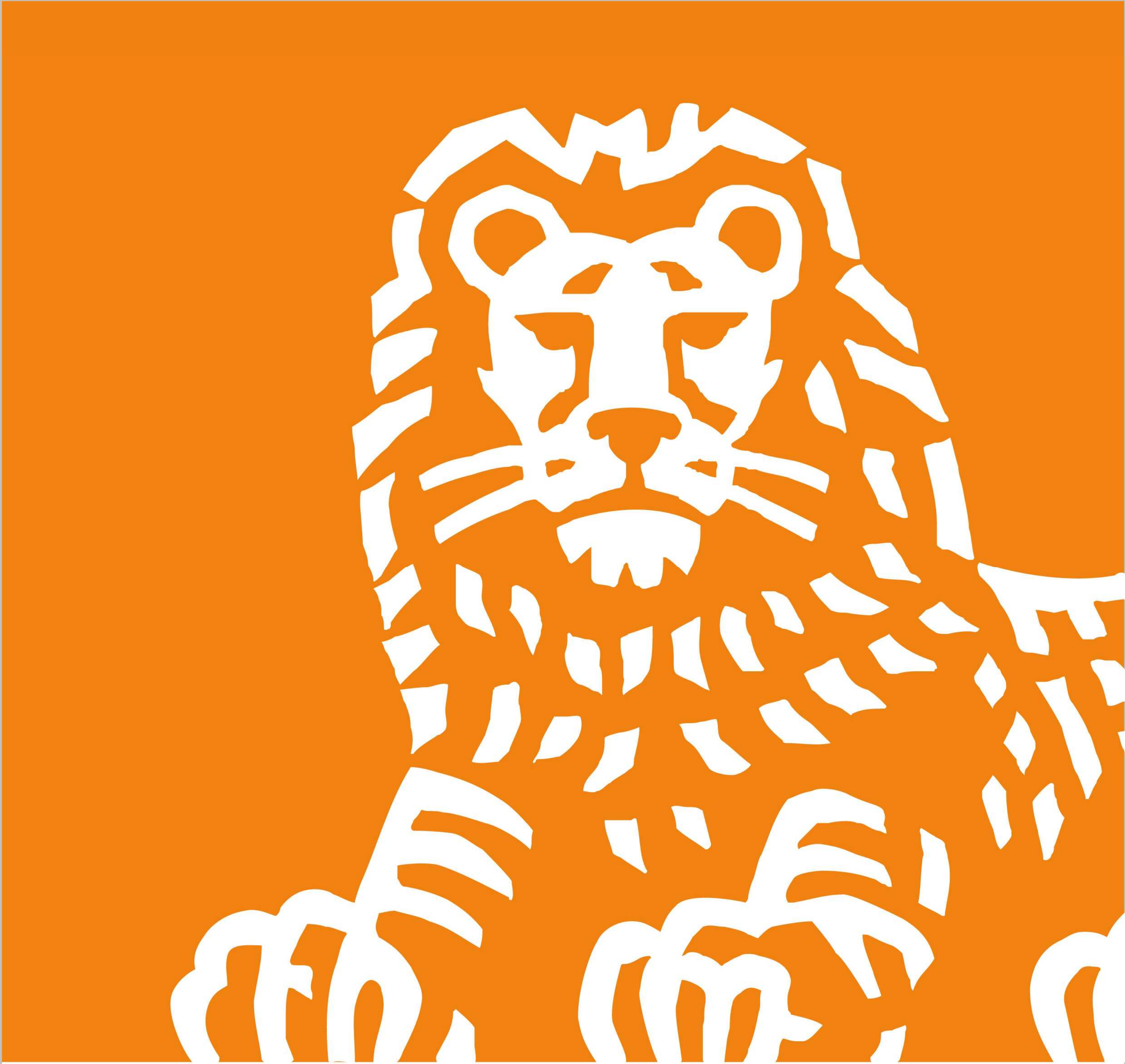

2009

Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for the year 2009

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Annual consolidated financial statements of the ING Bank Śląski S.A. Group

CONSOLIDATED INCOME STATEMENT (PLN '000)	*Note*	**the period** from 01 Jan 2009 to 31 Dec 2009	**the period** from 01 Jan 2008 to 31 Dec 2008 (comparable data)
Interest income	*2*	*3 116 760*	*3 398 102*
Interest expenses	*2*	*1 674 666*	*2 246 085*
Net interest income	*2*	**1 442 094**	**1 152 017**
Commission income	*3*	*1 020 341*	*977 743*
Commission expenses	*3*	*120 667*	*88 020*
Net commission income	*3*	**899 674**	**889 723**
Net income on instruments measured at fair value through profit and loss and FX result	*4*	260 718	-26 012
Net income on investment	*5*	-114 203	44 723
Net income on other basic activities	*6*	-8 081	19 013
Result on basic activities		**2 480 202**	**2 079 464**
General and administrative expenses	*7*	1 487 756	1 506 880
Result on other operating income and expenses	*8*	-1 731	7 848
Impairment losses and provisions for off-balance sheet liabilities	*9*	304 454	65 601
Share in net profit (loss) of associated entities recognised under the equity method	*10*	52 082	48 232
Profit (loss) before tax		**738 343**	**563 063**
Income tax	*11*	143 277	117 645
Net profit (loss)		**595 066**	**445 418**
- assigned to shareholders of the holding company		**595 052**	**445 413**
- assigned to minority shareholders		14	5

Net profit (loss) assigned to shareholders of the holding company		**595 052**	**445 413**
Weighted average number of ordinary shares		**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	*12*	**45,74**	**34,24**

[*)] *In 2009 and 2008, there were no dilution factors at the Group, therefore the diluted earnings per share equal the core earnings per share.*

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

Małgorzata Kołakowska
President
Signed on the Polish original

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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, 03.03.2010

Consolidated Income Statement shall be analysed together with the notes to the financial statement being the integral part thereof

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PLN '000)	Note	the period from 01 Jan 2009 to 31 Dec 2009	the period from 01 Jan 2008 to 31 Dec 2008 (comparable data)
Net result for the period		**595 066**	**445 418**
Gains/losses on remeasurement of available-for-sale financial assets charged to equity		96 302	240 366
including deferred tax		*-22 678*	*-56 605*
Reclassified to the financial result as a result of sale of available-for-sale financial assets		794	-192 191
including deferred tax		*-186*	*45 082*
Adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables		2 502	435
including deferred tax		*-586*	*-102*
Remeasurement of property, plant and equipment		-1 704	-3 990
including deferred tax		*400*	*1 071*
Effective part of cash flow hedging instruments revaluation		-46 549	45 581
including deferred tax		*10 919*	*-10 692*
Revaluation of share-based payment		15 846	0
including deferred tax		*-2 503*	*0*
Other		25	525
including deferred tax		*10*	*134*
Other comprehensive income (loss)		**67 216**	**90 726**
Total comprehensive income for the period		**662 282**	**536 144**
Total comprehensive income			
- assigned to shareholders of the holding company		662 268	536 139
- assigned to minority shareholders		14	5
Total comprehensive income for the period		**662 282**	**536 144**

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Katowice, 03.03.2010

Consolidated Statement of Comprehensive Income shall be analysed together with the notes to the financial statement being the integral part thereof

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)	*Note*	**as of 31 Dec 2009**	**as of 31 Dec 2008 (comparable data)**
A S S E T S			
- Cash in hand and balances with the Central Bank	*14*	2 656 593	1 369 795
- Loans and receivables to other banks	*15, 21*	1 184 103	7 787 225
- Financial assets measured at fair value through profit and loss	*16*	8 267 661	10 548 819
- Valuation of derivatives	*42*	1 566 652	4 579 765
- Investments	*17*	14 166 281	18 050 922
- available-for-sale	*17*	*6 835 875*	*10 739 090*
- held-to-maturity	*17*	*7 330 406*	*7 311 832*
- Derivative hedge instruments	*19, 42*	90 444	197 003
- Loans and receivables to customers	*20, 21*	30 592 794	25 742 839
- Investments in controlled entities recognised under the equity method	*22*	115 600	107 261
- Investment real estates	*23*	129 667	151 458
- Property, plant and equipment	*24*	548 847	544 163
- Intangible assets	*25*	327 343	316 187
- Property, plant and equipment held for sale	*26*	224	248
- Current tax assets		762	142
- Deferred tax assets	*27*	86 447	48 651
- Other assets	*28*	150 038	165 997
T o t a l a s s e t s		**59 883 456**	**69 610 475**

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Consolidated Statement of Financial Position shall be analysed together with the notes to the financial statement being the integral part thereof.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)	Note	as of 31 Dec 2009	as of 31 Dec 2008 (comparable data)
EQUITY AND LIABILITIES			
LIABILITIES			
- Liabilities due to the Central Bank	30	0	5 932 116
- Liabilities due to other banks	31	3 973 786	6 060 868
- Financial liabilities measured at fair value through profit and loss	32	998 051	825 060
- Valuation of derivatives	42	1 193 944	4 321 638
- Derivative hedge instruments	19, 42	482 563	420 047
- Liabilities due to customers	33	47 584 673	47 066 918
- Provisions	34	55 247	50 579
- Deferred tax		156 133	39 148
- Other liabilities	35	552 348	669 672
Total liabilities		**54 996 745**	**65 386 046**
EQUITY			
- Share capital	36	130 100	130 100
- Supplementary capital - issuance of shares over nominal value		956 250	956 250
- Revaluation reserve from measurement of available-for-sale financial assets	37	-1 383	-100 981
- Revaluation reserve from measurement of property, plant and equipment	37	51 115	52 864
- Revaluation reserve from measurement of cash flow hedging instruments	37	-968	45 581
- Revaluation of share-based payment		15 846	0
- Retained earnings	38	3 733 438	3 138 316
Equity attributed to the holding company		**4 884 398**	**4 222 130**
- Minority equity		**2 313**	**2 299**
Total equity		**4 886 711**	**4 224 429**
Total equity and liabilities		**59 883 456**	**69 610 475**
Solvency ratio		**12,01%**	**10,39%**
Book value		**4 884 398**	**4 222 130**
Number of shares		**13 010 000**	**13 010 000**
Book value per share (PLN)		**375,43**	**324,53**

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Consolidated Statement of Financial Position shall be analysed together with the notes to the financial statement being the integral part thereof.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (PLN '000)

the period from 01 Jan 2009 to 31 Dec 2009

	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	Minority equity	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-100 981**	**52 864**	**45 581**	**0**	**3 138 316**	**2 299**	**4 224 429**
- net result for the current period	-	-	-	-	-	-	595 066	-	**595 066**
- share of minority shareholders in the net financial result	-	-	-	-	-	-	-14	14	**0**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	96 302	-	-	-	-	-	**96 302**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	794	-	-	-	-	-	**794**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	2 502	-	-	-	-	-	**2 502**
- remeasurement of property, plant and equipment	-	-	-	-1 704	-	-	-	-	**-1 704**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	-46 549	-	-	-	**-46 549**
- revaluation of share-based payment	-	-	-	-	-	15 846	-	-	**15 846**
- other	-	-	-	-45	-	-	70	-	**25**
Total comprehensive income for the period	**0**	**0**	**99 598**	**-1 749**	**-46 549**	**15 846**	**595 122**	**14**	**662 282**
Dividends paid	-	-	-	-	-	-	-	-	**0**
Closing balance of equity	**130 100**	**956 250**	**-1 383**	**51 115**	**-968**	**15 846**	**3 733 438**	**2 313**	**4 886 711**

Note: 36,37,38

	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	Minority equity	**Total equity**
Opening balance of equity	**130 100**	**956 250**	**-149 591**	**57 998**	**0**	**0**	**2 844 026**	**1 719**	**3 840 502**
- net result for the current period	-	-	-	-	-	-	445 418	-	**445 418**
- share of minority shareholders in the net financial result	-	-	-	-	-	-	-5	5	**0**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	240 366	-	-	-	-	-	**240 366**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-192 191	-	-	-	-	-	**-192 191**
- adjustment of valuation of securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	435	-	-	-	-	-	**435**
- remeasurement of property, plant and equipment	-	-	-	-4 565	-	-	-	575	**-3 990**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	45 581	-	-	-	**45 581**
- other	-	-	-	-569	-	-	1 094	-	**525**
Total comprehensive income for the period	**0**	**0**	**48 610**	**-5 134**	**45 581**	**0**	**446 507**	**580**	**536 144**
Dividends paid	-	-	-	-	-	-	-152 217	-	**-152 217**
Closing balance of equity	**130 100**	**956 250**	**-100 981**	**52 864**	**45 581**	**0**	**3 138 316**	**2 299**	**4 224 429**

Note: 36,37,38

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Katowice, 03.03.2010

Consolidated Statement of Changes in Equity shall be analysed together with the notes to the financial statement being the integral part thereof.

CONSOLIDATED CASH FLOW STATEMENT (PLN '000)	Note	the period from 01 Jan 2009 to 31 Dec 2009	the period from 01 Jan 2008 to 31 Dec 2008 (comparable data)
OPERATING ACTIVITIES			
Net profit (loss)		**595 052**	**445 413**
Adjustments		**-1 957 998**	**5 259 622**
- Minority shareholders' profit (loss)	38	14	5
- Share in net profit (loss) of associated entities	10	-52 082	-48 232
- Depreciation and amortisation	7	123 909	133 797
- Interest accrued (from the profit and loss account)	2	1 442 094	1 152 017
- Interest paid		1 952 398	2 142 243
- Interest received		-3 491 499	-3 524 789
- Dividends received	5	-4 156	-7 235
- Gains (losses) on investment activities		1 257	-671
- Income tax (from the profit and loss account)	11	143 277	117 645
- Income tax paid		-64 708	-52 868
- Change in provisions	34	4 668	-21 928
- Change in loans and other receivables to other banks	15, 49	4 133 359	7 652 226
- Change in financial assets at fair value through profit or loss	16, 49	2 188 274	-4 345 735
- Change in available-for-sale financial assets	17, 49	3 924 854	-4 759 887
- Change in valuation of derivatives	42	-114 581	335 605
- Change in derivative hedge instruments	19, 42	122 526	273 197
- Change in loans and other receivables to customers	20, 49	-4 865 995	-7 381 064
- Change in other assets		13 858	-22 749
- Change in liabilities due to other banks	31, 49	-8 044 178	10 198 857
- Change in liabilities at fair value through profit or loss	32	172 991	667 373
- Change in liabilities due to customers	33, 49	557 200	2 652 855
- Change in other liabilities		-101 478	98 960
Net cash flow from operating activities		**-1 362 946**	**5 705 035**
INVESTMENT ACTIVITIES			
- Purchase of property plant and equipment	24	-85 755	-97 661
- Disposal of property, plant and equipment		219	1 123
- Purchase of intangible assets	25	-58 120	-52 705
- Disposal of fixed assets held for sale		56	516
- Purchase of held-to-maturity financial assets		0	-6 441 878
- Redemption of held-to-maturity financial assets		50 000	0
- Interest received from held-to-maturity financial assets		366 327	291 686
- Dividends received	5	4 156	7 235
Net cash flow from investment activities		**276 883**	**-6 291 684**
FINANCIAL ACTIVITIES			
- Dividends paid	13	0	-152 217
Net cash flow from financial activities		**0**	**-152 217**
Effect of exchange rate changes on cash and cash equivalents		***41 136***	***283 545***
Net increase/decrease in cash and cash equivalents		**-1 086 063**	**-738 866**
Opening balance of cash and cash equivalents		**4 133 889**	**4 872 755**
Closing balance of cash and cash equivalents	47	**3 047 826**	**4 133 889**

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Katowice, 03.03.2010

Consolidated Cash Flow Statement shall be analysed together with the notes to the financial statement being the integral part thereof.

Accounting policy and additional explanatory notes

Information on the Bank and the Capital Group

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. 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.

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 13,010,000 ordinary bearer shares with a par value of PLN 10.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange (sector: banks). As of 31 December 2009, the share price of ING Bank Śląski S.A. was PLN 780.00.

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group") of the following composition as at 31 December 2009:

- ING Securities S.A. (subsidiary, 100% share).
- ING Bank Hipoteczny S.A. (subsidiary, 100% share).
- Centrum Banku Śląskiego Sp. z o.o. (subsidiary, 100% share).
- Solver Sp. z o.o. (subsidiary, 82.3% share).

As at the balance sheet date the Bank held the share of affiliated entity:

- ING Powszechne Towarzystwo Emerytalne S.A. (associate, 20% share).

One change has been recorded in the Group's structure during the twelve months of 2009. It concerned ING BSK Development Sp. z o. o. which was put into liquidation from 1 January 2009. On 16 March 2009, an announcement was published in the Court and Business Gazette (*Monitor Sądowy i Gospodarczy*) that the liquidation process had begun. On 5 October 2009, Extraordinary General Meeting was held which approved the liquidation report of the company drafted as of 30 September 2009. On 12 October, a motion was submitted to the court to remove the company from the National Court Register. On 23 October 2009, the Court decided to remove the entity from the National Court Register.

The duration of the parent entity and entities forming the Capital Group is indefinite.

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 subsidiary ING Bank Hipoteczny S.A. also runs banking business, including loans secured with mortgage. 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.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 December 2009 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.

The consolidated financial statements of the Group for 2009 comprise the data of the Bank and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated financial statements of the Group for 2008 were approved by the General Meeting of Shareholders of the Bank on 3 April 2009.

Selected financial data from the consolidated financial statements

	PLN thousand		***EUR thousand***	
	2009 period from 01.01.2009 to 31.12.2009	**2008** period from 01.01.2008 to 31.12.2008	**2009** period from 01.01.2009 to 31.12.2009	**2008** period from 01.01.2008 to 31.12.2008
Interest income	3 116 760	3 398 102	718 048	962 063
Commission income	1 020 341	977 743	235 069	276 816
Result on basic activities	2 480 202	2 079 464	571 396	588 733
Result before tax	738 343	563 063	170 102	159 413
Net result of shareholders of the holding company	595 052	445 413	137 090	126 104
Net result of minority shareholders	14	5	3	1
Net cash flows	-1 086 063	-738 866	-250 210	-209 186
Earnings per ordinary share (PLN / EUR)	45.74	34.24	10.54	9.69

	PLN thousand		***EUR thousand***	
	2009 as of 31.12.2009	**2008** as of 31.12.2008	**2009** as of 31.12.2009	**2008** as of 31.12.2008
Total assets	59 883 456	69 610 475	14 576 568	16 683 557
Equity of the holding company	4 884 398	4 222 130	1 188 939	1 011 919
Share capital	130 100	130 100	31 668	31 181
Number of shares (per item)	13 010 000	13 010 000	-	-
Book value per share (PLN / EUR)	375.43	324.53	91.39	77.78
Solvency ratio (%)	12.01%	10.39%	-	-

In order to determine the basic figures in EUR, the following exchange rates were applied:

- for balance-sheet items – PLN 4.1082 NBP exchange rate of 31.12.2009; PLN 4.1724 NBP exchange rate of 31.12.2008,
- for income statement items and cash flow statement for 31.12.2009 – PLN 4.3406 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 2009; PLN 3.5321 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 2008.

Statement of compliance with International Financial Reporting Standards

These annual consolidated financial statements were prepared in compliance with the International Financial Reporting Standards ("IFRS") approved by the European Union. 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. IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC").

Consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, and consolidated cash flow statement for the period from 01 January 2009 to 31 December 2009, and consolidated statement of financial position as at 31 December 2009 together with comparable data were prepared according to the same principles of accounting for each period.

These consolidated financial statements have been prepared in PLN rounded to one thousand zlotys (unless otherwise noted).

In 2009, the Group took account of the following changes in the effective accounting standards and new interpretations:

- IFRS 8 *Operating Segments* that superseded IAS 14 *Segment Reporting* as of its effective date. The said standard applies - for identification and measurement of results of the operating segments subject to reporting – an approach coherent with the approach of the Management,
- IAS 1 *Presentation of Financial Statements* (revised in September 2007) – this standard makes a differentiation between such changes in equity that result from transactions with the company owners, and the ones that result from other transactions. Thus, a statement of changes in equity shows only the details of transactions with the owners, whereas any other changes in equity are presented under one line. Additionally, the standard introduces a statement of total income comprised of all items of income and expense recognised in profit and loss, and all other items of identified income and expense. All the above mentioned items may be recognised in one statement or in two inter-related statements (the Group applied the second option),
- IAS 23 *Borrowing Costs* (revised in March 2007) – the revised standard requires that borrowing costs attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset (purchase price or cost of production), the change does not have a significant impact on the financial statement,
- IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* – the amendment elaborates the definition of vesting conditions and refers to recognising cancellation of rights to bonuses. Application of this interpretation

had influence neither on the financial standing nor on the results of the activities of the Group as no events happened that would have fallen under that standard,

- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements: Puttable Shares and Obligations Arising Only on Liquidation* – introduce an exception (limited as regards the scope) that refers to puttable shares that may be classified as an element of equity if they meet certain conditions. Application of the said amendment had impact neither on the financial standing nor on the results of the activities of the Group, as the Group did not issue such instruments,
- Interpretation IFRIC 13 *Customer Loyalty Programmes* – the interpretation requires that loyalty award credits be recognised as a separate element of the sales transaction under which they were granted. The application of that amendment did not affect the financial standing or the result on the Group's operations as the Group does not run programmes of that type,
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (updated in January 2008) specify in what circumstances a company is obliged to prepare consolidated financial statements, how dominant entities should present changes in the number of shares they hold in subordinate companies and how loss of a subordinate entity should be assigned to controlling and non-controlling shares,
- Amendments to interpretation – IFRIC 9 *Reassessment of embedded derivatives* and change in IAS 39 *Financial Instruments: Recognition and Measurement*, clarify treatment of derivatives embedded in other contracts in the event that the hybrid component of financial assets is re-classified from the category of financial assets priced at fair value by the financial result. Situation described in the amendment has not taken place in the Group,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*: *Cost of Subsidiaries* – in line with the amendments to IFRS 1, a unit that adopts IFRS first time can recognise cost of subsidiaries in a separate financial statement of a parent in accordance with IAS 27, or based on the assumed cost. Amendment to IAS 27 requires that all dividends received from a subsidiary be recognised in a separate financial statement of a parent company in the income statement. Amendment to IAS 27 is applied prospectively. The new requirements refer only to separate financial statements of a parent company, and will have no impact on the consolidated financial statement,
- Interpretation of IFRIC 12 *Service Concession Agreements* – the interpretation applies to operators of the concession agreements, and explains how to recognise the obligations and rights resulting therefrom. The interpretation has no impact on the financial statement of the Group as no Group entity is a concession operator,
- Changes in IFRS 7 *Financial instruments: disclosures* – the changed standard imposes the obligation to disclose additional information on measuring at fair value and liquidity risk. For each class of financial instruments measured at fair value,

information should be disclosed on the valuation, using the fair value hierarchy that includes the materiality of input data for the valuation. Moreover, for measurements of fair value that fall into Level 3 of the fair value hierarchy, adjustment between opening balance sheet and closing balance sheet should be presented. Also, all material movements between Level 1 and Level 2 in the fair value hierarchy should be presented. The changes also specify the requirements concerning disclosure of information on liquidity risk. The Group applied the changes; relevant information is disclosed herein (in Note 44: "Fair Value"),

- Interpretation IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction* – clarifies the provisions of International Accounting Standard (IAS) 19 on how to assess the limit on defined benefit assets in light of defined benefit programmes after the employment has ended, in a situation where there are minimum funding requirements. Those defined benefit assets are the surplus of fair value of assets under a programme over the current value of liability under defined benefits. IAS 19 introduces a limit on a defined benefit asset up to the value of current economic benefit available as return on the programme or reduction of future programme fees, which in turn may be influenced by the minimum funding requirements. Application of this amendment had no impact on financial situation or result as the Group does not offer such programmes,
- Interpretation of IFRIC 15 *Agreements for the Construction of Real Estate* – the Interpretation provides guidance on how and when to account for revenue on the sale of the real estate and related costs when the agreement between a developer and a buyer is concluded before the construction of the real estate is completed. The Interpretation provides also guidance on how to determine if the agreement falls within the scope of IAS 11 or IAS 18. Application of IFRIC 15 will have no impact on the consolidated financial statement because the Group runs no such activities,
- Interpretation of IFRIC 16 *Hedges on a Net Investment in a Foreign Operation* – the Interpretation provides guidance on accounting for hedging on net investment in a foreign operation, especially: identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation, where, within a capital group structure, hedging instruments are held, and determining by the unit the amount of the positive or negative FX rate difference referring both to net investment and hedging instrument, that should be reclassified from equity to income statement on the sale of a foreign operation. Application of IFRIC 16 will have no impact on consolidated financial statement because the Group does not hedge net investments in a foreign operation,
- Amendments to IFRS 3 *Business Combinations* (updated in January 2008) – applicable to annual periods starting on or after 1 July 2009. The amended IFRS 3 defines the principles and requirements in the event of business combination, concerning recognition and measurement of the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the value of the company connected with accounting treatment of the purchase transaction.

It also defines which information concerning such transactions must be disclosed. No business combinations occurred in the Group in the period covered by the report,

- Interpretation IFRIC 17 *Distributions of Non-cash Assets to Owners* – applicable to annual periods starting on or after 1 July 2009 – this interpretation provides clarifications and guidelines on how an entity should measure distribution of non-cash assets to its owners. No such situation occurred in the period covered by the report,
- Interpretation IFRIC 18 *Transfers of Assets from Customers* – applicable from 1 November 2009 – this interpretation provides clarifications and guidelines on how to account for transfers of items of property (assets) from customers and how to account for transfers of cash from customers that must be used to acquire or construct an item of property (asset). No such situation occurred in the period covered by the report,
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (updated in July 2008) – applicable to annual periods starting on or after 1 July 2009. Amendments to IAS 39 clarify application of hedge accounting to the inflation component of financial instruments and to option contracts used as hedging instruments. No such situation occurred in the period covered by the report.

Term and scope of the statements

These annual consolidated financial statements of the Capital Group of ING Bank Śląski S.A. cover the period from 1st January 2009 to 31st December 2009 and include the comparative data:

- items from the consolidated statement of financial position as at 31st December 2008,
- items in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity and consolidated cash flow statement for the period from 1st January 2008 to 31st December 2008.

Earlier adoption of standards which are not in force as at the balance sheet date

The Group has not taken advantage of the earlier application of standards and interpretations that were approved by the European Union, but became or will become effective only upon the balance sheet date. As at the balance sheet date, the Group has not completed the process of estimating the impact of these standards and interpretations on consolidated financial statements for the period in which they will be applied for the first time:

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (updated in November 2008) – applicable to annual periods starting on or after 1 July 2009 – the modified IFRS 1 superseded the existing IFRS 1 in order to simplify its application and future amendments thereto. Also, certain out-dated guidelines concerning adoption of the international financial reporting standards were removed from the modified IFRS 1 and minor editorial changes were introduced. The currently applicable requirements remain unchanged,

- Amendments to IAS 32 *Financial Instruments: Presentation* (updated in October 2009), clarify how to classify defined rights issues when the issued financial instruments are denominated in currency other than the functional currency of the issuer. If such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

The published Standards and Interpretations that were issued but are not effective yet as they have not been approved by the European Union and have not been previously applied by the Group include:

- IFRS 9 *Financial Instruments* – new standard to supersede the International Accounting Standard 39 (the Group is currently analysing the influence of the changes on the financial statement),
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – the interpretation clarifies the guidelines of International Financial Reporting Standards (IFRS) when a business entity renegotiates terms and conditions of financial liabilities with creditors and the creditors agree to accept the entity's shares or other equity instruments to settle financial liability partially or fully (the Group is currently analysing the influence of the changes on the financial statement).

Going-concern

These consolidated financial statement was 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 Capital Group is endangered.

Discontinued operations

The Group had no operations that were discontinued in 12 months of 2009.

Material accounting principles (policy)

Basis for preparation of consolidated financial statements

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

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.

Major accounting estimations adopted by the Group are as follows:

Impairment of loans

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 profit and loss account 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.

Credit risk connected with derivative instruments

In connection with significant increase in credit risk concerning FX options concluded by the Group with its clients, from the end of 2008 the Group has been systematically reviewing of the portfolio of such instruments. The Group has structured its approach so that the results of the above reviews better reflect the risk level.

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 at the level of a single counterparty using the formula based on expert knowledge and PD, LGD and EAD ratios.

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 a*nd 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.

Uncertainty of the estimates

The Group continues to assess the risk level related to FX options initiated in 2008. The appraisal was made as of the balance sheet date assuming the measurement level as of that date and taking into account the risk appraisal performed as of the same date. The Group will perform periodical appraisal of the financial standing of the clients holding similar instruments. The following key factors taken into account in case of changes of risk estimates are:

- changes in the fair-value measurement of derivatives correlated with FX-rate,
- changes in the scope of the credit risk appraisal of the contracting parties by the Group.

However considering the great volatility of the business environment there still remains some uncertainty as to the Group's estimates.

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.

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-optional derivatives and debentures available for sale the Group uses valuation models based on discounted cash flows. 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). Any change in these assumptions may affect the fair value of some financial instruments. The change of assumptions concerning these factors may influence valuation of some financial instruments.

Retirement and sick pension severance payments provision

Retirement payments provision is calculated using an actuarial method by an independent actuary as the present value of future liabilities of the Group towards the employees according to headcount and remuneration at the updating date. The estimation of the provision is made on the basis of several assumptions both about macroeconomic environment and employee turnover mortality risk and other. The estimated provision 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 profit and loss account 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.

Provisions for the bonus for employees and top executives

Provisions for the bonus for employees shall be set in the amount resulting from the effective bonus regulations.
The provisions for top executive staff bonuses are estimated by the Management Board of the Group parent entity which calculates the amount of benefits as of the balance-sheet date. The final amount of the bonuses is approved by the Supervisory Boards of the Group's Companies.

Consolidation policies

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.

Purchase method

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share in identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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 and 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 profit and loss, 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.

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.

Foreign currency

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.

Transactions and balances in foreign currency

Transactions expressed in foreign currency are translated into the functional currency by applying the exchange rate at the date of the transaction. Exchange rate profits and losses due to settlements of these transactions and to the balance sheet valuation of assets and monetary commitments expressed in foreign currency are accounted for in the profit and loss account.

The measurement of financial assets carried at fair value through the income statement, resulting from the change in FX rates, is recognised in the income statement due to changes in fair value.

Exchange rate differences due to items, such as equity instruments classified to financial assets available for sale, are included in the revaluation reserve.

Financial statements of investments in a foreign operation

The Group does not have any investments nor runs operations abroad.

Financial assets and liabilities

Classification

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. 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.

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 the 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.

<u>Recognition</u>

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.

<u>Derecognition</u>

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 cancelledor 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.

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.

Reclassification

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 and losses remain with equity until the asset has been sold or disposed of otherwise when it is carried through the income statement.

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 profit and loss account;
- 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 profit and loss account.

Upon the impairment of elements of financial assets or a group of financial assets, the Group debits the profit and loss account with the amount of contractual interest unpaid as of the day of the impairment. The interest shall be included in the profit and loss account at the moment of repayment thereof.

Dividends on an available-for-sale equity instrument are recognised in profit and loss 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 profit and loss account.

At the moment of derecognition of financial assets from the balance sheet, cumulated gains and losses recognized previously in equity, are transferred to the profit and loss account. 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.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

In order to mitigate credit risk, the Group concludes special master agreements with contracting parties, with which the Group concludes transactions of significant volume. These special master agreements do not enable the offsetting financial assets and liabilities, because they are generally settled gross.

Repo, Reverse Repo, sell–buy–back, buy–sell–back transactions

The Group presents financial assets with the repurchase clauses (repo, sell–buy–back transactions) in its balance sheet, simultaneously recognizing a financial liability resulting from repurchase clause. This is done in order to reflect the risks and benefits arising on this asset that are retained by the Group after the transfer. When the Group purchases securities with a repurchase clause (Reverse Repo, BSB), the financial assets are presented as receivables arising from repurchase clause.

Repo and reverse repo transactions are measured at amortized cost, and securities which are subject to repo/reverse repo transactions are derecognised from balance sheet and are measured in accordance with principles applicable for particular securities portfolio.

The difference between sale and repurchase price is treated as interest income or cost, respectively and is accrued over the period of the agreement by application of an effective interest rate.

The Group designates sell-buy-back and buy-sell-back transactions to be valued at fair value through profit and loss. The change in fair value of financial assets and liabilities is recognized in profit and loss account in the caption *Net income on instruments measured at fair value through profit and loss and FX result*.

Securities borrowed from other entities are not recognised in the Group's consolidated financial statement. If sold by the Group, there will be generated financial assets in the form of cash from sales and the liability measured at fair value that reflects the need to return the borrowed securities. The fair value of the liability equals the fair value of borrowed securities.

Derivative instruments

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 profit and loss.

The Group uses derivative instruments in order to hedge against FX and interest rate risk, arising from activity of the Group. Derivative instruments that are not subject to hedge accounting are classified as financial instruments held for trading and are valued at fair value.

Derivative instruments not qualifying as hedging instruments

Changes in the fair value of derivatives that do not meet the criteria of hedge accounting are shown in the profit and loss account for the current period in position *Net income on instruments measured at fair value through profit and loss and FX result*. Unrealised valuation are fully included in the abovementioned item.

Hedge Accounting

Hedge accounting presents the offset effects of fair value changes of both hedging instruments and hedged items which impact the profit and loss account.

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 cashflows 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 profit and loss account.

A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) is recognised in profit and loss; 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 profit and loss. 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 profit and loss account.

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 profit and loss account, 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 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 profit and loss account.

A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit and loss account.

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 profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit and loss account.

In case of a hedge of non-financial asset or a non-financial liability, the associated gains and losses recognized directly in equity as an effective hedge, are transferred successively into the profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit and loss account (e.g. in form of a depreciation); or it is the result of a one-off transfer as an adjustment to the initial purchase price or carrying amount of a hedged item.

The Group has been applying cash flow hedge accounting to secure the size of future cash flows in a specific portfolio of the Bank's assets/ liabilities or a portfolio of highly probable planned transactions against the interest rate changes.

Impairment

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 valuated 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 profit and loss.

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 profit and loss account by a proper adjustment of impairment charges.

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 profit and loss account even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit and loss account 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 profit and loss account.

Impairment losses recognised in the profit and loss account for an investment in an equity instrument classified as available for sale is not reversed through profit and loss.

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 profit and loss, the impairment loss is reversed, with the amount of the reversal recognized in profit and loss.

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.

Investment property

Investment property is property (land or a building, or part of a building, or both) held by the Group (acting as the owner or the lessee under a finance lease) to earn rentals or for capital appreciation or both. At the same time, such a real property is:

- occupied by the Group only to a small extent,
- it is not for sale as part of the regular operations of the Group.

Therefore, an investment property generates cash flows largely independent of the other assets held by the Group.

An investment property is measured initially at its cost (purchase price and any directly attributable expenditure). After the initial entry, investment property assets are measured in accordance with requirements of the fair value model. A gain or loss arising from a change in the fair value of investment property is recognised in the profit and loss account for the period in which it arises. The fair value of investment property reflects market conditions at the balance sheet date.

Tangible fixed assets

Own tangible fixed assets

Tangible fixed assets consist of fixed assets and costs to construct such assets. Tangible fixed assets include fixed assets with an expected period of use above one year, maintained to be used to serve the Group's needs or to be transferred to other entities, based on the lease contract or for administrative purposes.

Tangible fixed assets, with the exception of land and buildings, are recorded at historical costs reduced by depreciation/amortization and any impairment write-downs. The historical costs are made up of the purchase price/cost of creation and costs directly related to the purchase of assets.

Each component part of property, plant and equipment items, whose purchasing price or generation cost is material in comparison with the purchase price or generation cost of the entire item, is depreciated separately. The Group allocates the initial value of the property, plant and equipment into its significant parts.

Lands and buildings are carried in accordance with the revaluation model, after initial recognition at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

The revaluation effect is reflected in the revaluation reserve/ revaluation capital in case of the value increase, or carried through the income statement in case of the balance sheet asset's value decrease. However, the increase of value is recognised as income insofar as it reverses the decrease of value due to revaluation of the same asset that was previously recognised as costs of a given period. Similarly, the decrease of the asset's value resulting from revaluation shall be set off against the relevant surplus resulting from the previous revaluation of the same asset. The entire revaluation surplus shall be realised at the time of withdrawing from use or selling the asset.

