



2009

Management Board Report on Operations of the Capital Group of ING Bank Śląski S.A. in 2009

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CHAIR'S STATEMENT

Ladies and Gentlemen,

Last year was quite challenging for the banking sector. In spite of the Polish economy's continued growth, in 2009 the financial standing of people and the corporate community deteriorated while their sentiments sunk when compared with the past years. All those factors not only adversely affected the demand for banking services but also diminished the clients' ability to timely pay their credit debts.

In the complex macroeconomic conditions in 2009 the Capital Group of ING Bank Śląski S.A. earned net profit of PLN 595.1 million, up by 34% from 2008. Efficiency of operations improved as well. The rate of return on equity reached the level of 14.3% against 12.3% in 2008. The Cost/Income ratio went down to 59%.

In the opinion of the Supervisory Board – based on an in-depth analysis of the key aspects of the Company's operations – financial results, better than a year earlier, recorded in a more challenging environment proved that ING Bank Śląski S.A. had very robust foundations. Those comprised primarily: one of the largest deposit bases in the Polish banking sector, top-quality assets and an adequate level of capital.

In December 2009, ING Bank Śląski S.A. Capital Group held PLN 46.7 billion worth of client deposits. That amount accounted for 7.4% of the total deposits held by the Polish banking sector. While banks were competing for the clients' funds, the Bank managed to enlarge its deposit base by PLN 0.4 billion over the year.

Following a well-balanced growth of lending, both for wholesale and retail clients, at the end of December 2009 credit receivables of the Bank's Capital Group totalled PLN 26.7 billion, up by PLN 3.1 billion year on year. Those were high quality assets. In December 2009, the share of impaired loans in the entire portfolio was 4.4%. The currency structure of assets of the Bank's Capital Group, with a moderate share of FX loans, mitigated the risk of deteriorating the standing of clients as a result of the weakening zloty.

In the year 2009, the Capital Group ING Bank Śląski S.A. complied with all standards of safe and prudent operation. In December 2009, the solvency ratio amounted to 12.0%. The Bank was also one of the financial institutions whose liquidity ratio stood high. At the same time, the ratio of credits to deposits at the level of 57% indicated that the Bank was able to considerably expand lending.

The cost optimisation efforts initiated at ING Bank Śląski S.A. did not put a brake on the infrastructural projects. A completely new quality was brought into the Bank's operation following the completion of such projects as: finalisation of subsequent phases of implementation of the new front-end application, building service structures for Private Banking clients, launching progressive solutions in the card area or implementation of a new application supporting financial markets operations.

The forecasts for the Polish economy indicate that the landscape of the banking sector will remain challenging in the year 2010. In the following quarters only some sectors of the Polish economy are expected to benefit from the upturn. Moreover, the predicted slight economic growth will coincide with the complex situation in the labour market which will adversely affect the clients' ability to timely pay their credit debts. Therefore, in order to build a foundation for continued growth in lending and create a buffer for any unexpected decline of the financial capacity of borrowers, the Supervisory Board accepts the request of the Bank Management that total 2009 profits should be allocated to the Company's equity.

In conclusion, I would like to thank the Management and all Employees for their efforts, engagement and passion which pave the way for good 2009 results reported by ING Bank Śląski S.A. Capital Group. Special thanks go to Mr Brunon Bartkiewicz, CEO. Those last five years under his rule were the time of success for the Company. I strongly believe that under the new rule of Ms Małgorzata Kołakowska – whose career has been linked with the Bank for many years now – ING Bank Śląski S.A. will continue its sustained growth.

Yours faithfully,

Anna Fornalczyk

Supervisory Board Chair

EXECUTIVE'S STATEMENT

Dear Shareholders,

As of 1 January 2010, I was appointed the CEO of ING Bank Śląski S.A. It is not only a great honour, but also a serious challenge for me. I took over from Brunon Bartkiewicz a company which managed splendidly in the year 2009 despite the bleak macro-economic landscape.

Net profit earned by ING Bank Śląski S.A. Capital Group in the year 2009 was PLN 595.1 million. Thus, it was higher by nearly 1/3 from the year earlier, while in the whole banking sector profits fell by nearly 1/3. Good results in the area of income generation need to be highlighted. In the year 2009, the Group's total income exceeded PLN 2.5 billion, up by nearly 1/5 year on year.

The economic decline did not undercut the organic growth path taken by ING Bank Śląski S.A. and the improvement of its positions in key markets. Over the year 2009, we primarily increased our shares in lending for both households and corporate clients. At the end of December 2009, the household lending of the Bank's Capital Group reached PLN 9.8 billion, an increase by nearly PLN 2.4 billion from the year earlier. Professional, custom-tailored solutions in the area of business finance offered to corporate clients and local government units contributed to an increase in the Group's credit exposure towards institutional clients by PLN 0.7 billion during the year, totalling PLN 16.9 billion in December.

The Bank's credit policy aligned with the economic reality and the credit risk management system, compliant with the best standards, were the key factors that allowed us to maintain the credit portfolio quality better than the average in the entire banking sector. The percentage of impaired loans oscillated from 2.0% for the retail portfolio to 5.7% for wholesale loans. A good quality of credit receivables – plus a strong capital base – assured a high level of security for our operations. In December 2009, the solvency ratio for ING Bank Śląski S.A. Capital Group stood at 12.0%.

We afforded being quite active in the lending market as we had some liquidity surplus generated by the third largest deposit base in Poland. In December 2009, the deposits in the Group's bank accounts totalled PLN 46.7 billion. Household deposits – accounting for a major portion of the deposit base – reached the value of PLN 30.0 billion, an increase by nearly PLN 2.1 billion over the year.

We met the the 2009 market challenges since we followed our business philosophy. It is based on such values – especially important in hard times – as a simple and transparent product offer, fair treatment and respect for our business partners. We adhered to those rules and won the trust of another 140 thousand individual clients in the year 2009, thus in December the Bank had almost 2.6 million clients. Furthermore, the Bank had also more than 200 thousand Small Business and 13 thousand mid-sized and large wholesale clients. Integrity and transparency in the Bank's business operations were also appreciated by the capital market. ING Bank Śląski S.A. was one of the companies in the new stock exchange index, namely the socially responsible companies – RESPECT Index.

The commercial results reported by the Capital Group ING Bank Śląski S.A. in the year 2009 confirm the right direction taken in the area of the product offer improvement and further development of the organisation. The Bank's offer was extended, among others, by new deposit products, a multi-facility credit line for wholesale clients as well as virtual and proximity payment cards. Moreover, in the year 2009 we finalised the implementation of a new front-end system, we automated other areas in operations, enhanced the functionality of electronic distribution channels and considerably improved the operating efficiency of self-service zones and ATMs. Owing to new solutions in IT and Operations, our services are now easily accessible for clients. The resulting more-than-99-percent share of electronic transactions in all Bank's operations served the purposes of better productivity and lower costs of operations.

On behalf of all Management Board Members, I would like to thank Mr Brunon Bartkiewicz who is leaving the Bank to assume other ambitious roles within the ING Group, for his consistent pursuance of the Bank's long-term business strategy and especially for prudent management in 2009 which was a year of challenges and uncertainties. I would like to give my great appreciation to all Employees whose professionalism and hard day-to-day work were reflected in the good results of the Bank. In

the 2009, the Bank Management could also count on good co-operation with the Supervisory Board and the readiness of the Board members to share their vast experience. I would like to thank all Supervisory Board Members for that.

The Polish economy is slowly turning up. We will try to make the most of it. In the year 2010, we are planning to strengthen our position in the Polish banking sector. We intend in particular – based on our deposits – to increase our involvement in financing of the Polish economy's development. I strongly believe that we will accomplish our ambitious plans for 2010 and in a year's time we will be able to announce that we finished another important phase of ING Bank Śląski S.A. development and our efforts contributed to the company's sustained growth and its bigger value.

Sincerely yours,

Małgorzata Kołakowska
Executive Vice President
Designated President of the Management Board
by the Supervisory Board

OVERVIEW OF ING BANK ŚLĄSKI S.A.