Subsequent Costs

Costs of modernization of property, plant and equipment increase their carrying value only when it is probable that such expenditures will result in an inflow of economic benefits to the Group, and the cost of such expenses can be reliably measured. Costs of repairs and maintenance of property, plant and equipment are charged to the profit and loss account in the reporting period in which they were incurred.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are deemed to include assets which fulfil the following requirements:

- they can be separated from an economic entity and sold, transferred, licensed or granted for use for a fee to third parties, both separately, and together with their accompanying contracts, assets or liabilities,
- arise from contractual titles or other legal titles, irrespective of whether those are transferable or separable from the business entity or other rights and obligations.

Goodwill

Goodwill on acquisition of a business entity is initially recognized at cost, which is the surplus of the costs of merger of business entities over the share of the acquiring entity in the net fair value of identifiable assets, liabilities, and contingent liabilities. After the initial recognition, goodwill is presented at cost less all accumulated impairment write-offs. The test for impairment is conducted at the balance sheet date.

Impairment is established by estimating residual value of cash generating units, to which goodwill is allocated. If the residual value of the cash generating unit is lower than the carrying value, the impairment is made.

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. Expenses attached to the development or maintenance of computer software are expensed when incurred.

Other intangible assets

Other intangible assets purchased by the Group, are recognized at cost less accumulated amortization and accumulated impairment write – offs.

Subsequent Costs

Subsequent costs incurred after initial recognition of acquired intangible asset are capitalised when it is probable that such expenditures will ensure an inflow of economic benefits to the Group. In other cases, costs are charged to the profit and loss in the reporting period in which they were incurred.

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	period of the lease or hire
➢ vehicles and others	3 - 5 years
➢ equipment	5 years
➢ costs of development of software	3 years
➢ software licenses, copyrights	3 years

Leasing contracts

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.
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.

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.

Other balance sheet items

Other trading receivables and other receivables

Trade receivables and other receivables are recognised in the amount of the required payment less impairment charges.

Liabilities

Liabilities, other than financial liabilities held for trading are recognised in the required payment amount.

Non current assets held for sale and discontinued operation

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable, i.e. the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated.

Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets held for sale are priced at the lower of two: its carrying value or fair value less cost to sell. Assets classified in this category are not depreciated.

Where the criteria for classification as non-current assets for sale are no longer met, the Group will no longer classify that asset as an asset for sale (or a group of assets for sale) but reclassify it as appropriate. In such a case, the Group measures the asset that is no longer classified as an asset for sale (or that is no longer part of a group for sale) at the lower of the following amounts:

- its carrying amount from the period before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale,
- its recoverable amount at the date of the subsequent decision not to sell.

Discontinued operations are components of the Group that either have been disposed of or are classified as held for sale and represent a separate major line of business or geographical area of operations, are a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or are a subsidiary acquired exclusively with a view to resale.

The classification to this category takes place at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously.

Operations held for sale, which are to be no longer used, can be also classified as a discontinued operation.

Cash and cash equivalents

Cash and cash equivalents for the purposes of a Cash Flow statement include: Cash in hand and cash held at the Central Bank, cash equivalents e.g. balances on current accounts and overnight deposits held by the other banks.

Impairment of other non- financial assets

For each balance sheet date, the Group assesses the existence of objective evidence indicating impairment of a non-current asset. If such evidence exists, the Group performs an estimation of the recoverable value. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

If such evidence exists, the Group performs an estimation of recoverable value. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

If there are indications of impairment of common property, i.e. assets which do not generate cash independently from other assets or groups of assets, and the recoverable value of the individual asset included among common property cannot be determined, the Group determines the recoverable value at the level of the cash generating unit, to which the given asset belongs.

An impairment charge is recognized, if the book value of the asset or cash generating unit exceeds its recoverable amount. The impairment charge is recognized in the profit and loss account.

In case of a cash generating unit (group), impairment charges in the first place reduce goodwill attributable to cash generating units, and then reduce proportionally the book value of other assets of this cash generating unit (groups)

Measuring Recoverable Amount

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In order to measure the value in use, estimated future cash flows are discounted to their present value by using a discount rate before taxation, which considers the current market assessment, time value of money and specific risk attributable to the underlying asset.

Reversing impairment loss

Goodwill impairment loss is not subject to reversal. An impairment loss of an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss can be reversed only up to the amount, at which the book value of impaired asset does not exceed its book value, which decreased by depreciation charge, would be established, if any impairment loss had not been recognized.

Equity

Equity comprises of the share capital, share premium, revaluation reserve and retained earnings. All balances of capital and funds are recognized at nominal value.

Share capital

Share capital is presented at nominal value, in accordance with the charter and entry into the commercial register of the dominant entity.

Own shares

If the Group acquires its own shares, then the paid amount together with the costs directly attributed to such purchase is recognized as a change in the Equity. Acquired own shares are treated as own shares and disclosed as reduction of the Equity.

Dividends

Dividends for the financial year which have been approved by the General Shareholders' Meeting, but not paid as of the balance sheet day are disclosed under the balance sheet recognized in the balance *Other Liabilities*.

Share premium

Share premium is formed from agio obtained from the issue of shares reduced by the attributable direct costs incurred with that issue.

Revaluation reserve

Revaluation reserve is created as a result of:

- revaluation of financial instruments classified as available for sale,
- revaluation of cash flow hedge financial instruments,
- revaluation of tangible fixed assets carried at fair value.

The deferred tax resulting from above mentioned revaluation is included in the revaluation reserve. The revaluation reserve is not subject to profit distribution.

Retained earnings

Retained earnings are created from charges against profit and are allocated for purposes specified in the Articles of Association (the company's Charter) or other legal regulations. Retained earnings comprise of:

- other supplementary capital,
- other reserve capital,
- general banking risk fund,
- undistributed result from previous years,
- net result assigned to shareholders of the holding company of current year.

Other supplementary capital, other reserve capital and general banking risk fund are created from charges against profit and are allocated for purposes specified in the Articles of Association (the company's Charter) or other legal regulations.

General banking risk fund is created in accordance with the Banking Act dated 29 August 1997 with subsequent amendments, from profit after tax.

The net financial result allocated to the dominant entity represents the gross result under the performance statement for the current year, adjusted with the corporate income tax and the result allocated to the minority shares.

Prepayments and deferred income

Prepayments

Prepayments comprise of particular expenses which will be settled against the profit and loss as being accrued over the future reporting periods. Deferred costs include primarily provisions for material costs due to services provided for the Group by counterparties, as well as insurance costs paid in advance to be settled in the future periods. Prepayments are presented in the balance sheet in *Other assets* caption.

Deferred income

This caption comprises mainly of fees amortized on a straight-line basis and other types of income collected in advance which will be settled against profit and loss account in future reporting periods. Deferred income is presented in *Other liabilities* balance sheet caption.

Employee benefits

Defined contribution plans

Expenses incurred due to a programme of certain contributions are recognised as costs in income statement.

Short-term employee benefits

Short-term employee benefits of the Group (other than termination benefits) comprise of wages, salaries, paid annual leave and social security contributions.

The Group recognizes the anticipated, undiscounted value of short-term employee benefits as an expense of an accounting period when an employee has rendered service (regardless of payment date) in correspondence with other on-balance liabilities.

The amount of short-term employee benefits on the unused holidays to which Group employees are entitled is calculated as the sum of unused holidays to which particular Group employees are entitled.

Long-term employee benefits

Group liabilities due to long-term employee benefits, other than pension schemes, constitute the amount of future benefits that will be obtained by an employee for performance of his/ her services in the current or previous periods which are not due in total within 12 months of work completion. Provisions for retirement severance pay granted under benefits due to regulations of the Labour Code are estimated on the basis of the actuarial valuation. The provisions being the result of an actuarial valuation are recognised and adjusted on an annual basis.

Provisions for long-term employee benefits are recognised in the balance sheet item *Provisions* in correspondence with costs of labour in the profit and loss account.

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 profit and loss account 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 Group is a participant of a long-term LEO (Long-term Equity Ownership) incentive system, introduced by ING Group. This system motivates employees of ING Group units by linking their financial results with financial results of the Group. LEO is addressed to Bank Management Board members, senior management and high-level specialists. The system operates in two variants:

- Standard – an employee may become a holder of ING shares or receive cash benefit; two following instruments are offered in the Standard system:
  - Share options
  - Performance shares
- Phantom – an employee may receive cash benefit; two following instruments are offered in the Phantom system:
  - Phantom options
  - Performance units

Share options / Phantom options have a 10-year maturity period and may be exercised after three years from their issue, provided that an option holder is a Bank employee (or employee of another unit of ING Group) or has retired. The exercise price is a difference between the exercise price determined by Euronext Amsterdam as at the exercise date in the open period after the General Shareholders Meeting of ING Group and the strike price.

Performance shares/ Performance units are conditionally granted. The number of received instruments depends on ING Group results at the end of a 3-year period. To this purpose, a so-called Total Shareholder Return (TSR) is determined for each 3-year period against the ratio calculated for financial institutions similar to ING Group. Depending on the place of ING Group in the ranking, the number of Performance shares / Performance units available for exercise may total from 200% for 1-3 ranking to 0% for 18-20 ranking. The price of exercise is determined as for Share options / Phantom options.

As at the balance sheet date, the Group recognises in its books the measurement of options and performance shares held by the employees of the Group.

Valuation of motivational programmes for employees

The fair value of options granted is recognised as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo simulation. This model takes the risk free interest rate into account (3.55% to 4.92%), as well as the expected term of realisation of the options granted (5 to 8 years), the exercise price, the current share price (EUR 18.70 – EUR 33.92), the expected volatility of the certificates of ING Group shares (25% – 39%) and the expected dividends yield (3.57% to 8.99%).

The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

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 accumulates provisions for restructuring costs only if the general criteria for recognition of provisions according to IAS 37 are fulfilled. The provisions cover only the direct and indispensable restructuring costs, not related to current operations.

Net interest income

Interest income on financial assets classified as available for sale, loans and advances and financial assets held to maturity are recognized in the profit and loss at amortized cost using the effective interest rate.

Interest income/expense on derivatives classified as trading derivatives is recognized under *Net income on instruments measured at fair value through profit and loss and FX result.* Interest income on debt securities classified to trading portfolio or designated at fair value through profit and loss are recognized under the caption 'Interest income'.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an estimate of cash flows in made considering all contractual terms of the financial instrument but future credit losses are not considered. The calculation includes all fees and commissions paid or received (external) between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income covers interest and commissions (received or due) recognised in calculation of the effective interest rate due to loans with repayment schedules, interbank deposits and held-to-maturity and available-for-sale securities as well as marketable securities.

In case impairment is recognized for a financial asset or group of similar financial assets, interest income is accrued based on the current amount of receivable (this is the value reduced by revaluation charge) with the use of the interest rate according to which future cash flows were discounted for impairment valuation.

Net commission income

Fee and commission income arises on providing financial services by the Group and comprise of fees and commissions on loan granting, pledge to grant a loan, issue of cards, cash management services, brokerage services and asset management services. Commission income also comprises margins on FX derivatives transactions concluded with corporate clients.

Fees and commissions (both income and expense) directly attributed to initial recognition of financial assets with repayment schedule are recognized in profit and loss account as effective interest rate component and are part of interest income.

Other fees and commissions attributed to initial recognition of financial assets without repayment schedule (e.g. commission on overdrafts) are amortized using a straight-line method through the expected life of the financial instrument. Fees and commissions on pledge to grant a loan, which is probable to be drawn, are deferred and since initial recognition of financial assets are amortized as component of effective interest rate or using straight-line method based on above mentioned criteria.

Other fees and commissions resulting from financial services provided by the Group, like cash management services, brokerage services and asset management services are recognized in profit and loss account at the time of performance of the respective services.

Net income on investment financial assets

The net income on investment financial assets comprises profits and losses resulting from sale of financial assets classified as available for sale and earnings from dividends. Dividend income is recognized in the profit and loss account when the shareholders' right to receive payment is established.

Net income on instruments measured at fair value through profit and loss and FX result

Net income on instruments measured at fair value through profit and loss and FX result includes gains and losses arising from disposal and change of fair value of assets and liabilities held for trading and designated at initial recognition at fair value through profit and loss account.

Net income on instruments measured at fair value through profit and loss and FX result also covers the swap points from derivative transactions that the Bank enters into in order to gain liquidity in foreign currencies.

Net income on instruments measured at fair value through profit and loss and FX result also covers fair value adjustments for risk of unrealised FX Option transactions.

Result from accrued interest and settlement of discount or premium on debt securities held for trading or designated at fair value through profit or loss is recognized as interest income.

Net income on other basic activities

Net income on other basic activities comprise of expense and income not attributed directly to Group's banking and brokerage activity. These include in particular: the result due to holding an investment property, sale of assets (non-current assets and intangible assets), revenues from sales of other services, revenues due to recovered bad debts, received and paid damages, penalties and fines.

Net profit attributable to minority shareholders

Net profit attributable to minority shareholders comprises of that part of the profit or loss, net result for the period and net assets of subordinated entity that can be attributed to shares not held by parent company (directly or indirectly through subordinated entities) .

Income tax

Income tax is recognized as current and deferred tax. Current income tax is recognized in the profit and loss account. Deferred income tax is recognized in profit and loss account or equity depending on type of temporary differences.

Current tax is a liability calculated based on taxable income at the binding tax rate at the balance sheet date including adjustments of prior year tax liability.

Deferred income tax

The Group creates a provision for deferred tax in respect of all taxable temporary difference and deferred tax asset with regard to all deductible temporary differences to extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised according to accounting regulations and according to legal regulations concerning corporate income taxation. A positive net difference is recognized in liabilities as *Deferred tax reserve*. A negative net difference is recognized under *Deferred tax assets*.

The deferred tax reserve is created by using the balance sheet method for all positive temporary differences as of the balance sheet date arising between tax value of assets and liabilities and their carrying value disclosed in the financial report, except for situations where deferred tax reserve arises from:

- initial recognition of goodwill;
- goodwill, which amortization has no taxable expense;
- initial recognition of an asset or liability with a transaction which does not constitute a merger of economic entities and which on its origination has no impact on the net financial profit or taxable income or loss.

Deferred tax assets are recognized with respect to all negative timing differences as of the balance sheet date between the tax value of assets and liabilities and their carrying value disclosed in the financial statement and unused tax losses. Deferred tax assets are recognized in such amount in which taxable income is likely to be achieved allowing to set off negative timing differences, except for the situations when the component of deferred tax assets arises from the initial recognition of an asset or liability with a transaction which does not constitute a merger of economic entities and on its origination have no impact on the net financial profit or taxable income or loss.

The carrying value of a deferred tax asset shall be verified for each balance sheet date and reduced if it is no longer likely to achieve taxable income sufficient for a partial or full realization of the deferred tax component.

Deferred tax assets and deferred tax reserves are estimated with the use of the tax rates which are expected to be in force when the asset is realized or reserve eliminated, assuming the tax rates (and tax provisions) legally or factually in force as of the balance sheet date.

Income tax pertaining to items directly presented in equity is presented in equity.

Deferred tax assets and reserves are recognized by the Group in the balance sheet after offsetting at level of each entity included in consolidation. The Group offsets deferred tax assets and deferred tax reserves, where it has legal title to effect such offsetting, and the deferred assets and reserves pertain to the same taxpayer.

Other taxes

Revenues, costs and assets are recognised less the value added tax, tax on civil law acts, and other taxes on sales, except where the tax on sale, paid upon purchase of goods and services, is not recoverable from the tax authorities; in that case, the sales tax is recognized accordingly as a part of the cost of acquisition of an asset, or as part of a cost item.

The net amount of sales tax recoverable from or payable to the tax authorities is recognized on the face of the balance sheet as a part of receivables or liability.

Comparability of financial data

In the consolidated financial statements covering the period from 1 January 2009 to 31 December 2009, the Group introduced changes compared with the statements for the period from 1 January 2008 to 31 December 2008 with regard to the presentation of some items of the income statement. The changes concerned financial data of the Bank and resulted from adopting another approach to presentation of positions adjusting commission income, in particular those concerning paid commissions on cards and commissions due to insurance of loans that were previously presented as commission costs and currently reduce commission income. In the opinion of the Group, the current presentation is a better reflection of the material and economic contents of the items described herein.

Consolidated income statement *(PLN '000)*	period from 1 January 2008 to 31 December 2008 in the annual consolidated financial statements for the period from 1 January 2008 to 31 December 2008	changes	period from 1 January 2008 to 31 December 2008 in the annual consolidated financial statements for the period from 1 January 2009 to 31 December 2009
Interest income	3 398 102	0	3 398 102
Interest expenses	-2 246 085	0	-2 246 085
Net interest income	**1 152 017**	**0**	**1 152 017**
Commission income	1 034 184	-56 441	977 743
Commission expenses	-144 461	56 441	-88 020
Net commission income	**889 723**	**0**	**889 723**
Net income on investment*	44 723	0	44 723
Net income on instruments measured at fair value through profit and loss and FX result**	-26 012	0	-26 012
Net income on other basic activities	19 013	0	19 013
Result on basic activities	**2 079 464**	**0**	**2 079 464**
General and administrative expenses	-1 506 880	0	-1 506 880
Result on other operating income and expenses	7 848	0	7 848
Impairment losses and provision for off-balance sheet liabilities	-65 601	0	-65 601
Share in net profit (loss) of associated entities recognised under the equity method	48 232	0	48 232
Profit (loss) before tax	**563 063**	**0**	**563 063**
Income tax	-117 645	0	-117 645
Net profit (loss)	**445 418**	**0**	**445 418**
- assigned to shareholders of the holding company	**445 413**	**0**	**445 413**
- assigned to minority shareholders	**5**	**0**	**5**

*****/ When compared to the 2008 there was a change of the name of the *Result on investment financial assets* item to *Result on investments*. This is a result of standardizing of nomenclature with the statement of financial position.

**/ When compared to the 2008 there was a change of the name of the *Net income on instruments measured at fair value through profit and loss and revaluation* item to *Net income on instruments measured at fair value through profit and loss and FX result.* In the opinion of the Group, the current name is a better reflection of the economic contents of the presented value.

Furthermore, the Bank changed the formula for the calculation of the item *Result on other revenue and operating costs* in the income statement. Negative figure in that item denotes dominant position of operating costs, whereas a positive figure denotes dominant position of operating revenues. In light of the above, the data for 2008 were adjusted accordingly to achieve comparability.

In these consolidated financial statements, the Group changed the presentation manner of derivative measurement as opposed to the financial statements for the period started

1 January 2008 and ended 31 December 2008. The item *Valuation of derivatives,* which was previously presented in the items *Financial assets measured at fair value through profit and loss* (positive measurement) and *Financial liabilities measured at fair value through profit and loss* (negative measurement), was separated and presented under the heading *Financial derivatives.*

Consolidated statement of financial position *(pln '000)*	**end of 2008** in the annual consolidated financial statements for the period from 1 January 2008 to 31 December 2008	changes	**end of 2008** in the annual consolidated financial statements for the period from 1 January 2009 to 31 December 2009
A S S E T S			
- Cash in hand and balances with the Central Bank	1 369 795	*0*	1 369 795
- Loans and receivables to other banks	7 787 225	*0*	7 787 225
- Financial assets measured at fair value through profit and loss	15 128 584	*-4 579 765*	10 548 819
- Valuation of derivatives	0	*4 579 765*	4 579 765
- Investments	18 050 922	*0*	18 050 922
- available-for-sale	*10 739 090*	*0*	*10 739 090*
- held-to-maturity	*7 311 832*	*0*	*7 311 832*
- Derivative hedge instruments	197 003	*0*	197 003
- Loans and receivables to customers	25 742 839	*0*	25 742 839
- Investments in controlled entities	107 261	*0*	107 261
- Investment real estates	151 458	*0*	151 458
- Property, plant and equipment	544 163	*0*	544 163
- Intangible assets	316 187	*0*	316 187
- Property, plant and equipment held for sale	248	*0*	248
- Current tax asset	142	*0*	142
- Deferred tax asset	48 651	*0*	48 651
- Other assets	165 997	*0*	165 997
T o t a l a s s e t s	**69 610 475**	***0***	**69 610 475**
E Q U I T Y A N D L I A B I L I T I E S			
LIABILITIES			
- Liabilities due to Central bank	5 932 116	*0*	5 932 116
- Liabilities due to other banks	6 060 868	*0*	6 060 868
- Financial liabilities measured at fair value through profit and loss	5 146 698	*-4 321 638*	825 060
- Valuation of derivatives	0	*4 321 638*	4 321 638
- Derivative hedge instruments	420 047	*0*	420 047
- Liabilities due to customers	47 066 918	*0*	47 066 918
- Provisions	50 579	*0*	50 579
- Current income tax liabilities	39 148	*0*	39 148
- Other liabilities	669 672	*0*	669 672
T o t a l l i a b i l i t i e s	**65 386 046**	***0***	**65 386 046**
EQUITY			
- Share capital	130 100	*0*	130 100
- Supplementary capital – issuance of shares over nominal capital	956 250	*0*	956 250
- Revaluation reserve from measurement of available-for-sale financial assets	-100 981	*0*	-100 981
- Revaluation reserve from measurement of property, plant and equipment	52 864	*0*	52 864
- Revaluation reserve from measurement of cash flow hedging instruments	45 581	*0*	45 581
- Retained earnings	3 138 316	*0*	3 138 316
Equity assigned to shareholders of the holding company	**4 222 130**	***0***	**4 222 130**
- Minority equity	**2 299**	***0***	**2 299**
T o t a l e q u i t y	**4 224 429**	***0***	**4 224 429**
T o t a l e q u i t y a n d l i a b i l i t i e s	**69 610 475**	***0***	**69 610 475**

Notes to the consolidated financial statements

1. Segment reporting

Segments of operation

The management of the ING Bank Śląski Group is conducted through breaking down the operations into the following business segments:

- retail banking,
- corporate banking,
- own operations.

Wholesale and retail segments are separated based on the financial criterion (especially turnover, level of collected assets) and subject related criterion specified by internal regulations of the dominant entity of the Group.

Within the framework of retail banking, the Bank's Group provides services for individual customers (segments of mass customers and wealthy customers) and small enterprises. This activity is analysed by the following products: 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, mortgage loans granted by ING Bank Hipoteczny, deposit products (current accounts, term deposits, savings accounts), ING fund units, brokerage services provided by ING Securities SA and bank cards.

The wholesale activity includes services to institutional clients, including strategic clients, large corporate entities and mid-sized companies. For corporate banking, the Group provides reporting broken down by loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), trust services, capital market operations conducted by the parent and by ING Securities and operations of intermediation in lease services.

Proprietary operations are carried out by Financial Markets and ALCO (Assets and Liabilities Management Committee).

Financial markets 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. The item *Financial markets - total segment income* presents the income from proprietary trading. The income from the sale of financial market products for the corporate banking and retail banking segments are disclosed in the income of these segments.

ALCO comprises above all of investing funds originating from own funds and funding some assets of the Bank. The main element of the core business income of ALCO is income from investing proprietary funds (book capital). This income is then adjusted by the interest calculated on the economic capital required by individual business lines (retail banking segment, corporate banking segment, financial markets). Interest on economic capital is allocated from the ALCO line to individual business lines in the manner corresponding to their demand for economic capital.

The measurement of the segment's assets, liabilities, revenue and costs shall be based on the accounting standards used by the Group. 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 Group 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 2009, there was no change to the segment definition or the classification of revenues, costs, assets and liabilities within the individual segments. Due to the change of the standard, only the manner of the profit and loss statement presentation changed as compared with the financial statements for 2008.

Geographical segments

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

PLN thousand	period from 01.01.2009 to 31.12.2009					
	Retail customers segment	Corporate customers segment	Own operating		Nonallocated items	Total
			Treasury & ALM	ALCO		
Revenue total*	**1 213 732**	**600 620**	**469 574**	**248 357**	**0**	**2 532 284**
Net interest income	583 513	375 535	290 277	192 769	0	1 442 094
external	*-400 280*	*656 535*	*294 483*	*891 356*	*0*	*1 442 094*
internal	*983 793*	*-281 000*	*-4 206*	*-698 586*	*0*	*0*
Net commission income, of which:	592 772	321 037	2 085	-16 221	0	899 674
income	*694 132*	*340 344*	*2 085*	*-16 221*	*0*	*1 020 341*
expenses	*-101 360*	*-19 307*	*0*	*0*	*0*	*-120 667*
Other income/expenses	-14 635	-95 952	177 213	71 808	0	138 434
Share in net profit (loss) of associated entities recognised under the equity method	52 082	0	0	0	0	52 082
Expenses total	**959 581**	**481 065**	**48 840**	**0**	**0**	**1 489 487**
Operational expenses, of which:	959 581	481 065	48 840	0	0	1 489 487
personnel expenses	*436 824*	*235 590*	*44 634*	*0*	*0*	*717 047*
depreciation	*93 883*	*24 794*	*5 232*	*0*	*0*	*123 909*
other	*428 874*	*220 681*	*-1 026*	*0*	*0*	*648 531*
Result before risk	**254 151**	**119 555**	**420 734**	**248 357**	**0**	**1 042 797**
Risk cost	63 863	241 335	0	-744	0	304 454
Result after risk cost	**190 288**	**-121 780**	**420 734**	**249 101**	**0**	**738 343**
CIT	0	0	0	0	143 277	143 277
Result after tax	**190 288**	**-121 780**	**420 734**	**249 101**	**-143 277**	**595 066**
- assigned to shareholders of the holding company	**190 288**	**-121 780**	**420 734**	**249 101**	**-143 291**	**595 052**
- assigned to minority shareholders	0	0	0	0	14	14

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

PLN thousand	**period from 01.01.2008 to 31.12.2008** *(comparable data)*					
	Retail customers segment	Corporate customers segment	Own operating		Nonallocated items	Total
			Treasury & ALM	ALCO		
Revenue total*	**1 216 328**	**743 821**	**34 086**	**133 461**	**0**	**2 127 696**
Net interest income	529 866	366 265	197 247	58 638	0	1 152 017
external	*-686 645*	*758 855*	*87 782*	*992 024*	*0*	*1 152 017*
internal	*1 216 511*	*-392 591*	*109 465*	*-933 385*	*0*	*0*
Net commission income, of which:	604 300	303 777	-2 861	-15 492	0	889 723
income	*678 532*	*317 564*	*-2 861*	*-15 492*	*0*	*977 743*
expenses	*-74 233*	*-13 787*	*0*	*0*	*0*	*-88 020*
Other income/expenses	33 930	73 779	-160 300	90 315	0	37 724
Share in net profit (loss) of associated entities recognised under the equity method	48 232	0	0	0	0	48 232
Expenses total	**963 589**	**484 595**	**50 848**	**0**	**0**	**1 499 032**
Operational expenses,of which:	963 589	484 595	50 848	0	0	1 499 032
personnel expenses	*480 510*	*255 642*	*46 387*	*0*	*0*	*782 539*
depreciation	*99 509*	*27 683*	*6 605*	*0*	*0*	*133 797*
other	*383 570*	*201 270*	*-2 144*	*0*	*0*	*582 696*
Result before risk	**252 739**	**259 226**	**-16 762**	**133 461**	**0**	**628 664**
Risk cost	28 440	37 161	0	0	0	65 601
Result after risk cost	**224 299**	**222 065**	**-16 762**	**133 461**	**0**	**563 063**
CIT	0	0	0	0	117 645	117 645
Result after tax	**224 299**	**222 065**	**-16 762**	**133 461**	**-117 645**	**445 418**
- assigned to shareholders of the holding company	**224 299**	**222 065**	**-16 762**	**133 461**	**-117 650**	**445 413**
- assigned to minority shareholders	0	0	0	0	5	5

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

PLN thousand	**end of 2009** as of 31.12.2009					
	Retail customers segment	Corporate customers segment	Proprietary trading	ALCO	Non-allocated items	Total
Assets of the segment	9 533 715	18 766 657	30 447 977	0		58 748 349
Segment investments in subordinates	115 600					115 600
Other assets (not allocated to segments)					1 019 507	1 019 507
Total assets	**9 649 315**	**18 766 657**	**30 447 977**	**0**	**1 019 507**	**59 883 456**
Segment liabilities	32 782 137	16 191 060	5 259 820			54 233 017
Other liabilities (not allocated to segment)					763 728	763 728
Equity				4 886 711		4 886 711
Total liabilities	**32 782 137**	**16 191 060**	**5 259 820**	**4 886 711**	**763 728**	**59 883 456**

PLN thousand	**2009** period from 01.01.2009 to 31.12.2009					
	Retail customers segment	Corporate customers segment	Proprietary trading	ALCO	Non-allocated items	Total
Capital expenditure	142 950	71 068	7 471			221 489
Total net cash from operating activity	-2 327 061	-1 803 311	6 720 087	-3 705 095	-247 566	-1 362 946
Net cash flow from inwesting activity	-92 680	-46 076	411 483	4 156		276 883
Net cash flow from finacial activity				0		0

PLN thousand	**end of 2008** as of 31.12.2008					
	Retail customers segment	Corporate customers segment	Proprietary trading	ALCO	Non-allocated items	Total
Assets of the segment	7 159 623	21 723 097	38 969 154	648 315		68 500 189
Segment investments in subordinates	107 261					107 261
Other assets (not allocated to segments)					1 003 025	1 003 025
Total assets	**7 266 884**	**21 723 097**	**38 969 154**	**648 315**	**1 003 025**	**69 610 475**
Segment liabilities	32 047 707	19 663 611	12 915 329			64 626 647
Other liabilities (not allocated to segment)					759 399	759 399
Equity				4 224 429		4 224 429
Total liabilities	**32 047 707**	**19 663 611**	**12 915 329**	**4 224 429**	**759 399**	**69 610 475**

PLN thousand	**2008** period from 01.01.2008 to 31.12.2008					
	Retail customers segment	Corporate customers segment	Proprietary trading	ALCO	Non-allocated items	Total
Capital expenditure	166 404	83 686	7 411	0	0	257 501
Total net cash from operating activity	1 204 082	-5 310 880	-7 829 777	17 878 630	-237 020	5 705 035
Net cash flow from inwesting activity	-96 111	-48 335	-6 154 473	7 235		-6 291 684
Net cash flow from finacial activity				-152 217		-152 217

2. Net interest income

Interest income

	2009	2008
Interest on loans and receivables to banks	175 477	681 392
Interest on loans and receivables to customers	1 711 358	1 493 970
- interest on entities from the financial sector other than banks	*136 911*	*178 218*
- interest on entities from the non-financial sector	*1 344 060*	*1 268 283*
- interest on entities from the government and self-government institutions' sector	*230 387*	*47 469*
Interest on debt securities held for trading	332 835	230 906
Interest on debt securities designated as fair value at initial recognition	16 197	78 264
Interest on available-for-sale debt securities	445 756	591 251
Interest on held-to-maturity debt securities	434 890	320 864
Other	247	1 455
Total interest income	**3 116 760**	**3 398 102**

With regard to interest revenue for the year 2009, the amount of PLN 48,955,000 represents revenue from financial assets for which impairment loss was recognised. In the year 2008, respectively, the amount reached PLN 19,967,000. Interest revenue related to financial assets is calculated using the net exposure amounts; i.e. the amounts including effective impairment losses.

Interest expenses

	2009	2008
Interest on deposits from banks	185 010	246 302
Interest on deposits from customers, of which:	1 489 656	1 999 783
- interest on entities from the financial sector other than banks	*148 391*	*121 482*
- interest on entities from the non-financial sector	*1 294 231*	*1 763 898*
- interest on entities from the government and self-government institutions' sector	*47 034*	*114 403*
Total interest expenses	**1 674 666**	**2 246 085**

Net interest income	**1 442 094**	**1 152 017**

Compared with the financial statements for the previous reporting periods, the presentation of interest on reverse repo/ repo transactions was subject to change at this note. Currently the interest on reverse repo transactions is presented by counterparty under the headings "Interest on loans and receivables to banks" or "Interest on loans and receivables to customers", whereas the interest on repo transactions is presented under "Interest on deposits from banks" or "Interest on deposits from customers". The data for Y2008 were changed accordingly to achieve comparability. The reason for the change was the need to unify the presentation in the explanatory notes related to the income statement and the explanatory notes related to the statement on financial position.

3. Net commission income

Commission income

	2009	2008
Commission related to brokerage activity	73 906	75 410
Commission related to keeping accounts	293 632	287 793
Commission related to loans	143 882	122 882
Commission related to loans insurance	52 730	8 764
Commission related to payment and credit cards	160 032	137 399
Commission related to distribution of participation units	63 087	98 549
Fiduciary and custodian fees	25 775	29 145
Foreign commercial business	14 331	15 800
Commission related to subscription of structured products	4 924	23 506
The transaction margin on currency exchange transactions	145 757	139 391
Commission related to sales of financial products	16 623	19 362
Other	25 662	19 742
Total comission income	**1 020 341**	**977 743**

Commission expenses

	2009	2008
Brokerage fees	21 714	25 343
Commission paid on cards	9 433	3 623
Commission paid on intermediation in selling deposit products	20 099	15 336
Commission paid on trading in securities	6 706	10 159
Commission paid on disclosing credit information	6 449	6 428
Commission paid on electronic banking services	8 246	4 929
Costs of the Bank Guarantee Fund (BFG)	16 545	4 684
Costs of the National Clearing House (KIR)	5 922	4 490
Other	25 553	13 028
Total commision expenses	**120 667**	**88 020**

Net commission income	**899 674**	**889 723**

4. Net income on instruments measured at fair value through profit and loss and FX result

	2009	2008
Net income on financial assets and liabilities held for trading, of which	**993 598**	**20 073**
- Net income on equity instruments	6 453	-18 853
- Net income on debt instruments	58 219	-82 583
- Net income on derivatives, of which::	928 926	121 509
- Currency derivatives	*694 252*	*426 999*
- Interest rate derivatives	*226 592*	*-337 420*
- Securities derivatives	*8 082*	*31 930*
Net income on financial assets and liabilities measured at fair value upon initial recognition, of which	**-2 632**	**2 838**
- Net income on debt instruments	-620	528
- Net income on the measurement of the deposits designated to be measured at their fair value	-2 012	2 310
Ineffectiveness recognised in profit and loss account that arises from cash flow hedges	**-277**	**5**
FX result	**-729 971**	**-48 928**
Net income on instruments measured at fair value through profit and loss and FX result	**260 718**	**-26 012**

Net income on equity instruments includes net result on trading in equities.

Net income on debt instruments includes net income on trading in treasury securities, commercial debt instruments, money market instruments (treasury bills). Net income on derivatives includes net income on interest rate derivatives – FRA, IRS/CIRS, foreign exchange derivatives – swaps and options, as well as stock exchange index options.

Interest net income on debt securities is presented as part of interest result.

In this note, in item “Net income on derivatives – currency derivatives” the adjustment of valuation for non-matured derivative transactions concluded with the Group’s clients was presented. In the year 2009 the adjustment amounted to PLN 186 million compared to PLN 163 million in 2008.

5. Net income on investment

	2009	2008
Net income on equity instruments available-for-sale	4 239	27 974
Net income on debt instruments available-for-sale	-5 059	-4 388
Dividend income	4 156	7 235
Valuation of the transaction hedged under the fair value hedge accounting for securities, of which:	-142 355	326 958
- regarding debt securities reclassified from the available-for-sale portfolio to the loans and other receivables one	*24 262*	*113 253*
Valuation of the hedging transaction under the fair value hedge accounting for securities	24 816	-313 056
Net income on investment	**-114 203**	**44 723**

The valuation of hedging transaction includes, among others, the interest result on hedging instrument (IRS) comprising interest accrued during the reporting period. The interest result on the hedged transaction (debt securities) is presented in this consolidated financial statements as part of interest income, partially under the item "Interest on available-for-sale debt securities" and partially under the item "Interest on loans and receivables to customers" (for debt securities classified as loans and other receivables).