ING Bank Śląski S.A. is one of the largest universal banks in Poland whose market presence has been noted since 1989. The Bank operates in the sectors of retail banking, wholesale banking and in money and capital markets.

ING Bank Śląski S.A. was number four in the Polish market in terms of total assets. As at 31 December 2009, the balance sheet total of the Bank's Capital Group was PLN 59,883.5 million, accounting for 5.6% of the Polish banking sector's total assets. The Bank managed PLN 46.7 billion worth of funds deposited in bank accounts, thus being the third largest deposit bank in Poland.

At the end of 2009, the number of individual clients using the services of ING Bank Śląski S.A. was more than 2.56 million, an increase by 141.3 thousand year on year. Furthermore, the client base comprised: 202.3 thousand small businesses and 12.7 thousand mid-sized and large corporate clients /institutions.

The Bank had a country-wide network of 441 bank branches with 370 self-service zones operating 24 hours a day. The clients of ING Bank Śląski S.A. could safely use 737 bank-owned and Euronet's ATMs. Moreover, the Bank offers the clients access to banking services via progressive electronic banking channels, including Internet banking systems (*ING BankOnLine*, *ING BusinessOnLine*), telephone banking (*HaloŚląski*) and the text message (SMS) system.

At the end of 2009, the headcount in the ING Bank Śląski S.A. Capital Group was 8,291.

The strategic investor of ING Bank Śląski S.A. is ING Bank N.V. holding 75% of the Bank's share capital. ING Bank N.V. is a part of ING Group, a global financial institution operating in the area of banking, insurance and assets management.

ING Bank Śląski S.A. was rated as follows by the rating agencies:

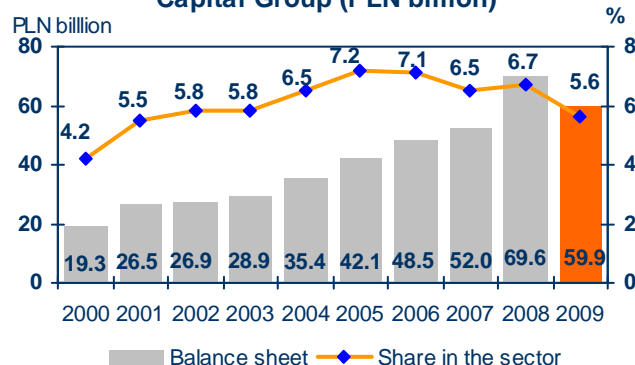
Fitch Ratings Ltd.

Long-term IDR	A
Outlook for sustaining the above rating	Stable
Short-term IDR	F1
Individual rating	C
Support rating	1

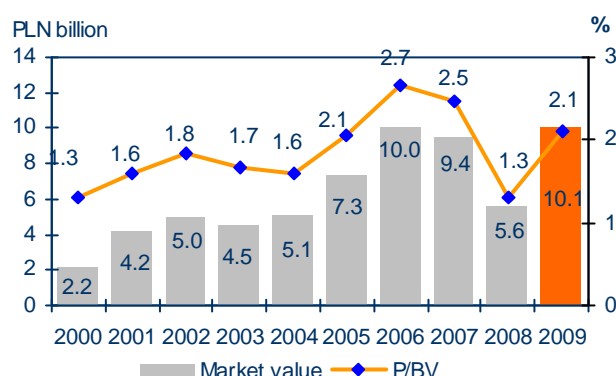
Moody's Investors Service Ltd.

Long-term deposits in foreign currencies	A2
Long-term deposits in home currency	A2
Short-term deposits	P-1
Financial strength of the Bank	D+
Outlook regarding financial strength	Stable

Balance sheet of ING Bank Śląski Capital Group (PLN billion)



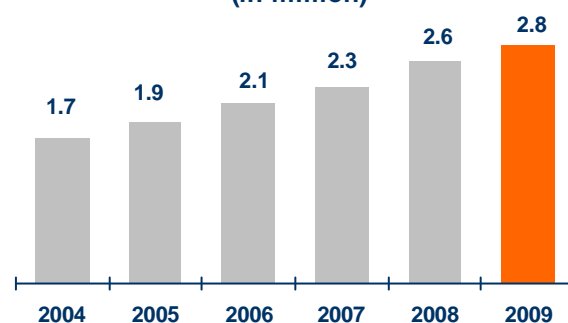
Market value of ING Bank Śląski



Net profit of ING Bank Śląski Capital Group



Number of clients of ING Bank Śląski (in million)



ING Bank Śląski S.A. A brief review of the Capital Group's financial results for 2002– 2009

	2009	2008	2007	2006	2005	2004
Result on core activity in PLN million ¹	2,532.3	2,127.7	2,072.9	1,781.4	1,670.4	1,661.3
Total costs in PLN million ²	-1,489.5	-1,499.0	-1,389.1	-1,223.3	-1,109.4	-1,025.2
Risk costs in PLN million	-304.5	-65.6	103.2	165.9	118.0	-151.9
Gross profit in PLN million	738.3	563.1	787.0	753.3	705.8	489.0
Income tax in PLN million	-143.3	-117.6	-150.2	-155.4	-139.4	-79.0
Net profit attributable to the Company's equity holders in PLN million	595.1	445.4	630.7	591.4	549.5	399.0
Total balance sheet in PLN million	59,883	69,610	52,011	48,476	42,127	35,473
Liabilities to customers in PLN million	47,584	47,067	44,502	38,561	32,824	27,638
Loans and advances to customers in PLN million	30,593	25,743	16,379	12,868	9,903	10,408
Off-balance sheet liabilities in PLN million	145,667	292,132	234,247	181,492	148,490	114,771
Equity ³ in PLN million	4,289	3,777	3,208	3,164	2,999	2,762
Solvency ratio in %	12.0	10.4	13.1	15.7	18.6	15.7
Gross profit/Total costs in %	19.9	14.3	26.7	31.5	29.8	22.3
Net profit/Total assets (ROA) in %	0.9	0.7	1.2	1.3	1.4	1.1
Net profit/Equity (ROE) in %	14.3	12.3	18.9	18.6	18.2	14.4
Cost/Income ratio (C/I) in %	58.8	70.5	67.0	67.7	65.6	62.6
Earnings per 1 share in PLN	45.7	34.2	48.5	45.5	42.2	30.7
Dividend per 1 share in PLN	0.0⁴	0.0	11.7	27.9	27.5	20.5

¹ Including net profit of entities recognized on equity basis.

² Operating costs with amortization/depreciation and result on other business activity.

³ Own equity attributable to equity holders of the parent minus net profit for the current year.

⁴ Management Board recommendation.

I. THE MACROECONOMIC SITUATION IN 2009

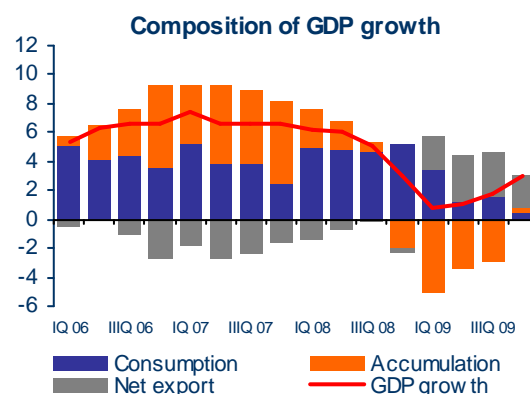
1. Major Economic Trends

Gross Domestic Product

An adverse impact of the global crisis on the macroeconomic situation in Poland turned to be smaller when compared with most European Union states. In 2009, Poland as the only EU state noted GDP growth. After a considerable decline during the first year-half, in the third quarter the economic activity in Poland started to visibly rise again. According to the preliminary data, GDP rose 1.7% in the year 2009 (compared with 5.0% in 2008).