6. Net income on the other basic activities

	2009	2008
Received indemnities, penalties and fines	-730	-630
Income from sales of other services	3 351	4 683
Net income on available-for-sale assets and assets held for sale	39	331
Result on disposal of assets (fixed and intangible assets and own properties)	-1 173	293
Impairment losses on other non financial assets	-346	-175
Net income on the investment properties:	-12 438	13 704
- income rental from of the investment property	*17 853*	*12 966*
- maintance expenses relating to the investment property	*-8 500*	*-4 896*
- measurement of the investment property at the fair value	*-21 791*	*5 634*
Other, of which:	3 216	807
- mortgage loans insurance premiums	*199*	*-2 359*
- returned amounts, material and personnel-related costs	*0*	*855*
- interest received, calculated on an off-balance basis	*42*	*377*
- other	*2 975*	*1 934*
Total	**-8 081**	**19 013**

The item "Income from sales of other services" primarily includes the sales of services at the recreation centres of one of the Group's subsidiaries.

7. General and administrative expenses

	2009	2008
Personnel expenses, of which:	**717 047**	**782 539**
wages and salaries, including:	600 801	640 640
special and retirement benefits	*1 471*	*1 611*
employee benefits, including:	116 246	141 899
training expenses	*9 174*	*28 974*
General and administrative expenses, of which:	**646 800**	**590 544**
equipment and other operating assets	97 121	114 470
taxes and charges (including PFRON)	3 456	3 132
maintenance and rental of buildings	176 704	145 442
communication services	69 575	69 604
leasing services	16 429	14 415
refurbishment services	52 186	33 039
licences and patents	20 221	18 151
consulting	78 273	72 756
lease of computer resources	27 594	23 341
other external services	105 241	96 194
Depreciation and amortisation, of which:	**123 909**	**133 797**
on property, plant and equipment	74 072	79 964
on intangible assets	49 837	53 833
Total	**1 487 756**	**1 506 880**

8. Result on the other operating income and expenses

	2009	2008
Donations made	-1 229	-3 002
Other operating expenses due to disputed claims	-374	14 509
Measurement of fixed assets at fair value	-1 452	565
Other	1 324	-4 224
Total	**-1 731**	**7 848**

Other operating expenses due to disputed claims include expenses concerning disputes related to the improper performance of agreements, cases of criminal nature and cases pertaining to claims made by former employees.

9. Impairment losses and provisions for off-balance sheet liabilities

	2009	**2008**
Impairment losses on loans and other receivables	592 791	510 573
Reversed impairment losses on loans and other receivables	-299 386	-430 320
Net impairment losses on loans and other receivables, of which:	**293 405**	**80 253**
- losses on loans and other receivables at risk of impairment	*272 139*	*91 845*
- IBNR	*21 266*	*-11 592*
Increase of provisions for off-balance liabilities	11 049	7 506
Reversed provision for off-balance sheet liabilities	0	-22 158
Net provisions for off-balance sheet liabilities recognized, of which:	**11 049**	**-14 652**
- on the portfolio at risk of impairment	*12 502*	*-436*
- IBNR	*-1 453*	*-14 216*
Total increase of provisions	**603 840**	**518 079**
Total reversed impairment losses	**-299 386**	**-452 478**
Net impairment losses and provisions for off-balance sheet liabilities	**304 454**	**65 601**

The figures recognised under the item "Reversed impairment losses on loans and other receivables" include, among other things, the amounts related to the repayments of accounts receivables previously written off the balance sheet, which in 2009 totalled PLN 45,551,000 compared with PLN 86,550,000 in 2008.

The amounts of established and dissolved impairment charges for loans and other receivables are presented in the table below per classes of receivables.

	2009	2008
Impairment losses on loans and other receivables, of which:	**592 791**	**510 573**
- banks	*9*	*2 514*
- entities from the financial sector other than banks	*357*	*237*
- entities from the non-financial sector, of which:	*588 958*	*506 715*
- business entities	*446 791*	*418 322*
- households	*142 167*	*88 393*
- entities from the government and self-government institutions' sector	*3 467*	*1 107*
Reversed impairment losses on loans and other receivables, of which:	**-299 386**	**-430 320**
- banks	*-2 473*	*-243*
- entities from the financial sector other than banks	*-397*	*-3 229*
- entities from the non-financial sector, of which:	*-280 465*	*-414 204*
- business entities	*-178 147*	*-243 958*
- households	*-102 318*	*-170 246*
- entities from the government and self-government institutions' sector	*-16 051*	*-12 644*
Net impairment losses on loans and other receivables, of which:	**293 405**	**80 253**
- banks	*-2 464*	*2 271*
- entities from the financial sector other than banks	*-40*	*-2 992*
- entities from the non-financial sector, of which:	*308 493*	*92 511*
- business entities	*268 644*	*174 364*
- households	*39 849*	*-81 853*
- entities from the government and self-government institutions' sector	*-12 584*	*-11 537*

10. Share in net profit (loss) of associated entities recognised under the equity method

	2009	2008
ING Powszechne Towarzystwo Emerytalne S.A.	52 082	48 232
Total	**52 082**	**48 232**

11. Income tax

Recognised in the profit and loss account

	2009	2008
Current portion	**198 459**	**137 746**
Current year	*253 769*	*129 436*
Adjustment of last-year tax settlement	*-55 310*	*8 310*
Deferred tax	**-52 422**	**-20 708**
Recognised and reversed temporary differences	*-52 422*	*-20 708*
Increases/decreases of the receivables due to 8% relief related to provisions for receivables	**-2 760**	**607**
Total income tax recognised in the profit and loss account	**143 277**	**117 645**

Effective tax rate calculation

	2009	2008
Profit before tax	**738 343**	**563 063**
19% income tax	**140 285**	**106 982**
Increases – non-deductible expenses	**17 342**	**26 035**
- setting up a provision against disputable debt claims	762	1 353
- PFRON	1 155	971
- provisions / impairment for the receivables in a part not covered with the deferred tax	1 152	311
- representation expenses	1 150	1 783
- expenses due to foreign payments	144	202
- expenses due to loan and non-loan receivables written off	1 378	1 868
- tax loss on the sale of the portfolio of receivables	4 167	7 875
- debt amortization related to derivatives	0	2 216
- thin capitalisation	6 073	7 964
- other	1 361	1 492
Decreases – tax exempt income	**11 590**	**15 979**
- income exempt due to the entity	466	777
- dividend income	4	423
- release of provisions against disputable debt claims	354	3 929
- other	9 896	9 164
19% income tax /+/ increases /-/ decreases	212	898
increases/decreases of the receivable due to 8% relief related to provisions for receivables	658	788
Income tax from profit and loss account	**146 037**	**117 038**
Effective tax rate	-2 760	607
Profit before tax	**143 277**	**117 645**
19% income tax	**19,41%**	**20,89%**

12. Earnings per ordinary share

Basic earnings per share

The calculation of basic earnings per one share of the parent company as for the year 2009 was based on net profit amounting to PLN 595,052,000 (in the year 2008, it was PLN 445,413,000) and weighted average number of ordinary shares in the same period, equalling 13,010,000 (year 2008: 13,010,000).

	2009	**2008**
Net profit (loss) assigned to shareholders of the holding company	595 052	445 413
Weighted average number of ordinary shares	13 010 000	13 010 000
Earnings per ordinary share (PLN)	**45,74**	**34,24**

Diluted earnings per share

During the year 2009 and throughout 2008, the number of shares making up the share capital of the Group parent company remained unchanged. In the analysed period, the Bank issued neither convertible bonds nor share options. The entire share capital is divided into ordinary shares (there are no preference shares). Consequently, diluted earnings per share are the same as basic earnings per share.

13. Dividends paid/proposed

General shareholders meeting on 3rd April 2009 withdraw from dividend payment for 2008 and agreed to forward Banks net result for 2008 to increase capital.

The Management Board of ING Bank Śląski S.A. decided to make a recommendation to the General Shareholders' Meeting to withdraw from dividend payment for 2009 and to allocate the entire 2009 net profit of the Group parent company for raising own equity.

14. Cash in hand and balances with the Central Bank

	end of 2009	**end of 2008**
Cash in hand	716 809	946 212
Balances with the Central Bank	1 939 784	423 583
Total	**2 656 593**	**1 369 795**

The Group parent company maintains a mandatory provision - at the level of 3% of the value of deposits received by the Group parent company - in its current account kept with the National Bank of Poland. The amount of the calculated provision is reduced by an equivalent of EUR 500,000, which represented:

- PLN 2,072,000 as of 30 Nov 2009,

- PLN 1,879,000 as of 28 Nov 2008.

The arithmetic mean of balances of the mandatory reserve that the Group parent company is obliged to maintain during a given period in the current account with NBP amounts to:

- PLN 1,483,416,000 for the period from 31 Dec 2009 to 31 Jan 2010,

- PLN 1,831,271,000 for the period from 31 Dec 2008 to 01 Feb 2009,

The Group may utilise the credit limit with the National Bank of Poland representing 85% of the face value of Treasury securities subject to pledge, which as at 31 Dec 2009 represented PLN 6,326,346,000; compared with PLN 11,076,025,000 as at 31 Dec 2008.

15. Loans and receivables to other banks

	end of 2009	**end of 2008**
current accounts	356 981	276 550
interbank deposits, of which:	564 712	5 699 110
- overnight deposits	*0*	*2 447 474*
other receivables, of which:	262 460	1 814 232
- loans and advances	*228 109*	*459 114*
- debt securities reclassified from available-for-sale portfolio in 2008	*0*	*518 910*
- reverse repo transactions	*0*	*796 138*
- other receivables	*34 351*	*40 070*
Total (gross)	**1 184 153**	**7 789 892**
Impairment losses	-50	-2 667
Total (net)	**1 184 103**	**7 787 225**

In 2008, the Bank reclassified a part of the debt securities from the available-for-sale financial assets to the loans and other receivables category. The said securities included – but were not limited to – NBP bonds that after reclassification are presented herein. in connection with the actions aimed at the increase of the banks' liquidity, the National Bank of Poland took a decision on NBP bonds redemption before their maturity date. The redemption was on 22 January 2009. Specific disclosures on reclassification in 2008 are presented in the note no. 17.

Reverse purchase transactions are shown under the item "reverse repo transactions". The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront. Reverse repo transactions are meant as a liquidity management tool for short-term investment of surplus funds.

The following assets were bought under reverse repo transactions concluded with banks

end of 2008

	Repurchase date	Nominal value	Carrying amount
Assets from available-for sale portfolio	2009-01-12	792 210	796 138
Total		**792 210**	**796 138**

Loans and receivables to other banks by maturity

	end of 2009	end of 2008
up to 1 month	501 297	5 975 339
over 1 month and up to 3 months	204 135	535 270
over 3 months and up to 1 year	76 306	150 000
over 1 year and up to 5 years	402 415	1 129 283
Total	**1 184 153**	**7 789 892**

16. Financial assets measured at fair value through profit and loss

	end of 2009	end of 2008
Financial assets held for trading	7 533 634	6 116 918
Financial assets designated as at fair value upon initial recognition	734 027	4 431 901
Total	**8 267 661**	**10 548 819**

Financial assets held for trading

	end of 2009	end of 2008
Debt instruments, of which:	**7 531 497**	**6 115 950**
- Bonds and bills issued by:	7 531 497	6 115 950
- State Treasury	*4 533 828*	*6 114 950*
- NBP	*2 997 669*	*1 000*
Total debt instruments, of which:	7 531 497	6 115 950
- listed instruments	*4 069 977*	*4 990 831*
- unlisted instruments	*3 461 520*	*1 125 119*
Equity instruments, of which:	**2 137**	**968**
- listed instruments	2 137	968
- unlisted instruments	0	0
Total	**7 533 634**	**6 116 918**

Financial assets designated as at fair value upon initial recognition

	end of 2009	end of 2008
Deposits	**0**	**2 246 725**
Debt instruments, of which:	**186 468**	**1 822 654**
- Bonds and bills issued by:	186 468	1 822 654
- State Treasury	*0*	*1 630 504*
- Non financial sector	*186 468*	*192 150*
Total debt instruments, of which:	**186 468**	**1 822 654**
- listed instruments	*0*	*1 695 294*
- unlisted instruments	*186 468*	*127 360*
Transactions with the buy-back commitment	**547 559**	**362 522**
Total	**734 027**	**4 431 901**

The Group designated the following components of financial assets and liabilities for fair value measurement through profit and loss: debt securities in the form of bonds issued by a non-financial (in 2008 also bonds issued by State Treasury), all buy-sell-back and sell-buy-back transactions, as well as selected interbanking deposits.

By eliminating accounting mismatch, designation of the above mentioned bonds for fair value measurement through profit and loss allows the bank to obtain more useful information. The "mismatch" would involve inconsistencies in the recognition of the effects of measurement of an investment item in the form of above bonds and IRS transactions, which is measured as fair value through the financial result, and securing the interest rate risk from the transaction.

A group of sell-buy-back and buy-sell-back transactions was designated for fair value measurement through profit and loss due to their classification to the portfolio managed by the Financial Markets Operations and Strategic Clients Department. According to the principles of risk management and the investment strategy in force at the Group, financial assets and liabilities within this portfolio are measured and managed on the basis of fair value.

For the transactions with the buy-back commitment, all benefits and risks related to assets and the option of their sale remain with the Group.

By designating interbanking deposits for measurement at fair value through profit and loss, the Group intends to eliminate, or at least reduce considerably, the accounting mismatch resulting from different measurement of interbanking deposits and financial instruments with which the relation is identified, notably derivative transactions such as FX SWAP, FX Forward, IRS and OIS.

Financial assets at fair value through profit or loss by maturity

	end of 2009	end of 2008
up to 1 month	3 501 948	2 610 286
over 1 month and up to 3 months	232 450	2 158
over 3 months and up to 1 year	424 358	1 781 971
over 1 year and up to 5 years	3 867 643	4 333 264
over 5 years	241 262	1 821 140
Total	**8 267 661**	**10 548 819**

Movements in financial assets at fair value through profit or loss

	2009	2008
Opening balance	**10 548 819**	**6 256 537**
Increases	**556 499 480**	**364 659 762**
- purchase of debt securities	*554 860 117*	*360 675 061*
- purchase shares in other parties	*1 099 370*	*1 161 831*
- increase in the value of securities	*539 993*	*576 145*
- designation of interbank deposits to valuation through profit and loss	*0*	*2 246 725*
Decreases	**558 780 638**	**360 367 480**
- sales of debt securities	*362 199 502*	*331 494 315*
- redemption of debt securities	*193 830 639*	*27 207 064*
- sales of shares in other parties	*2 101*	*1 200 031*
- drop in the value of securities	*501 671*	*466 070*
- decrease upon the expiry of the maturity date of investments designated for measurement at fair value through profit or loss	*2 246 725*	*0*
Closing balance	**8 267 661**	**10 548 819**

Interest revenue from debt instruments is recognised under interest result. Income from equity instruments is recognised under dividend income. Gains and losses on transactions related to derivative financial instruments and due to movements in fair value of other instruments held for trading are recognised under 'Net income on instruments measured at fair value through profit and loss and FX result'.

17. Investments

	end of 2009	end of 2008
Available-for-sale financial assets, including:	6 835 875	10 739 090
- fair value hedge - hedged items	*3 137 714*	*3 235 793*
Held-to-maturity financial assets	7 330 406	7 311 832
Total	**14 166 281**	**18 050 922**

Available-for-sale financial assets

	end of 2009	end of 2008
Debt securities, of which:	**6 783 023**	**10 730 536**
- Fixed rate debt instruments, of which:	6 108 446	10 057 405
- Treasury bonds	*5 909 881*	*9 811 957*
- Treasury bills	*107*	*245 448*
- Other	*198 458*	*0*
- Floating rate debt instruments, of which:	674 577	673 131
- Treasury bonds	*674 577*	*673 131*
Total debt instruments, of which:	6 783 023	10 730 536
- listed instruments	*6 782 916*	*10 485 088*
- unlisted instruments	*107*	*245 448*
Equity instruments	**52 852**	**8 554**
- Equity instruments at cost	50 629	9 195
- Market value evaluation	4 763	1 902
- Impairment	-2 540	-2 543
Equity instruments – carrying value, of which:	52 852	8 554
- listed instruments	*880*	*1 607*
- unlisted instruments	*51 972*	*6 947*
Total	**6 835 875**	**10 739 090**

The item "Equity Instruments" include stocks and shares of number of entities not quoted on stock exchange which are not presented as fair value. Group hold stocks in one entity which is not quoted on stock exchange but its valuation is based on peer stock in regulated market.

The Group acquired shares of one company by way of debt restructuring. Those shares are not listed on the stock exchange.

Due to the operations of its units, the Group holds certain shares and participations such as the shares of the Warsaw Stock Exchange, the Polish Clearing Chamber, SWIFT and the Polish Credit Information Bureau, among others. Other shares are classified by the Group for disposal (by sale or liquidation).

Fair value hedge - hedged items

	end of 2009	end of 2008
Fixed rate debt instruments, of which:	**3 137 714**	**3 235 793**
- Bonds issued by:	3 137 714	3 235 793
- State treasury	*3 137 714*	*3 235 793*
Total	**3 137 714**	**3 235 793**

Specific information on the hedge accounting applied in the Bank is presented later in the report in the note no. 43 ”Hedge accounting”.

Held-to-maturity financial assets

	end of 2009	end of 2008
Fixed rate debt instruments, of which:	**7 330 406**	**7 311 832**
- Bonds issued by:	7 330 406	7 311 832
- State treasury	*7 330 406*	*7 311 832*
Total	**7 330 406**	**7 311 832**

Investments by maturity

	end of 2009	end of 2008
up to 1 month	0	0
over 1 month and up to 3 months	1 321 527	19 810
over 3 months and up to 1 year	890 657	892 464
over 1 year and up to 5 years	8 756 277	13 725 453
over 5 years	3 197 820	3 413 195
Total	**14 166 281**	**18 050 922**

Movements in investments

	2009	2008
Opening balance	**18 050 922**	**9 388 273**
Increases	**1 382 324**	**21 137 721**
- purchase of debt securities	*324 461*	*19 778 964*
- increase in the value of securities	*1 010 760*	*1 358 295*
- purchase of shares in result of restructuring receivables	*44 515*	*0*
- purchase of shares	*2 588*	*462*
Decreases	**5 266 965**	**12 475 072**
- sales of debt securities	*3 921 352*	*8 657 366*
- redemption of debt securities	*403 320*	*491 869*
- drop in the value of securities	*936 917*	*820 516*
- sales of shares	*5 376*	*3 883*
- reclassification to loans and receivables portfolio	*0*	*2 501 438*
Closing balance	**14 166 281**	**18 050 922**

In 2009, the Group sold shares worth PLN 3,952,000 at the purchase price. That amount comprised the value of shareholding in the following entities:

- Master Card Inc.
- Centrozap S.A.

Group generated profit on the sale of the above shares totalling PLN 4,158,000.

In 2008, the Group sold shares of three companies whose value according to the purchasing price totalled PLN 3,882,000. The result on the sales of those shares was positive and totalled PLN 27,974,000.

Reclassification of the debt securities

In 2008, the Group reclassified a part of the debt securities from the available-for-sale financial assets to the loans and other receivables category.

The reason for reclassification was the lack or inactiveness of the market, which in the opinion of the Group makes the above securities classify as matching the definition of loans and receivables according to IAS, namely they “are financial assets other than derivatives, with the determined or possible to determine payments, and which are not quoted on active market”, and the Group’s intention pertaining thereto, i.e. Group’s intention and possibility to hold them in a foreseeable future, did not change.

The reclassification resulted in the change of the principles of the debt securities measurement, that is from the securities measured at their fair value to the ones measured at amortised cost. Fair value of debt securities as of reclassification date constituted their new amortised cost.

Debt securities reclassified from available-for-sale category to loans and receivables

Name of security	Date of reclassification	Fair value as of the date of reclassification	Carrying amount		Fair value	
			end of 2009	end of 2008	end of 2009	end of 2008
T-eurobonds	01.10.2008	1 242 866	1 648 457	1 654 003	1 722 865	1 620 049
NBP bonds	19.12.2008	518 870	0	518 910	0	518 910
Corporate bonds	19.12.2008	294 163	165 909	294 184	166 510	294 184
Municipal bonds	19.12.2008	34 402	34 428	34 404	34 811	34 404
Total		**2 090 301**	**1 848 794**	**2 501 501**	**1 924 186**	**2 467 547**

Upon reclassification, the above named securities are presented in the financial statements under the item "Loans and other receivables from customers", except for the NBP bonds which are presented under the item "Loans and other receivables from banks".

T-bonds denominated in EUR (T-eurobonds) classified as of their purchase date to the available-for-sale financial assets were the base instruments secured in the fair value hedge accounting against the interest rate risk. As of reclassification date, the original strategy of hedging the securities from the available-for-sale portfolio was closed. Due to the fact that the intention of the Group was to sustain the hedging connection, as of the reclassification date a new hedging strategy was started, i.e. the strategy which hedged the fair value against the interest rate risk related to the securities classified to loans and other receivables category.

Fair value of gain or loss, which would be presented in revaluation reserve once reclassification is performed.

Name of security	Fair value recognised in equity	
	end of 2009	end of 2008
T-eurobonds	74 408	-33 954
NBP bonds	0	0
Corporate bonds	601	0
Municipal bonds	383	0
Total	**75 392**	**-33 954**

Had the above securities not been re-classified to the category of loans and other receivables but left in the category of available-for-sale financial assets, the amounts of measurement at fair value would have been recognised in full in the revaluation reserve. The above figures have been estimated without including the impact that the further application of the fair value hedge accounting would have on the income statement or the capitals because in the opinion of the Group such calculations would be prone to error and would rely on hypothetical assumptions that would be difficult to verify.

Costs and revenues included in the profit and loss account

2009

Name of security	accrued interests (coupon)	amortised discount/ premium	depreciation of the revaluation reserve	carrying value of hedged instruments in FVH strategy adjustment *)
T-eurobonds	80 166	-3 393	2 440	22 315
NBP bonds	1 637	0	0	0
Corporate bonds	13 818	5 780	998	0
Municipal bonds	1 947	69	-69	0
Total	**97 568**	**2 456**	**3 369**	**22 315**

2008

Name of security	accrued interests (coupon)	amortised discount/ premium	depreciation of the revaluation reserve	carrying value of hedged instruments in FVH strategy adjustment *)
T-eurobonds	39 807	771	0	13 652
NBP bonds	24 182	0	0	0
Corporate bonds	2 547	166	0	0
Municipal bonds	147	0	0	0
Total	**66 683**	**937**	**0**	**13 652**

**) measurement due to the hedged interest rate risk*

18. Financial assets pledged as collateral for liabilities

The portfolio of financial assets held for trading comprises T-bonds securing the liabilities due to the securities sold with the buy-back commitment. The nominal value of bonds is given in the table below. The adjustment following the transaction measurement at fair value was:

- as at 31 Dec 2009: PLN – 1,246,000;

- as at 31 Dec 2008: PLN 8,802,000;

The liabilities secured with the above assets amounted to:

- as at 31 Dec 2009: PLN 544,375,000;

- as at 31 Dec 2008: PLN 644,102,000.

Nominal value of assets that are collateral for liabilities

	end of 2009	**end of 2008**
The portfolio of financial assets held for trading:		
- treasury bonds collateralising the liabilities due to securities sold with a promise of repurchase	546 060	661 534
- treasury bonds constituting a collateral for the lombard loan	0	1 750 000
The portfolio of financial assets available-for-sale:		
- treasury bills constituting a collateral to Bank Guarantee Fund	0	133 200
The portfolio of financial assets held-to-maturity:		
- treasury bonds constituting a collateral to Bank Guarantee Fund	250 000	0

Securities are pledged on the terms provided for by:

- the Banking Guarantee Fund Act (Journal of Laws 183 of 2005, item 1538),
- the Lombard Loan and Securing Pledge Agreement with the National Bank of Poland dated 30 December 2003,
- the Bylaw for Bank Refinancing with the Lombard Loan by the National Bank of Poland, being enclosure to Resolution No. 42/2003 by the Management Board of the National Bank of Poland dated 3 October 2003,
- the basis of the transaction.

19. Derivative hedge instruments

Hedging instruments in hedge accounting

Positive valuation

	end of 2009	end of 2008
Balance sheet valuation of instruments hedging the cash flows	90 444	197 003
- Interest Rate Swap	*90 444*	*197 003*
Total	**90 444**	**197 003**

Negative valuation

	end of 2009	end of 2008
Balance sheet valuation of instruments hedging the fair value of securities	482 563	420 047
- Interest Rate Swap	*482 563*	*420 047*
Total	**482 563**	**420 047**

Positive amounts from this table are presented under “Derivative hedge instruments” in the assets whereas amounts with “-“ refer to negative valuation and are presented under “Derivative hedge instruments” in liabilities of the statement of financial position.

20. Loans and receivables to customers

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

	end of 2009	end of 2008
Loans and advances	2 545 597	2 925 110
- in the current account	*381 053*	*382 674*
- term ones	*2 164 544*	*2 542 436*
Reverse repo transactions	626 732	158 159
Other receivables	151 459	98 173
Total (gross)	**3 323 788**	**3 181 442**
Impairment losses, of which	-1 863	-2 045
- concerning loans and advances	*-1 863*	*-2 045*
- concerning other receivables	*0*	*0*
Total (net)	**3 321 925**	**3 179 397**

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

	end of 2009	end of 2008
Loans and advances granted to business entities	12 042 288	12 312 034
- in the current account	*3 504 520*	*3 931 464*
- term ones	*8 537 768*	*8 380 570*
Loans and advances granted to households	9 822 755	7 446 511
- in the current account	*1 226 942*	*1 091 580*
- term ones	*8 595 813*	*6 354 931*
Debt securities, of which:	306 471	559 378
- reclassified from available-for-sale portfolio in 2008	*165 909*	*294 184*
Other receivables	72 738	36 739
Total (gross)	**22 244 252**	**20 354 662**
Impairment losses, of which	-874 057	-482 274
- concerning loans and advances	*-865 491*	*-473 561*
- concerning other receivables	*-8 566*	*-8 713*
Total (net)	**21 370 195**	**19 872 388**

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

	end of 2009	end of 2008
Loans and advances	2 305 234	973 899
- in the current account	*7 450*	*11 854*
- term ones	*2 297 784*	*962 045*
Debt securities, of which:	3 600 794	1 735 062
- reclassified from available-for-sale portfolio in 2008	*1 682 885*	*1 688 407*
Other receivables	0	32
Total (gross)	**5 906 028**	**2 708 993**
Impairment losses, of which	-5 354	-17 939
- concerning loans and advances	*-5 354*	*-17 939*
- concerning other receivables	*0*	*0*
Total (net)	**5 900 674**	**2 691 054**

Loans and other receivables to customers - TOTAL

	end of 2009	end of 2008
Loans and advances	26 715 874	23 657 554
Debt securities, of which:	3 907 265	2 294 440
- reclassified from available-for-sale portfolio in 2008	*1 848 794*	*1 982 591*
Reverse repo transactions	626 732	158 159
Other receivables	224 197	134 944
Total (gross)	**31 474 068**	**26 245 097**
Impairment losses, of which	-881 274	-502 258
- concerning loans and advances	*-872 708*	*-493 545*
- concerning other receivables	*-8 566*	*-8 713*
Total (net)	**30 592 794**	**25 742 839**

In 2008, the Group reclassified a part of the debt securities from the available-for-sale financial assets to the loans and other receivables category. The said securities included, but were not limited to, T-bonds (euro-bonds), commercial papers, and municipal bonds that after reclassification are presented herein. T-bonds are hedged against IR risk in the fair value hedge accounting. Specific disclosures on reclassification are presented in the note no. 17.

Reverse purchase transactions are shown under the item “reverse repo transactions”. The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront. Reverse repo transactions are meant as a liquidity management tool for short-term investment of surplus funds.

The following assets were bought under reverse repo transactions concluded with customers:

end of 2009

	Repurchase date	Nominal value	Carrying amount
Assets from available-for-sale portfolio	2010-01-05	630 675	626 732
Total		**630 675**	**626 732**

end of 2008

	Repurchase date	Nominal value	Carrying amount
Assets from available-for-sale portfolio	2009-01-06	160 316	158 159
Total		**160 316**	**158 159**

Fair value hedge - hedged items

Below table presents value of securities hedged within FVH accounting as per 31 Dec 2009 and 31 Dec 2008.

	end of 2009	end of 2008
Fixed rate debt instruments, of which:	**3 261 868**	**1 654 003**
- Bonds issued by:	3 261 868	1 654 003
- State treasury	*3 261 868*	*1 654 003*
Total	**3 261 868**	**1 654 003**

T-bonds denominated in EUR (euro-bonds) classified as of their purchase date to the available-for-sale financial assets were the base instruments secured in the fair value hedge accounting against the interest rate risk. As of reclassification date, the original strategy of hedging the securities from the available-for-sale portfolio was closed. Due to the fact that the intention of the Group was to sustain the hedging connection, as of the reclassification date a new hedging strategy was started, i.e. the strategy which hedged the fair value against the interest rate risk related to the securities classified to loans and other receivables category.

In 2009, the Group sold eurobonds, which were classified as at 31 Dec 2008 to the financial assets portfolio designated for measurement at fair value at inception (FVO). The sale transaction was carried out with an independent counterparty at arm's length value. The face value of sold eurobonds was EUR 417 millions. Then, the Group repurchased the eurobonds at arm's length value from an independent counterparty. As a result of the eurobonds' sales and buyback transactions, the Group realised negative valuation in the amount of PLN 20.3 million. After repurchase the instruments were classified under loans and receivables portfolio. Simultaneously a hedge relationship was established for them using IRS instruments held by the Group as part of the fair value hedge strategy.

The above eurobonds are presented in this note, item "Debt securities" (as Loans and other receivables from entities of the government and local government institutions sector).

Detailed information on the hedge accounting applied in the Group is presented in the subsequent part of the report in Note no. 43 "Hedge accounting."

Loans and receivables to customers by maturity

	end of 2009	end of 2008
up to 1 month	8 677 301	8 864 988
over 1 month and up to 3 months	1 617 763	1 725 986
over 3 months and up to 1 year	3 435 233	2 789 392
over 1 year and up to 5 years	6 964 591	5 730 145
over 5 years	9 608 925	6 275 259
overdue	1 170 255	859 327
Total	**31 474 068**	**26 245 097**

In line with the credit policy, the Group accepts collateral to secure repayment of the loans extended in the form of blocked borrower's account funds and the borrower's assets. More information about collaterals is presented in the chapter "Risk Management in Capital Group of ING Bank Śląski S.A.", item "Repayment Security and Other Forms of Credit Risk Mitigation".

Receivables due to financial leases

The Group discloses no such receivables.

21. Quality of portfolio of loans and receivables

Loans and receivables portfolio

end of 2009

	gross value	**impairment losses**	**net value**
Loans and receivables to other banks	1 184 153	-50	1 184 103
Loans and receivables to customers, of which:	31 474 068	-881 274	30 592 794
- to entities from the financial sector other than banks	*3 323 788*	*-1 863*	*3 321 925*
- to entities from the non-financial sector	*22 244 252*	*-874 057*	*21 370 195*
- to entities from the government and self-government institutions' sector	*5 906 028*	*-5 354*	*5 900 674*
Total	**32 658 221**	**-881 324**	**31 776 897**

end of 2008

	gross value	**impairment losses**	**net value**
Loans and receivables to other banks	7 789 892	-2 667	7 787 225
Loans and receivables to customers, of which:	26 245 097	-502 258	25 742 839
- to entities from the financial sector other than banks	*3 181 442*	*-2 045*	*3 179 397*
- to entities from the non-financial sector	*20 354 662*	*-482 274*	*19 872 388*
- to entities from the government and self-government institutions' sector	*2 708 993*	*-17 939*	*2 691 054*
Total	**34 034 989**	**-504 925**	**33 530 064**

Loans and receivables portfolio classified according to impaired / unimpaired

	end of 2009	**end of 2008**
Loans and receivables (gross), of which:	32 658 221	34 034 989
- impaired	1 164 582	502 367
- unimpaired	31 493 639	33 532 622
Impairment losses, of which:	-881 324	-504 925
- related to impaired portfolio	-728 141	-386 226
- related to unimpaired portfolio	-153 183	-118 699
Loans and receivables (net)	**31 776 897**	**33 530 064**

Loans and receivables portfolio classified according to impairment estimation methods

	end of 2009	end of 2008
Loans and receivables (gross), of which:	32 658 221	34 034 989
- measured individually	905 573	281 152
- measured as the portfolio	31 752 648	33 753 837
Impairment losses, of which:	-881 324	-504 925
- related to impaired portfolio	-530 070	-225 214
- related to unimpaired portfolio	-351 254	-279 711
Loans and receivables (net)	**31 776 897**	**33 530 064**

Movements in impairment losses

	2009	2008
Opening balance	**504 925**	**562 128**
Movements in impairment losses:	**376 399**	**-57 203**
- Recognised during the period	*597 286*	*556 644*
- Reversed during the period	*-303 881*	*-477 703*
- Utilised writte-offs	*-207 693*	*-233 339*
- Amounts recovered from loans previously written off	*51 184*	*84 869*
- FX differences	*-1 244*	*382*
- Unwinding interest	*-4 278*	*12 747*
- Amount of previous FV adjustment for restructuring unmatured FM assets	*246 698*	*0*
- Other	*-1 673*	*-803*
Closing balance	**881 324**	**504 925**

The utilised write-offs comprise redemptions of receivables from the balance sheet.

Increase in provisions results among others from impairments on derivatives (mostly FX options). Total amount of above provisions is 115.2 milion PLN in 2009 against 71.4 milion PLN in 2008.

In 2009, the Group parent company concluded a sales agreement regarding a portfolio of identified problem loans with the company called Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A. The total amount of debt claims (on and off the balance sheet) sold as part of the above agreement totalled PLN 216.6 million (the principal, matured interest and related accounts receivable). As a result of the said agreement, Bank released provisions worth PLN 15.5 million.

In 2008, the Group parent company concluded the agreements regarding sales of non-performing debt claims to Bison Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty and Bison II Sp. z o.o. The total amount of debt claims (on and off the balance sheet) sold as part of the above agreement totalled PLN 1,005.8 million (the principal balance and matured interest). As a result of the above mentioned agreements, Bank released provisions worth PLN 43.0 million.

Loans and advances by client segment

	end of 2009	end of 2008
Loan and advences (gross), of which:	**26 943 983**	**24 116 668**
- Loans and advances to retail customers, of which:	9 756 740	7 300 924
- mortgage loans and advances	*6 059 933*	*4 278 729*
- loans to Small Business	*1 548 868*	*1 169 828*
- oother loans and advances	*2 147 939*	*1 852 367*
- Loans and advances to corporate customers	9 634 372	6 220 238
- mortgage loans and advances	*491 016*	*386 361*
- other loans and advances	*9 143 356*	*5 833 877*
- Loans and advances to strategic customers	7 552 871	10 595 506
Impairment losses, of which:	**872 758**	**496 212**
- concerning loans and advances to retail customers	224 089	164 115
- concerning loans and advances to corporate customers	566 569	314 219
- concerning loans and advances to strategic customers	82 100	17 878
Loans and advences (net), of which:	**26 071 225**	**23 620 456**
- Loans and advances to retail customers	9 532 651	7 136 809
- Loans and advances to corporate customers	9 067 803	5 906 019
- Loans and advances to strategic customers	7 470 771	10 577 628

22. Investments in controlled entities recognised under the equity method

The Group has shares in the associated entity named ING Powszechne Towarzystwo Emerytalne S.A.