The structure of growth factors changed, namely:

- Net export played the key role in GDB creation in 2009. On the one hand, Poland benefited from the improved economic situation of the main trade partners (caused, among others, by introduction of stimulating packages), and on the other hand the weaker zloty and smaller demand for foreign goods had a restricting impact on the import's volume.
- Compared with the year 2008, the share of consumption in creation of the economic growth went down. Despite cuts in personal income tax and pension contributions, such factors as a higher unemployment rate, lower salaries and low consumer sentiments led to a decrease in the consumption rate to 2.0% per annum.
- Contrary to the previous years, in 2009 accumulation⁵ had an adverse impact on GDP. Gross accumulation fell by nearly 11%, while gross fixed investments were 0.3% lower year on year (a growing scale infrastructural projects partially compensated for the decreasing volume of private investments).



Labour Market and Salaries

A growing number of the unemployed was one of the main consequences of the economic slump in Poland. In December 2009, the number of unemployed reached the level of 1,893 thousand, up by nearly 419 thousand year on year. The unemployed accounted for 11.9% of the professionally active people vis-à-vis 9.5% at the end of December 2008.

The headcount reduction represented one of the main elements of the restructuring processes in Polish companies and caused an increase in productivity by 1.8% in the year 2009.

Difficulties with finding a job diminished the pressure on increase in salaries and resulted in lowering the average salary in real terms during the term from June until November. Only the revival of some industries, allowing to pay out bonuses at the year end contributed to a significant growth in salaries in the last month of 2009. In December the average salary was 6.5% higher year on year. During the whole year 2009 the purchasing power of average monthly salaries in the enterprise sector was 1.1% higher from the year earlier.

Inflation

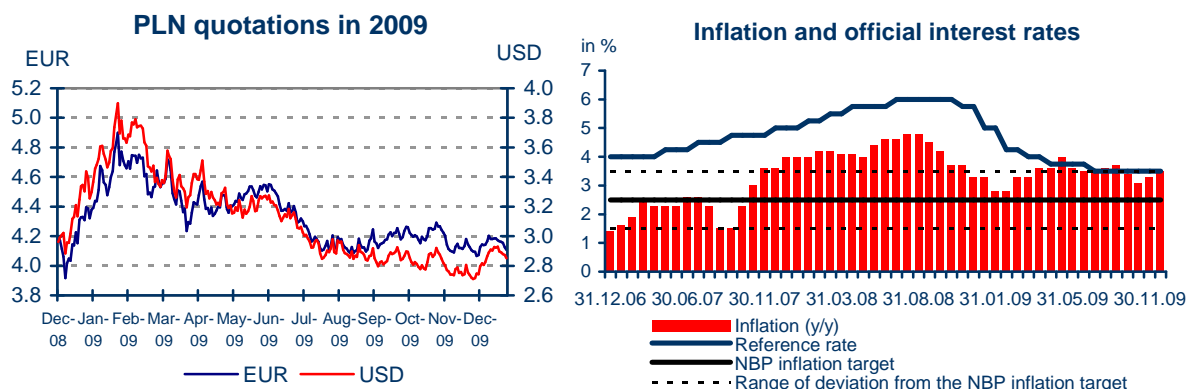
In December 2009 the inflation rate was 3.5% per annum, thus it reached the upper limit of the NBP's inflation target. The increase in prices in the year 2009 was primarily determined by the earlier appreciation of the zloty and a strong rise in regulated and food prices noted early in 2009.

⁵ Accumulation includes fixed investments and inventories.

FX Market

The sustained risk aversion in the Central and East European states was the main driver for further considerable depreciation of the Polish currency at the beginning of 2009. However, from the second quarter the zloty started to gain in value, however it was accompanied by a substantial volatility of FX rates caused by a change in investors' sentiments following the data communicated by the main world economies.

Finally, on 31 December 2009 the zloty's value was 3.8% higher against the dollar year on year and 1.5% higher against the euro. The CHF-denominated mortgage borrowers benefited from the stronger zloty in the second year-half (during the whole year the zloty strengthened against CHF by 1.3%).



The State Budget

In view of the low level of realisation of the income plan (mostly due to VAT and CIT as a result of a lower-than-budgeted economic growth rate), in July 2009 the Government revised the 2009 budget. Some shifts were made in regard to specific expense categories, the level of planned non-tax income was raised, and advance EU funds were included in the income category, increasing at the same time the planned budgetary deficit to PLN 27 billion (instead of the originally planned PLN 18 billion).

As a result of the economic upturn noted in the last months of 2009, which translated into a bigger tax income, and introduction of the Government's savings package, the State budget deficit in 2009 was smaller than assumed in the revised State budget and stood at PLN 23.8 billion.

The preliminary 2010 budget drafted in September 2009 assumes the State budget deficit at PLN 52 billion. It signifies a bigger demand for loans at the central budget level and a bigger supply of T-bills and T-bonds.

Actions for Counteracting the Crisis Effects

In August 2009, the Act on mitigating the effects of the economic crisis for workers and employers as part of the so-called *anti-crisis package*. In order to maintain jobs in enterprises that suffered from temporary difficulties there were introduced such measures as a flexible work time, reduction of the work time and pay by half, demurrage and the system of refunded training schemes for workers.

The Government earmarked some PLN 1.5 billion to support the companies in maintaining jobs. The anti-crisis package will remain in force until 2011.

2. The Monetary Policy

The worsening outlook for the Polish economy, restricted access to loans for business entities and easing the salary and inflation pressures, observed in the first half of 2009 provided the Monetary Policy Council with arguments in favour of further loosening of the monetary policy. Until the end of June the Monetary Policy Council cut the interest rates four times. As a result of those decisions the base rates fell in total by 150 base points. In the second half of 2009 the interest rate cuts were stopped, mostly due to the sustained relatively high inflation level and a visible revival of the Polish and world economies. Following the inflationary projection, at the October session the Monetary Policy

Council shifted the monetary policy bias from easy to neutral.

At the end of December 2009, the base interest rates were as follows:

- reference rate – 3.50%,
- bill rediscount rate – 3.75%,
- lombard rate – 5.00%,
- deposit rate – 2.00%.

In order to provide the banking sector with additional opportunities for the lending growth, the Monetary Policy Council also reduced the mandatory provisioning rate from 3.50% to 3.00%. That decision came into force as of 30 June 2009.

In the opinion of the Monetary Policy Council, presented in the Information published after the last Council's session in 2009, The probabilities of the mid-term inflation shaping up above or below the inflationary target are similar. The inflation-lowering factors will include: a weak demand pressure, reduction the growth of labour costs, an earlier appreciation of the zloty and the adverse base's effects connected with a strong increase in regulated and food prices noted at the beginning of 2009. However, the inflation's decrease in 2010 may be constrained by the growing raw material prices in global markets as well as higher taxes and regulated prices.

Other efforts aimed at stimulating the economic growth initiated in the year 2009 as part of the monetary policy included:

- Pre-mature redemption of NBP bonds for PLN 8.2 billion which created additional opportunities for banks in regard of the growth of lending.
- The Government adopting the principles of guarantees provided by Bank Gospodarstwa Krajowego. The related lending potential is estimated at approx. PLN 20 billion.
- The coming into force (in August 2009) of the Act on subsidies to mortgages for persons who were made redundant or ceased to run one-person business after 30 June 2008.
- The introduction of a new monetary policy instrument for 2010, the so-called bill discount facility (designed for the financing of new loans granted by banks to businesses). At the December session, the Monetary Policy Council set the new bill discount rate at 4.00% per annum.

In the year 2009 the situation in the interbank market was gradually getting back to normal. As part of the trust package (*Pakiet Zaufania*), NBP provided banks with liquidity in PLN and foreign currencies, thus reducing notably the perception of risk associated with transactions made in that market. After the times of turbulence, in the second year half the interest rates for transactions with several-month maturities were going down following the decrease in statutory interest rates.