General financial information on an associated entity

Name of the entity	ING Powszechne Towarzystwo Emerytalne S.A.
Domestic	Poland
Type of activities	establishment and management of the open pension fund

	end of 2009	**end of 2008**
Share in the equity	20%	20%
Assets	636 049	598 195
Liabilities	56 180	59 000
Net assets	579 869	539 195
Revenues	472 015	471 978
Net profit (loss)	257 525	237 733

Carrying value of the share in associated entity

	2009	**2008**
Opening balance	107 261	97 326
Profit share	52 082	48 232
Dividend paid	-43 743	-38 297
Closing balance	**115 600**	**107 261**

In the standalone financial statements, the Group parent company discloses shares in the following subsidiaries and associated entities:

Name of security	**Type of capital relation**	**Bank's percentage share in the business's equity**	**Carrying value of shares (at cost)**	
			end of 2009	**end of 2008**
ING Securities S.A.	subsidiary	100.00%	30 228	30 228
ING Bank Hipoteczny S.A.	subsidiary	100.00%	213 450	113 450
ING BSK Development Sp. z o.o.	subsidiary	100.00%	-	50
Solver Sp. z o.o.	subsidiary	82.30%	7 870	7 870
Centrum Banku Śląskiego Sp. z o.o. [*)]	subsidiary	100.00%	21 616	18 971
ING Powszechne Towarzystwo Emerytalne S.A.	associated company	20.00%	40 000	40 000
Total			**313 164**	**210 569**

*) As at the end of 2008, ING Bank Śląski S.A. had a direct share totalling 40% in the initial capital of the company called Centrum Banku Śląskiego Sp. z o.o., as well as an indirect share of 60% via the company ING BSK Development Sp. z o.o. The company called ING BSK Development Sp. z o.o. was liquidated in 2009 (the information concerning the company's liquidation is given below), and the post-liquidation property of the company (including its shares) was transferred to the Bank's books. Following that operation, as at the end of 2009, 100% of the initial capital of Centrum Banku Śląskiego Sp. z o.o. was under direct control of ING Bank Slaski S.A.

Liquidation of ING BSK Development Sp. z o.o.

On 23 December 2008, the Extraordinary Partners Meeting of ING BSK Development Sp. z o.o. passed a resolution on dissolution of the Company and putting it under liquidation as of 1 January 2009. On 16 March 2009, an announcement on the opening of the company's liquidation proceedings was published in Monitor Sądowy i Gospodarczy. On 5 October 2009, the Extraordinary Partners Meeting approved the report on the company's liquidation made as at 30 September 2009. The request to the Court for de-registration of the company from the National Court Register was filed on 12 October 2009. On 23 October 2009, the Court decided to de-register the company from the National Court Register.

Increasing the Bank's share in the initial capital of ING Bank Hipoteczny S.A.

In 2009, ING Bank Śląski S.A. took up by way of closed subscription 500 D-series shares and 1,500 E-series shares of ING Bank Hipoteczny S.A. Face value of shares was PLN 50,000 each. The shares were paid up in full from the own funds of ING Bank Śląski S.A. As a result of the above operations, the value of ING Bank Śląski share in the initial capital of ING Bank Hipoteczny was increased by PLN 100 million, and totalled PLN 213 million as at 31 Dec 2009.

23. Investment real estates

	2009	2008
Value at the beginning of period	151 458	144 713
Additions	0	1 111
Revaluation at the fair value	-21 791	5 634
Value at the end of period	**129 667**	**151 458**

The Group is the owner of the one investment property located in Katowice. The Group earns income therefrom in the form of rent instalments. Under the accounting principles adopted by the Group, the property is measured at fair value. The fair value was determined by an independent appraiser. The appraisal was made based on the discounted cash flows over the term of 10 years. Generally adopted market parameters were applied for the appraisal while considering the building occupancy level.

The investment property is measured in EUR (as at 31 Dec 2009, the estate value was EUR 31,313,000 versus EUR 36,300,000 as at 31 Dec 2008).

	2009	2008
Income rental from the investment property	17 853	12 966
Maintance expenses relating to the investment property	-8 500	-4 896

There are no legal constraints on the investment property, or contractual obligations related to purchase thereof.

24. Property, plant and equipment

	end of 2009	end of 2008
Real estate and leasehold improvements	371 558	390 086
Computer hardware	43 162	40 978
Vehicles	199	316
Other fixtures and fittings	95 640	89 649
Constructions in progress	38 288	23 134
Total	**548 847**	**544 163**

2009

	Real estate and leasehold improvements	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	**TOTAL**
Gross value at the beginning of period	720 057	197 326	1 323	372 971	23 134	**1 314 811**
Additions, due to:	14 042	25 098	17	32 759	56 675	**128 591**
- purchases	*3 150*	*21 442*	*0*	*4 488*	*56 675*	***85 755***
- investment take-overs	*10 892*	*3 213*	*0*	*26 494*	*0*	***40 599***
- other	*0*	*443*	*17*	*1 777*	*0*	***2 237***
Disposals, due to:	-3 552	-28 991	-461	-8 793	-41 552	**-83 349**
- sale and liquidation	*-3 552*	*-28 993*	*-461*	*-8 793*	*-538*	***-42 337***
- investment take-overs	*0*	*0*	*0*	*0*	*-40 599*	***-40 599***
- other	*0*	*2*	*0*	*0*	*-415*	***-413***
Revaluation at the fair value	-2 161	-1 677	95	0	0	**-3 743**
Transfers	84	-7	0	-1 493	31	**-1 385**
Gross value at the end of period	**728 470**	**191 749**	**974**	**395 444**	**38 288**	**1 354 925**
Accumulated depreciation at the begining of the period	-329 971	-156 348	-1 007	-283 322	0	**-770 648**
Amortisation for the period (due to),	-26 941	7 761	232	-16 482	0	**-35 430**
- amortisation charges	*-30 101*	*-20 371*	*-87*	*-23 513*	*0*	***-74 072***
- sale and liquidation	*3 118*	*28 137*	*319*	*8 564*	*0*	***40 138***
- transfers	*0*	*0*	*0*	*3*	*0*	***3***
- other	*42*	*-5*	*0*	*-1 536*	*0*	***-1 499***
Accumulated depreciation at the end of the period	**-356 912**	**-148 587**	**-775**	**-299 804**	**0**	**-806 078**
Net value at the end of period	**371 558**	**43 162**	**199**	**95 640**	**38 288**	**548 847**

2008

	Real estate and leasehold improvements	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	**TOTAL**
Gross value at the beginning of period	700 708	225 864	1 992	351 923	14 186	**1 294 673**
Additions, due to:	25 847	21 147	193	41 857	66 513	**155 557**
- purchases	*2 498*	*18 371*	*193*	*10 086*	*66 513*	***97 661***
- investment take-overs	*23 280*	*2 756*	*0*	*31 771*	*0*	***57 807***
- other	*69*	*20*	*0*	*0*	*0*	***89***
Disposals, due to:	-3 716	-49 567	-862	-18 163	-58 106	**-130 414**
- sale and liquidation	*-2 795*	*-49 410*	*-833*	*-18 120*	*-67*	***-71 225***
- investment take-overs	*0*	*0*	*0*	*0*	*-57 936*	***-57 936***
- other, of which:	*-921*	*-157*	*-29*	*-43*	*-103*	***-1 253***
- grants	*0*	*-157*	*0*	*0*	*0*	***-157***
- reclassified to real estate held for sale	*-854*	*0*	*0*	*0*	*0*	***-854***
Revaluation at the fair value	-5 025	0	0	0	0	**-5 025**
Transfers	2 243	-118	0	-2 646	541	**20**
Gross value at the end of period	**720 057**	**197 326**	**1 323**	**372 971**	**23 134**	**1 314 811**
Accumulated depreciation at the begining of the period	-296 485	-182 591	-1 657	-281 002	0	**-761 735**
Amortisation for the period (due to)	-33 486	26 243	650	-2 320	0	**-8 913**
- amortisation charges	*-34 252*	*-23 402*	*-116*	*-22 194*	*0*	***-79 964***
- sale and liquidation	*2 393*	*49 488*	*741*	*17 894*	*0*	***70 516***
- transfers	*-1 704*	*0*	*-4*	*1 701*	*0*	***-7***
- other, of which:	*77*	*157*	*29*	*279*	*0*	***542***
- grants	*0*	*157*	*0*	*0*	*0*	***157***
- reclassified to real estate held for sale	*71*	*0*	*0*	*0*	*0*	***71***
Accumulated depreciation at the end of the period	**-329 971**	**-156 348**	**-1 007**	**-283 322**	**0**	**-770 648**
Net value at the end of period	**390 086**	**40 978**	**316**	**89 649**	**23 134**	**544 163**

The item "Real estate and leasehold improvements" comprises, among others, land whose value considering the fair value measurement as at 31 Dec 2009 was PLN 6,150,000 (as at 31 Dec 2008, it was PLN 4,041,000).

As at 31 Dec 2009, PLN 51,115,000, which amount (including deferred tax) refers to the real properties assessed at fair value, is recognised in the revaluation reserve. As at 31 Dec 2008 the same item amounted to PLN 52,864,000.

The real properties were assessed in December 2006 by an independent appraiser. The assessment was carried out in line with the binding principles of the real property appraisal depending on the character of the building (for administrative buildings – reconstruction method was applied, and for operational buildings – income method). The real properties - assessed at their historical cost taking into account the impairment and depreciation charges - would be worth PLN 328,085,000. In the year 2007, one of the Group's leisure centres was subject to appraisal. In the year 2008, the remaining leisure centres owned by the Group were appraised as well as the building of the Head Office of ING Bank Śląski S.A. in Katowice. As at 31 Dec 2008, the value of that real property stood at PLN 141,451,000. The change in value of the said real property 2008 charged the revaluation capital by 8,238,000 (PLN 6,673,000 upon consideration of deferred tax)

The following appraisals were carried out in 2009:

– Head Office of ING Bank Śląski S.A. in Katowice – the value of the building was PLN 139,104,000 as of 31 Dec 2009, the change in the value of this property for 2009 increased the revaluation reserve by PLN 1,040,000 (or, PLN 842,000 upon including deferred tax), andone building located in Warsaw – the value of which was PLN 10,240,000 as at 31 Dec 2009, the change in the value of this property was charged to the revaluation reserve with figure of PLN 3,492,000 (or, PLN 2,829,000 upon including deferred tax.)

There are no legal constraints on property, plant and equipment.

In 2009, the Group concluded agreements with counterparties regarding future purchase of non-current assets to the amount of PLN 15,271,000. The agreements are related to the IT area, general construction works, ventilation and A/C works. As in the previous year, the Group also concluded framework agreements concerning general construction works – the value of those agreements will result from the costs estimates calculated in the course of the project.

In 2008, the Group concluded agreements with counterparties regarding future purchase of non-current assets for the amount of PLN 5,237,000. The said agreements pertain to the purchase and modernisation of non-current assets in the branches of ING Bank Śląski, like air-conditioning modernisation, installation of queuing systems, and interior lighting. Furthermore, the Group concluded master agreements on the building and installation works, and on the repairs of the branches. Amounts payable under the said agreements are not set in advance – they will result from the cost estimates calculated during the year separately for each branch.

Net value of property, plant and equipment includes, among other things, the net value of assets accepted under financial lease agreements.

Net value of assets accepted under financial lease agreements

	end of 2009	end of 2008
Real estate	1	3
Other fixtures and fittings	2	3
Total	**3**	**6**

25. Intangible assets

	end of 2009	end of 2008
Goodwill	223 821	223 821
Software	79 490	82 580
Other intangible assets	250	356
Outlays for intangible assets	23 782	9 430
Total	**327 343**	**316 187**

2009

	Goodwill	Software	Other intangible assets	Outlays for intangible assets	**TOTAL**
Gross value at the beginning of period	223 821	284 241	7 882	9 430	**525 374**
Additions, due to:	0	45 346	0	51 490	**96 836**
- purchases	*0*	*8 331*	*0*	*49 789*	***58 120***
- investment take-overs	*0*	*37 015*	*0*	*0*	***37 015***
- other	*0*	*0*	*0*	*1 701*	***1 701***
Disposals, due to:	0	-3 957	0	-37 171	**-41 128**
- sale and liquidation	*0*	*-3 957*	*0*	*0*	***-3 957***
- investment take-overs	*0*	*0*	*0*	*-37 015*	***-37 015***
- other	*0*	*0*	*0*	*-156*	***-156***
Transfers	0	1 295	0	33	**1 328**
Gross value at the end of period	**223 821**	**326 925**	**7 882**	**23 782**	**582 410**
Accumulated depreciation at the begining of the period	0	-201 661	-7 526	0	**-209 187**
Amortisation for the period (due to)	0	-45 774	-106	0	**-45 880**
- amortisation charges	*0*	*-49 731*	*-106*	*0*	***-49 837***
- sale and liquidation	*0*	*3 957*	*0*	*0*	***3 957***
Accumulated depreciation at the end of the period	**0**	**-247 435**	**-7 632**	**0**	**-255 067**
Net value at the end of period	**223 821**	**79 490**	**250**	**23 782**	**327 343**

2008

	Goodwill	Software	Other intangible assets	Outlays for intangible assets	**TOTAL**
Gross value at the beginning of period	223 821	244 571	8 620	20 723	**497 735**
Additions, due to:	0	62 446	0	40 219	**102 665**
- purchases	*0*	*12 547*	*0*	*40 158*	***52 705***
- investment take-overs	*0*	*49 328*	*0*	*0*	***49 328***
- other	*0*	*571*	*0*	*61*	***632***
Disposals, due to:	0	-23 494	297	-51 090	**-74 287**
- sale and liquidation	*0*	*-23 434*	*0*	*0*	***-23 434***
- investment take-overs	*0*	*0*	*297*	*-49 625*	***-49 328***
- other	*0*	*-60*		*-1 465*	***-1 525***
Transfers	0	718	-1 035	-422	**-739**
Gross value at the end of period	**223 821**	**284 241**	**7 882**	**9 430**	**525 374**
Accumulated depreciation at the begining of the period	0	-170 741	-8 169	0	**-178 910**
Amortisation for the period (due to)	0	-30 920	643	0	**-30 277**
- amortisation charges	*0*	*-53 696*	*-137*	*0*	***-53 833***
- sale and liquidation	*0*	*23 433*	*0*	*0*	***23 433***
- transfers	*0*	*-718*	*718*	*0*	***0***
- other	*0*	*61*	*62*	*0*	***123***
Accumulated depreciation at the end of the period	**0**	**-201 661**	**-7 526**	**0**	**-209 187**
Net value at the end of period	**223 821**	**82 580**	**356**	**9 430**	**316 187**

In the year 2009, the Group concluded agreements with the contractors for the future purchase of intangible assets to the amount of:

- PLN 18,345,000
- EUR 50,000

These agreements refer to the purchase of licence and implementation of software.

In 2008, the contract amounts totalled:

- PLN 5,682,000
- EUR 212,000
- USD 1,862,000

Impairment test of cash generating units with respective goodwill

The goodwill impairment test is carried out at least twice yearly, irrespective of detecting any objective evidence of impairment.

In the Group parent company, the impairment test is applied to the goodwill created as the result of the in-kind contribution of ING Bank NV. The smallest identifiable income generating centres were determined and goodwill of total amount of PLN 223,343,000 was assigned thereto. No other additional elements of intangible value and unspecified usage period were identified that could be assigned to the identified income generating centres.

The input data for the test's needs cover the economic capital, risk-weighted assets and profit before tax per segments. The test is performed based on the model that calculates and compares the current value of free cashflow from the centre to the estimated book value of the centre's funds. The free cashflows of the centre are defined as net profits less capital needed to maintain the solvency ratio at the required level. To discount the cashflows, discount rate is used that represents the cost of capital calculated by the Group parent company. The remaining assumptions include: forecasts of income tax rate, nominal growth rate after the forecast period and predicted 3 M WIBOR rate.

The recoverable value was determined based on the estimation of the useable value of the assets component taking into account the estimated forecast of expected future cashflow generated during the continued use. The cashflow forecasts are based on rational assumptions that reflect the most accurate appraisal of the management regarding all the conditions that will appear during the remaining lifetime of the assets. The cashflow forecasts are based on mid-term plan approved by the Group parent company and the strategy covering the maximum period of the next three years. The data regarding the subsequent two years are the result of extrapolation. Extrapolation assumes that the cashflow generating centre will maintain the gross profit to risk weighted assets ratio at the level from the last year of the Bank's forecast and its profits will increase by previously determined growth rate. Legitimacy of the assumptions made is verified periodically, and any divergence between the cashflows estimated based on the future cashflows and the actual ones is analysed as appropriate.

The test carried out as at 31 December 2009 showed the surplus of present value over the net book value of the asset generating cash flow of PLN 2,718 milion and thus no impairment thereof was determined.

For the discount rate lower by 1% the surplus of present value of cashflows over the net book value of the centre generating cashflows would amount to PLN 3,609 milion for the rate higher by 1% the surplus of the present value of cashflows over the net book value of the centre generating cashflows would be PLN 2,118 milion.

26. Property, plant and equipment held for sale

	2009	2008
Value at the beginning of period	248	241
Additions, due to:	0	833
- reclassification from property, plant and equipment	*0*	*783*
- other	*0*	*50*
Disposals, due to:	-24	-826
- sale and liquidation	*-24*	*-826*
Value at the end of period	**224**	**248**

As at 31 Dec 2009 and 31 Dec 2008, the amount of "Property, plant and equipment held for sale" includes mainly real properties and means of transportation taken over under the recovery process. The Group intends to sell them by way of tender procedure.

27. Deferred tax

Movements in temporary differences during the year

2009

Deferred tax assets

	Balance as of 31 Dec 2008	Changes charged to the financial result	Changes charged to equity	Changes charged to retained earnings	**Balance as of 31 Dec 2009**
Interest accrued (expense)	-17 300	-11 705	0	0	**-29 005**
Revaluation of available-for-sale financial assets	-26 175	0	24 429	0	**-1 746**
Revaluation of cash flow hedging instruments	0	0	-227	0	**-227**
Provision for impairment losses	-53 827	-11 042	0	0	**-64 869**
Other provisions	-9 509	-316	0	0	**-9 825**
Employee benefits	-22 892	4 319	0	0	**-18 573**
Retirement and holiday benefits	-3 852	279	0	0	**-3 573**
Accumulated losses settled	-376	-325	0	0	**-701**
Revaluation of own and investment real estate	-4 474	-198	0	0	**-4 672**
Correction due to effective interest rate	-12 337	0	0	0	**-12 337**
Revaluation of share-based payment	0	0	2 503	0	**2 503**
Other	-19 738	-7	0	0	**-19 745**
Total	**-170 480**	**-18 995**	**26 705**	**0**	**-162 770**

Deferred tax provision

	Balance as of 31 Dec 2008	Changes charged to the financial result	Changes charged to equity	Changes charged to retained earnings	**Balance as of 31 Dec 2009**
Interest accrued (income)	69 829	-36 321	0	0	**33 508**
Settlement of the difference between tax and balance sheet depreciation	8 420	1 629	0	0	**10 049**
Settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief enjoyed	10 361	-375	0	0	**9 986**
Revaluation of property, plant and equipment	12 399	0	-410	0	**11 989**
Revaluation of available-for-sale financial assets	1 886	0	-979	0	**907**
Revaluation of cash flow hedging instruments	10 692	0	-10 692	0	**0**
Revaluation of own and investment real estate	1 465	0	0	0	**1 465**
Sale of property, plant and equipment held for sale	102	0	0	2	**104**
Other	6 675	1 640	0	0	**8 315**
Total	**121 829**	**-33 427**	**-12 081**	**2**	**76 323**
Deferred tax disclosed in the balance sheet	**-48 651**	**-52 422**	**14 624**	**2**	**-86 447**

2008

Deferred tax assets

	Balance as of 31 Dec 2007	Changes charged to the financial result	Changes charged to equity	Changes charged to retained earnings	Changes charged to minority equity	**Balance as of 31 Dec 2008**
Interest accrued (expense)	-17 120	-180	0	0	0	**-17 300**
Revaluation of available-for-sale financial assets	-39 932	0	13 757	0	0	**-26 175**
Provision for impairment losses	-60 869	7 042	0	0	0	**-53 827**
Other provisions	-5 838	-3 671	0	0	0	**-9 509**
Employee benefits	-19 509	-3 383	0	0	0	**-22 892**
Retirement and holiday benefits	-3 612	-240	0	0	0	**-3 852**
Accumulated losses settled	847	-1 223	0	0	0	**-376**
Revaluation of own and investment real estate	-6 038	1 564	0	0	0	**-4 474**
Correction due to effective interest rate	-12 337	0	0	0	0	**-12 337**
Other	-19 827	89	0	0	0	**-19 738**
Total	**-184 235**	**-2**	**13 757**	**0**	**0**	**-170 480**

Deferred tax provision

	Balance as of 31 Dec 2007	Changes charged to the financial result	Changes charged to equity	Changes charged to retained earnings	Changes charged to minority equity	**Balance as of 31 Dec 2008**
Interest accrued (income)	90 019	-20 190	0	0	0	**69 829**
Settlement of the difference between tax and balance sheet depreciation	9 964	-1 544	0	0	0	**8 420**
Settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief enjoyed	10 678	-317	0	0	0	**10 361**
Revaluation of property, plant and equipment	13 604	0	-1 205	0	0	**12 399**
Revaluation of available-for-sale financial assets	4 017	0	-2 131	0	0	**1 886**
Revaluation of cash flow hedging instruments	0	0	10 692	0	0	**10 692**
Revaluation of own and investment real estate	1 148	183	0	134	0	**1 465**
Sale of property, plant and equipment held for sale	0	0	0	0	102	**102**
Other	5 513	1 162	0	0	0	**6 675**
Total	**134 943**	**-20 706**	**7 356**	**134**	**102**	**121 829**
Deferred tax disclosed in the balance sheet	**-49 292**	**-20 708**	**21 113**	**134**	**102**	**-48 651**

Recognised deferred tax assets and reserves related to a given reporting period

	end of 2009	end of 2008
Deferred tax assets		
Interest accrued (expense)	-11 705	-180
Provisions for receivables due to loans	-11 042	7 042
Other provisions	-316	-3 671
Employee benefits	4 319	-3 383
Retirement and holiday benefits	279	-240
Accumulated losses settled	-325	-1 223
Revaluation of own and investment real estate	-198	1 564
Other	-7	89
Total	**-18 995**	**-2**
Deferred tax provisions		
Interest accrued (income)	-36 321	-20 190
Settlement of the difference between tax and balance sheet depreciation	1 629	-1 544
Settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief enjoyed	-375	-317
Revaluation of own and investment real estate	0	183
Other	1 640	1 162
Total	**-33 427**	**-20 706**
Deferred tax for the reporting period	**-52 422**	**-20 708**

Unrecognised deferred tax assets

Deferred tax assets, related to the following items, were not recognised:

	end of 2009	end of 2008
Specific provisions whose recoverability will not be proved	845	721
Tax losses	2 568	3 856
Total	**3 413**	**4 577**

Year of expiration of temporary differences:

	difference amount end of 2009	difference amount end of 2008
2009	0	360
2010	423	407
2011	422	3 678
2012	2 568	132
Total	**3 413**	**4 577**

Deferred tax recognised directly in equity

	end of 2009	end of 2008
Revaluation of available-for-sale financial assets	-839	-24 289
Revaluation of property, plant and equipment	11 989	12 399
Revaluation of cash flow hedging instruments	-227	10 692
Revaluation of share-based payment	2 503	0
Total	**13 426**	**-1 198**

Temporary differences concerning the measurement of shares in an affiliated company

The Group parent company did not establish any deferred tax on the measurement of the share in associated company, ING Powszechne Towarzystwo Emerytalne S.A. the total amount of temporary differences relating to investments in the associated company, for which provisions due to deferred tax were not established, as at 31 Dec 2009 was PLN 9,896,000 in comparison with PLN 9,164,000 as at 31 Dec 2008.

28. Other assets

	end of 2009	end of 2008
Prepayments	66 913	52 557
- prepaid bank operating expenses	*2 398*	*4 664*
- prepayments due to insurance with NN	*15*	*15*
- materials and goods in the warehouse	*2 001*	*2 444*
- expenses to be settled	*137*	*910*
- accrued income	*31 421*	*26 225*
- commission-related settlements	*18 611*	*11 297*
- other	*12 330*	*7 002*
Other assets	128 681	152 668
- interbank settlements	*4 129*	*14 439*
- interbranch settlements	*22 180*	*31 947*
- public and legal settlements	*8 484*	*23 254*
- loans from the Company's Social Benefits Fund	*15 106*	*17 451*
- settlements with off-takers	*6 715*	*5 528*
- settlements due to purchase of materials	*5 216*	*1 068*
- receivables from the non-settled FX transactions	*41 559*	*41 559*
- other	*25 292*	*17 422*
Total other assets (gross)	**195 594**	**205 225**
Impairment losses	-45 556	-39 228
Total other assets (net)	**150 038**	**165 997**

As at 31 Dec 2008 in position "public and legal settlements" was presented the amount of receivables resulting from the EU Guarantee Fund in amount 8,122,000. The amount was settled in full in 2009.

As at 31 Dec 2009 and 31 Dec 2008, in position "receivables from the non-settled FX transactions" was presented receivables from Lehman Brothers Inc. and its related entities. A write-down of PLN 33,346,000 was established for these receivables under the "impairment losses" item.

29. Employee benefits

The Group participates in the Long-term Equity Ownership (LEO) incentive programme carried out by ING Group.

To execute the above incentive programme the Group bears the costs of option funding and system administration that in 2009 were PLN 3.6 million as compared to 0.9 million in 2008.

The Group measures the awarded options at their fair value. For 2009, the said measurement was – PLN 3.7 million (as compared to – PLN 3.3 million for 2008) and it was charged to P/L of the Group.

30. Liabilities due to the Central Bank

	end of 2009	end of 2008
Lombard loan	0	1 400 249
Repo transactions	0	4 531 867
Total	**0**	**5 932 116**

Repurchase transactions (repo) are shown under the item "Repo transactions". The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront. Repurchase transactions are generally considered as a tool of short-term funding of interest assets, depending on the interest rates.

The following assets were sold under repo transactions concluded with Central Bank:

end of 2008

	Repurchase date	Nominal value	Carrying amount
Assets from available-for-sale portfolio	2009-02-12	1 772 000	1 691 894
Assets from held-to-maturity portfolio	2009-02-12	1 400 000	1 334 255
Assets from available-for-sale portfolio	2009-03-12	814 000	729 991
Assets from held-to-maturity portfolio	2009-03-12	865 000	775 727
Total		**4 851 000**	**4 531 867**

31. Liabilities due to other banks

	end of 2009	end of 2008
Current accounts	248 720	177 596
Interbank deposits	429 024	3 108 831
Repo transactions	3 241 530	2 760 763
Other liabilities	54 512	13 678
Total	**3 973 786**	**6 060 868**

Repurchase transactions (repo) are shown under the item "Repo transactions". The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront. Repurchase transactions are generally considered as a tool of short-term funding of interest assets, depending on the interest rates.

The following assets were sold under repo transactions concluded with other banks:

end of 2009

	Repurchase date	Nominal value	Carrying amount
Debt securities from loans and other receivables portfolio	2010-01-11	973 643	1 063 699
Debt securities from loans and other receivables portfolio	2010-01-13	410 820	410 730
Debt securities from loans and other receivables portfolio	2010-01-19	1 795 283	1 767 101
Total		**3 179 746**	**3 241 530**

end of 2008

	Repurchase date	Nominal value	Carrying amount
Debt securities from loans and other receivables portfolio	2009-02-12	1 489 547	1 273 375
Debt securities from financial assets measured at fair value through profit and loss portfolio	2009-02-12	1 739 891	1 487 388
Total		**3 229 438**	**2 760 763**

Liabilities due to other banks by maturity

	end of 2009	end of 2008
up to 1 month	3 942 674	2 967 592
over 1 month and up to 3 months	0	2 852 728
over 3 months and up to 1 year	20 795	208 727
over 1 year and up to 5 years	10 317	31 821
Total	**3 973 786**	**6 060 868**

32. Financial liabilities measured at fair value through profit and loss

	end of 2009	end of 2008
Financial liabilities designated as at fair value upon initial recognition	543 129	652 904
Transactions with the buy-back commitment	543 129	652 904
Book short position in trading securities	454 922	172 156
Total	**998 051**	**825 060**

The Group designated the following components of financial assets and liabilities for fair value measurement through profit and loss: debt securities in the form of bonds issued by a non-financial entity and the State Treasury, all buy-sell-back and sell-buy-back transactions, as well as selected interbanking deposits.

A group of sell-buy-back and buy-sell-back transactions was designated for fair value measurement through profit and loss due to their classification to the portfolio managed by the Financial Markets Operations and Strategic Clients Department. According to the principles of risk management and the investment strategy in force at the Group, financial assets and liabilities within this portfolio are measured and managed on the basis of fair value.

The measurement of financial assets and liabilities designated for fair value measurement on the basis of the profit and loss statement, as of the balance sheet date, did not include the value of liabilities to be attributed to the changes of credit risk the source of which is the Group as borrower. In the opinion of the Group, the whole amount of the change of value of financial liabilities results from the changes of market conditions giving rise to market risk.

Financial liabilities measured at fair value through profit and loss by maturity

	end of 2009	end of 2008
up to 1 month	998 051	652 904
over 1 month and up to 3 months	0	0
over 3 months and up to 1 year	0	0
over 1 year and up to 5 years	0	111 587
over 5 years	0	60 569
Total	**998 051**	**825 060**

33. Liabilities due to customers

Liabilities due to entities from the financial sector other than banks

	end of 2009	end of 2008
Deposits	3 306 618	4 267 492
- current accounts	*1 685 817*	*1 268 135*
- term deposit	*1 620 801*	*2 999 357*
Repo transactions	286 511	163 543
Other liabilities	92 921	83 864
Total	**3 686 050**	**4 514 899**

Liabilities due to entities from the non-financial sector

	end of 2009	end of 2008
Business entities' deposits	11 861 687	11 173 552
- current accounts	*7 815 670*	*7 292 099*
- term deposit	*4 046 017*	*3 881 453*
Households' deposits	30 039 683	27 945 689
- current accounts	*4 122 157*	*3 796 117*
- savings accounts	*17 197 453*	*18 835 053*
- term deposit	*8 720 073*	*5 314 519*
Repo transactions	0	18 272
Other liabilities	462 903	492 090
Total	**42 364 273**	**39 629 603**

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

	end of 2009	end of 2008
Deposits	1 508 176	2 886 223
- current accounts	*1 303 955*	*2 400 751*
- term deposit	*204 221*	*485 472*
Repo transactions	25 043	20 209
Other liabilities	1 131	15 984
Total	**1 534 350**	**2 922 416**

Liabilities due to customers – total

	end of 2009	end of 2008
Deposits	46 716 164	46 272 956
Repo transactions	311 554	202 024
Other liabilities	556 955	591 938
Total	**47 584 673**	**47 066 918**

Repurchase transactions (repo) are shown under the item "Repo transactions". The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront. Repurchase transactions are generally considered as a tool of short-term funding of interest assets, depending on the interest rates.

The following assets were sold under repo transactions concluded with customers:

end of 2009

	Repurchase date	Nominal value	Carrying amount
Assets from available-for-sale portfolio	2010-01-04	7 060	7 219
Assets from available-for-sale portfolio	2010-01-05	266 880	270 281
Assets from available-for-sale portfolio	2010-01-08	8 810	9 011
Assets from available-for-sale portfolio	2010-03-16	25 690	25 043
Total		**308 440**	**311 554**

end of 2008

	Repurchase date	Nominal value	Carrying amount
Assets from available-for-sale portfolio	2009-01-06	158 886	168 105
Assets from available-for-sale portfolio	2009-01-07	7 000	6 415
Assets from available-for-sale portfolio	2009-01-22	8 000	7 295
Assets from available-for-sale portfolio	2009-01-30	22 440	20 209
Total		**196 326**	**202 024**

Liabilities due to customers by maturity

	end of 2009	**end of 2008**
up to 1 month	38 202 598	38 803 201
over 1 month and up to 3 months	5 204 590	3 944 514
over 3 months and up to 1 year	3 579 590	3 318 544
over 1 year and up to 5 years	592 895	995 736
over 5 years	5 000	4 923
Total	**47 584 673**	**47 066 918**

34. Provisions

	end of 2009	end of 2008
Provision for issues in dispute	11 690	16 722
Provision for off-balance sheet liabilities	20 061	9 281
Provision for retirement benefits	14 410	12 544
Provision for unused holidays	5 460	7 993
Provision for employment restructuring	3 626	4 039
Total	**55 247**	**50 579**

2009

	Provision for issues in dispute	Provision for off-balance sheet liabilities	Provision for retirement benefits	Provision for unused holidays	Provision for employment restructuring	**TOTAL**
Opening balance	16 722	9 281	12 544	7 993	4 039	**50 579**
- provisions recognised	3 025	11 049	1 911	0	1 900	**17 885**
- provisions applied	-5 110	0	-30	0	-1 583	**-6 723**
- provisions reversed	-2 947	0	-15	-2 533	-730	**-6 225**
- exchange rate changes	0	-269	0	0	0	**-269**
Closing balance	**11 690**	**20 061**	**14 410**	**5 460**	**3 626**	**55 247**
Expected provision settlement period:						
- up to 1 year	*11 602*	*0*	*1 358*	*5 460*	*3 626*	***22 046***
- more than 1 year	*88*	*20 061*	*13 052*	*0*	*0*	***33 201***

2008

	Provision for issues in dispute	Provision for off-balance sheet liabilities	Provision for retirement benefits	Provision for unused holidays	Provision for employment restructuring	**TOTAL**
Opening balance	29 294	23 933	11 839	7 441	0	**72 507**
- provisions recognised	10 212	7 506	707	2 437	4 039	**24 901**
- provisions applied	-2 398	0	0	0	0	**-2 398**
- provisions reversed	-20 386	-22 158	-2	-1 885	0	**-44 431**
Closing balance	**16 722**	**9 281**	**12 544**	**7 993**	**4 039**	**50 579**
Expected provision settlement period:						
- up to 1 year	*3 240*	*0*	*0*	*7 993*	*4 039*	***15 272***
- more than 1 year	*13 482*	*9 281*	*12 544*	*0*	*0*	***35 307***

Provision for issues in dispute

The Group maintains detailed records of all court cases and other legal claims. The Group establishes provisions for cases where it is burdened with legal obligations or other obligations arising from commonly accepted customs, having its source in past events, and where it is also probable that the fulfilment of the said obligation will result in the unavoidable outflow of funds. Any future settlements are made against those provisions.

The recognised amount of provisions as at 31 Dec 2009 comprises:

1) disputable cases connected with negligent performance of agreements: PLN 6,355,000 (PLN 11,449,000 as at 31 Dec 2008),
2) criminal cases: PLN 5,315,000 (PLN 5,220,000 as at 31 Dec 2008),
3) cases relating to claims filed by former employees: PLN 20,000 (PLN 53,000 as at 31 Dec 2008).

The Group recognised provisions for all estimated losses. In some cases, the Group is entitled to reimbursement of funds relating to the provisions. However, due to the uncertainty of the inflow of the expected economic benefits, the Group did not recognise any assets due to that title in the financial statements.

In 2008, the Group parent company released the provision against forecast losses of PLN 14,088,000 that was established in 2006 in connection with imposing a fine on 20 banks by the Office of Competition and Consumer Protection (UOKiK) for reaching an agreement on the commissions charged for the payment card transactions. With the judgement of 12 Nov 2008, the Court of Competition and Consumer Protection did not find out any proof for the application of any practice harmful for the competition related to the commission charged for the payment cards transactions. Thus, the provision that was established in 2006 was released. The President of the Office of Competition and Consumer Protection and MasterCard lodged an appeal against that verdict. The date of the appeal hearing initially has been set on April 2010. The probability of the liability's materialisation is estimated by the Management Board of the Group parent company at less than 50%.

Provision for retirement benefits

The Group recognises provisions for retirement benefits in accordance with IAS 19. Provisions for retirement benefits granted as a part of benefits required by the Labour Code are estimated based on actuarial valuation. The provision resulting from actuarial valuation is recognised and re-measured on an annual basis.

The reserve was calculated by individual method for each employee. The reserve is evaluated based on the present value of future long-term obligations of the Group due to retirement and disability packages.

The expected amount of the retirement package or disability package that the Group is obliged to pay under the General Terms and Conditions of Remuneration, which are binding in each unit of the Group, is the basis for calculating the reserve per employee. The expected amount is calculated by multiplying:

– The expected base amount of the retirement/ disability package in line with the General Terms and Conditions of Remuneration for each Entity,
– The expected increase of the base amount until reaching the retirement age,
– The percentage ratio depending on the years of service (in line with the General Terms and Conditions of Remuneration.)

The resulting amount is discounted on an actuarial basis as at 31 Dec 2009. The discounted amount is decreased by the amounts of annual write-offs, which have been discounted on an actuarial basis and which have been made to increase the reserve per employee. The actuarial discount is the result of multiplying financial discount and the probability that a given individual will reach the retirement age as the Group's employee.

The amounts of annual write-offs and the probability are calculated on the basis of models, which take account of the following three risks:

- The probability that a given person will resign from work,
- The risk of total incapacity to work,
- The risk of death.

The probability that the employee will resign from work was estimated by means of probability distribution while taking account of statistical data of the Group. The probability that the employee will resign depends on the employee's age and remains constant in each year of service.

The risk of death was expressed by means of the most recent statistics from the Polish life expectancy tables for men and women as published by the Central Statistical Office as at the valuation date.

As required under IAS 19, the financial discount rate for calculation of the present value of obligations due to employee benefits was determined based on the market rates of return on T-bonds whose currency and redemption date match the currency and estimated date of exercising obligations due to employee benefits.

The Group adopts the corridor approach for recognising a specific part of the cumulated net 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:

a) 10% of the current value of the obligation due to certain benefits as at that day (before deduction of the plan's assets)
b) 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 profit and loss account as the quotient of the above named excess and the average expected remaining working life of the Group employees.

In consolidated statement of financial position, Group presets net liabilities which include current value of liabilities and unpleased actuarial gains/losses.

Provision for retirement benefits – a revision of the balance-sheet liability

	2009	2008
Opening balance	12 544	11 839
Costs included in the profit and loss account, out of which:	2 010	1 337
- regular employment costs	*1 147*	*719*
- costs of interest	*863*	*618*
Paid benefits	-249	-634
Actuarial gains / losses recognised in the profit and loss account	105	2
Closing balance, including:	**14 410**	**12 544**
- current value of the liability	*13 760*	*15 950*
- not included actuarial gains/ losses	*650*	*-3 406*

Provision for employment restructuring

A provision for restructuring is recognised when the Group has a detailed and formal restructuring plan defining at least the business or part of the business to which it applies, the basic locations, the places of employment, the functions, and the approximate number of employees eligible to indemnification, the amount of expenditure to be incurred and the dates of implementation. The condition necessary for recognising the provisions is also for the restructuring to have been commenced or announced publicly. The provision for restructuring does not include future operating costs.

At the end of 2008, the Group started headcount restructuring, which was continued throughout 2009. The restructuring resulted from projects run at the Group to optimise the activity of the operating area (centralising certain activities, consolidating operating units and limiting co-operation with intermediaries).

35. Other liabilities

	end of 2009	end of 2008
to employees	19 903	22 160
due to leases	6	9
accruals	173 468	210 555
- due to operating expenses	*2 377*	*1 394*
- due to employee benefits	*92 138*	*133 495*
- due to loans granted	*32*	*276*
- due to commission	*70 509*	*60 336*
- due to distribution of deposit-related funds	*0*	*613*
- other	*8 412*	*14 441*
other liabilities	358 971	436 948
- interbank settlements	*164 258*	*204 984*
- public and legal settlements	*36 458*	*71 737*
- settlment due to trading in securities	*862*	*263*
- settlements with suppliers	*123 662*	*139 916*
- other	*33 731*	*20 048*
Total	**552 348**	**669 672**

Gross liabilities due to financial leases by maturity

	end of 2009	end of 2008
up to 1 year	4	3
over 1 year and up to 5 years	2	6
over 5 years	0	0
Total	**6**	**9**

Present value of lease instalments due by maturity

	end of 2009	end of 2008
up to 1 year	5	5
over 1 year and up to 5 years	2	5
over 5 years	0	0
Total	**7**	**10**

Reconciliation of differences between gross liabilities due to financial leases and present value of minimum lease installments

	end of 2009	end of 2008
Gross liabilities due to financial leases	6	9
Unrealised financial expenses	1	1
Present value of minimum lease installments	**7**	**10**

The Group is a lessee in financial lease agreements concerning a part of the hardware and premises used by the Group. Those agreements do not provide for any contingent fees to be paid by the lessee; no constraints arise from the provisions of the lease agreements. In some cases the agreements provide for the possibility of prolonging the agreement, using the possibility of purchase or price change.

36. Share capital

The Group parents company's share capital includes 130,100,000 ordinary shares, and is sub-divided into:

- 9,260,000 A-series ordinary bearer's shares with face value of PLN 10.00 each,
- 3,750,000 B-series ordinary bearer's shares with face value of PLN 10.00 each.

Each ordinary share entitles its owner to dividend and one vote during the general meeting of the parents company's shareholders.

Neither the value of the share capital nor the number of shares changed in 2009 and throughout 2008.

37. Revaluation reserve

	end of 2009	end of 2008
Revaluation reserve from measurement of available-for-sale financial assets	-1 383	-100 981
- including deferred tax	*839*	*24 289*
Revaluation reserve from measurement of property, plant and equipment	51 115	52 864
- including deferred tax	*-11 989*	*-12 399*
Revaluation reserve from measurement of cash flow hedging instruments	-968	45 581
- including deferred tax	*227*	*-10 692*
Total	**48 764**	**-2 536**

2009

	Revaluation reserve from measurement of available-for-sale financial assets	*including deferred tax*	Revaluation reserve from measurement of property, plant and equipment	*including deferred tax*	Revaluation reserve from measurement of cash flow hedging instruments	*including deferred tax*	TOTAL
Opening balance of revaluation reserve	**-100 981**	***24 289***	**52 864**	***-12 399***	**45 581**	***-10 692***	**-2 536**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	96 302	*-22 678*	0	*0*	0	*0*	**96 302**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	794	*-186*	0	*0*	0	*0*	**794**
- correction of the measurement of the securities reclassified from the AFS portfolio to the loans and receivables one	2 502	*-586*	0	*0*	0	*0*	**2 502**
- remeasurement of property, plant and equipment	0	*0*	-1 704	*400*	0	*0*	**-1 704**
- effective part of cash flow hedging instruments revaluation	0	*0*	0	*0*	-46 549	*10 919*	**-46 549**
- other	0	*0*	-45	*10*	0	*0*	**-45**
Closing balance of revaluation reserve	**-1 383**	***839***	**51 115**	***-11 989***	**-968**	***227***	**48 764**

2008

	Revaluation reserve from measurement of available-for-sale financial assets	*including deferred tax*	Revaluation reserve from measurement of property, plant and equipment	*including deferred tax*	Revaluation reserve from measurement of cash flow hedging instruments	*including deferred tax*	TOTAL
Opening balance of revaluation reserve	**-149 591**	***35 914***	**57 998**	***-13 604***	**0**	***0***	**-91 593**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	240 366	*-56 605*	0	*0*	0	*0*	**240 366**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-192 191	*45 082*	0	*0*	0	*0*	**-192 191**
- correction of the measurement of the securities reclassified from the AFS portfolio to the loans and receivables one	435	*-102*	0	*0*	0	*0*	**435**
- remeasurement of property, plant and equipment	0	*0*	-4 565	*1 071*	0	*0*	**-4 565**
- effective part of cash flow hedging instruments revaluation	0	*0*	0	*0*	45 581	*-10 692*	**45 581**
- other	0	*0*	-569	*134*	0	*0*	**-569**
Closing balance of revaluation reserve	**-100 981**	***24 289***	**52 864**	***-12 399***	**45 581**	***-10 692***	**-2 536**

38. Retained earnings

	end of 2009	end of 2008
Other supplementary capital	74 931	74 889
Reserve capital	2 159 469	1 763 929
General risk fund	790 179	730 179
Retained earnings	113 807	123 906
Result for the current year	595 052	445 413
Total	**3 733 438**	**3 138 316**

2009

	other supplemen-tary capital	reserve capital	general risk fund	retained earnings	result for the current year	TOTAL
Opening balance of retained earnings	**74 889**	**1 763 929**	**730 179**	**569 319**	**0**	**3 138 316**
- net result for the current period	0	0	0	0	595 066	**595 066**
- share of minority shareholders in the net financial result	0	0	0	0	-14	**-14**
- profit allocation, including:	34	395 568	60 000	-455 602	0	**0**
- profit written off to supplementary capital	*34*	*0*	*0*	*-34*	*0*	***0***
- profit written off to reserve capital	*0*	*395 568*	*0*	*-395 568*	*0*	***0***
- profit written off to general risk fund	*0*	*0*	*60 000*	*-60 000*	*0*	***0***
- transfer to retained earnings due to subsidiary liquidation	0	-28	0	28	0	**0**
- other	8	0	0	62	0	**70**
Closing balance of retained earnings	**74 931**	**2 159 469**	**790 179**	**113 807**	**595 052**	**3 733 438**

2008

	other supplemen-tary capital	reserve capital	general risk fund	retained earnings	result for the current year	TOTAL
Opening balance of retained earnings	**73 825**	**1 505 970**	**530 179**	**734 052**	**0**	**2 844 026**
- net result for the current period	0	0	0	0	445 418	**445 418**
- share of minority shareholders in the net financial result	0	0	0	0	-5	**-5**
- profit allocation, including:	26	257 959	200 000	-610 202	0	**-152 217**
- profit written off to supplementary capital	*26*	*0*	*0*	*-26*	*0*	***0***
- profit written off to reserve capital	*0*	*257 959*	*0*	*-257 959*	*0*	***0***
- profit written off to general risk fund	*0*	*0*	*200 000*	*-200 000*	*0*	***0***
- dividends paid	*0*	*0*		*-152 217*	*0*	***-152 217***
- other	1 038	0	0	56	0	**1 094**
Closing balance of retained earnings	**74 889**	**1 763 929**	**730 179**	**123 906**	**445 413**	**3 138 316**

Supplementary capital

Supplementary capital is created from appropriations from profit after tax, from surpluses generated due to issue of shares above their face value and the extra contributions paid up by the shareholders to be used for covering balance-sheet losses. The decision on the use of the supplementary capital is taken at the General Meeting.

Reserves

Reserves are established regardless of the supplementary capital created from the appropriations from profit after tax, in the amount resolved at the General Meeting. The reserves are used for covering special losses and expenses. The decision on the use of the reserves is taken at the General Meeting.

The General Risk Fund

The General Risk Fund is established in accordance with the Banking Law Act from the after-tax profit and is used for unidentified risk related to banking activity. The decision on the use of the Fund is taken by the Management Board.

Dividend payout limitations

The statutory statements of subsidiaries are drafted in accordance with the Polish accounting standards. Dividend may be paid out on the basis of the financial result determined in the stand-alone annual financial statements produced for statutory purposes.

Pursuant to the Commercial Companies Code, the dominant entity is obliged to establish supplementary capital for loss coverage. The appropriation of the supplementary and reserve capital will be decided by the General Meeting; however, a portion of the supplementary capital representing one third of the initial capital may be used to cover the loss recognised in the stand-alone financial statements of the dominant entity and it will not be further divided for other purposes.

As of 31 Dec 2009, no other dividend payout limitations are evident.

39. Currency structure of consolidated statement of financial position and off-balance sheet items

Herein below, consolidated statement of financial position of the Group and off-balance sheet items were presented per base currencies. The following currency rates were applied to calculate values in original currency:

	31 Dec 2009	31 Dec 2008
EUR	4.1082	4.1724
USD	2.8503	2.9618
CHF	2.7661	2.8014

end of 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(PLN'000)*	PLN	EUR		USD		CHF		other currencies	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*	(after translation into PLN)	
A S S E T S									
- Cash in hand and balances with the Central Bank	2 583 642	52 312	*12 734*	14 160	*4 968*	265	*96*	6 214	**2 656 593**
- Loans and receivables to other banks	311 677	629 901	*153 328*	151 164	*53 034*	38 347	*13 863*	53 014	**1 184 103**
- Financial assets measured at fair value through profit and loss	7 901 189	366 472	*89 205*	0	*0*	0	*0*	0	**8 267 661**
- Valuation of derivatives	681 022	686 131	*167 015*	155 587	*54 586*	7	*3*	43 905	**1 566 652**
- Investments	14 160 458	1 054	*257*	4 769	*1 673*	0	*0*	0	**14 166 281**
- Derivative hedge instruments	90 444	0	*0*	0	*0*	0	*0*	0	**90 444**
- Loans and receivables to customers	23 363 068	5 484 419	*1 334 993*	257 742	*90 426*	1 452 684	*525 174*	34 881	**30 592 794**
- Investments in controlled entities	115 600	0	*0*	0	*0*	0	*0*	0	**115 600**
- Investment real estates	129 667	0	*0*	0	*0*	0	*0*	0	**129 667**
- Property, plant and equipment	548 847	0	*0*	0	*0*	0	*0*	0	**548 847**
- Intangible assets	327 343	0	*0*	0	*0*	0	*0*	0	**327 343**
- Property, plant and equipment held for sale	224	0	*0*	0	*0*	0	*0*	0	**224**
- Current tax assets	762	0	*0*	0	*0*	0	*0*	0	**762**
- Deferred tax assets	86 447	0	*0*	0	*0*	0	*0*	0	**86 447**
- Other assets	148 225	1 671	*407*	84	*29*	25	*9*	33	**150 038**
T o t a l a s s e t s	**50 448 615**	**7 221 960**	***1 757 939***	**583 506**	***204 716***	**1 491 328**	***539 145***	**138 047**	**59 883 456**

end of 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(PLN'000)*	PLN	EUR		USD		CHF		other currencies	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*	(after translation into PLN)	
E Q U I T Y A N D L I A B I L I T I E S									
LIABILITIES									
- Liabilities due to other banks	411 165	3 424 256	*833 517*	92 777	*32 550*	4 108	*1 485*	41 480	**3 973 786**
- Financial liabilities measured at fair value through profit and loss	998 051	0	*0*	0	*0*	0	*0*	0	**998 051**
- Valuation of derivatives	435 884	506 350	*123 253*	185 319	*65 017*	10 477	*3 788*	55 914	**1 193 944**
- Derivative hedge instruments	128 625	353 938	*86 154*	0	*0*	0	*0*	0	**482 563**
- Liabilities due to customers	42 702 328	3 587 200	*873 180*	1 138 507	*399 434*	4 368	*1 579*	152 270	**47 584 673**
- Provisions	55 247	0	*0*	0	*0*	0	*0*	0	**55 247**
- Current income tax liabilities	156 133	0	*0*	0	*0*	0	*0*	0	**156 133**
- Other liabilities	536 644	15 204	*3 701*	490	*172*	2	*1*	8	**552 348**
T o t a l l i a b i l i t i e s	**45 424 077**	**7 886 948**	***1 919 805***	**1 417 093**	***497 173***	**18 955**	***6 853***	**249 672**	**54 996 745**
EQUITY									
- Share capital	130 100	0	*0*	0	*0*	0	*0*	0	**130 100**
- Supplementary capital - issuance of shares over nominal value	956 250	0	*0*	0	*0*	0	*0*	0	**956 250**
- Revaluation reserve from measurement of available-for-sale financial assets	-8 264	2 112	*514*	4 769	*1 673*	0	*0*	0	**-1 383**
- Revaluation reserve from measurement of property, plant and equipment	51 115	0	*0*	0	*0*	0	*0*	0	**51 115**
- Revaluation reserve from measurement of cash flow hedging instruments	-968	0	*0*	0	*0*	0	*0*	0	**-968**
- Revaluation of share-based payment	15 846	0	*0*	0	*0*	0	*0*	0	**15 846**
- Retained earnings	3 733 438	0	*0*	0	*0*	0	*0*	0	**3 733 438**
Equity attributed to the holding company	**4 877 517**	**2 112**	***514***	**4 769**	***1 673***	**0**	***0***	**0**	**4 884 398**
- Minority equity	2 313		*0*		*0*		*0*	0	**2 313**
T o t a l e q u i t y	**4 879 830**	**2 112**	***514***	**4 769**	***1 673***	**0**	***0***	**0**	**4 886 711**
T o t a l e q u i t y a n d l i a b i l i t i e s	**50 303 907**	**7 889 060**	***1 920 319***	**1 421 862**	***498 846***	**18 955**	***6 853***	**249 672**	**59 883 456**

Off-balance sheet items

Contingent liabilities granted	12 042 934	1 475 298	*359 111*	511 162	*179 336*	47 101	*17 028*	20 208	**14 096 703**
Contingent liabilities received	10 675 618	1 627 021	*396 042*	180 377	*63 284*	239	*86*	11	**12 483 266**
Off-balance sheet financial instruments	59 731 119	35 507 020	*8 642 963*	20 099 127	*7 051 583*	2 529 778	*914 565*	1 219 519	**119 086 563**
Total	**82 449 671**	**38 609 339**	***9 398 116***	**20 790 666**	***7 294 203***	**2 577 118**	***931 679***	**1 239 738**	**145 666 532**

end of 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(PLN'000)*	PLN	EUR		USD		CHF		other currencies	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*	(after translation into PLN)	
A S S E T S									
- Cash in hand and balances with the Central Bank	1 028 440	292 883	*70 195*	36 104	*12 190*	516	*184*	11 852	**1 369 795**
- Loans and receivables to other banks	2 403 053	4 579 191	*1 097 496*	539 961	*182 308*	1 456	*520*	263 564	**7 787 225**
- Financial assets measured at fair value through profit and loss	6 606 800	1 911 258	*458 072*	2 030 761	*685 651*	0	*0*	0	**10 548 819**
- Valuation of derivatives	999 642	2 668 832	*639 640*	823 170	*277 929*	10 995	*3 925*	77 126	**4 579 765**
- Investments	18 046 375	301	*72*	4 246	*1 434*	0	*0*	0	**18 050 922**
- Derivative hedge instruments	197 003	0	*0*	0	*0*	0	*0*	0	**197 003**
- Loans and receivables to customers	19 885 621	4 217 449	*1 010 797*	326 433	*110 214*	1 275 092	*455 162*	38 244	**25 742 839**
- Investments in controlled entities	107 261	0	*0*	0	*0*	0	*0*	0	**107 261**
- Investment real estates	151 458	0	*0*	0	*0*	0	*0*	0	**151 458**
- Property, plant and equipment	544 163	0	*0*	0	*0*	0	*0*	0	**544 163**
- Intangible assets	316 187	0	*0*	0	*0*	0	*0*	0	**316 187**
- Property, plant and equipment held for sale	248	0	*0*	0	*0*	0	*0*	0	**248**
- Current tax assets	142	0	*0*	0	*0*	0	*0*	0	**142**
- Deferred tax assets	48 651	0	*0*	0	*0*	0	*0*	0	**48 651**
- Other assets	153 465	12 392	*2 970*	79	*27*	22	*8*	39	**165 997**
T o t a l a s s e t s	**50 488 509**	**13 682 306**	***3 279 242***	**3 760 754**	***1 269 753***	**1 288 081**	***459 799***	**390 825**	**69 610 475**

end of 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(PLN'000)*	PLN	EUR		USD		CHF		other currencies	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*	(after translation into PLN)	
E Q U I T Y A N D L I A B I L I T I E S									
LIABILITIES									
- Liabilities due to the Central Bank	5 932 116	0	*0*	0	*0*	0	*0*	0	**5 932 116**
- Financial liabilities measured at fair value through profit and loss	891 989	3 122 349	*748 334*	1 641 200	*554 122*	383 924	*137 047*	21 406	**6 060 868**
- Valuation of derivatives	825 060	0	*0*	0	*0*	0	*0*	0	**825 060**
- Derivative hedge instruments	3 190 397	863 201	*206 884*	218 766	*73 863*	2 773	*990*	46 501	**4 321 638**
- Liabilities due to customers	261 483	158 564	*38 003*	0	*0*	0	*0*	0	**420 047**
- Provisions	41 859 867	3 663 319	*877 988*	1 397 497	*471 840*	26 056	*9 301*	120 179	**47 066 918**
- Current income tax liabilities	47 441	2 728	*654*	399	*135*	0	*0*	11	**50 579**
- Other liabilities	39 148	0	*0*	0	*0*	0	*0*	0	**39 148**
T o t a l l i a b i l i t i e s	636 900	32 141	*7 703*	601	*203*	12	*4*	18	**669 672**
EQUITY	**53 684 401**	**7 842 302**	***1 879 566***	**3 258 463**	***1 100 163***	**412 765**	***147 342***	**188 115**	**65 386 046**
- Share capital									
- Supplementary capital - issuance of shares over nominal value	130 100	0	*0*	0	*0*	0	*0*	0	**130 100**
- Revaluation reserve from measurement of available-for-sale financial assets	956 250	0	*0*	0	*0*	0	*0*	0	**956 250**
- Revaluation reserve from measurement of property, plant and equipment	-107 423	2 196	*526*	4 246	*1 434*	0	*0*	0	**-100 981**
- Revaluation reserve from measurement of cash flow hedging instruments	52 864	0	*0*	0	*0*	0	*0*	0	**52 864**
- Revaluation of share-based payment	45 581	0	*0*	0	*0*	0	*0*	0	**45 581**
- Retained earnings	3 138 316	0	*0*	0	*0*	0	*0*	0	**3 138 316**
Equity attributed to the holding company	**4 215 688**	**2 196**	***526***	**4 246**	***1 434***	**0**	***0***	**0**	4 222 130
- Minority equity	2 299	0	*0*	0	*0*	0	*0*	0	**2 299**
T o t a l e q u i t y	**4 217 987**	**2 196**	***526***	**4 246**	***1 434***	**0**	***0***	**0**	4 224 429
T o t a l e q u i t y a n d l i a b i l i t i e s	**57 902 388**	**7 844 498**	***1 880 092***	**3 262 709**	***1 101 597***	**412 765**	***147 342***	**188 115**	**69 610 475**

Off-balance sheet items

Contingent liabilities granted	11 250 073	1 974 755	*473 290*	520 600	*175 771*	309 731	*110 563*	45 755	**14 100 914**
Contingent liabilities received	12 583 850	1 585 402	*379 974*	727 243	*245 541*	392 440	*140 087*	21 610	**15 310 545**
Off-balance sheet financial instruments	173 218 843	63 906 871	*15 316 573*	22 922 265	*7 739 302*	1 576 791	*562 858*	1 096 220	**262 720 990**
Total	**197 052 766**	**67 467 028**	***16 169 837***	**24 170 108**	***8 160 614***	**2 278 962**	***813 508***	**1 163 585**	**292 132 449**

40. Off-balance sheet items

	end of 2009	end of 2008
Contingent liabilities granted	14 096 703	14 100 914
Contingent liabilities received	12 483 266	15 310 545
Off-balance sheet financial instruments	119 086 563	262 720 990
Total	**145 666 532**	**292 132 449**

41. Contingent liabilities

Contingent liabilities granted

	end of 2009	end of 2008
Credit card limits	679 304	685 445
Undrawn credit facilities	8 782 256	9 300 616
Undrawn overdrafts in current account	1 973 490	1 280 767
Guarantees and letters of credit	2 376 623	2 797 993
Deposits to be issued	285 030	36 093
Total	**14 096 703**	**14 100 914**

The Group discloses obligations to grant loans. These obligations include approved loans, credit card limits and overdraft limits in current accounts.

The Group issues guarantees and letters of credits to secure fulfilment of obligations of the Bank's customers to third parties. The value of guarantees and letters of credit disclosed above reflects maximum loss that can be incurred, and that would be disclosed as at the balance sheet date should the customers fail to fulfil their obligations in full.

The Group charges commissions for contingent liabilities granted, which are settled in line with the specific nature of the particular instrument.

The tables below present maturity analysis of total contingent liabilities granted and additionally the maturity analysis of issued financial guarantee contracts.

Contingent liabilities granted by maturity

	end of 2009	end of 2008
up to 1 month	3 221 568	3 159 885
over 1 month and up to 3 months	701 826	495 316
over 3 months and up to 1 year	3 380 221	4 683 466
over 1 year and up to 5 years	4 328 042	3 843 752
over 5 years	2 465 046	1 918 495
Total	**14 096 703**	**14 100 914**

Issued financial guarantee contracts by maturity

	end of 2009	end of 2008
up to 1 month	110 671	125 949
over 1 month and up to 3 months	195 991	90 997
over 3 months and up to 1 year	667 199	1 434 386
over 1 year and up to 5 years	1 206 403	1 115 960
over 5 years	60 753	29 836
Total	**2 241 017**	**2 797 128**

Contingent liabilities received

	end of 2009	end of 2008
Guarantee conditioned liabilities	12 288 255	14 566 738
Financing liabilities	195 011	743 807
Total	**12 483 266**	**15 310 545**

Information on issue guarantees granted to other issuers

At the end of 2009 Group was liable to purchase bonds issued by three emitters. Total amount of issued emission guarantees as per 31 Dec 2009 was 533,7 milion PLN. As per 31 Dec 2008 there were no such commitments.

42. Off-balance sheet financial instruments (including hedging derivatives)

end of 2009

	Nominal value of instruments with the period remaining to maturity				Fair value measurement*	
	up to 3 months	over 3 months and up to 1 year	over 1 year	Total	Assets	Equity and liabilities
Interest rate derivatives, of which:	**8 619 868**	**15 743 198**	**31 880 913**	**56 243 979**	**755 309**	**1 125 266**
Forward rate agreements (FRA)	0	1 678 000	0	**1 678 000**	823	520
Interest rate swaps (IRS)	8 619 868	13 970 728	30 407 959	**52 998 555**	740 993	1 111 086
CAP options	0	94 470	1 472 954	**1 567 424**	13 493	13 660
FX derivatives, of which:	**36 272 526**	**10 480 622**	**1 706 648**	**48 459 796**	**846 853**	**496 520**
FX contracts (swap, forward)	30 066 763	7 570 605	1 350 412	**38 987 780**	479 010	253 898
CIRS	0	0	0	**0**	221 096	135 613
Currency options (purchased)	2 874 275	1 205 461	184 878	**4 264 614**	146 747	0
Currency options (sold)	3 331 488	1 704 556	171 358	**5 207 402**	0	107 009
Current off-balance sheet transactions, of which:	**12 240 657**	**0**	**0**	**12 240 657**	**8 701**	**8 581**
FX operations	6 025 255	0	0	**6 025 255**	5 896	2 354
Securities operations	6 215 402	0	0	**6 215 402**	2 805	6 227
Stock market derivatives, of which:	**379 955**	**786 843**	**975 333**	**2 142 131**	**44 532**	**44 318**
Options for stock market (buy)	192 945	399 776	487 921	**1 080 642**	44 532	0
Options for stock market (sold)	187 010	387 067	487 412	**1 061 489**	0	44 318
Fair value measurement of other financial instruments	-	-	-	-	1 701	1 822
Total	**57 513 006**	**27 010 663**	**34 562 894**	**119 086 563**	**1 657 096**	**1 676 507**

end of 2008

	Nominal value of instruments with the period remaining to maturity				Fair value measurement*	
	up to 3 months	over 3 months and up to 1 year	over 1 year	Total	Assets	Equity and liabilities
Interest rate derivatives, of which:	**19 209 223**	**83 624 657**	**43 128 114**	**145 961 994**	**1 414 263**	**1 805 035**
Forward rate agreements (FRA)	2 000 000	51 993 000	1 700 000	**55 693 000**	105 326	90 134
Interest rate swaps (IRS)	17 209 223	31 196 937	40 278 258	**88 684 418**	1 300 444	1 706 408
CAP options	0	434 720	1 149 856	**1 584 576**	8 493	8 493
FX derivatives, of which:	**59 458 719**	**25 922 044**	**4 677 433**	**90 058 196**	**3 262 197**	**2 876 418**
FX contracts (swap, forward)	53 702 038	17 017 645	1 504 048	**72 223 731**	1 604 621	2 357 264
CIRS	0	0	0	**0**	148 692	139 517
Currency options (purchased)	3 098 190	4 969 119	1 767 769	**9 835 078**	1 508 884	0
Currency options (sold)	2 658 491	3 935 280	1 405 616	**7 999 387**	0	379 637
Current off-balance sheet transactions, of which:	**23 886 387**	**0**	**0**	**23 886 387**	**45 655**	**5 583**
FX operations	13 462 008	0	0	**13 462 008**	34 913	10 009
Securities operations	10 424 379	0	0	**10 424 379**	10 742	-4 426
Stock market derivatives, of which:	**448 334**	**582 083**	**1 783 996**	**2 814 413**	**54 574**	**54 465**
Options for stock market (buy)	225 405	291 267	892 078	**1 408 750**	54 574	0
Options for stock market (sold)	222 929	290 816	891 918	**1 405 663**	0	54 465
Fair value measurement of other financial instruments	**-**	**-**	**-**	**-**	**79**	**184**
Total	**103 002 663**	**110 128 784**	**49 589 543**	**262 720 990**	**4 776 768**	**4 741 685**

*) Fair value measurement is presented under assets and liabilities of the consolidated statement of financial position of the Group in the items “Valuation of derivatives” and “Derivative hedge insruments”.

Currency contracts

The table below summarises contractual values of currency forwards, swaps and options by currency, as well as details of the period remaining to maturity of the particular contract. Values in foreign currency are converted at exchange rates valid as at the balance sheet date.

	end of 2009	end of 2008
PLN		
- up to 3 months	12 096 639	24 106 974
- from 3 months to 1 year	3 267 535	8 242 550
- over 1 year	619 502	648 155
EUR		
- up to 3 months	15 576 181	24 696 360
- from 3 months to 1 year	5 176 365	14 730 643
- over 1 year	1 044 888	3 344 485
USD		
- up to 3 months	6 830 464	9 483 737
- from 3 months to 1 year	1 534 937	2 447 442
- over 1 year	8 251	615 948
GBP		
- up to 3 months	10 664	34 253
- from 3 months to 1 year	2 667	12 505
- over 1 year	0	0
other currencies		
- up to 3 months	1 758 577	1 137 396
- from 3 months to 1 year	499 118	488 903
- over 1 year	34 008	68 845
Total	**48 459 796**	**90 058 196**

Embedded derivatives

At the end of 2009 Group had deposits in PLN and EUR (at the end of 2008 in PLN and USD) with embedded derivatives. Embedded instruments are FX, stock exchange index, commodity market and participation in investment funds options. Valuation of embedded derivatives as per 31 Dec 2009 was 50,050,000 PLN against 76,237,000 PLN as per 31 Dec 2008.

43. Hedge accounting

Fair value hedge accounting

In the consolidated financial statements as at 31 Dec 2009, the Group used fair value hedge accounting for securities.

The hedged risk is the risk of the change of the fair value of the financial asset resulting from the change of the interest rates. The subject of hedging is the fair value of the fixed interest rate debt instrument, namely the position (or its part) on a given security in the available-for sale portfolio, that as of establishing of the hedging relationship has a specific fair value recognised in the revaluation reserve and position (or its part) on a given security in the loans and other receivables portfolio as the result of reclassification from the available-for-sale portfolio.

Interest Rate Swap is the hedging instrument that changes the fixed interest rate into variable one. The above leads to the situation that the fair value of the hedging instrument shows a trend reverse to the fair value of the hedged item. Thus, thanks to the established hedging relationship, we have the effect of the mutual set-off of the changes in the fair value of the hedging instrument and hedged item in the P/L under the hedged risk. As only one type of the risk is hedged (the risk of the interest rate change), the changes of the fair vale of the hedged item from the available-for-sale portfolio that result from other risks that are not hedged are recognised in the revaluation reserve.

The measurement of the hedging and hedged transactions is shown in the consolidated income statement under the note 5. "Net income on investment".

Fair value of instruments under the fair value hedge accounting for securities

	end of 2009		**end of 2008**	
	Nominal value	Fair value	Nominal value	Fair value
Hedged items	**6 262 747**	**6 399 582**	**3 035 000**	**3 235 793**
- Debt securities from available-for-sale portfolio, of which:	3 083 000	3 137 714	3 035 000	3 235 793
- Treasury bonds	*3 083 000*	*3 137 714*	*3 035 000*	*3 235 793*
- Debt securities from loans and other receivables portfolio, of which:	3 179 747	3 261 868	1 489 547	1 654 003
- Treasury bonds	*3 179 747*	*3 261 868*	*1 489 547*	*1 654 003*
Hedging instruments	**6 249 668**	**-469 449**	**4 514 502**	**-420 047**
- Interest Rate Swap – positive valuation	338 000	3 715	4 514 502	-420 047
- Interest Rate Swap – negative valuation	5 911 668	-473 164	0	0

For the hedging instrument the fair value was given as the balance-sheet valuation.

Cash flow hedge accounting

In theconsolidated financial statements as at 31 Dec 2009, the Group followed the principles of cash flow hedge accounting for a specific portfolio of assets/ liabilities/ highly likely planned financial transactions of the Group (e.g. extrapolation of cashflows resulting from revolving deposits/ overdrafts) from the risk of changes to the future cashflows due to the interest rate risk.

The hedged item includes a specific portfolio of assets and/ or financial liabilities or a portfolio of planned transactions, which includes financial instruments with variable interest rate (financial products based on the WIBOR market interest rate), and is therefore exposed to the risk of changes to the future cashflows due to the change of WIBOR.

Interest rate swaps of the type "pay variable, get fixed" are used as hedging instruments for assets, and interest rate swaps of the type "pay fixed, get variable" are used to secure liabilities.

The measurement of the hedging transactions is shown in the consolidated income statement under the note: "Net income on instruments measured at fair value through profit and loss and FX result".

As per 31 Dec 2009 revaluation reserve includes PLN -968,000 (including deferred tax) representing effective part of cash flow hedged (PLN 45,581,000 as per 31 Dec 2008). In 2009, the ineffective part of the hedging relationship resulting from the mismatch in compensating changes in fair value of the hedging instrument and hedged item totalled minus PLN 277,000 compared with PLN 5,000 in 2008.

Fair value of hedging instruments under the cash flow hedge accounting

	end of 2009		end of 2008	
	wartość nominalna	wartość godziwa	wartość nominalna	wartość godziwa
Hedging instruments	**3 945 200**	**77 329**	**4 998 000**	**197 003**
- Interest Rate Swap – positive valuation	3 260 200	86 728	4 998 000	197 003
- Interest Rate Swap – negative valuation	685 000	-9 399	0	0

Periods when the Group expects that the cash flows hedged in the hedge accounting will appear, by which they will have an impact on the P/L are presented in the below "Test of high probability of future cash flows".

Test of high probability of future cash flows

	ASSETS		LIABILITIES		
Time bucket	**Hedging item IRS (a)**	**Hedged item loans and advances (b)**	**Hedging item IRS (a)**	**Hedged item deposits (b)**	**Effectiveness test (hedge is effectiv if (b)-(a)>0)**
3 M	56 052	162 177	5 230	118 055	hedge is effective
6 M	24 849	162 177	0	118 055	hedge is effective
9 M	35 574	169 458	5 228	123 356	hedge is effective
12 M	4 024	169 248	0	123 203	hedge is effective
15 M	35 865	174 736	5 740	121 010	hedge is effective
18 M	4 432	178 425	0	123 565	hedge is effective
21 M	36 417	200 525	6 338	138 870	hedge is effective
24 M	2 107	192 181	0	133 092	hedge is effective
27 M	17 781	207 358	6 907	134 607	hedge is effective
30 M	2 229	199 790	0	129 695	hedge is effective
33 M	18 258	206 076	7 107	133 775	hedge is effective
36 M	2 349	212 522	-	-	hedge is effective
39 M	19 427	211 082	-	-	hedge is effective
42 M	2 311	200 946	-	-	hedge is effective
45 M	18 763	204 515	-	-	hedge is effective
48 M	2 390	208 127	-	-	hedge is effective
51 M	19 417	204 095	-	-	hedge is effective
54 M	0	192 921	-	-	hedge is effective
57 M	18 532	194 636	-	-	hedge is effective

44. Fair values

The fair value of financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in a direct transaction, other than forced sale or liquidation, which is best reflected by the market price, if available.