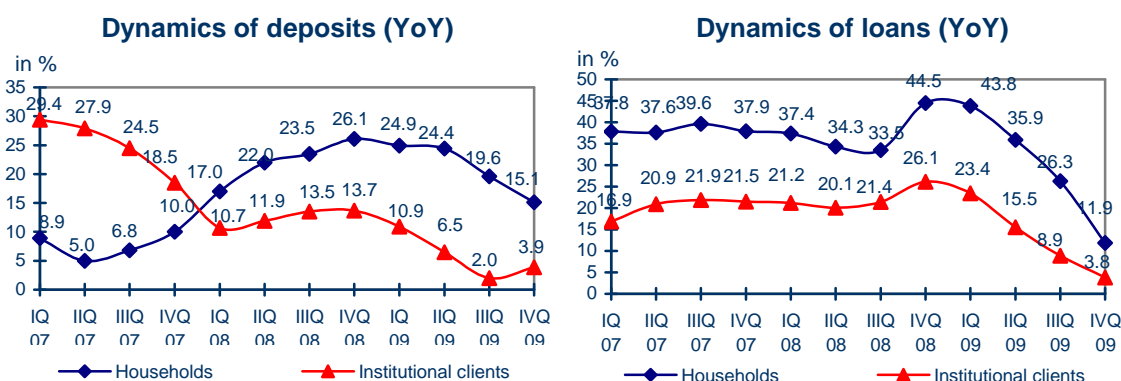
The principles of the future monetary policy will be determined by the new Monetary Policy Council established at the beginning of 2010. According to analysts, during the initial term of office the new Council will not take any decisions on changing the interest rates.

3. The Banking Sector

In response to the growing business-related risk and limited access to capital, observed from mid-2008, some banks revised their business strategies. The new reality forced to focus their capacity and resources on the core business areas, and on those markets where they were well positioned. As a result of the strategies for reducing the share of debt in balance sheets, adopted by some banks, in December 2009 the Polish banking sector's assets amounted to PLN 1,060.8 billion, up by 2% year on year.

The main monetary categories in the year 2009 were as follows:

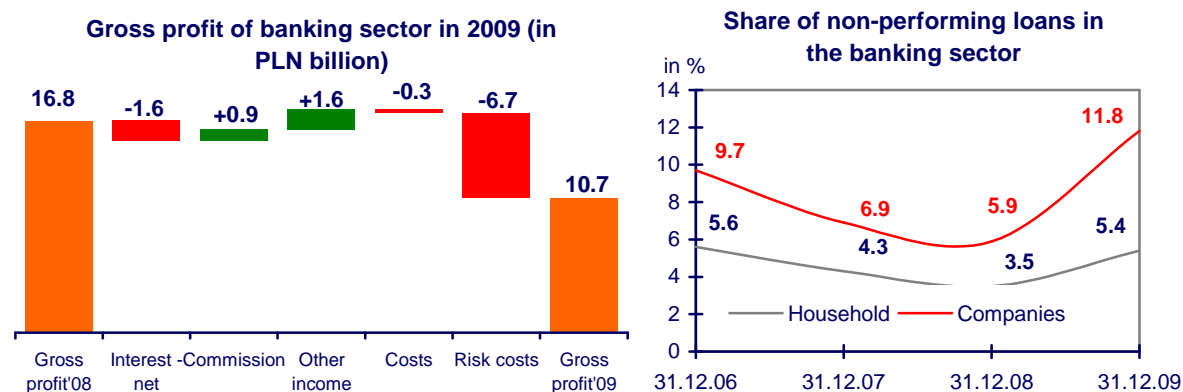
- **Household deposits.** In spite of lower earnings of some people in Poland, the year 2009 was characterised by only a slightly lower increase of balances in bank accounts of households compared with the past years. In December 2009 those reached the value of PLN 387.3 billion, up by 15.1% year on year.
- **Deposits of institutional clients.** Deteriorated financial standing of corporate entities combined with their limited access to loans, forcing them to finance business operations from their own funds, diminished the value of funds deposited in the accounts of institutional clients. In December 2009 those amounted to PLN 245.4 billion, up by 3.9% year on year.
- **Credit receivables from households.** As a result of stagnation in the domestic property market, decreasing salaries, growing unemployment, negative sentiments of clients and more restrictive credit policies, the growth of lending for households became considerably slowed down. In December 2009, it reached the level of PLN 420.4 billion, an increase by 11.9% on an annual basis. A similar growth rate was noted by home equity loans – accounting for a major part of the banks' credit exposure towards households (growth by 11.6%). The bank's lending was supported by the governmental programme *Own home for each family*, which became increasingly more popular among clients after the changes made in early 2009. Over the year 2009 those loans were taken by more than 30 thousand families with the value of their loans totalling PLN 5.4 billion.
- **Credit receivables from institutional clients.** More restrictive credit policies launched by banks and the lower propensity of corporate entities for initiating investment projects stopped the growth of that portfolio. In 2009 the credit exposure of the banking sector towards institutional clients rose by 3.8% (to PLN 284.5 billion).



According to preliminary data, in 2009 the net profit of the banking sector was PLN 8.7 billion versus PLN 13.7 billion in 2008. The following phenomena had the greatest impact on the banks' performance in 2009:

- Deterioration of the quality of the credit portfolios and a considerable increase of risk costs. The balance of assets impairment write-offs was charged to the result in the amount of PLN 12.0 billion compared with PLN 5.3 billion a year earlier.
- Continuing deposit price war which adversely affected the level of interest income.
- Negative pricing of option transactions made with the client. According to the Polish Financial Supervision Authority, at the end of July 2009 the companies' liabilities due to FX option transactions stood at PLN 2.2 billion.⁶
- More stringent cost discipline aimed at stabilising the level of operating costs at the last year's level. Following the headcount reduction in the banking sector and a lower level of bonuses in view of incomplete execution of plans, the main component of the operating costs, namely the personnel cost, went down. However, the costs of real estate maintenance and lease and other tangible costs rose (among others, as a result of the sales network's expansion).

⁶ Communication of the Office of the Polish Financial Supervision Authority on the enterprises' involvement in FX derivative transactions, 17 August 2009. Pricing made at the euro rate of PLN 4.1605.



The lenient credit policies of banks and the dynamic growth of lending in times of the economic boom led to a considerable growth of the value of non-performing loans when the economy showed signs of declining. The size of that portfolio was also determined by the banks' exposure in FX derivative transactions with clients. As a result of those occurrences, the share of non-performing loans in receivables from the non-financial sector rose from 4.5% in December 2008 to 7.6% in December 2009.

In order to provide a proper capital buffer considering the bleak macroeconomic landscape and in line with the recommendation of the supervisory authorities, most banks earmarked their entire profits for 2008 to increase their equity. Some of them also received subordinated loans from their parent companies, and in November PKO BP issued more than PLN 5 billion worth of new shares. An unprecedented growth in equity combined with the prudent capital management, and the satisfactory quality of credit portfolios resulted in a bigger level of the capital adequacy. At the end of December 2009, the solvency ratio for the whole banking sector was 13.3% compared with 11.2% year on year.

In 2009, the new regulations of the supervisory authorities came into force with the aim of improving the risk management, namely:

- S(II) Recommendation imposing new information duties on banks and allowing clients to pay instalments in the loan currency as of mid-2009.
- Resolution of the Polish Financial Supervision Authority concerning additional items of the bank's balance sheet to be reported as core funds and the conditions to be fulfilled in order to report those as core funds.

The works on T Recommendation, defining best practices in regard to management of the household exposures' credit risk, were also finalised (which provides for introducing the maximum ratio of credit burdens to income).

4. The Capital Market

During the first two months of 2009 the stock prices continued to dive on the Warsaw Stock Exchange. At the beginning of March the stock prices on the Warsaw floor started to rebound and at in early April the main stock index rose to a level higher than that at the end of 2008. In the following months – when the stock prices were highly volatile as a result of the nervous reactions of investors to the market news – the stock prices continued to rise. Those trends led to the increase of the main index on the Warsaw Stock Exchange to 46.8% in the year 2009. In view of the depth of the earlier dive, in December 2009 the stock prices on the Warsaw Stock Exchange remained much below their historic highs.

In terms of industry sectors, the stocks of companies representing sectors which recorded the biggest fall in 2008 proved to be the best investments, namely those from the foodstuffs sector (up by 126.2%) and developers (up by 124.8%). The lowest growth of the stock prices was noted by media companies (by 16.7%), the construction sector (by 16.1%) and telecoms (by 1.9%).

At the end of December 2009, the value of Polish companies listed on the Warsaw Stock Exchange

was PLN 422.3 billion, up by 57.5% year on year. In 2009, some 19 companies debuted on the main floor while 8 were withdrawn from trading. The debut of Polska Grupa Energetyczna (the second largest in terms of value in the history of the Warsaw Stock Exchange) and the new issue of PKO BP were major events on the primary market.

In 2009, during the stock trading sessions PLN 333.4 billion worth of stock were traded, up by 4% year on year. The market for future contracts also grew. In 2009, the volume of trading in all derivative instruments totalled 13.9 million, up by 10.3% year on year.

In 2009, the Warsaw Stock Exchange noted a greater number of debuts than all stock exchanges in the Central and East Europe, but also such stock markets as: NYSE-Euronext, OMX and Deutsche Boerse⁷. The Warsaw Stock Exchange was number three in Europe in terms of the value of offers.

The opening of a new organised market for debt securities, referred to as Catalyst, in September 2009 was an important occurrence for the Stock Exchange development. It is supposed to support companies and local government units in getting the funding for investment projects.

After a deep fall in the value of assets in 2008, in spring 2009 the market for mutual funds started to recover. The key driving factor was the upturn in the equity market, and to a lesser extent the more positive attitude of clients towards equity investments. In 2009 the average rate of return on funds of Polish universal equity funds was 40.1%, while the positive balance of capital flow to mutual funds (which appeared in May) closed in 2009 with the amount of PLN 3.0 billion. As a result of the aforesaid trends, in December 2009 the value of the mutual funds' net assets reached the level of PLN 93.0 billion (compared with PLN 73.9 billion year on year).

Apart from a 26% increase in assets of mutual funds, in 2009 their structure also notably changed. The equity funds took the leading position in terms of the value of assets (with a 29.1% share in total assets in December 2009), replacing the mixed funds which used to be the leaders for many years (27.1% of the assets value).

5. Macroeconomic Factors to Affect the Banking Sector in 2010

The forecasts made at ING Bank Śląski S.A. indicated that the Polish economy would gradually recover⁸. In the year 2010 GDP is expected to grow by 3.0%. The economic situation in Poland will be probably better in the first year-half.

According to forecasts, consumption will be still the main driving force of the economic growth in 2010. However, it is also possible that the positive contribution of foreign trade into the economic growth will sustain, however to a smaller extent than in the past year. Despite the increased scale of public investments, the outlays for fixed assets will probably remain at the level reported in 2009. Their volume will be determined by the production capacity not used at full throttle, prudent assessment by companies of the prospects for growth of markets for their products and pursuance of more stringent credit policies by banks.

The complex situation in the labour market will remain the key problem for the Polish economy. Following a slight upturn in the economy the demand for labour will remain low and this fact combined with the bigger number of professionally active people may cause further increase of unemployment.

In 2010, the Polish currency should become stronger and its appreciation will be supported by such factors as: the economic growth, bigger foreign investments and safe ratios of external balance. However, the zloty may be threatened by the abandoning of a loose monetary policy by developed countries and less attractive investments in Poland.

Appreciation of the zloty and the low pressure on salary increases should positively affect the inflation level and counterbalance to a certain extent increases in controlled prices. The prices are expected to grow 2.1% in the year 2010.

⁷ Based on the report IPO Watch Europe by PricewaterhouseCoopers.

⁸ Source: Chief Economist of ING Bank Śląski S.A.

A sustained accelerated growth in Poland may be adversely affected by such factors as:

- A short-lived economic upturn in EU states observed late in 2009 following the withdrawal of government stimulating packages.
- Inconsistent economic policy, including too strong fiscal tightening policy and a restrictive monetary policy.
- Increase in public debt and in the share of social expenses, constraining the GDP growth.

The complex macroeconomic landscape will affect the standing of the banking sector. Banks will be gradually rebuilding the sales volumes and improving their financial performance. The following phenomena are expected to determine the financial standing of banks:

- A moderate increase of both the funds deposited in clients' bank accounts and the loans granted to them.
- Diminishing the pressure on margin as a result of better liquidity of markets, repricing of loans granted (mostly wholesale ones) and applying higher prices to new loans.
- An increase in commission income being the effect of tables of banks' fees and commission modified in 2009 and a recovery of the capital market (primarily in the market for mutual funds).
- Limited possibilities of continued reduction of operating costs.
- Risk costs remaining at a higher level as a consequence of the low rate of economic growth.

The Polish economy in the years 2001–2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 F
GDP growth (%)	1.2	1.4	3.9	5.3	3.6	6.2	6.7	4.7	1.7	2.9
Budgetary deficit (GDP %)	-5.1	-5.0	-6.3	-5.7	-4.3	-3.8	-2.1	-3.9	-6.3	-7.0
Money supply M3 (in billion PLN)	329.7	326.1	345.1	377.5	427.1	495.3	561.6	666.2	720.3	770.7
Increase in industrial output (%)	0.6	1.4	8.6	13.1	4.1	12.0	9.4	3.0	-3.4	4.9
Year-average inflation (CPI) (%)	5.5	1.9	0.8	3.5	2.1	1.0	2.5	4.2	3.5	2.1
Unemployment rate (%)	19.4	20.0	20.0	19.0	17.6	14.8	11.2	9.5	11.9	12.3
PLN/USD ate (year end)	3.9863	3.8388	3.7405	2.9904	3.2613	2.9105	2.4350	2.9618	2.8503	2.8900
PLN/EUR rate (year end)	3.5219	4.0202	4.7170	4.0790	3.8598	3.8312	3.5820	4.1724	4.1082	3.9000
WIBOR 3M (year end)	11.91	6.87	5.60	6.64	4.60	4.20	5.68	5.88	4.27	4.10

II. MAIN ACHIEVEMENTS OF THE ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN 2009

1. Growing Client Base

At the end of December 2009 the services of ING Bank Śląski S.A. were used by:

- 2,558.6 thousand individual clients, an increase by 141.3 thousand year on year,
- 202.3 thousand small businesses, an increase by 23.5 thousand year on year,
- and 12,713 wholesale clients compared with 12,976 in December 2008.

A multimillion base of loyal clients is an important advantage of ING Bank Śląski S.A. in times of an economic downturn and a smaller demand for banking services.

2. Better Position in the Lending Market

At the end of December 2009, the gross credit receivables of the ING Bank Śląski S.A. Capital Group from clients totalled PLN 26,715.9 million, up by PLN 3,058.3 million (or 12.9%) year on year. According to estimates, the Capital Group had a 4.0% share in total credit receivables of the whole banking sector (compared with 3.7% at the end of 2008).

In 2009, the position of the Bank's Capital Group in the lending market improved as a result of:

- A dynamic rise in the credit exposure towards households. In December 2009, the value of lending for that segment stood at PLN 9,822.8 million, an increase by PLN 2,376.3 million (or 31.9%) year on year.
- A higher-than-sector-average rate of growth of the credit exposure towards institutional clients⁹ stimulated by bigger lending for central and local government. The respective Group's credit receivables amounted to PLN 16,893.1 million, an increase by 4.2% year on year (lending for central and local government rose by 136.7%).

Table. Loans and other receivables to customers of ING Bank Śląski S.A. Capital Group

	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Gross total loans, including:	26,715.9	23,657.6	16,773.4	13,359.2	10,420.0
Households	9,822.8	7,446.5	4,937.9	3,615.4	3,238.7
Businesses	12,042.3	12,312.0	8,905.6	7,064.7	5,926.1
Financial entities (other than banks)	2,545.6	2,925.1	2,232.6	2,010.5	829.2
Central and local government	2,305.2	973.9	697.2	668.6	426.0
Debt securities and other receivables	4,758.2	2,587.5	167.2	332.0	289.1
Impairment losses	-881.3	-502.3	-561.4	-702.9	-805.1
Loans and other receivables to customers - net	30,592.8	25,742.8	16,379.1	12,988.2	9,902.8

3. Maintaining the Balance of Retail Deposits

At the end of December 2009, the value of funds deposited in the accounts held with ING Bank Śląski S.A. Capital Group was PLN 46,716.2 million, up by PLN 443.2 million (or 1.0%) from the year earlier. According to estimates, the Banks' Capital Group had a 7.4% share in total deposits held with the banking sector.