Below, balance sheet values and fair values are summarised for respective groups of assets and liabilities. In the event of short-term financial assets and liabilities it is assumed that the balance sheet value of those instruments equals approximately their fair value.

end of 2009

	Carrying amount	**Fair value**
Assets		
Cash in hand and balances with the Central Bank	2 656 593	2 656 593
Loans and receivables to other banks	1 184 103	1 184 103
Financial assets measured at fair value through profit and loss	8 267 661	8 267 661
Valuation of derivatives	1 566 652	1 566 652
Investments	14 166 281	14 257 000
Derivative hedge instruments	90 444	90 444
Loans and receivables to customers	30 592 794	30 516 444
Investments in controlled entities recognised under the equity method	115 600	115 600
Liabilities		
Liabilities due to other banks	3 973 786	3 973 786
Financial liabilities measured at fair value through profit and loss	998 051	998 051
Valuation of derivatives	1 193 944	1 193 944
Derivative hedge instruments	482 563	482 563
Liabilities due to customers	47 584 673	47 589 099

end of 2008

	Carrying amount	**Fair value**
Assets		
Cash in hand and balances with the Central Bank	1 369 795	1 369 795
Loans and receivables to other banks	7 787 225	7 787 225
Financial assets measured at fair value through profit and loss	10 548 819	10 548 819
Valuation of derivatives	4 579 765	4 579 765
Investments	18 050 922	18 245 059
Derivative hedge instruments	197 003	197 003
Loans and receivables to customers	25 742 839	26 111 928
Investments in controlled entities recognised under the equity method	107 261	107 261
Liabilities		
Liabilities due to the Central Bank	5 932 116	5 932 116
Liabilities due to other banks	6 060 868	6 060 868
Financial liabilities measured at fair value through profit and loss	825 060	825 060
Valuation of derivatives	4 321 638	4 321 638
Derivative hedge instruments	420 047	420 047
Liabilities due to customers	47 066 918	47 066 761

Determination of fair value

The Group discloses the data on the fair value of loans and deposits recognised respectively in the groups of financial assets and financial liabilities carried at amortised cost considering the effective interest rate.

In calculations, the yield curve is used; it takes account of the transfer prices calculated based on:

– PLN: up to 1Y – as the average of BID quotations (WIBID and brokers' BID listings) collected at 9.00am, 11.00am, 12.30pm and 2.00pm; above 1Y – the average of OFFER quotations for IRS contracts converted into the effective rate,
– USD and CHF: up to 1Y on the basis of adequate LIBOR quotations; from 1Y onwards – on the basis of OFFER quotations for IRS contracts converted into the effective rate,
– EUR: up to 1Y - on the basis of adequate EURIBOR quotations, from 1Y onwards – on the basis of OFFER quotations for IRS contracts converted into the effective rate.

Credit loss estimations reflect the loan loss provisioning model in place at the Group. In certain aspects, the model adopted by the Group is based on the assumptions that do not confirm the prices of verifiable current market transactions referring to the same instrument – the model takes account of neither prepayments nor restructuring-based changes.

Loans and receivables to other banks

Due to the short-term nature of the major part of loans and other receivables granted to other banks, it was assumed that the fair value of these instruments is close to their balance sheet value.

Loans and receivables to customers

The credit portfolio is divided into sub-portfolios according to the registration system, the type of product, the client's segment and the currency. In case of loans without any repayment schedules and loans from the impaired group, it is assumed that the fair value for those loans equals their book value. In case of those sub-portfolios the discounting factor is used for each cashflow. The result is the fair value as the sum of the net present value of cashflows of a single loan. The sum of fair values of individual deposits represents the fair value of the portfolio of deposits reviewed.

For loans the discounting factor is assumed as a sum of:

  – the market rate based on the yield curve as of the balance sheet date, and
  – the average margin based on the portfolio of loans granted in the last six month period.

For that purpose the following assumptions are adopted:

– use of the loans granted in the last six months for calculation,
– division into the abovementioned product groups,
– the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each loan.

Investments in controlled entities recognised under the equity method

In the case of financial assets being investments in controlled entities, equity method was applied for their measurement.

Liabilities due to other banks

Due to the short-term nature of the major part of liabilities towards other banks, it was assumed that the fair value of these instruments is close to their balance sheet value.

Liabilities due to customers

The deposit portfolio is divided according to the type of product, the client's segment and the currency. For deposits paid on demand, it is assumed the fair value equals their book value.

Another phase involves the calculation of future cashflows as the sum of principal- and interest cashflows. After that, by applying the discounting factor for each cashflow one receives the fair value of individual deposits. The sum of fair values of individual deposits represents the fair value of the portfolio of deposits reviewed.

For deposits the discounting factor represents the sum of:

– the market rate based on the yield curve as at the balance sheet date, and
– the average margin based on the portfolio of deposits accepted in the last two months.

For that purpose the following assumptions are adopted:

– use of the deposits accepted in the last two months for calculation,
– division into the abovementioned product groups,
– the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each deposit.

Fair value measurement categories for financial assets and liabilities

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.

The table below presents the balance-sheet figures for financial assets and liabilities per individual measurement levels.

end of 2009

	Level I	Level II	Level III	Total
Financial assets, of which:	**11 393 567**	**5 123 492**	**243 573**	**16 760 632**
- Financial assets measured at fair value through profit and loss	4 609 771	3 461 520	196 370	8 267 661
- Valuation of derivatives	0	1 566 652	0	1 566 652
- Financial assets available-for sale	6 783 796	4 876	47 203	6 835 875
- Derivative hedge instruments	0	90 444	0	90 444
Financial liabilities, of which:	**988 108**	**1 676 507**	**9 943**	**2 674 558**
- Financial liabilities measured at fair value through profit and loss	988 108	0	9 943	998 051
- Valuation of derivatives	0	1 193 944	0	1 193 944
- Derivative hedge instruments	0	482 563	0	482 563

end of 2008

	Level I	Level II	Level III	Total
Financial assets, of which:	**11 496 672**	**14 373 155**	**194 850**	**26 064 677**
- Financial assets measured at fair value through profit and loss	1 684 715	8 671 954	192 150	10 548 819
- Valuation of derivatives	0	4 579 765	0	4 579 765
- Financial assets available-for sale	9 811 957	924 433	2 700	10 739 090
- Derivative hedge instruments	0	197 003	0	197 003
Financial liabilities, of which:	**371 873**	**5 194 872**	**0**	**5 566 745**
- Financial liabilities measured at fair value through profit and loss	371 873	453 187	0	825 060
- Valuation of derivatives	0	4 321 638	0	4 321 638
- Derivative hedge instruments	0	420 047	0	420 047

In 2009 the Group decided to change State Treasury floating interest bonds valuation method. In previous period due to lack of active market bonds were valued using model based on market swap curve adjusted for spread of peer bonds with similar maturity. Currently market is considered to be active and State Treasury floating interest bonds are valued using directly quoted price.

45. Custody activities

As at 31 Dec 2009, Group parent company maintained 3,302 (3,509 as at 31 Dec 2008) customer accounts used to hold customers securities. The accounts do not meet the definition of assets and are not recognised in the consolidated financial statements of the Group.

As at the end of 2009, Group parent company was the depository bank for 97 investment funds and 1 employee pension fund (as at 31 Dec 2008 respectively 81 and 1).

As at 31 Dec 2009, Group parent company co-operated with 26 Polish brokerage houses (23 as at 31 Dec 2008).

46. Operating leases

Group as a lessee

The Group cooperates with ING Car Lease Sp. z o.o. in respect to car leasing and fleet management. The Group also incurs costs due to lease of dwelling units, which is recognised as operating leasing. Those agreements do not provide for any contingent fees to be paid by the lessee; no constraints arise from the provisions of the lease agreements. In some cases the agreements provide for the possibility of prolonging the agreement, using the possibility of purchase or price change.

Lease payments by maturity are disclosed in the table below:

	end of 2009	end of 2008
up to 1 year	128 577	176 305
over 1 year and up to 5 years	231 717	396 842
over 5 years – annual payment amount	30 668	36 473

Group as a lessor

The Group earns income from renting investment real estate. Those agreements are treated as operating lease agreements. Those agreements do not provide for any contingent fees to be paid by the lessee; no constraints arise from the provisions of the lease agreements. In some cases the agreements provide for the possibility of prolonging the agreement or changing the price; however they do not provide for the possibility of purchase.

Lease payments by maturity are disclosed in the table below:

	end of 2009	**end of 2008**
up to 1 year	17 624	18 058
over 1 year and up to 5 years	27 863	41 010
over 5 years – annual payment amount	0	46

Lease payments include only the rent for the building of the Head Office of ING Bank Śląski S.A.. They do not include any payments due to the rent of parking spaces, additional rent for investment outlays, or fees for services and electric energy.

47. Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash disclosed in the consolidated statement of financial position as well as current accounts and overnight deposits in other banks.

	end of 2009	**end of 2008**
Cash in hand *(presented in note 14)*	716 809	946 212
Balances with the Central Bank *(presented in note 14)*	1 939 784	423 583
Current accounts in other banks *(presented in note 15)*	356 981	276 550
Overnight deposits in other banks *(presented in note 15)*	0	2 447 474
Other receivables *(presented in note 15)*	34 252	40 070
Total	**3 047 826**	**4 133 889**

48. Explanation of the classification of Group's activities into operating, investment and financial activities in the consolidated cash flow statement

Operating activities include core activities of the Group, not classified as investment or financial activities.

Investment activity involves purchase and disposal of shares in subordinate units, intangible assets, property plant and equipment, purchase and redemption of financial assets held-to-maturity. Furthermore, inflows from investment activity also include dividends received from the shares held in other entities.

Financial activities refer to long-term financial operations (over 1 year) with financial entities. Inflows from financial activities indicate sources of financing of the Group, including for example long-term loans and advances from other banks, as well as financial entities other than banks. Outflows from financial activities refer mainly to repayment of long-term liabilities (e.g. received loans) by the Group and payment of dividends to the owners and other outflows due to profit distribution.

49. The reasons for differences between changes in certain items recognised in consolidated statement of financial position and in consolidated cash flow statement

end of 2009

	changes							
	in statement of financial position	in cash floww statement	*differences, of which:*	*1)*	*2)*	*3)*	*4)*	*5)*
- Change in loans and other receivables to other banks	6 603 122	4 133 359	*-2 469 763*	*-96 902*	*-2 372 861*			
- Change in financial assets at fair value through profit or loss	2 281 158	2 188 274	*-92 884*	*-92 884*				
- Change in available-for-sale financial assets	3 903 215	3 924 854	*21 639*	*-77 959*		*99 598*		
- Change in loans and other receivables to customers	-4 849 955	-4 865 995	*-16 040*	*-16 040*				
- Change in liabilities due to other banks	-2 087 082	-8 044 178	*-5 957 096*	*-24 980*			*-5 932 116*	
- Change in liabilities due to customers	517 755	557 200	*39 445*	*39 445*				

end of 2008

	changes							
	in statement of financial position	in cash floww statement	*differences, of which:*	*1)*	*2)*	*3)*	*4)*	*5)*
- Change in loans and other receivables to other banks	7 396 440	7 652 226	*255 786*	*3 812*	*-266 936*			*518 910*
- Change in financial assets at fair value through profit or loss	-4 292 281	-4 345 735	*-53 454*	*-53 454*				
- Change in available-for-sale financial assets	-2 191 593	-4 759 887	*-2 568 294*	*-95 217*		*48 610*		*-2 521 687*
- Change in loans and other receivables to customers	-9 363 701	-7 381 064	*1 982 637*	*-20 140*				*2 002 777*
- Change in liabilities due to other banks	4 250 673	10 198 857	*5 948 184*	*16 068*			*5 932 116*	
- Change in liabilities due to customers	2 565 081	2 652 855	*87 774*	*87 774*				

Explanations:

1) Changes in the individual assets and liabilities were adjusted with interest disclosed in the position "Interest received/ paid".
2) Change in the receivables being an equivalent of cash (current accounts and O/N deposits at other banks) was excluded from the position "Change in loans and other receivables to other banks"; it was disclosed in the position "Net increase / decrease in cash and cash equivalents".
3) "Change in available-for-sale financial assets" does not account for the part of financial assets valuation that was carried through equity (revaluation reserve from measurement of available-for-sale financial assets).
4) In the position "Change in liabilities due to other banks", a change in the amounts due to the Central Bank was recognised.
5) In the position "Change in available-for-sale financial assets" and "Changes in loans and other receivables to customers" disclosed reclassification debt securities from category assets for sale to category loans and receivables.

50. Related entities

Subsidiaries and Related Entities of ING Bank Śląski:

- ING Securities S.A.,
- ING Bank Hipoteczny S.A.,
- Centrum Banku Śląskiego (CBS) Sp. z o.o.,
- Solver Sp. z o.o.,
- ING Powszechne Towarzystwo Emerytalne S.A.

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. Furthermore ING Bank Hipoteczny took loans from ING Bank Śląski. Similarly, ING Bank Śląski maintains bank accounts of other members of ING Group, for instance ING Lease (Poland), NG Car Lease and ING Real Estate. 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: Forex Spot and Forex Forward, FX options and SWAP transactions. The abovementioned transactions are carried out on an arm's length basis.

There were also other transactions between the associated 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 car fleet leasing, management and employees' insurance contributions.

In the period 1.01.2009 – 31.12.2009 the following transactions were made of the total value exceeding EURO 500.000:

- In connection with execution of the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV the remuneration for the services provided as to financial consulting in 12 months of 2009 amounted to PLN 43.3 million (net). Following the implementation of the agreement for provision of data processing and financial information analysis services, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the fee for data processing and financial information analysis services used by ING Bank Śląski amounted to PLN 12.6 million (net),
- ING Services Polska provides services to ING Bank Śląski with regard to lease of hardware resources. The costs of service were PLN 27.7 million (gross),
- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 18.4 million (gross),
- ING Bank Śląski co-operates with ING Car Lease as to leasing of cars and management of car fleet. The derivative amount of payment was PLN 13.4 million in 12 months of 2009 (gross).

Transactions with related entities (in PLN thousands):

31.12.2009

	Parent company	Other ING Group entities	Associated undertakings*
Receivables			
Deposits placed	564 712	2	-
Nostro accounts	44 866	-	-
Loans	-	1 491 241	-
Other receivables	8 251	1 392	-
Liabilities			
Deposits received	331 321	784 219	23 236
Loro accounts	14 992	300 417	-
Repo	3 241 530	-	-
Other liabilities	10 515	170	
Off-balance-sheet operations			
Contingent liabilities	47 882	1 083 691	-
FX transactions	18 679 617	7 602 732	-
Forward transactions	1 439 112	537 181	-
IRS/CIRS	30 840 479	10 047 016	-
Options	812 007	2 673 739	-
Revenue and costs**			
Revenue	-9 370	95 824	257
Costs	57 817	64 289	1 467

31.12.2008

	Parent company	Other ING Group entities	Associated undertakings*
Receivables			
Deposits placed	7 862 990	-	-
Nostro accounts	42 117	275 267	-
Loans	-	1 500 298	-
Other receivables	5 302	23 037	-
Liabilities			
Deposits received	2 279 257	527 881	26 405
Loro accounts	95 026	54 750	-
Repo	2 760 763	153 539	
Other liabilities	8 259	245	-
Off-balance-sheet operations			
Contingent liabilities	-	1 202 743	-
FX transactions	40 369 528	13 904 385	-
Forward transactions	673 840	1 727 057	-
IRS/CIRS	39 590 399	6 928 296	-
Options	1 499 774	1 096 749	-
Revenue and costs**			
Revenue	187 894	37 788	213
Costs	65 668	56 184	3 094

*/ 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.

The Group analysed entities being part of ING Group. As a result, additional entities were identified with which the Group concluded transactions that had not been included in the consolidated financial statements for 2008. Consequently, the data for 2008 in those financial statements were adjusted accordingly to achieve comparability.

51. Changes in the Bank Management Board

On 26 October 2009, the Supervisory Board Chair of ING Bank Śląski S.A. received a resignation of Mr Brunon Bartkiewicz from a post of the Management Board President of ING Bank Śląski S.A., as of 31 December 2009. The reason for the resignation is the fact of taking up by Mr Brunon Bartkiewicz of another position in ING Group as of 1 January 2010.

On 8 December 2009, the Supervisory Board appointed Ms. Małgorzata Kołakowska as the President of the Bank Management Board, subject to approval of the Polish Financial Supervision Authority. The Polish Financial Supervision Authority approved the abovementioned candidacy on 23 February 2010.

Bank Management Board as at 31.12.2009		Bank Management Board as at report publication date	
• Mr. Brunon Bartkiewicz	Chief Executive Officer	• Ms. Małgorzata Kołakowska	Chief Executive Officer
• Mr. Mirosław Boda	Vice-President	• Mr. Mirosław Boda	Vice-President
• Mr. Michał Bolesławski	Vice-President	• Mr. Michał Bolesławski	Vice-President
• Mr. Evert Derks Drok	Vice-President	• Mr. Evert Derks Drok	Vice-President
• Ms. Justyna Kesler	Vice-President	• Ms. Justyna Kesler	Vice-President
• Ms. Małgorzata Kołakowska	Vice-President	• Mr. Oscar Swan	Vice-President
• Mr. Oscar Swan	Vice-President		

52. Transactions with the management staff and employees

Employees of the ING Bank Śląski S.A. Group are granted loans on the same terms and conditions as the customers of the Bank (no preferential loans for employees exist). Loans for employees disclosed in the amount of loans for customers as of 31.12.2009 amounted to PLN 82,512 thousand. As at 31.12.2008, their value amounted to PLN 75,380 thousand.

Granting of a loan, cash advance, bank guarantee and surety for the Bank's management staff members is regulated in a separate procedure and monitored in accordance with the Ordinance of the President of ING Bank Śląski S.A.

The financial statements for 2009 contain the loans, cash advances, bank guarantees and sureties for the Bank's management staff (within the meaning of Article 79 of the Banking Law) amounting to PLN 29,765 thousand. As at 31.12.2008, their value amounted to PLN 30,090 thousand.

The employees may use various forms of social assistance within the framework of Internal Social Benefit Funds established in the entities of the Group. The balance of money advances granted from the Internal Social Benefit Funds as of 31.12.2009 amounts to PLN 15,106 thousand versus 17,451 thousand as at 31.12.2008.

The balance of the In-house Social Benefits Fund as at 31.12.2009 was PLN 4,736 thousand vis-à-vis PLN 4,639 thousand as at 31.12.2008.

Remuneration paid to the Members of the Management Board and Supervisory Board of ING Bank Śląski S.A.

Remuneration to the Members of the Management Board (in PLN thousand)

	31.12.2009	**31.12.2008**
Remuneration and bonuses	8 031	10 677
Benefits	1 906	2 159
TOTAL	9 937	12 836

The total amount of remuneration and bonuses paid or due for 2009 presented above constitutes the gross amount of remuneration paid or due and payable for the period from January to December 2009.

The members of the Management Board have signed non-competition agreements after they stop holding their function on the Bank's Management Board. In the event that a Management Board is not renominated for another term of office or is recalled from his/ her function, he or she is entitled to severance pay. Information on allowances owing to the Management Board Members is contained in their employment contracts and shall be paid only in case of termination of the employment contract by the Bank due to other reasons than those giving rise to termination without notice.

Remuneration paid to the Members of the Supervisory Board of ING Bank Śląski S.A. (in PLN thousand)

	31.12.2009	**31.12.2008**
Remuneration and bonuses	580	546
Benefits	0	0
TOTAL	580	546

The Management Board Members and other persons employed by ING Bank Śląski S.A. do not receive any remuneration for performing functions in the governing bodies of subsidiaries and associates of the ING Bank Śląski S.A. Group.

As regards members of the Bank Supervisory Board, the following individuals have held shares of ING Bank Śląski: Mr. Mirosław Kośmider – 3 shares; Mr. Wojciech Popiołek – 6 shares. The other members of the Bank Management Board and the Bank Supervisory Board do not hold any shares of ING Bank Śląski S.A.

53. Headcount

The headcount in the Capital Group was as follows:

Headcount	31.12.2009	31.12.2008
Individuals	8 291	8 577
FTEs	8 146.6	8 413.9

54. Events after the balance sheet date

Changes in the Supervisory Board

On 13 January 2010 Mr. Jerzy Hausner submitted his resignation from the position of a member of the Supervisory Board of ING Bank Śląski S.A. to the Chair of the Supervisory Board. The resignation is effective from 13 January 2010. Mr. Jerzy Hausner cited his appointment to the Monetary Policy Council as the reason for his resignation.

On 05 February 2010, Mr. Tom Kliphuis tendered his resignation to the Chair of the Supervisory Board of ING Bank Śląski S.A. from his capacity as member of the Bank's Supervisory Board, effective 05 February 2010. When handing his resignation, Mr. Tom Kliphuis, who is the CEO of ING Insurance Central Europe, cited reasons related to the organisational changes within ING Group (pending split of Banking and Insurance) and the workload it would bring on him.

Concluding a significant mandate agreement

On 12 February 2010, the Bank together with five other banks concluded a mandate agreement with a listed company from the fuel and energy sector regarding the arrangement of the bond issue programme for that company up to the amount of PLN 3,000,000,000.00.

Under the mandate agreement, ING Bank Śląski S.A. will underwrite the bond issue up to PLN 550,000,000.00. The first issue as part of the programme is set to take place after 22 July 2010.

The agreement is considered significant as the underwriting amount exceeds 10% of the Bank's equity. The borrower is not affiliated with ING Bank Śląski S.A.

55. Changes to the Business Entity / Capital Group Structure

One change has been recorded in the Group's structure during the twelve months of 2009. It concerned ING BSK Development Sp. z o. o. which was put into liquidation from 1 January 2009. On 16 March 2009, an announcement was published in the Court and Business Gazette (*Monitor Sądowy i Gospodarczy*) that the liquidation process had begun. On 5 October 2009, Extraordinary General Meeting was held which approved the liquidation report of the company drafted as of 30 September 2009. On 12 October, a motion was submitted to the court to remove the company from the National Court Register. On 23 October 2009, the Court decided to remove the entity from the National Court Register.

56. Approval of the report

These annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1st January 2009 to 31st December has been approved by the Bank Management Board on 03 March 2010.

Risk Management in Capital Group of ING Bank Śląski S.A.

All of the Group's operations involve the analysis, assessment and management of certain types of risk or their combination. The most important types of risk generated by financial assets include: the credit risk, liquidity risk and market risk that incorporates the FX risk, interest rate risk and pricing risk. Presented below is a description of management of all the risk types that are significant from the Group's perspective.

I. Credit Risk Management

1. Definition of Credit Risk

Credit risk is the possibility of non-collection of amounts due to the Group under extended credit and credit-related facilities, leading to lack of income and/ or a financial loss.

The credit losses are a derivative of risk and actions taken by the Group to reduce them. The Group influences the level of losses by the level of risk it accepts, the amount of exposure at risk, the security against the risk borne and also – in case of risk materialisation – by direct actions taken to minimise the losses.

In view of the above, credit risk management covers the following elements:

- risk identification and assessment,
- risk measurement and monitoring,
- risk mitigation and prevention,
- development of tools supporting risk identification and measurement,
- provisioning policy.

The credit risk management area refers to: the preparation and launch of a credit product, the end-to-end lending process and all units involved in those processes.

Maximum exposure to credit risk

	31 Dec 2009	**31 Dec 2008**
- Loans and receivables to other banks	1 184 103	7 787 225
- Financial assets measured at fair value through profit and loss	8 267 661	10 548 819
- Valuation of derivatives	1 566 652	4 579 765
- Investments	14 166 281	18 050 922
- Derivative hedge instruments	90 444	197 003
- Loans and receivables to customers	30 592 794	25 742 839
- Receivables presented in other assets	8 213	8 213
– Extended contingent liabilities, including:	14 096 703	14 100 914
- credit card limits	*679 304*	*685 445*
- unutilised credit lines	*8 782 256*	*9 300 616*
- unutilised overdraft facilities	*1 973 490*	*1 280 767*
- guarantees and letters of credit	*2 376 623*	*2 797 993*
- third-party deposits	*285 030*	*36 093*
Total	**69 964 638**	**81 007 487**

2. Organisational Structure of Risk Management

For credit risk management, the organisational structure of the Group parent company (Bank) includes the following organisational units:

- Supervisory Board of the Bank,
- Management Board of the Bank together with the Credit Policy Committee that approve certain internal credit risk-related normative acts as part of their powers,
- Credit Policy, Procedures and Strategic Projects Department,
- Risk Modelling, Monitoring and Reporting Department,
- Transactions Management and Approval Strategic Clients and Country Risk Management Department,
- Transaction Approval and Management for North Department
- Transaction Approval and Management for South Department
- Retail Credit Risk Management Department,
- Monitoring and Collection Department,
- Problem Loans Department,
- Credit Risk Inspection Department,
- Operational units and credit analysts,
- Internal Audit Department.

The mission of these units is to ensure proper balance between the commercial objectives of the Group and a risk appetite level that is acceptable for the Group, while taking account of the existing economic environment.

This objective is achieved by taking the following actions:

- developing the principles of credit policy, as well as processes and procedures for acceptance of the permissible credit risk level towards entrepreneurs and business partners; supporting the development of tools for risk identification and measurement; enforcing the implementation of credit decisions; establishing provisions for credit risk, and initiating changes that may be necessary to manage the credit process,
- conducting credit analysis and taking credit decisions,
- raising the level of credit- and counterparty risk awareness among the Bank's employees in order to mitigate those risks,
- managing problem loans to minimise the risk and losses of the Bank,
- conducting an independent and objective assessment of the effectiveness, appropriateness and efficiency of the Bank's internal audit system, while ensuring the identification of weaknesses or gaps in its organisation and functioning.

The commercial functions are separated from the functions assessing the transaction- and client risk (the four-eye control principles).

Presented below in more detail are the roles and responsibilities of the individual organisational units involved in the credit risk management process at ING Bank Śląski S.A.

2.1 Supervisory Board

The Supervisory Board assess on a periodic basis the accomplishment by the Management Board of the Bank's credit risk management assumptions and strategy.

2.2 Management Board

The Management Board of ING Bank Śląski S.A.:

– approves the Credit Policy that defines the strategic approach to credit risk and the acceptable risk level,
– appoints and approves the composition of the Credit Policy Committee through which it ensures ongoing oversight of the credit risk management process,
– provides periodic reports, at least once a year, to the Bank's Supervisory Board regarding the risk level and profile, as well as amendments to the Credit Policy,
– promotes implementation and execution of the Credit Policy by actions taken by the individual members of the Management Board in charge of their respective subordinate areas; among the members of the Management Board, there is a Chief Risk Officer who oversees the credit- and market risk management,
– reviews the efficiency of methods used for identifying impaired credit exposures and defining the related write-offs; assesses the adequacy and sensitivity of the methods to changes of external conditions,
– reviews the processes and the methods of monitoring the quality of credit exposures.

2.3 Committees

The following permanent committees are in place at the Bank and their powers include the credit risk areas:

  – Credit Policy Committee (or KPK) whose key objective is to oversee the implementation and control the adherence of the organisational units of ING Bank Śląski S.A. to the "Credit Policy Rules",
  – Credit Committees:
    – of ING Bank Śląski S.A. (the Bank Credit Committee),
    – the Restructuring Committee.

In the strategic clients area decisions are taken by two individuals authorised by the KPK.

2.4 Credit- and Market Risk Management Division

There is a separate division for the credit- and market risk management in the organisational structure of the Bank.

The mission of the Credit- and Market Risk Management Division is to maintain an adequate level of the credit- and market risk at the Bank. The division is headed by the Bank Executive Director subordinated and reporting to the Chief Risk Officer.

The Bank Executive Director (Division Director) oversees, among other things, departments whose function includes system management of the Bank's corporate credit risk.

With regard to the department responsible for retail credit risk management (Retail Credit Risk Management Department) reporting is performed directly to the Chief Risk Officer.

Within the above departments, there are units/ teams responsible for the policy and procedures, examination and modelling of the credit risk, as well as the monitoring and reporting of the credit risk of the portfolio.

The tasks of the individual Departments involved in the credit risk management process are as follows:

2.5 Credit Policy, Procedures and Strategic Projects Policy Department

- to develop effective systems for credit risk management by maintenance and expansion of the credit policy principles and description of processes and procedures in order to ensure a proper balance between the current commercial objectives of the Bank and the adequate awareness level/ risk appetite level, while taking account of the market conditions in Poland,
- to ensure effective functioning of the risk area and process, in line with the current conditions, by management, participation in projects, modelling the organisation, review of processes, reacting to the needs of the front office, operations, implementation of the requests of the Bank Management Board and ING Group Head Office.

2.6 Risk Modelling, Monitoring and Reporting Department

- to define and produce management reporting in the risk area,
- to support the management of the client and counterparty credit risk and the transaction risk by developing tools used for the risk identification and measurement, monitoring and reporting in respect of the credit portfolio quality, making recommendations concerning the provisions for credit risk; supporting the units managing the client and counterparty credit risk and the transaction risk in regard to the legal and administration items.

2.7 Transactions Management and Approval Strategic Clients and Country Risk Management Department, Transaction Approval and Management for North Department/ Transaction Approval and Management for South Department

- to manage the credit risk related to client funding by providing advice in respect of the risk in the process of taking credit decisions, executing credit decisions, recommending required changes in the credit process management,
- to supply important data for the credit policy principles as well as processes and procedures in order to accept the acceptable level of the wholesale client risk,
- to raise the level of credit- and counterparty risk awareness among the Bank's employees in order to mitigate those risks,
- to recommend the level of provisions and necessary changes in the management of credit processes and defining products and credit policy in order to mitigate the risk.

2.8 Retail Credit Risk Management Department

- managing the credit risk via: measurement of risk level, defining the criteria of risk acceptance, monitoring the quality of credit portfolio, evaluating potential losses, recommending the financial provisions and necessary changes in managing the credit process, definitions of products, credit policy having in view decreasing the risk,
- valuing current and expected risk level for fixing the risk appetite,
- development and up-dating calculation models of credit capacity,
- initiating the preparing and up-dating of statistic acceptance models (scoring cards for retail credits) and its implementation,
- creating and implementing the impairment rules,
- increasing, among Bank employees, credit risk consciousness, possibilities and methods of its reducing.

2.9 Monitoring and Collection Departament

- collection of the delinquent retail loans to minimize credit risk and losses for all retail segments by conducting collection actions for delinquent customers,
- co-operation with Retail Credit Risk Management to identify adverse trends and non-performing segments in retail asset portfolios,
- supervision of outsourced collection entities and legal agencies.

2.10 Problem Loans Department

- to manage problem (wholesale) loans aimed at minimisation of risk and losses for the Bank, resulting from the non-performing portfolio,
- to co-operate with the Regional Risk Management Sections (WZR) and Front Office units in respect of debt recovery and restructuring of problem loans,
- to exercise functional supervision over the Regional Risk Management Sections (WZR) in respect for restructuring and recovery of problem loans,
- in regard of centralised debt-collection as of September 2009, the Department currently deals comprehensively with Bank (corporate) irregular credits.

2.11 Credit Risk Inspection Department

- to verify on a regular basis the credit documentation and assess the functioning of the credit process at ING Bank Śląski S.A. at the front-office and back-office levels (the ability to recommend changes to the existing policies and processes to the Credit Policy Committee),
- to analyse selected loans and adequacy of local Risk Management during regular inspections at the Bank organisational units,
- to identify potentially problematic areas and respond to the signals coming from the organisation,
- to control the adherence to the transaction approval criteria, the process of loan disbursement; behaviour patters/ statistics regarding repayments, statistics of overdue repayments, adequacy of monitoring of exposures and risk categories and correctness of the credit data entered in the IT system and debt collection.

2.12 Operational Units and Credit Analysts

They represent expert knowledge on the risk characteristics of clients.

2.13 Internal Audit Department (IAD)

The key mission of IAD is to provide the Bank Management Board with an independent and objective assessment of the appropriateness and efficiency of the Bank's internal audit system, ensuring the identification of weaknesses or gaps in its organisation and functioning.

The Internal Audit Department carries out regular audits of the Corporate Governance Model, credit risk policy and procedures. Its observations (together with the proposed changes to the policy and procedures) are then translated into a plan of actions that need to be taken before approval by the Credit Policy Committee.

The predominant objective of IAD is to identify the risks existing in the Bank's operations and to assess and propose actions enhancing control and management of those risks. By its activities, IAD contributes to improving the organisation and management of the Bank and to accomplishing the objectives set by the Bank.

The scope of IAD operations covers the whole business operations conducted by ING Bank Śląski S.A., all of its organisational cells and units, as well as the organisational units of the capital group of ING Bank Śląski S.A.

3. Credit Decision – Making Process

Decision-taking powers in the individual credit cases (credit committees at different levels) are separated from the decisions concerning the credit policy and risk management.

The credit decisions in credit process for regular portfolio are exercised by two Approval Signatories (SAP) and taken in Signatory Approval Process (SAP) shown in Credit Manual. Some exceptions apply to:

- decisions taken by Bank Credit Committee (KKB) – applying to the largest credit exposures mentioned in Credit Manual,
- decisions taken by one Approval Signatory – applying to "FAST TRACK" credit process.

The delegated authority level is co-related with the level of credit risk arising from the client risk and from the transaction risk. As the credit risk rises, the decisions are taken by collective individuals who – by their nature – have more extensive experience, and thus the ability of broad and thorough risk identification.

Decision-taking level for credit decisions concerning regular credit exposures is determined based on the client's risk grade and the following elements:

- the total exposure of ING Group towards the debtor and the members of the capital group (within Article 3 paragraph 1 item 44 of the Accounting Act of 29 September 1994) of which the debtor is also the member, as well as entities related to the debtor by personal ties by spouses (only when the Bank funds an entrepreneur who is a private individual),
- the subject matter of the credit decision in question.

4. Management of corporate credit risk approach

4.1. Reviews and Credit Risk Rating

Commercial functions who grant credits are separated from the process of transaction- and client risk rating (four-eye control principle). Credit risk is rated (by the Risk Manager) based on the principle of separation from the commercial functions (Relationship Manager).

The following parties are involved in the process of risk rating: Rating Owner (Relationship Manager) and Risk Manager.

The Rating Owner inputs the financial data related to the client and has exclusive responsibility for the correctness of the risk rating, including Review.

There is only one owner of a borrower's risk rating. The credit restructuring unit may become a rating owner for borrowers rated 18 to 22.

The final rating is determined by the Risk Manager, or by the Appeal Judge if an appeal has been made.

The Risk Manager is responsible for:

– verifying that the appropriate rating model has been used for the borrower,
– verifying that financial and non-financial data entered are correct,
– challenging un-audited financial data,
– finalizing the rating.

The outcomes of specific models may be subjects to arbitrary adjustments in that the ultimate rating grades are determined as part of the appeal process.

A one notch difference (positive or negative) between the rating calculated by the rating model and the view of the appellant (the person initiating an appeal) is sufficient to start a rating appeal.

Reasons for a rating appeal are for example:

– the rating model is not appropriate for the borrower; and/or
– circumstances that may not (yet) be captured by the rating model but which are likely to have a (usually negative) effect on the borrower's PD, especially if:
    – borrower has or is expected to default on any financial obligation to any party,
    – major disruption of activities,
    – change in legislation that will seriously impact the financial performance.

IT system in Bank, used also in whole ING Group, supports credit risk assessment process and enables, as well, centralized gathering data on risk rating grades of clients.

4.2. Frequency of Risk Rating Reviews and Updates (if any)

Only the Rating Owner can review the risk rating. The following rules will apply to rating reviews:

- a risk rating must be reviewed at least annually; a risk rating is considered overdue after 12 months from the last approval date of the risk rating,
- the Rating Owner should take appropriate action to either review or cancel the risk rating if the Bank has terminated the relationship with the Borrower and no credit risk remains; the Rating Owner should perform an interim re-rating when the value of one or more risk drivers has materially changed; events that could cause a consideration for a re-rating are for example a change of risk rating of the influencing parent or a change of any of the qualitative risk drivers,
- without a review till the end of 18 months from the last approval date of the risk rating, a risk rating will automatically expire,

4.3. Concentration Limits

To mitigate the concentration risk, the Group parent company (Bank) observes the following exposure concentration limits as defined in Article 71 of the Banking Law Act:

- 20% of the Bank's own funds – for exposures to entities related to the Bank,
- 25% of the Bank's own funds – for exposures to other entities,
- 800% of the Bank's own funds – for the aggregate amount of the Bank's "large" exposures, i.e. exposures exceeding 10% of the Bank's own funds.