⁹ In total for business entities, non-monetary financial institutions, entities in the sector of central and local governments.

In 2009 the key component of the deposit base of the Bank's Capital Group, namely household deposits, rose. In December 2009, household deposits amounted to PLN 30,039.7 million compared with PLN 27,945.7 million at the end of 2008 (up by 7.5%).

Table. Deposit structure per clients of ING Bank Śląski S.A. Capital Group

	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Households	30,039.7	27,945.7	25,392.6	21,472.4	19,151.0
Businesses	11,861.7	11,173.6	12,760.8	10,375.3	8,513.1
Financial entities (other than banks)	3,306.6	4,267.5	2,226.7	2,881.6	1,624.5
Central and local government	1,508.2	2,886.2	2,572.4	1,528.1	1,384.5
Total	46,716.2	46,273.0	42,952.4	36,257.3	30,673.1

4. Enhanced Operational Effectiveness

In 2009, the net profit of ING Bank Śląski S.A. Capital Group was PLN 595.1 million, up by 33.6% from the year earlier.

The key drivers determining the financial result of the Bank's Capital Group in 2009 included:

- Better result on core activity. It amounted to PLN 2,532.3 million, an increase by 19.0% from the year earlier. It was achieved by means of:
 - Better interest result (by 25.2%) owing to larger volumes of deposits and loans and a higher interest margin than in the past earlier.
 - Stabilization of the commission result at the last year's level (up by 1.1%). That result was the combination of a higher level of the commission income from the loans granted and the card-related income as well as lower revenue from sales of equity products (TFI participation units and structured products in view of the changed terms and conditions of co-operation with ING TUnŻ).
 - Growth in other income (by 121.5%). Growth in this income category primarily stemmed from the recovery on the financial markets and a very good liquidity situation of the Group. Other income also included the counterparty risk charge for FX option transactions made with clients of PLN 186.0 million. In 2008 the total adverse effect of the developments in financial markets in the Group's income was PLN 489 million (of which the effect of FX option transactions was PLN -163.0 million).
- Stabilization of operating costs. Those amounted to PLN 1,489.5 million, remaining at a similar level to the last year (down by 0.6%). Lower costs were observed mostly in such categories as personnel, depreciation, marketing activity and implementation of new projects. At the same time, bigger real property maintenance and lease costs were noted.
- Higher risk costs. In 2009, the balance of assets impairment charges was PLN -304.5 million (vis-à-vis PLN -65.6 million in 2008). This amount comprises, among others, PLN 115.1 million worth of charges for companies' receivable due to matured option transactions (in 2008 the figure was PLN 71.4 million) and PLN 14.6 million worth of released charges following the sale of non-performing loans portfolio and restructuring of PKM Duda's debt. In 2008, the sale of the bad loan portfolio had a mitigating effect on risk costs (of PLN 43.0 million).

In 2009, the total income of the ING Bank Śląski S.A. Capital Group (comprising not only net profit, but also other revenue and cost items included in equity) was PLN 662.3 million, compared with 536.1 million PLN in the last year (up by 23.5%).

Table. Financial Results of ING Bank Śląski S.A. Capital Group

	2009 million PLN	2008 million PLN	Change 2009/2008
Operating income*	2,532.3	2,127.7	19.0%
Total costs	-1,489.5	-1,499.9	-0.6%
Result before risk costs	1,042.8	628.7	65.9%
Risk costs	-304.5	-65.6	364.1%
Gross profit (loss)	738.3	563.1	31.1%
Net profit (loss)	595.1	445.4	33.6%
Profit (loss) per 1 ordinary share (PLN)	45.74	34.24	33.6%
Profit margin (%)	19.9	14.3	+5.6 p.p.
ROA (%)	0.91	0.72	+0.19 p.p.
ROE (%)	14.31	12.31	+2.00 p.p.
C/I (%)	58.8	70.5	-11.7 p.p.
Solvency ratio (%)	12.0	10.4	+1.6 p.p.

* Including the share in net profits of affiliated companies accounted for using the equity method

The increase in profits reported in 2009 translated into higher effectiveness ratios from the year earlier, such as return of assets (ROA) and return on equity (ROE). For example, in 2009 each PLN 100 worth of invested equity generated PLN 14.31 of net profit, or PLN 2.00 more from the year earlier. The Group's operations were also characterised by a better cost effectiveness. In 2009, the Cost/Income (C/I) ratio was 58.8%, down by 11.7 p.p. from the year earlier.

5. Implementation of Key Projects for the Organisation's Robust Growth

Special attention should be given to the effects of the following projects implemented by ING Bank Śląski S.A.:

- **New Front-End application.** In 2009, subsequent phases of implementation of the new front-end system were finalised, which offered among others the handling of non-standard deposits, structured products, account-linked-insurance, prepaid and debit cards and transfers in the telephone banking system.
- **New system of Internet banking for wholesale clients – ING BusinessOnLine.** The application's functionality was expanded to include, among others, direct debit, SEPA outbound transactions and Trade Finance electronic applications. Moreover, the system was offered to housing communities and the credit module for strategic clients was expanded.
- **Self-banking Project.** The Bank's primary focus was on improving the availability of machines installed in self-service zones being part of more than 80% Bank branches.
- **New approach to the Private Banking client service.** Apart from the new segmentation criterion, the Bank prepared financial solutions tailored to suit the clients' needs and their life plans by offering five investment profiles. Appropriate structures (including the sales ones) to serve the PB segment's clients were built on a parallel basis.
- **Modifications to the model of the Small Business clients service.** The Bank established Small Business Centres in each Region which should allow to align the business with the economic reality in specific regions of Poland and improve the service quality.
- **Working Capital Management Project.** It provides for proposing professional and tailor-made working capital management solutions for wholesale clients. Considering the harsh market reality, the new approach to financial services for corporate entities should win new clients.
- **Foreign payments.** In April the Bank implemented the full-range processing of inbound SEPA CT payments through the system for euro settlement and clearing. In June, the Bank became a direct participant of the TARGET2 system.

Following the modifications in both IT and Operations and continued development of functionalities of the electronic distribution channels, the share of electronic transactions in all transactions made at ING Bank Śląski S.A. rose from 96.2% in December 2008 to 99.0% in December 2009.

6. Awards and Distinctions

In 2009, ING Bank Śląski S.A. received numerous awards and distinctions.

The awards and distinctions which the Bank received for the attractiveness of its product offer and for the quality of customer service are of particular value. They include:

- TOP RATED rating, a distinction for custody services awarded by a prestigious American sector quarterly *Global Custodian*,
- *A rose without thorns* by the *Home&Market* magazine – first place in the best bank ranking, according to the biggest enterprises in Poland,
- First place in the category of *Banks and Investor Advisers* in 14th edition of the Book of Lists annual (the largest and the oldest Polish-English business publication in the Polish publishing market which closely follows the transitions in the Polish business),
- The crystal Most trusted Brand Statue in the category of *Bank* in the largest European consumer poll (European Trusted Brands) organised by Reader's Digest,
- First place in the ranking by the Newsweek weekly, Friendly Bank, in the category of *Bank for the disabled* and third place in the category of *Bank for Internauts*,
- Top prize for the implementation of a comprehensive system for IT infrastructure and business service management awarded by BMCForum,
- Third place won by the Team of Bank's Economists in the first edition of competition for the best analysts, organised by NBP and *Rzeczpospolita* and *Parkiet* dailies,
- Top position among the Polish economists for Mateusz Szczurek, the Bank's Chief Economist in the international ranking of the Thomson Reuters Extel Survey.

The market also highly appraised the efficiency of marketing actions run by ING Bank Śląski S.A., supporting the sales of key products. The Bank won, for instance:

- 2008 Leopards – a bankers' award for the most admired creation of a banking Brand,
- *Superbrand Polska* and *Business Superbrand Polska* titles awarded to the strongest consumer and business brands by the international Superbrands organisation,
- Silver EFFIE 2009 award in the category of *Financial Services* for the *Address (Orędzie)* campaign.

Striving for financial clarity and transparency is among the primary principles observed by ING Bank Śląski S.A. in running the business. The fact that this principle is efficiently implemented at the Bank is demonstrated by:

- Top award for the best annual report in competition *The Best Annual Report 2008* organized by *Accountancy and Taxes Institute* in the category of *Banks and Financial Institutions*. The Bank also won distinction for the best *Report of the Company's Activity*.
- Third place in the ranking Stock-listed Company of the Year organised by Puls Biznesu.

The fact that the Bank adheres to its philosophy, including the responsible business principles, was confirmed by:

- being among sixteen companies to form the first RESPECT Index,
- St Brother Albert's medal for the year 2008 awarded to the ING Children Foundation for

supporting projects for the disabled,

- Environment Friendly Company – a title granted in the competition organized by European Forum for Environmental Responsibility,
- Award for Initiating Pro-cultural Actions received from the National Bank of Poland and COMMITMENT TO EUROPE arts&business Foundation.

Moreover, ING Securities S.A. being the member of the Bank's Capital Group was honoured with the following distinctions:

- First place in the category of *Stockbroker Companies* in the ranking by the Book of Lists yearly,
- Second place in the ranking of the best financial institutions by the *Rzeczpospolita* daily for results in 2008 in the category of *Brokerage Offices*,
- Second place in the survey by Thomson Reuters Extel Survey in the ranking of *the best brokerage offices in European Emerging Markets* (EMEA), and the titles of best analysts in the EMEA region granted to Milena Olszewska-Miszuris and Piotr Palenik.

III. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. IN 2009

1. Retail Banking

Changes in the Product Offer and Customer Services

The actions initiated by ING Bank Śląski S.A. in respect of the product offer and services were aligned with the general business strategy based on a simple and fair offer, easy and automated processes and more focus on the Internet banking in the customer service processes.

In order to maintain its strong position in the deposit market, in 2009 ING Bank Śląski S.A. modified on an on-going basis the offer to follow the preferences of clients and the actions of other market players, sharply competing for the clients' savings. The key modifications to the Bank's deposit offer were as follows:

- Proposing the holders of PLN-denominated Open Savings Accounts to set up other PLN-denominated deposits at attractive interest rates: *Ekstra Premia (Extra Bonus)*, *Ekstra Premia Plus (Extra Bonus Plus)* (offered only at the bank Branches) and *eLokata (eDeposit)* (offered via the Internet). The interest rates on those products were changed several times to follow the current market developments. Furthermore, clients depositing their savings in OKO accounts were offered a new product – *5M Lokata z polecenia (5M Recommended Deposit)* where both the recommending person and the recommended client were given an opportunity to set up a deposit bearing a higher rate than that offered to other clients.
- Launching a special offer, *Procenty za dopłaty (Interest for Additional Deposits)* for holders of Open Savings Accounts and Open Savings Accounts Direct. It was linked with *Save and Win* and *Royal Collection* competitions. Apart from additional interest, the clients could win attractive prizes, and their chances for success were growing proportionally to the growth of value of additionally deposited funds.
- Enhancing the offer with new types of deposit products. In September, a new product was launched – *Lokata dla Inwestora (Deposit for Investors)*. It was designed for up-scale clients and allowed them to withdraw at any time funds (without interest loss) from 6M deposits and invest them in ING mutual funds.
- Launching new structured products, varying in terms of their legal formula, investment horizon and the client target groups. In total, 16 subscriptions of structured products such as *Inwestycyjny Plan Ubezpieczeniowy (Investment Insurance Plan)* and 8 subscriptions of *Inwestycyjne Lokaty Terminowe (Investment Term Deposits)* were launched. Furthermore, subsequent *Fundusz z Lokatą (Fund plus Deposit)* bundles were offered to clients.
- Running promotional campaigns connected with the sale of personal accounts – *Lion Accounts*, such as: *PLN 100 for salary deposited in the account* and *300 points at the start* (as part of the *Banking-and-Buying* programme).
- Adding new products to the Small Business offer: *Lion Accounts* for housing communities and *Welcome Bundle for Small Business* (comprising business cards, discount at Liberty Direct, a special offer and discounts at selected mobile telephone operators and points in *Banking-and-Buying* Programme).

In the area of lending products, the Bank primarily:

- Changed the criteria for building the pre-scoring databases with the aim of mitigating the credit risk and making the offers for the best clients more attractive.
- Extended the tenor of the cash loan under the pre-scoring offer available via ING BankOnLine and additionally offered the insurance programme, *Safe Loan*.
- Withdrew floating-rate cash loans from the offer.
- Adjusted credit margins for Small Business to the complex market situation.

In 2009 the Bank also adapted all hedging insurance products accompanying mortgage products and personal accounts to the *Recommended Best Practices In the Polish Bancassurance Market in Respect of Hedging Insurance Linked with Bank Products* issued by the Polish Banks Association.

The *Table of Fees and Commissions* was also modified. The modifications were based on the cost analysis and were aligned with the objective of the *Most Internet-wise Bank* project. Therefore, fees for over-the-counter operations were raised while numerous Internet services were still offered free-of-charge (e.g. *Direct Accounts*, transfers via ING BankOnLine for individual clients).

In early 2009 the Bank altered the approach to services for up-scale clients and identified two segments: Personal Banking (clients with minimum PLN 200 thousand worth of assets) and Private Banking (with PLN 1 million worth of assets and more).

The clients from the Personal Banking segment are taken care of by personal Advisors, available in 30 Personal Banking Centres located at selected Bank branches all over Poland. The key element of the Personal Banking offer is the VIP Account providing the clients with free-of-charge access to the funds deposited with the Bank via a dedicated telephone line and free-of-charge withdrawals at all ATMs in Poland.

The Bank also started to build the structures for Private Banking clients (initially the services for those clients were handled by the Investment Centre in Warsaw). A group of dedicated Private Banking Advisors was established to guarantee that the clients would have easy access to an attractive offer, tailored to suit their needs. Five investment profiles were developed, each with a different risk level. In 2009, the vast majority of clients selected their preferred investment profile and the Bank proposed model portfolios of mutual funds for them, in line with the risk level of their choice. For that group of clients six subscriptions of *Inwestycyjne Lokaty Terminowe (Investment Term Deposit)* were run and six new *Lokaty z Funduszem (Deposits plus Funds)* were launched. There was also developed the concept for a new credit solution earmarked for the Private Banking clients where the facility would be secured with the clients assets held both with ING Bank Śląski S.A. and other banks.

In the first half of 2009, the Bank also modified the Small Business service model. The Bank established the Small Business Centres in each Region. Thus, the business will be aligned with the local market reality and the customer service level will improve.

Deposits

As at 31 December 2009, the total value of funds¹⁰ deposited with ING Bank Śląski S.A. by households was PLN 35,601.5 million vis-à-vis PLN 32,126.3 million in December 2008 (up by 10.8%).

The bank deposits accounted for their major part. At the end of 2009 those reached the level of PLN 29,890.7 million, up by 7.4% year on year. This result translated into a 7.6% share of the Bank in the household deposit market (compared with 8.2% share at the end of 2008).