Furthermore, in keeping with the statutory rules and recommendations of the Banking Regulator, the Bank sets internal concentration limits for exposures to specific sectors, the collaterals accepted, and it monitors on a regular basis the concentration levels in the geographical areas of its operations (the Regions).

The Bank sets the statutory concentration limits on a monthly basis. Based on the data verified, the Bank prepares a report covering the up-to-date balance of the Bank's own funds and the individual statutory limits. The report is then distributed among the Bank units concerned, including among others: the Corporate Banking Centres, the Regional Branches, the departments of the Credit Division, Risk Division and the Internal Audit Department. The Regional Branches re-distribute the report among their respective subordinate units.

The Bank monitors the utilisation of limits by preparing a specification of clients and groups of related clients, and by comparing their existing exposure to the current limits.

On the operational level, the control of concentration limits is performed during the writing of credit applications, approving specific transactions and periodic reviews.

Bank's greatest exposures (exceeding 10% of own funds)

	exposure in PLN million	
	31 Dec 2009	31 Dec 2008
Bank's own funds	***3 855 388***	***3 566 116***
Client 1 (Group)	3 193.7	2 384.4
Client 2	633.7	534.3
Client 3	630.4	800.4
Client 4 (Group)	506.2	506.5
Client 5 (Group)	486.8	509.9
Client 6 (Group)	-	736.8
Client 7 (Group)	-	725.4
Client 8	-	617.0
Client 9	-	501.0
Client 10 (Group)	-	411.4
Client 11	-	367.1

To avoid excessive credit risk concentration in the sectors, the Bank monitors the exposures in the individual economy sectors. Based on analyses, the Bank sets the desired directions where its exposure should increase, and the sectors with unfavourable development perspectives in which the exposure should be lowered.

The above tasks also include among other things the determination of limits for groups of sectors with a material share in the Bank's portfolio, i.e. whose total share in the entire credit portfolio is around 60%, and the individual share of a given sector in the corporate portfolio is in excess of 5%. Limits for the individual sectors are determined by the Credit Policy Committee.

Industry concentration of exposures to corporate clients

industry	exposure (on-balance and off-balance)			
	31 Dec 2009		31 Dec 2008	
	exposure in PLN million	*share in total exposure (%)*	*exposure in PLN million*	*share in total exposure (%)*
wholesale trade	3 931.3	14.0%	3 698.9	12.9%
financial intermediation (including banks)	3 818.6	13.6%	4 026.7	14.1%
public administration and national defense	2 344.1	8.4%	1 114.3	3.9%
retail trade	1 568.4	5.6%	1 441.0	5.0%
constructions industry	1 555.7	5.6%	1 795.7	6.3%
real estate services	1 432.7	5.1%	1 581.2	5.5%
remaining services connected with running business	1 403.9	5.0%	1 314.8	4.6%
foodstuff and beverage production	1 265.2	4.5%	1 186.1	4.2%
power industry	1 047.3	3.7%	1 132.6	4.0%
mechanical vehicles sale, repair and service	683.6	2.4%	746.4	2.6%
engineering industry	678.1	2.4%	648.6	2.3%
ready-made metal goods production	672.0	2.4%	762.4	2.7%
rubber industry	609.4	2.2%	474.2	1.7%
post office and telecommunications	607.2	2.2%	605.0	2.1%
remaining non-metal raw materials industries	543.0	1.9%	603.5	2.1%
fuel industry	500.1	1.8%	943.9	3.3%
equipment rent	470.2	1.7%	744.2	2.6%
chemicals and chemical goods production	457.4	1.6%	528.9	1.9%
auxiliary service for transportation	384.0	1.4%	303.7	1.1%
water intake, treatment and distribution	364.1	1.3%	245.5	0.9%
other	3 675.6	13.1%	4 681.6	16.4%
Total	**28 011.9**	**100.0%**	**28 579.2**	**100.0%**

Exposure concentration in the geographical areas is monitored according to the regional division into the branch network. A 20% limit of the Bank's total portfolio is adopted for controlling concentration at the level of Regions. Exceeding this limit may trigger setting a geographical limit.

However, since geographical concentration is minor and does not increase the credit risk, so far there has been no need for ING Bank Śląski to set geographical limits.

Considering the potential risk level, the Bank introduced limits for mortgage loans in accordance with Recommendation S of the Banking Supervision Commission for the following types of facilities:

- loans with low down-payment (insured),
- newly granted loans indexed to foreign exchange rate,
- loans secured with mortgage,
- housing loans.

Adherence to the statutory and internal concentration standards is the subject of a monthly risk report distributed among the Management Board, Credit Policy Committee and Regional Managers. The report is also presented to the Supervisory Board of the Bank on a periodic basis.

Both over the year 2009 and 2008, the exposure concentration limits were not overrun.

4.4. Repayment Security and Other Forms of Credit Risk Mitigation

Even though repayment security is a major factor that allows the Group to mitigate the lending risk, it is the Group's policy to extend loans in amounts and on terms that allow for regular repayment without the need to recover the receivables by liquidating the security.

The Group accepts all types of repayment security permitted by the law; however, the choice in specific cases is conditioned by various factors, including in particular:

- the client's ability to offer specific types of security,
- the type and duration of exposure,
- the level of client's risk,
- the level of transaction's risk,
- the liquidity of security offered (the ability to cash it easily),
- the collateral value.

The *Collateral Policy* of the Group parent company (Bank) covers, among others, the following areas:

- indications of the criteria for accepting the collateral in the capital requirement for credit risk calculation process,
- setting the general rules for the Bank when choosing the collateral forms, inclusive of the acceptable credit risk level,
- adjustment to the collateral-related procedures to the requirements of the new LGD models that are in harmony with the advanced internal ratings' method (the so-called AIRB).

Moreover the Collateral Policy of the Bank takes into account in particular those aspects of the Resolution No. 380/2008 which concern the application of LGD models, legal reliability of security and its monitoring.

The LGD models developed for corporate assets are based on statistically estimated recovery ratios for specific groups of security. The estimations are based on an analysis of historical recovery processes at the Bank. The rates of recover for specific types of security determine their fair value.

The recovery rate for a specific type of security depends on the character of the security item, the legal form of the security and the efficiency of the security liquidation process. The final level of the recovery is also influenced by the costs of debt-collection and the costs of keeping a classified exposure in the Bank's books (until the debt is recovered or cancelled).

Apart from the classic types of security (tangible and personal), the Bank also applies additional instruments to mitigate the risk of loss, namely additional covenants in loan agreements. As part of the basic or standard covenants, the Bank applies protective and financial clauses. The scope of the covenant or combination of covenants to be applied depends on: the term, type of lending product, the specific organisational and legal form or the business objects of the borrower, the risk rating of the client. By including certain covenants in the credit agreements, the Bank is sometimes able to give up some or all of the repayment security.

The structure of individual security types is diversified.

The following types of collateral have the biggest share:

- suretyships and corporate guarantees – there are guarantors from different industry sectors with different economic and financial standing within this group. Therefore, there is no significant risk in terms of concentration. In case of assuming a specific recovery ratio from collateral, greater than 0%, it is necessary to examine the economic and financial standing of the guarantor and determine the risk rating as investment or speculative.

– mortgages – this is due to the fact that mortgages usually secure long-term investment loans. Furthermore, mortgages are the main security for loans to finance commercial real estate.

Collaterals accepted from corporate clients at fair value per the main four types of collaterals

Type of collateral	Fair value of collaterals in PLN million	
	31 Dec 2009	**31 Dec 2008**
Mortgages	1 736.1	2 408.2
Pledges	801.6	955.7
Guarantees, of which:	571.5	778.5
- banking guarantees	*11.9*	*65.2*
- governmental guarantees	*231.1*	*35.2*
Cash collaterals	187.5	244.3
Assignment of debt claims	193.1	134.5
Total	**3 732.8**	**4 521.2**

4.5. Exposure Classification Methodology

Credit Impairment Recognition

The events that provide the basis for credit impairment recognition are the events that occurred in respect of a certain asset or a group of assets and that affected in a negative manner the amount of expected cash flows. The Group parent company (Bank) adopted the following list of impairment events for corporate credit receivables:

- bankruptcy/ threat of bankruptcy: the Borrower was announced or will soon be announced bankrupt (whether by the Bank, by third party or on its own initiative), which will result in failure to repay or delay in repayment;
- default in repayment: the Borrower stopped to repay the principal or interest/ commission and the said default lasts:
  - for corporate clients (apart from financial institutions) – above 90 days;
  - for financial institutions and government authorities – 0 days or more; however, in that case a 14-day explanation term is applied to determine whether the default in payment is caused by deterioration of the financial institution's credit standing or operational reasons. Default in payment for operational reasons is not considered an impairment event.
- the Bank assesses that the borrower will face difficulty in repaying the debt: the Borrower has such material financial problems that they can be of a negative impact (probability of at least 50%) on future cash flows under a given credit receivable (the 1Y perspective is considered in the assessment);
- credit receivable restructuring not resulting for commercial reasons: due to the borrower's financial problems, the Bank restructured the credit exposure, by granting facilities and

exceptions to the borrower, which resulted in reduction of the present value of expected future cash flows from the credit receivable below its balance value.

The case where occurrence of at least one of the aforementioned events is declared stands for appearance of impairment.

Customer Risk Class Determination in case of regular portfolio

Each entity with the Bank's credit exposure must have a rating assigned as is used in a standard manner at the Bank. Determination of the customer risk class forms an integral part of the Bank's credit risk evaluation process for corporate clients.

For entrepreneurs' exposures, the Bank uses a 22 grade rating, employed throughout ING Group. Its classes present the debtor-related risk. The customer is assigned to a given risk class based on the:

– financial model, using the data from the debtors' financial reports,
– evaluation of qualitative factors,
– financial standing of the parent company.

Investment Grade 1-10

Investment grade comprises the entities which we assess as encumbered with a relatively low risk; however, in making risk classification, we take account of the threats arising from economic and business conditions.

Speculative Grade 11-17

It is a group of a relatively large bucket of risk levels, and thus the characteristics of extreme classes within this group varies considerably. In general, we may say that:

– the entities from top classes under this group are fulfilling their financial obligations at present, however the debt cover ratio (principal and interest) over a longer term is not certain, and thus the safety margin is limited; there is real threat of credit risk growth due to unfavourable business or economic conditions;
– the borrowers assigned to the top risk classes (the worst classes from that group) can be characterised by uncertain income perspectives, worse quality of assets and over a longer term the risk of equity mismatch and possibility of loss occurrence.

Problem Loan Grade 18-22

This risk group comprises the Borrowers who showed explicit symptoms of problems with debt service or who are in the default situation.

Borrowers from the risk group (and also the ones assigned to class 17 or better, whose exposures are covered by regulations are classified by Intensive Care Units only, managing a given client exposure.

For:

– strategic clients - the global ING Group model is applied – the debtor is assigned to one of 17 corporate client risk classes in the brackets from 1 to 17,
– corporate clients - the local SME PD model is applied – the debtor is assigned to one of 9 corporate client risk classes in the brackets from 9 to 17.

Corporate Credit Risk Management Tools

In 2007-2009 Bank initiated number of activities within credit risk management area aiming at implementation of KNF resolution 380/2008 regarding scope and detailed requirements of capital requirement calculations. KNF resolution is implementation of CRD directive regarding capital adequacy in line with New Capital Accord. Following the ING Group's decision to implement the Advanced Internal Rating Based Approach (or AIRB), the Bank prepared and implemented local and global models for basic risk parameters:

- PD (probability of default),
- LGD (loss given default),
- EAD (exposure at default)

for various classes of assets in line with AIRB.

Implementation of A-IRB metod for corporate portfolio is planned once approval of KNF is granted.

Among others, the Bank uses the following rating models for corporate exposure classes:

- For local segment of Strategic clients recognised as customers with annual revenues above EUR 100 million
  - Global risk rating model (statistical PD model), based on the global ING Group approach,
  - Global LGD and EAD models (hybrid statistical-expert models), built on the ING Group level.
- For local segments of Mid-sized and Big companies (SME asset class) with annual revenues from PLN 800 thousand to EUR 100 million):
  - Local PD rating model (so-called CEE SME PD) – which is used in Middle-East Europe countries,
  - Local LGD and EAD models (hybrid statistical-expert models), built in the Bank on the basis of internal data and ING Group's methodology.

Besides above, the Bank uses also global models for exposures to banks and other financial institutions and to sovereigns and local governments.

The models are employed to calculate the economic capital allowing its level to be optimised. They contribute to a better quantification of the credit risk for the Bank's portfolio. It is on their basis that the provisions under IFRS, the efficiency of Bank's performance (RAROC, economic profit, goodwill management) and credit prices are estimated, among other positions.

While employing the risk models, the Bank makes use of advanced IT systems supporting the client and transaction risk rating process. An integrated ING Group's environment is the primary IT tool used to manage credit risk. As this tool combines all applications needed to fully meet the New Capital Accord requirements, it enables the Bank to manage risk effectively not only on the Bank's Branch level, but also on the level of individual relationship manager's portfolio.

Credit exposure to corporate clients by risk grades

risk rating	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
01	0.0	0.0	0.0	0.0
02	0.0	0.0	0.0	0.1
03	0.0	180.8	1 758.0	1 414.5
04	1 675.2	1 106.1	1.2	4.0
05	0.5	3.0	431.6	11.9
06	824.9	212.8	381.8	233.4
07	184.2	59.8	227.9	159.6
08	1 545.7	1 137.8	1 328.7	764.3
09	1 069.6	658.1	1 623.1	1 758.0
10	1 914.5	1 766.0	1 060.3	957.0
11	1 675.7	1 965.1	2 066.9	2 025.8
12	1 249.8	1 183.5	1 367.0	1 584.4
13	2 162.1	1 353.4	2 158.5	1 261.5
14	987.8	452.4	1 368.2	619.7
15	1 370.7	397.0	1 111.5	575.6
16	547.5	204.5	867.4	364.1
17	565.0	167.3	473.2	110.4
18	66.4	11.1	56.9	30.1
19	372.0	79.1	95.7	13.6
20	429.4	52.6	167.4	4.9
21	5.5	0.0	4.0	0.0
22	370.5	4.5	136.8	0.2
Total	**17 017.0**	**10 994.9**	**16 686.1**	**11 893.1**

Exposure toward corporate customers rated 0-19 is covered by Incurred But Not Reported (IBNR) provisions. Exposure toward rating 20-22 is covered by Individually Significant Financial Assets (ISFA) or Individually Non-Significant Financial Assets (INSFA) provisions.

Credit exposures to corporate clients by overdue days

number of days overdue	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
0	16 437.1	10 973.1	16 301.3	11 885.8
1-30	77.6	17.2	143.4	6.9
31-60	13.7	3.0	15.7	0.0
61-90	21.1	0.1	14.4	0.4
91-180	117.8	1.5	54.5	0.0
181-365	153.9	0.0	34.0	0.0
>365	195.8	0.0	122.8	0.0
Total	**17 017.0**	**10 994.9**	**16 686.1**	**11 893.1**

Credit exposure to corporate clients under IBNR (Incurred But Not Reported) impairment provisions by overdue days

number of days overdue	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
0	16 144.0	10 916.0	16 228.6	11 880.7
1-30	30.8	17.2	125.6	6.9
31-60	9.8	3.0	13.2	0.0
61-90	5.9	0.1	7.5	0.4
91-180	17.4	1.5	0.9	0.0
181-365	3.2	0.0	1.4	0.0
>365	0.5	0.0	0.7	0.0
Total	**16 211.6**	**10 937.8**	**16 377.9**	**11 888.0**

Credit exposure to corporate clients under ISFA (Individually Significant Financial Asset) impairment provision by risk grades

risk rating	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
20	408.6	51.3	147.4	1.8
21	3.9	0.0	3.9	0.0
22	319.4	2.5	103.3	0.1
Total	**731.9**	**53.8**	**254.6**	**1.9**

Credit exposure to corporate clients under ISFA (Individually Significant Financial Asset) impairment provision by overdue days

number of days overdue	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
0	286.2	53.8	64.2	1.9
1-30	46.4	0.0	14.4	0.0
31-60	0.3	0.0	0.1	0.0
61-90	15.2	0.0	4.6	0.0
91-180	88.4	0.0	51.2	0.0
181-365	135.5	0.0	27.1	0.0
>365	159.9	0.0	93.0	0.0
Total	**731.9**	**53.8**	**254.6**	**1.9**

Credit exposure to corporate clients under INSFA (Individually Not-Significant Financial Asset) impairment provision by risk grades

risk rating	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
20	20.8	1.3	20.0	3.1
21	1.6	0.0	0.1	0.0
22	51.1	2.0	33.5	0.1
Total	**73.5**	**3.3**	**53.6**	**3.2**

Credit exposure to corporate clients under INSFA (Individually Not-Significant Financial Asset) impairment provision by overdue days

number of days overdue	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
0	6.9	3.3	8.5	3.2
1-30	0.4	0.0	3.4	0.0
31-60	3.6	0.0	2.4	0.0
61-90	0.0	0.0	2.3	0.0
91-180	12.0	0.0	2.4	0.0
181-365	15.2	0.0	5.5	0.0
>365	35.4	0.0	29.1	0.0
Total	**73.5**	**3.3**	**53.6**	**3.2**

4.6. Restructuring of credit exposures

In some cases, the Group parent company (Bank) will work with an obligor and its other creditors (if any) to restructure the obligor's business and its financial obligations in order to minimize any financial losses to the creditors as a whole, and Bank in particular. This can be accomplished through many means available to the creditors, the most common of which are:

- extending the repayment period,
- selling assets,
- selling business lines of the obligor,
- forgoing part of the financial obligations,
- a combination of the above.

The decision to enter into such a restructuring is done only after careful internal assessment and approval by the appropriate (internal) delegated authorities. Once a restructuring is completed, the obligor is again subject to normal credit risk monitoring procedures.

During the year 2009 Bank restructured performing loans totalling PLN 116.0 million, that we believe would have become impaired if we had not restructured them.

Credit exposure to corporate clients without loss that would become loss exposures once restructuring occurred

exposure in PLN million	
31 Dec 2009	**31 Dec 2008**
116.0	98.6

5. Management of retail credit risk approach

The Group parent company (Bank) regards all the retail receivables (from individual and small business clients) as individually non-significant as well as calculates and makes relevant charges and provisions pursuant to the collective approach.

The expert methodology for estimation of charges and provisions, inclusive of parameters used for their calculation, is admissible if one of the following prerequisites arises:

- the portfolio size and age and/or number of cases subject to impairment in the period under analysis is not sufficient for statistical or mathematical estimation,
- the data quality is insufficient for adequate estimation of charges or provisions,
- an essential change took place in the Bank's economic environment, level of risk appetite, strategies adopted for receivables recovery,
- adopted statistical or mathematical methods of estimation do not correspond to the regulatory requirements or those set by ING Group.

The justification behind the expert methodology and assessment of its results is verified separately for each case and is subject to approval by the Credit Policy Committee. The same principles are applied for the use of data and observations obtained from other institutions, inclusive of the data source acceptance.

Loan impairment triggers

- the Borrower has stopped repaying the principal or interest/ commission and the delay in repayment continues over 90 days. In case of overdraft facilities (personal accounts and current accounts of small business clients) this condition is applicable only for exposures over PLN 200;
- with regard to consumer loans: the Borrower (individual) has exposures other than the exposure in question, which demonstrate the premises of impartment under item 1 and all these exposures belong to the group of consumer loans (non-housing/ mortgage);
- with regard to housing/mortgage loans: the Borrower (individual) has exposures other than the exposure in question, which demonstrate the premises of impartment under item 1 and all these exposures belong to the group of housing/ mortgage loans (non-consumer);
- the Borrower (small business) has exposures other than the exposure in question, which demonstrate the premises of impartment under item 1;
- upon impairment the Borrower correctly services the debt; however, the period of correct service is shorter than 3 months (for debt overdue by no longer than 6 months);
- upon impairment the Borrower correctly services the debt; however, the period of correct service is shorter than 6 months (for debt overdue by longer than 6 months);
- the Borrower has been or will be declared bankrupt soon, which shall result in the failure to repay the debt or delay in its repayment (the premise applies in particular to the borrowers from small business segment);
- the credit agreement has been terminated;
- the credit receivables are covered with restructuring. Due to financial difficulties experienced by the borrower, the Bank restructured the credit exposure by providing the borrower with convenient solutions or concessions which result in reducing the current value of expected future cash flows due to the credit receivables to the level below the balance sheet value of these receivables. On the other hand, the revision of lending terms for commercial reasons (inclusive of interest rate change due to market conditions) does not constitute the premise for impairment. The restructuring principles and method of their treatment from the point of view of impairment charges (provisions) are determined by separate procedures.

The starting point for grouping exposures into portfolios pursuant to the collective approach are the principles introduced by the New Capital Accord (the so-called Basel II with appropriate modifications for impairment calculations), which distinguish three basic groups of retail products: renewable, mortgage and consumer loans. The risk drivers contingency within a group constitutes the basis for grouping. The product and its features function as the basic grouping criteria. Criteria of the premises for impairment based on the Basle concept of "default" derive from the product definition. Since the Bank applies the scoring cards (statistical acceptance models), the existing acceptance model constitutes an additional premise for grouping.

Additionally, the grouping is based on:

- type and definition of product,
- type of collateral,
- business positioning of product (e.g. separation of products not offered),
- other elements of acceptance model,
- organisation of credit process.

The separated portfolio should be characterised by a relevant number of cases to ensure the statistical recurrence of phenomena.

For each portfolio we distinguish:

– IBNR part,
– impaired part,
– impaired – non risk part, also referred to as the B portfolio (no further recovery expected).

The Bank applies the following criteria for distinguishing the B portfolio:

– the following period has passed since the impairment premises emergence: 24 months for the portfolio of consumer and small business loans, 36 months for housing loans,
– there are no premises of the debtor having either the income sufficient to repay arrears or assets from which the Bank could recover the receivables and there are no premises that this situation would change in foreseeable future,
– the debtor is covered with bankruptcy procedures and there are justified premises that the Bank shall not recover any amount or shall recover insignificant amounts within this process.

The collective approach to estimation and creation of charges (provisions) is based on the principles introduced by the New Capital Accord (so-called Basel II with appropriate modifications for the impairment calculation) and the concept of expected loss. In view of the fact that pursuant to IAS the provisions are established for the actually incurred loss and not the expected one, the Basel model parameters are subject to modification. The following parameters are used for calculating the provisions:

– PD, or probability of default by the client determined for each sub-portfolio of retail and Small Business receivables,
– LGD, or loss given default recorded for receivables as a result of their incomplete recovery, determined for each sub-portfolio of retail and Small Business receivables,
– EAD, or exposure at default – the amount of current balance sheet exposure increased by the balance sheet equivalents of unutilised credit lines.

The parameter modification derives from the fact that the Basel model defines the probability of expected loss in the period of next 12 months, whereas pursuant to IAS the provisions are established for actual losses. The modification is related to the period assumed for the loss to be recognised (revealed, identified).

PD parameter is modified based on the concept of emergence period, which generally is shorter than 12 months. The emergence period depends among others on the following factors:

– segment to which the borrower is classified,
– type of product.

Adjustment of PD to the IAS requirements consists in reducing the parameter's time horizon and pushing it closer to the current balance sheet date.

For the retail and small business portfolio, the PD definition for product groups is based on the estimation of probability for one of the following cases:

– the Borrower has stopped repaying the principal or interest for longer than 90 days;

– the Borrower will be declared bankrupt (applicable to Small Business);
– the credit agreement is terminated;
– the receivables will be subject to restructuring,

PD calculated in this manner is mapped (allocated) to individual rating grades.

According to Basel II, LGD parameter signifies the loss to be incurred by the Bank at a given credit exposure in case of the borrower's solvency. LGD is given as a percentage of the exposure at the moment of the borrower becoming insolvent (EAD). LGD is a derivative of the adopted legal collateral, i.e. type of collateral and its value (liquidation).

LGD for the retail portfolio is calculated based on the quotient of discounted cash flows on account as of the impairment till the report date and the sum of principal and interest due at the moment of impairment.

The LGD parameter calculated in this manner is adjusted by the estimated debt collection costs that the Bank will have to incur due to the collateral liquidation.

Cash flows upon the impairment date are discounted with interest rate adopted for the entire portfolio.

EAD in the Basel Model stands for the value of credit exposure that shall arise in case of the client's insolvency. In calculation of the expected loss pursuant to Basel II, EAD means the sum of current balance sheet exposure and statistically estimated part of the off balance sheet exposure that the client shall draw by the insolvency date.

For needs of IAS, EAD at the client's level is a current balance sheet exposure at the balance sheet date, increased by the balance sheet equivalents of current off balance sheet items.

The provisions value depends on the amount of exposure as well as PD and LGD parameters (PD for the impaired portfolio is 100% and LGD for the B portfolio is 100 %).

Credit exposure to retail clients (individuals and small business) by overdue days

number of days overdue	**exposure in PLN million**			
	31 Dec 2009		**31 Dec 2008**	
	on-balance	*off-balance*	*on-balance*	*off-balance*
0	9 113.6	2 986.3	6 755.8	2 410.6
1-30	326.5	27.7	288.2	36.2
31-60	62.9	5.8	29.9	5.0
61-90	21.5	1.1	46.7	8.8
91-120	16.4	0.7	4.1	0.1
121-150	11.9	0.2	5.6	0.5
151-180	11.7	0.0	4.6	0.1
>180	139.5	0.1	95.4	0.4
Total	**9 704.0**	**3 021.9**	**7 230.3**	**2 461.7**

Credit exposure to retail clients (individuals and small business) under IBNR (Incurred But Not Reported) impairment provision by product type

Type of product	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
Mortgage loans	5 986.1	366.2	4 480.1	521.3
SME Loans	1 444.7	707.6	1 126.3	694.3
Other loans	2 042.7	1 941.8	1 477.8	1 238.8
Total	**9 473.5**	**3 015.6**	**7 084.2**	**2 454.4**

Credit exposure to retail clients (individuals and small business) under IBNR (Incurred But Not Reported) impairment provision by overdue days

number of days overdue	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
0	9 088.3	2 981.5	6 755.8	2 410.6
1-30	314.6	27.5	288.2	36.2
31-60	55.4	5.6	29.9	5.0
61-90	15.2	1.0	10.3	2.6
Total	**9 473.5**	**3 015.6**	**7 084.2**	**2 454.4**

Credit exposure to retail clients (individuals and small business) under INSFA (Individually Not-Significant Financial Asset) impairment provision by overdue days

number of days overdue	exposure in PLN million			
	31 Dec 2009		31 Dec 2008	
	on-balance	*off-balance*	*on-balance*	*off-balance*
<90	51.0	5.3	36.4	6.2
91-120	16.4	0.7	4.1	0.1
121-150	11.9	0.2	5.6	0.5
151-180	11.7	0.0	4.6	0.1
>180	139.5	0.1	95.4	0.4
Total	**230.5**	**6.3**	**146.1**	**7.3**

6. Compliance Reviews

The basic compliance reviews in the credit risk management area are performed by:

- Credit Risk Inspection Department,
- Internal Audit Department,

in the scope defined under items 2.10 and 2.12.

7. Management of Credit Risk of the Group Companies

The ING Bank Śląski Group comprises the following entities:
Subsidiaries:

- ING Bank Hipoteczny S.A. (until December 16, 2007 - Śląski Bank Hipoteczny S.A.) – the company established in November 2000, in September 2001 it obtained the consent of the Banking Supervision Commission to start of the operational activity. SBH S.A. is the third mortgage bank in Poland, (100% of shares),
- ING Securities S.A. – the company began its operations in 1996 as Dom Maklerski Banku Śląskiego S.A. In December 2001, the brokerage houses of ING operating in Poland - Dom Maklerski BSK S.A. and ING Baring Securities (Poland) S.A. merged to form one company, (100% of shares)
- Centrum Banku Śląskiego Sp. z o.o. – the company was established in 1997 (100% of shares),
- Solver sp. z o.o. - the company established in 2002 (82,3% of shares).

Affiliated entities:

- ING Powszechne Towarzystwo Emerytalne S.A. – operating since 2000 (20% of shares)

In view of the character of operations, the credit risk management is applicable to the following entities from the Group: ING Bank Hipoteczny S.A. and ING Securities S.A. Risk management is realised in line with the ING Group standards in terms of structure and processes (tools) to ensure realization of business targets from risk point of view.

8. Identification of Credit Risk Connected with Derivatives

Each client concluding a derivative transaction with the Group parent company (Bank) must be assigned a relevant transaction limit by the Bank. The transaction limits are assigned pursuant to the credit procedures and authorities binding in the Bank, as for all other credit exposures.

ACR system (Adaptiv Credit Risk) is used to monitor the risk connected with transactions concluded by the Bank's counterparties. ACR is a global system, used by the entire ING Group in which all the FM ("Financial Markets") limits and transactions concluded by dealers are registered.

The transactions that generate risk on the counterparty's side (settlement and pre-settlement risk), and that are input to the Bank systems, require registration in ACR.

The risk connected with the Treasury Department products, such as derivatives, deposits and transactions in securities, is monitored online at the Bank.

From the perspective of risk measurement, it may be divided into:

- pre-settlement – arising for FX and derivative transactions as well as transactions in securities as a result of exchanging the transaction on the market at a potentially unfavourable price,
- credit risk – connected with placing money on the market (deposits).

Pre-settlement Risk

The pre-settlement risk derives from a breach of transaction terms by the Counterparty, before its settlement, which makes necessary to exchange this transaction with a transaction with another Counterparty, according to the market price (potentially unfavourable).

To control the Counterparty's risk, not only the cost of exchange in case of breach is determined (current market value "MtM"), but also the growth of MtM during the transaction duration.

Since the financial markets are not fully predictable and one cannot be 100% sure about the set maximum MtM, the statistical models are used to define the level of trust. Pursuant to the policy of ING Group, this trust level is 97.5%.

Money Market Risk

The Money Market Risk arises when the Bank places deposits with another counterparty (bank). The Bank loses funds in case of terms being breached by the counterparty. Due to this, the risk is measured simply as the deposit face value.

Settlement Risk

The settlement risk is a risk at which the counterparty will not deliver the assets that they are obliged to deliver due to the transaction settlement and the Bank may lose up to 100% of the expected value. This risk arises when the exchange of value is to take place (funds or other instruments) on the same or different delivery date and this delivery is unchecked or expected till the moment when the Bank delivers an irrevocable instruction of payment or the Bank has paid itself or delivered its part of the liability deriving from the transaction.

Some products always generate the settlement risk, some never do, and there are also such products for which the occurrence of this risk is connected with the mechanism of settlements. The settlement risk always arises when the transaction involves a bilateral exchange of funds/ securities but this exchange is not made on the DVP basis (Delivery Versus Payment).

Risk Connected with Securities Purchase/ Sales

The risk connected with securities purchase/sales emerges when the exchange of funds into securities does not take place on the DVP basis. Then the settlement risk arises on the day of transaction settlement, unless the settlement is made in such a way that the Bank can control the transactions so as not to allow the flow of funds/ securities before confirming the obligation execution by the Counterparty.

Risk Weights

Risk Weights used to monitor the utilisation of individual limits are defined for single products, currencies and transaction duration at the level of ING Group. Risk Weights constitute an estimation of the potential future exposure (PFE) for the "at-the-money" contract, as a part of the transaction face value in the period of time remaining till its settlement.

Pre-settlement risk at the transaction level is calculated as:

Pre-settlement risk = Market Value + Face Value x Risk Weight,

where risk weight is based on the period of time remaining till the transaction settlement.

Risk weights are "used" by ACR system to monitor the level of the counterparty limits utilisation.

The portfolio of transactions concluded with the Bank's counterparties, covered by ACR (unsettled transactions), is as follows (all data in EUR million):

	31 Dec 2009	31 Dec 2008
Money Market	204.9	1 873.6
MtM	423.0*	1 145.7*
Present Value + FM Value	1 501.4	2 170.7

** Gross amount - transactions where the Bank is "at-the-money" only.*

Credit risk connected with derivative instruments

In view of a considerable credit risk in derivatives transactions (mainly FX options) made by the Group with clients, the Group regularly reviews the portfolio of those instruments. With the aim of having the risk level outlined in a precise manner the Group structured the approach.

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. Valuation adjustments are estimated at the level of individual counterparties, using the formula based on expert knowledge and PD, LGD and EAD ratios, which is described in "significant accounting policies" in the point "accounting estimates".

Valuation adjustment of unmatured derivatives with Group customers for 2009 was 186 million PLN (against 163 million PLN in 2008) and was presented in consolidated financial statements in “Net income on instruments measured at fair value through profit and loss and FX result”.

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. In 2009 provisions amounted to 115.2 million PLN (against 71.4 million PLN in 2008) and was included in consolidated financial statements as ”Impairment losses and provisions for off-balance sheet liabilities”.

The item ”Loans and receivables to customers” in consolidated statement of financial position presents receivables resulting from restructuring of derivative transactions made by the Group with customers. The amounts equaled to 263.3 million PLN as per 31 Dec 2009 against 21.6 million PLN at 31 Dec 2008.

II. Market Risk Management

1. General Information

The main goals of Market Risk Management in ING Bank Śląski are to ensure that the Bank's exposure to market risk is understood, properly managed, and - where applicable - within approved limits.

The Bank defines market risk as the potential loss due to unfavourable changes in market prices (e.g. yields, FX rates, equity prices, etc.) and/or market parameters (e.g. volatility of market prices and the correlation between moves in market prices) and/or customer behaviour (e.g. early loan repayments).

The market risk management process within the Bank covers the identification, measurement, monitoring and reporting of risk. The MRM department provides FM Management, selected Board and ALCO Committee members with regular risk updates. Additionally ALCO, Management Board and Supervisory Board receive periodic updates containing the most important market risk metrics. The MRM department is staffed with trained specialists and the independence of this department is ensured by its separation from the Bank units which generate market risk. An important consultative role in the market risk management process is performed by the Bank's majority shareholder – ING Bank NV.

The market risk management process in the Bank also includes the Product Control function which assures correctness of Financial Markets products valuation. It covers independent assessment (comparison to market) of revaluation prices and parameters used for fair market value calculation and proper P&L and valuation reporting in financial system. Decisions about issues related to valuation process e.g. sources of market data used, pricing model reserves calculation etc. are taken by the Parameters Committee which is chaired by Product Control and also includes representatives from the Financial Markets and Finance divisions.

The management of market risk in the Bank is primarily focused on potential changes in the economic result of the Bank (i.e. changes in the present value of expected future cash flows) but attention is also paid to cases where – due to accounting asymmetries – the effect of market rate changes on reported financial results is different from the effect of such changes on economic results.

2. Bank's Book Structure in Context of Market Risk Management

The Bank maintains an intention-based book structure which drives many processes, including the management of market risk. The book structure reflects what kind of market risk is expected and acceptable in different parts of the Bank and where market risk should be internally transferred/hedged within the Bank. Specifically, books are categorized based on intention as *"trading"* (positions taken in expectation of short-term financial gain from market movements) or *"banking"* (all other positions). A high-level view of the Bank's book structure is as follows:

Whole Bank
|___ Trading Books
|___ Banking Books
|___Commercial Banking Books
|___ FM Banking Books

Trading Books

These are Financial Markets (“FM”) books (FX, FX Options and Interest Rate Trading) and ING Securities (the Bank’s brokerage house) - equity market-making and arbitrage activities (reported under FM structure). These books include positions held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits, and include, for example, proprietary positions, positions arising from client servicing and/or market making. The market risks of open positions in trading books are limited by various Trading VaR limits or - for the equity market-making and arbitrage activities of ING Securities - volume limits.

Commercial Banking Books

These are Retail and Wholesale Banking books containing commercial loans and deposits. The risk of these positions is internally hedged as well as possible to FM Banking books via internal contracts, which ensures that these books do not contain material levels of economic market risk. However, as described later in more detail, the short-term financial results of these books *are* sensitive to changes in market rates. The commercial activities of the subsidiaries belong to the commercial banking books except the trading portfolio of ING Securities.

FM Banking Books

These are Liquidity Management & Funding (“LMF”) and ALM (“ALM”) books. Their primary responsibility is the liquidity and interest rate management of the positions of Commercial Banking Books. Open positions are allowed within approved VaR limits. Like in Commercial Banking Books, there is usually a difference between the sensitivity of economic and financial results to changes in market rates.

3. Approach to market risk management in subsidiaries

It is the policy of ING Bank Śląski S.A. for its subsidiaries to maintain market risk at low levels. The main categories of market risk which can arise as a result of subsidiaries’ activities are Foreign Exchange risk and Interest Rate risk. This policy is ensured by periodic measurements and monitoring of the market risks of the bank’s subsidiaries. The Management Board, ALCO Committee, Market Risk Management Department and Accounting Department and subsidiaries are involved in the management risk process. One of the major element of the management risk process on the capital group of ING Bank Śląski level is the determination of the limits constrain the risk of each subsidiaries and on the capital group level. The market risk is measured by the same techniques and methods as in the ING Bank Śląski. According to bank’s policy the monitoring of the level of market risks and the comparison of these risks to low limits are done on monthly basis.

4. Value at Risk ("VaR") Concept

The Value at Risk (VaR) is the main methodology used to calculate market risk in FM books, both "Trading" and "Banking". The VaR gives the potential loss that is expected not to be exceeded assuming certain confidence (probability) level. The Bank calculates VaR separately for individual interest rate, FX and FX options portfolios. The following assumptions for VaR calculation are taken: 99% confidence interval and 250 daily market observations are used for volatility and correlation calculation. The VaR measurements done by the Bank are performed in accordance to ING Group standards and market best practice. The VaR model accuracy for "Trading" books is checked in daily back-testing process. P&L figures, both "actual" and "hypothetical or theoretical P&L" (change in end-of-day market value of the positions in a trading portfolio over 1 day, so excluding all intra-day activities that occurred during that day) are compared to the VaR. Any model outliers (large positive and all negative) are investigated and explained.

Event VaR ("stress-tests")

The Bank is aware that normal VaR does not present a full picture of market risk of a portfolio as it does not give an indication of potential losses in extreme cases. Therefore event risk (stress testing) calculations are performed. They cover evaluation of the Bank portfolios against a number of stress scenarios for one or more of the market parameters that determine the value of the portfolios. The worst result from the scenarios is reported as the final event VaR number.

*Trading Books Market Risk (VaR statistics)**

VaR numbers in 2009 (in PLN)

Area	Limit	As at 31 Dec 2009	Average	Min	Max
Interest Rate	2 875 740	611 103	1 272 290	355 128	2 988 384
FX**	3 902 790	2 304 084	1 637 085	382 250	2 907 889
FX Options	2 875 740	2 041 775	2 183 906	947 185	9 003 821

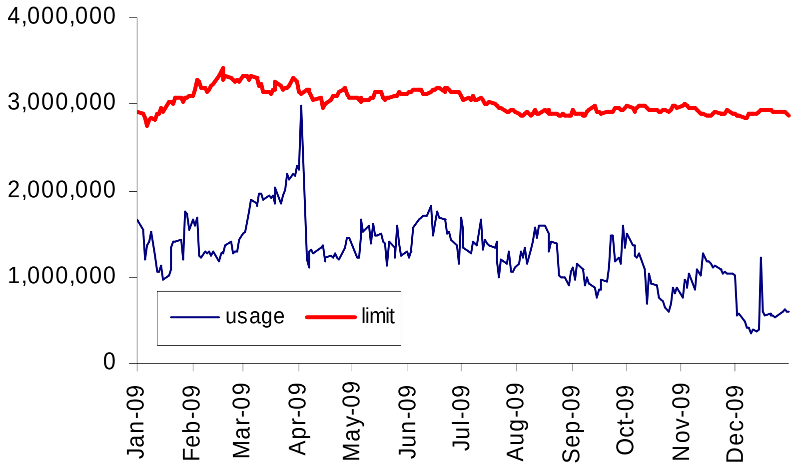
VaR numbers in 2008 (in PLN)

Area	Limit	As at 31 Dec 2008	Average	Min	Max
Interest Rate	2 920 680	1 370 337	645 336	290 239	1 555 432
FX**	2 127 924	380 740	154 898	15 930	492 077
FX Options	3 129 300	1 118 203	878 934	158 730	3 720 330

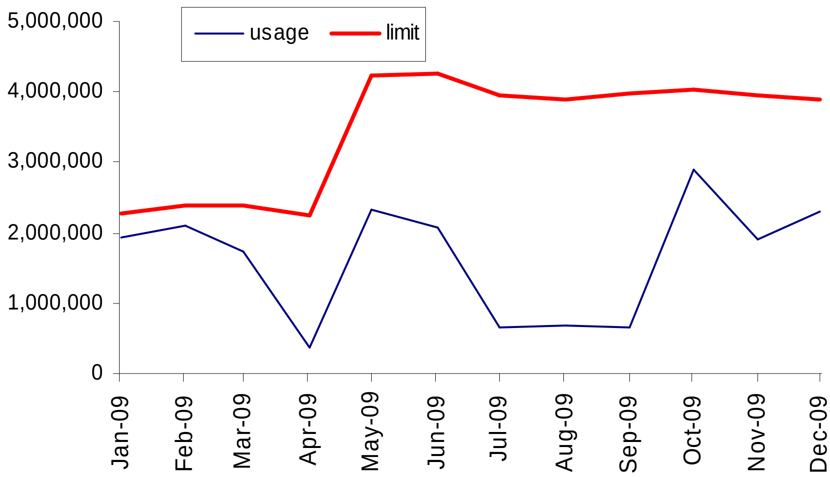
** All VaR limits and their usage in ING Bank Śląski are denominated in EUR. Limit levels and their usage in tables and graphs for the purpose of this document were converted into PLN using daily NBP fixing rate, in column "Limit" numbers are presented using end of year fixing*

*** including subsidiaries, based on monthly measurement*

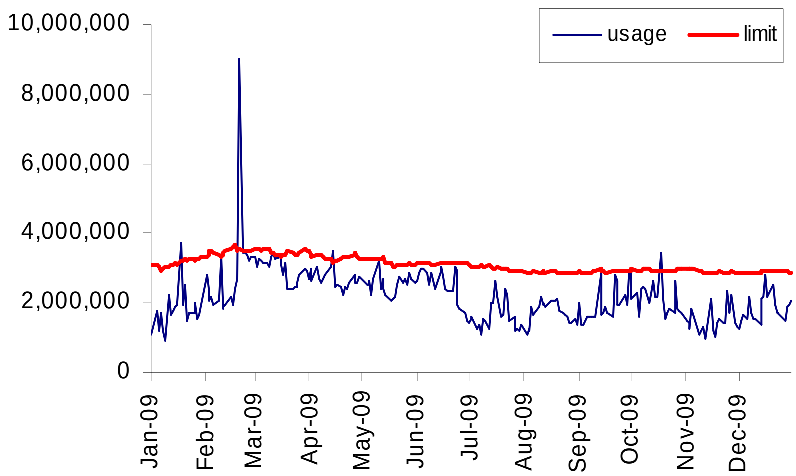
Interest Rate VaR (PLN)



FX VaR (PLN)



FX Options VaR (PLN)



Financial Markets kept their trading exposures at reasonable levels comparing to limits. The average usage of limits in 2009 was respectively: 42% for Interest rate trading, 48% for FX Spot and 70% for FX options. The barrier options portfolio was steadily decreasing during the year as a result of restructuring process, maturing options and limited demand from customers.

In 2009 four limit breaches within FX options area were observed - three in the first half of the year and one in the second half. In the first half of the year keeping open position was limited by extremely high market parameters used for VaR calculations resulting from volatile markets during financial markets crisis. In general the excesses resulted from keeping open vega position. The VaR peaked on 20th February when dealers were servicing ING Moscow doing strip of knockout forwards. The Vega from the deals combined with the huge volatility of volatility for EUR/RUB (over 20%) resulted in substantial increase of the VAR. In the second half of the year excess resulted from pin risk – the hedge for short dated option with strike close to market levels expired which increased the VaR significantly. Each time dealers managed to liquidate the excess on the following day.

The one excess of VaR limit for FX Spot was observed. It happened accidentally, dealers thought they were capable of opening overnight position of approx EUR 19 mio but with high volatility it resulted in an excess. Position was immediately reduced.

Financial Markets Banking Books Market Risk (VaR statistics)*

VaR numbers in 2009 (in PLN)

Area	Limit**	As at 31 Dec 2009	Average	Min	Max
LMF&ALM	8 216 400	1 480 961	4 015 884	1 230 129	8 924 716
LMF	4 108 200	591 112	1 815 380	337 441	3 979 647
ALM	4 108 200	1 478 217	2 829 741	873 076	5 854 087

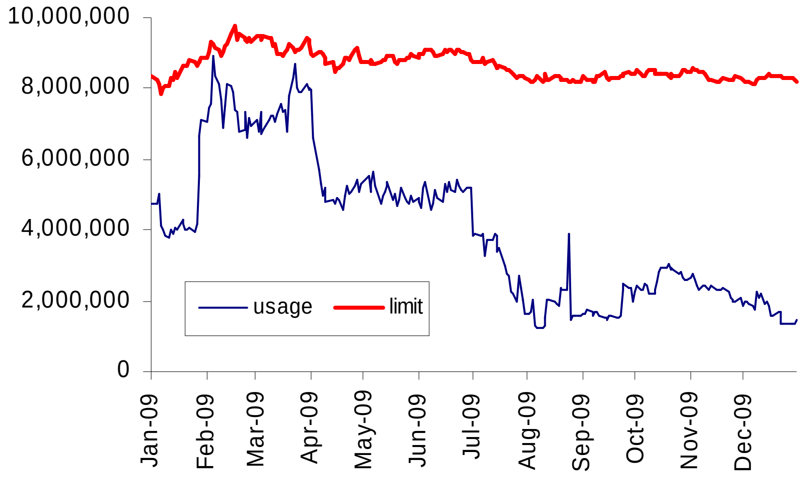
VaR numbers in 2008 (in PLN)

Area	Limit	As at 31 Dec 2008	Average	Min	Max
LMF	4 172 400	2 068 676	987 948	315 386	2 278 421
ALM	4 172 400	3 044 730	1 599 531	510 465	4 467 401

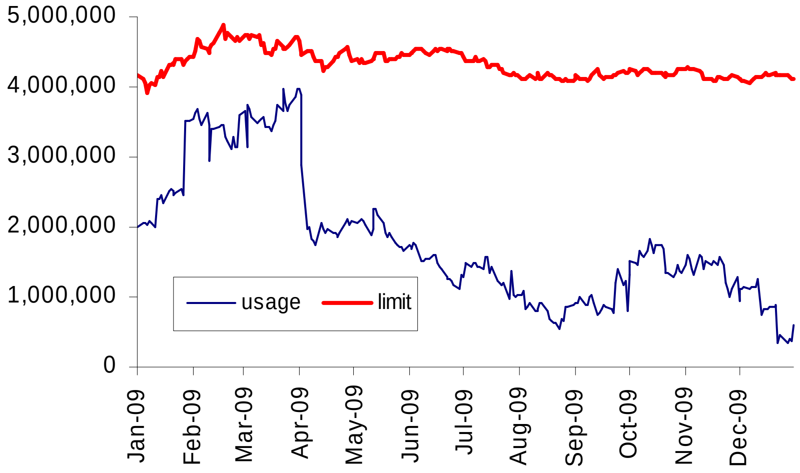
** In case of LMF (Liquidity Management & Funding) and ALM numbers represent Delta VaR as this measure is formally limited (delta VaR takes into account swap curve changes only).*

*** Bank introduced hard limit for total LMF&ALM and sub-limits for individual desks.*

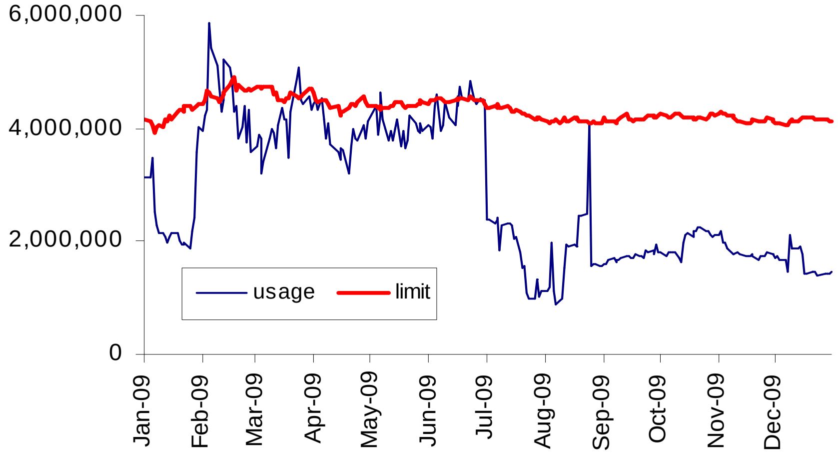
LMF & ALM VaR (PLN)



LMF VaR (PLN)



ALM VaR (PLN)



In the first half of 2009 several excesses of ALM VaR sub-limit were observed – total limit was not breached. Those excesses had purely technical nature and were related to EUR-bond papers on ALM portfolio. The revaluation spread above EUR-swap curve has been set up at different levels for EUR-bonds positions reclassified in the year 2008 to loans and receivables (17,5-56 bps) and for "wash trade" EUR-bonds (172-175 bps). FM also conducted IRSs to properly hedge the position. However, in risk calculations lower spread was applied. As a consequence an open bpv position was much higher than in front office system. To solve the problem the new curve was implemented in risk system. The problem was solved at the end of first half of the year.

Non Financial Markes Banking Books VaR statistics*

VaR numbers in 2009 (in PLN)

Area	Limit	As at 31 Dec 2009	Average	Min	Max
Interest Rate	821 640	82 854	118 494	65 372	184 974

VaR numbers in 2008 (in PLN)

Area	Limit	As at 31 Dec 2008	Average	Min	Max
Interest Rate	834 480	243 268	95 385	40 877	243 268

** including subsidiary positions*

Commercial Banking Books Market Risk

As these books are materially hedged against changes in economic results, the main indication of the interest rate exposure of Commercial Banking books are Earnings at Risk "EaR" measurements (results of these measurements are presented later in the interest rate sensitivity analysis tables). The positions in Commercial Banking books are also subject to measurements of non-linear interest rate risk. Specifically, the Bank measures optionality risk (the potential losses on these positions given early-withdrawal of deposits and/or early re-payment of loans) and basis risk (the potential losses on these positions arising from non-standard rate-setting mechanisms). The Bank is of the opinion that both of these risks are not material (potential losses typically represent a very small share of historical or projected results).

5. Earnings at Risk (EAR) Concept

EaR measurements are used for the banking book positions which are accrual-accounted. Two approaches are used, as detailed below; both approaches cover a 1-year time horizon and provide the possible changes in accrual results given shock changes of +/-1% and +/-2%. The two approaches taken are as follows:

– A "basic" approach is used for positions comprised of term transactions and/or small volumes of demand positions. This approach assumes that any future funding gaps or surpluses will be financed or invested with a tenor of one month.
– An "advanced" approach is used for material volumes of demand positions. At present it is the Bank's PLN demand deposit base and its internal investment into FM banking

books. The measurements simulate the changes in the Bank's results coming from the combination of:

- Current (internal) investment of these funds and replenishment of these investments as previous investments mature and/or new volumes are attracted. Future (re-) investments are predicted based on continued use of current investment rules.
- An assessment of the relation between changes in market rates and the rates that the Bank must pay its clients in order to maintain volumes.

Overall Interest Rate Sensitivity

The following tables provide a good overview of the sensitivity of the consolidated Bank to changes in interest rates. The first table shows the sensitivity of the Bank's results to changes in interest rates; the following should be noted:

– Positions are divided into banking book vs. trading book. Positions include all material currencies; PLN positions represent the vast majority of the interest rate sensitivity of the Bank.

– A basis point value ("BPV") is shown for each (sub-) position; by BPV we mean the change in the economic value of a position for a 0.01% parallel yield curve shift.

– Positions are further split where relevant by accounting method: accrual or MTM. MTM positions' economic and financial sensitivity to a given change in market rates is the same; changes in the market value are fully and immediately reflected in reported results. Accrual-accounted positions display an asymmetry between the economic and financial effect of a given yield curve shift; this is an unavoidable result of accounting regulations. The financial effects of yield curve shifts are calculated in line with the definition of EaR presented earlier. The "advanced" EaR approach is used for PLN demand deposits; the "basic" EaR approach is used for all other accrual-accounted positions. The economic result shown is the predicted change in the present value of future earnings, calculated over a long time horizon.

– As can be seen in the table in case of banking book there is a large difference between the economic and financial sensitivity. Although the bank is aware of the sensitivity of its short-term financial results to changes in interest rates, the most important metric is – in line with the ING Group's "Managing For Value" approach – the sensitivity of the long-term economic results of the bank.

The second table shows the sensitivity of the Bank's capital base to changes in the market value of debt securities classified as Available-for-Sale ("AFS") in FM (the vast majority of AFS-classified securities in the consolidated Bank). It is important to note that the potential changes in capital base shown here are relevant only for the Bank's *regulatory* capital base. The Bank's calculations of its *economic* capital base do not include positive or negative revaluations of AFS-classified debt securities. This is because AFS-classified debt securities positions largely arise from the investment of portions of PLN demand deposit volumes in line with the Bank's economic modelling of these demand deposits.

*Sensitivity of consolidated results to Changes in Interest Rates (all figures in PLN millions)**

end of 2009

Book	Accounting Category	BPV	Change in Economic Result for Yield Curve Move				Change in Reported Financial Result for Yield Curve Move			
			-2%	-1%	1%	2%	-2%	-1%	1%	2%
BANKING	MTM	-0.10	29.09	12.66	-10.74	-22.14	29.09	12.66	-10.74	-22.14
	Accrual	1.01	-224.23	-108.40	97.78	190.16	204.60	102.30	-102.30	-204.60
	Total	0.90	-195.14	-95.74	87.04	168.01	233.69	114.96	-113.04	-226.74
TRADING	MTM	-0.003	0.57	0.29	-0.29	-0.57	0.57	0.29	-0.29	-0.57
BANK TOTAL	MTM	-0.10	29.66	12.95	-11.03	-22.71	29.66	12.95	-11.03	-22.71
	Accrual	1.01	-224.23	-108.40	97.78	190.16	204.60	102.30	-102.30	-204.60
TOTAL		**0.91**	**-194.57**	**-95.45**	**86.75**	**167.45**	**234.26**	**115.25**	**-113.33**	**-227.31**

end of 2008

Book	Accounting Category	BPV	Change in Economic Result for Yield Curve Move				Change in Reported Financial Result for Yield Curve Move			
			-2%	-1%	1%	2%	-2%	-1%	1%	2%
BANKING	MTM	-0.57	118.57	58.05	-56.36	-111.33	118.57	58.05	-56.36	-111.33
	Accrual	0.10	-42.58	-12.30	9.15	17.37	361.90	180.95	-180.95	-361.90
	Total	-0.47	75.99	45.75	-47.21	-93.96	480.47	239.00	-237.31	-473.23
TRADING	MTM	-0.06	11.91	5.95	-5.95	-11.91	11.91	5.95	-5.95	-11.91
BANK TOTAL	MTM	-0.63	130.48	64.00	-62.31	-123.24	130.48	64.00	-62.31	-123.24
	Accrual	0.10	-42.58	-12.30	9.15	17.37	361.90	180.95	-180.95	-361.90
TOTAL		**-0.53**	**87.90**	**51.70**	**-53.16**	**-105.87**	**492.38**	**244.95**	**-243.26**	**-485.14**

** including subsidiaries*

Sensitivity of Capital Accounts to Changes in Interest Rates (all figures in PLN millions)

end of 2009

Position	BPV	Approximate Change in Regulatory Capital Base for Yield Curve Move			
		-2%	-1%	+1%	+2%
FM AFS Portfolio	-0.82	164.52	82.26	-82.26	-164.52
IRS classified to macro cash flow hedge portfolio	-0.39	77.36	38.68	-38.68	-77.36
TOTAL	**-1.21**	**241.89**	**120.94**	**-120.94**	**-241.89**

end of 2008

Position	BPV	Approximate Change in Regulatory Capital Base for Yield Curve Move			
		-2%	-1%	+1%	+2%
FM AFS Portfolio	-1.88	376.29	188.15	-188.15	-376.29
IRS classified to macro cash flow hedge portfolio	-0.34	67.48	33.74	-33.74	-67.48
TOTAL	**-2.22**	**443.78**	**221.89**	**-221.89**	**-443.78**

III. Liquidity Risk Management

Liquidity Risk is understood by ING Bank Śląski as the risk of not being able to meet at a reasonable price the cash obligations arising from on- and off-balance sheet positions. It is the policy of the Bank to maintain its liquidity positions in such a way that the cash obligations of the Bank may always be met by cash on hand, inflows from maturing transactions and/or from the liquidation of marketable assets.

This policy is ensured by the following processes, as defined in detail in the *ING Bank Śląski's Liquidity and Funding Policy:*

– production and review of internally-defined reports on liquidity, monitoring of funds concentration according to clients segment and products reports, adherence to any formal limits placed thereupon.
– existence of a clear governance structure assigning roles and responsibilities in normal and stressed liquidity circumstances.
– production and review of regulatory liquidity reports defined by the Polish and Dutch national Banks ("NBP", "DNB") and adherence to any formal limits placed thereupon.
– activities ensuring proper supply of banknotes at branches, and
– activation, in certain defined circumstances, of a contingency funding plan.

The existing *ING Bank Śląski's Liquidity and Funding Policy* was updated and widen based on:

– ALCO Committee's decisions regarding the following issues of liquidity risk:
  - to review of the contingency funding plan (CFP) to maintain liquidity,
  - to change the internal limit for the supervisory liquidity measure – M4,
  - to determine the level of liquidity buffer for short-term investments to keep the bank's liquidity at the good level,
  - to review the position of Financial Markets and Business in the report "Stress adjusted liquidity report";
– new regulation of Polish Financial Supervision 382/2008 on 17 December 2008, this new regulation aims to prevent large concentrations of counterparty exposures within banks,
– new structural liquidity report, this report presents information about the mismatch between the future funds and investments, for the major business lines during the year.

The formal limits are placed by regulators or the Bank on the various reported metrics. ALCO may decide to include metrics in its KRI (Key Risk Indicators) report wherein liquidity metrics are classified as "acceptable", "under observation" or "not acceptable" based on pre-defined thresholds. The ALCO KRI report is also presented to the Bank's Management and Supervisory Boards.

In case of excesses of hard limits and/or KRI liquidity metrics classified as "unacceptable", the following actions are performed:

– MRM – with help from other departments as necessary – ensures that a real breach has occurred (and not a reporting error).

– MRM informs local and regional ALCO of the limit or KRI breach, the cause of the breach and proposed remedial actions.
– An ad hoc ALCO meeting is held to agree on remedial actions and responsibilities for carrying out these actions. Regional ALCO is informed of decisions taken.

One of the most important processes of the management liquidity risk is the contingency funding plan. The Bank's Contingency Funding Plan (CFP) serves to provide guidance as regards identifying a liquidity crisis and, in case such identification is made, as regards the actions to be taken to survive the crisis. The actions taken in line with the CFP depend on the nature and severity of the liquidity crisis.

The year 2009, was a very important year for management of liquidity, taking into account the current international market situation, financial credit crisis, lasted from 2008. It was an important year for a proper assessment of the Bank's liquidity situation and taking relevant decisions to reduce liquidity risk.

From 1st January, 2009 the amended resolution 386/2008 of the Polish Financial Supervision, regarding the liquidity risk entered into force. This resolution is continuation of the resolution 9/2007; above-mentioned regulation requires banks to calculate the 4 liquidity measures: short term liquidity gap (minimum: zero), short term liquidity ratio (minimum amount: 1.00), own funds to non-liquid assets ratio (minimum amount: 1.00) and own funds and core deposits to non-liquid and semi-liquid assets ratio (minimum amount: 1.00). The bank is obliged to monitor the ratios above on daily basis and keep these ratios with limits predefined in the PFS regulation. In 2009 the bank kept all liquidity measures over their minimum amounts. As of 31 December 2009 liquidity measures of ING Bank Śląski amounted as follows:

Liquidity measurement		Minimum	Amounts 31.12.2009	Amounts 31.12.2008
M1	Short term liquidity gap (in PLN mio)	0.00	11 396.65	14 947.02
M2	Short term liquidity ratio	1.00	1.43	1.33
M3	Own Funds to Non-Liquid Assets Ratio	1.00	3.71	3.17
M4	Own Funds and Core Deposits to Non-Liquid and Semi-Liquid Assets Ratio	1.00	1.80	1.99

It is worthwhile to expand on the internally-defined reports as this gives good insight into the Bank's approach to measuring and managing risk and these reports are the basis for the explanatory tables presented in this section.

The most important information from these internally-defined reports is presented below.

Liquidity Cash Profile

On the following pages the report of stress liquidity position as of the end of year 2009 and 2008 is presented.

The report is made in line with the Bank's Liquidity Risk Management policy The main assumptions of this report are as follows:

- Off-balance sheet positions are included if they have potential liquidity implications. For example, the report assumes that financing may be needed for an estimated level of potential draw-downs under unused credit lines.
- Some balance sheet positions are excluded if they do not have an effect on the bank's liquidity position. To give some examples: 1) fixed assets are not included as they are not considered to be a ready source of cash, 2) capital is not included as we do not expect the withdrawal of this liability, 3) PLN nostro balances up to the minimum required balance are not included as the maintenance of the required minimum balance means that in effect this asset is "frozen" and can not be seen as a structural source of cash to cover maturing liabilities.
- Some balance sheet positions are adjusted to give an accurate picture of the bank's liquidity position during a stress situation; these adjustments can effect both the allocation of positions to time intervals as well as the total amounts of positions. To give some examples: 1) the allocation of non-bank demand and term deposits to time intervals is done according to assumptions about deposit withdrawals and rollovers in a liquidity stress situation, 2) marketable securities are allocated to the first time interval based on a haircut to market value to simulate the bank's forced sale of these assets in a liquidity stress situation.

Liquidity Gap Positions In Bank-Defined Stress Scenarios According to Bank Models (in PLN millions)

end of 2009

	1M	1- 3 M	3 - 12 M	Over 1Y
BALANCE-SHEET				
ASSETS				
- Securities	21 904.1	0.0	209.3	626.7
- Money market (given)	991.7	73.9	51.3	332.3
- Term/demand loans	2 936.6	1 460.1	3 130.3	18 436.1
- Other assets	598.3	0.0	0.0	1 483.4
LIABILITIES				
- Money market (taken)	3 588.2	12.3	20.5	0.0
- Term deposits	10 405.9	4 921.7	3 082.1	1 633.9
- Demand deposits	1 778.4	2 203.7	3 987.9	913.1
- Savings accounts retail	2 185.0	3 003.9	8 281.1	4 804.1
- Other liabilities	220.9	0.0	0.0	0.0
OFF BALANCE SHEET ITEMS				
ASSETS				
- FX SWAPS / CC-IRS	11 704.1	3 682.9	2 897.4	4 128.2
- Money market / depo strategic clients	480.0	0.0	0.0	0.0
- Repayment of contingent assets	2 426.3	191.5	413.9	2 062.3
LIABILITIES				
- FX SWAPS / CC-IRS	11 680.5	3 665.4	3 084.4	4 093.6
- Money market / depo strategic clients	285.0	195.0	0.0	0.0
- Funding of contingent assets	5 094.0	0.0	0.0	0.0
NET GAP	**5 803.2**	**-8 593.5**	**-11 753.9**	**15 624.4**
CUMULATIVE GAP	**5 803.2**	**-2 790.3**	**-14 544.2**	**1 080.2**

end of 2008

	1M	1- 3 M	3 - 12 M	Over 1Y
BALANCE-SHEET				
ASSETS				
- Securities	21 326.1	0.0	392.3	5 093.8
- Money market (given)	7 617.8	468.6	0.0	313.6
- Term/demand loans	2 945.2	1 334.5	2 587.6	18 291.9
- Other assets	277.2	0.0	0.0	260.3
LIABILITIES				
- Money market (taken)	2 824.5	7 353.8	208.6	179.4
- Term deposits	9 667.5	3 304.1	1 650.3	3 274.5
- Demand deposits	3 369.3	817.2	4 071.5	897.3
- Savings accounts retail	5 971.0	0.0	8 606.0	5 198.9
- Other liabilities	1 543.2	0.0	0.0	0.0
OFF BALANCE SHEET ITEMS				
ASSETS				
- FX SWAPS / CC-IRS	26 271.5	3 724.0	6 286.5	1 373.6
- Money market / depo strategic clients	722.2	0.0	0.0	0.0
- Repayment of contingent assets	2 240.5	277.5	593.7	2 659.8
LIABILITIES				
- FX SWAPS / CC-IRS	27 446.9	3 614.4	6 041.3	1 427.3
- Money market / depo strategic clients	722.2	0.0	0.0	0.0
- Funding of contingent assets	5 597.4	0.0	0.0	0.0
NET GAP	**4 258.5**	**-9 284.8**	**-10 717.6**	**17 015.7**
CUMULATIVE GAP	**4 258.5**	**-5 026.3**	**-15 743.9**	**1 271.8**

As regards the Capital Group of ING Bank Śląski S.A. the Bank's approach to the liquidity risk management, the liquidity characteristics of the specific balance sheet items with difficult liquidity-related standing, are calculated in line with the regulatory reporting requirements for the liquidity risk of the Dutch Central Bank. In order to measure the Group's liquidity risk there are set obligatory limits for the weekly and monthly liquidity gap for capital group and the subsidiaries as well. Below there are presented the weekly and monthly liquidity gaps at the consolidated level.

Liquidity risk in the year 2009

Area	As at 31 Dec 2009	Average	Min	Max
1week gap	16 275 274	16 801 791	11 829 424	22 646 580
1month gap	12 206 905	11 867 289	7 103 000	16 777 630

In thousand PLN

Liquidity risk in the year 2008

Area	As at 31 Dec 2008	Average	Min	Max
1week gap	18 487 548	18 141 805	15 208 830	22 493 168
1month gap	17 414 358	14 170 666	11 102 852	17 536 133

In thousand PLN

A maturity analysis for financial liabilities by remaining contractual maturities

The table below presents financial liabilities by remaining contractual maturities. The amounts include future interest payments.

end of 2009

	1 M	*1- 3 M*	*3 - 12 M*	*Over 1Y*
- Liabilities due to other banks	3 942 813	0	21 791	10 709
- Financial liabilities measured at fair value through profit and loss	997 560	0	0	0
- Valuation of derivatives	193 226	173 589	455 675	713 148
- Derivative hedge instruments	-8 281	57 479	37 815	656 662
- Liabilities due to customers	40 261 829	5 309 307	3 844 726	607 930

In thousand PLN

IV. Regulatory and Economic Capital Management

Acting in accordance with the capital management policy Group performs its activity holding an adequate level of capital (capital base) both in both regulatory and economic aspect. Capital base and capital requirements are calculated according to current legal regulations (Resolution 380/2008 KNF from 17th December 2008 with following changes). Economic capital management is based on internal methodology of ING Group.

Groups' organisational structure and the model of management are in line with the guidelines of the New Capital Accord (NUK/Basel II). Resolutions of NUK are fully implemented and Group performs its activity in accordance with three pillars:

- Pillar I – Regulatory Capital
- Pillar II – Economic Capital
- Pillar III – Disclosure Requirements

Regulatory capital (Pillar I)

In the Credit Risk area for the purpose of 2009 reporting Standardised Approach (SA) including the use of regulatory parameters set in the Resolution 380/2008 KNF. Group is advanced in the implementation of the requirements of A-IRB approach (Advanced Internal Rating Based Approach). A-IRB approach is to be used for corporate portfolio once KNF approval is granted. This area is managed and monitored by Risk Modelling, Monitoring and Reporting Department.

In the area of Operational Risk Group uses BIA (Basic Indicator Approach) methodology. This area is managed and monitored by Operational Risk and Compliance Department.

In Market Risk area Group uses standard methods following regulatory requirements of KNF. This area is managed and monitored by Market Risk Management Department.

The table below presents the detailed calculation of base figures of regulatory capital and solvency ratio as at 31 December 2009. Currently Group maintains an adequate capital level which is illustrated by the solvency ratio (calculated based on regulatory capital) exceeds 8%. Both during the 2009 and 2008 the solvency ratio did not drop below regulatory requirement.

Regulatory capital base and solvency ratio

	31.12.2009	31.12.2008
Capital components		
Share capital	130 100	130 100
Issue premium	956 250	956 250
Other supplementary capital	74 931	74 889
Capital reserve including retained profit of past years	2 273 276	1 887 836
Net profit of current period in unaudited part	263 524	407 470
Minority capital	2 313	2 299
General risk fund	790 179	730 179
Revaluation reserve	-2 382	-100 996
Funds adjustment by intangibles	-327 343	-316 186
Funds adjustment by capital commitments in financial institutions	-40 000	-40 000
Short-term capital	65 495	79 691
Total own funds	**4 186 343**	**3 811 532**
Capital requirements		
Capital requirements for credit risk, credit counterparty, dilution and delivery of instruments for future settlement	2 432 020	2 580 271
Capital requirement for the risk of settlement - delivery	2 187	1 319
Capital requirements for the capital securities rate risk, debt instruments rates risk, FX risk and commodity rates risk	15 308	27 707
Capital requirement for operational risk	290 789	274 247
Capital requirement for general interest rate risk	48 000	51 984
Total capital requirement	**2 788 304**	**2 935 528**
Solvency ratio	**12,01%**	**10,39%**

Economic capital (Pillar II)

Economic capital is used by the Group description of internal capital defined as amount of capital required to cover all kinds of risk in Groups' activity. Amount of economic capital should cover assumed level of unexpected losses which are expected in the future. During calculation of capital required to cover by unfavorable influence of risk a one year time horizon and reliability equal to AA rating (99,95%) is assumed. For the economic capital calculations Group is using ING Group methodologies.

Group identifies and measures economic capital consisting of:

- capital to cover credit risk (risk of lack of liabilities repayments),
- capital to cover transfer risk (risk of lack of contractual repayments on deals in foreign currencies),
- capital to cover market risk (risk of loss sue to negative changes in financial market, like: interest rate risk, exchange rate risk, etc),
- capital to cover operational risk (risk of direct or indirect loss resulting inappropriate or wrong internal processes, employees and systems, IT risk, reputation risk and legal risk),
- capital to cover business risk (risk of loss in value of banking portfolio due to internal and external events).

Total economic capital figure is the sum of the above capitals adjusted for diversification effect. Diversification is based on the assumption that all of the above risks are not likely to realize at the same moment in time.

The value of capital requirements differs depending on the regulatory or economic approaches. Two key reasons for differences may be distinguished:

– The methods used for assessment and measurement of regulatory capital requirements are determined by KNF, whereas the methodology of measurement of the economic capital requirements is based on internal Banks' models.
– The legal regulations precisely define the risks for which the regulatory capital requirement should be calculated; this does not apply to the estimations of the economic capital calculated in a manner defined by the Bank. Thus, the economic capital covers a broader scope of risks, including those that are significant (material), but not included in regulatory capital.

Currently Group maintains an adequate capital level which is illustrated by the solvency ratio (calculated based on economic capital) exceeds 8%. Both during the 2009 and 2008 the solvency ratio did not drop below regulatory requirement.

Disclosure requirements (Pillar III)

Regulatory disclosure are performed by Corep and Finrep as well as publication of additional qualitative and quantitative information, based on Resolution 385/2008 KNF from 17th December 2008, within Policy of disclosing qualitative and quantitative information.

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

2010-03-03	**Małgorzata Kołakowska**	President	*(signed on the Polish original)*
2010-03-03	**Mirosław Boda**	Vice-President	*(signed on the Polish original)*
2010-03-03	**Michał Bolesławski**	Vice-President	*(signed on the Polish original)*
2010-03-03	**Evert Derks Drok**	Vice-President	*(signed on the Polish original)*
2010-03-03	**Justyna Kesler**	Vice-President	*(signed on the Polish original)*
2010-03-03	**Oscar Edward Swan**	Vice-President	*(signed on the Polish original)*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2010-03-03	**Tomasz Biłous**	Director of Accounting Department Chief Accountant	*(signed on the Polish original)*