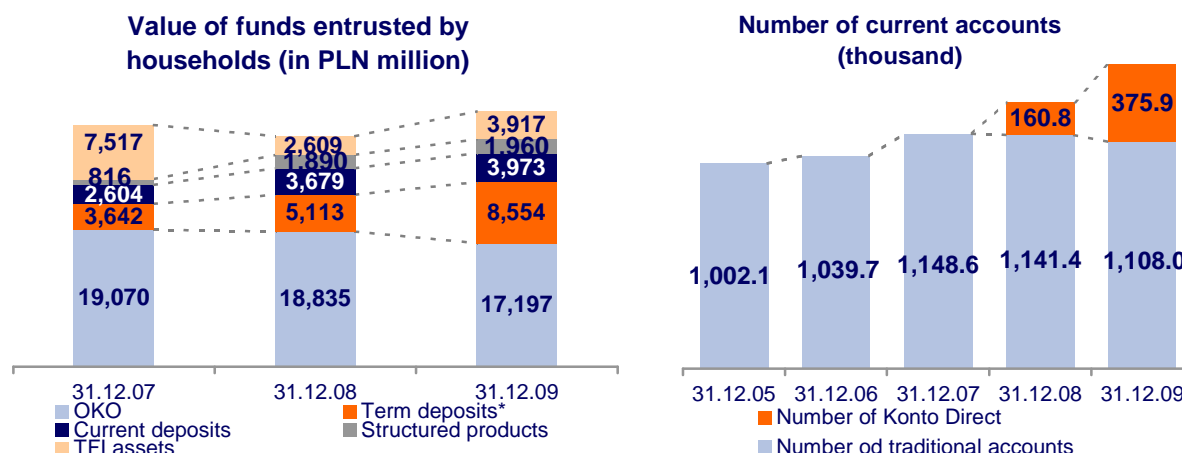
The households depositing their free funds with ING Bank Śląski S.A. chose mostly the *Open Savings Accounts (OKO)*. At the end of December 2009, the value of funds deposited in OKO accounts was PLN 17,197.5 million, down by 8.7% year on year. Some funds that flew out of the OKO accounts in 2009 were reinvested by clients in term accounts. Such choices were encouraged by attractive deposits for OKO holders that the Bank offered (such as *Ekstra Premia (Extra Bonus)*, *Ekstra Premia Plus (Extra Bonus Plus)*, *eLokata (eDeposit)*). The Bank's deposit policy resulted in increasing the balance of funds deposited in term accounts – from PLN 5,112.9 million¹¹ in December 2008 to PLN 8,554.0 million in December 2009 (or by 67.3%). The value of funds investment by the clients in structured products was growing at a smaller rate compared with 2008. At the end of December 2009, those reached the level of PLN 1,960.1 million (PLN 1,890.2 million in December 2008).

The Bank considerably extended the scope of clearing services for retail clients. At the end of December 2009, ING Bank Śląski S.A. maintained 1,483.9 thousand personal accounts. It means that in 2009 the Bank acquired 181,7 thousand personal accounts on a net basis. *Direct Accounts* were

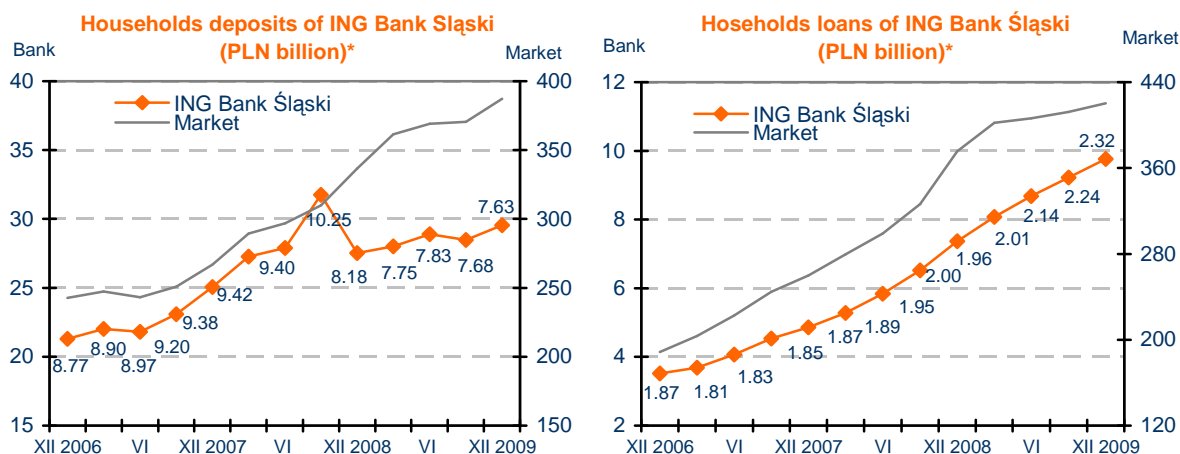
¹⁰ The total value of deposits, structured deposits and mutual funds.

¹¹ The value of term deposits was diminished by the value of funds deposited in investment products. Those were included in structured products. In 2009, this amount was PLN 166.1 million vis-à-vis PLN 201.7 million in 2008.

the main drivers of that growth. At the end of December 2009, the Bank had 375.9 thousand *Direct Accounts* (up by 215.1 thousand year on year). The number of Small Business current accounts held with the Bank was 192.8 thousand, including 66,2 thousand *Direct Accounts*. At the end of 2008, there were 170.8 thousand current accounts and 27.6 thousand *Direct Accounts*, respectively.



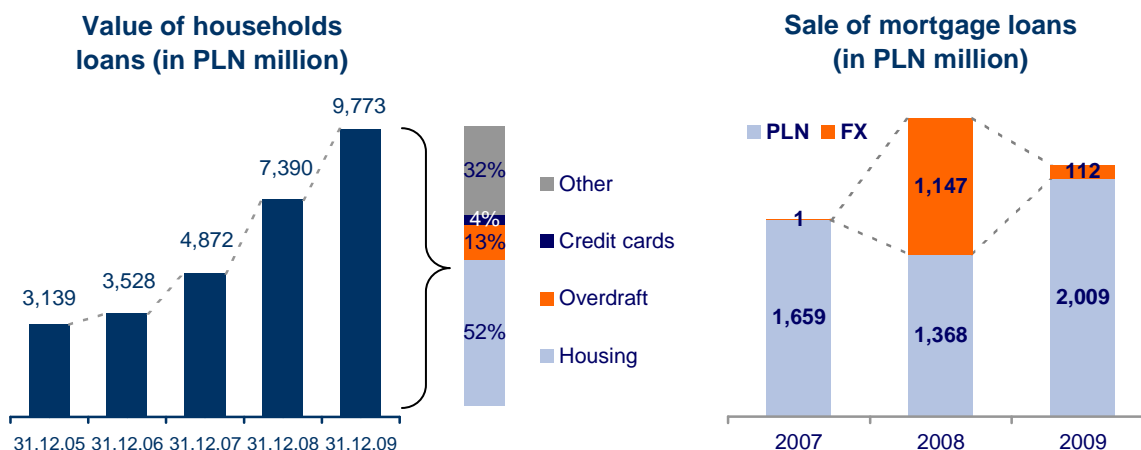
The stock exchange's rebound positively affected the value of ING TFI net assets obtained through ING Bank Śląski S.A. In December 2009, those assets amounted to PLN 3,916,8 million (PLN 2,609,0 million at the end of 2008). The balance of sales and redemptions of TFI units was positive at PLN 260 million.



* Numbers illustrates the shares of ING Bank Śląski S.A. in the market.

Lending

At the end of December 2009, credit receivables of ING Bank Śląski S.A. from households were PLN 9,772.5 million. In 2009, the Bank's credit exposure towards households rose by PLN 2,382,4 million or 32.2%. Owing to those results, the Bank increased its share in the market for credit receivables from households to the level of 2.3% (2.0% in December 2008).



Housing loans accounted for a major part of the Bank's household credit portfolio. At the end of December 2009, the total value of the Bank's receivables due to home equity loans for households was PLN 5,078.9 million compared with PLN 3,953.2 million at the end of 2008 (up by 28.4%).

In 2009 the Bank granted some PLN 2,121.0 million worth of mortgage loans (vis-à-vis PLN 2,514.9 million in 2008). According to the data of the Polish Banks Association, in 2009 ING Bank Śląski S.A. held 5.9% share in sale of housing loans for private individuals (vis-à-vis 4.5 in 2008).

In 2009 the Bank's receivables due to cash loans almost doubled. Their value rose from PLN 624.6 million in December 2008 to PLN 1,193.7 million at the end of December 2009 (by 91.1%).

The Bank's credit exposure towards Small Business clients considerably increased too. At the end of December 2009, the Bank's receivables reached the value of PLN 1,541.4 million, an increase by 31.8% year on year.

Bank Cards

ING Bank Śląski S.A. is one of the main issuers of bank cards in Poland, offering a wide array of bank cards addressed to both individual clients and small businesses.

In 2009 the Bank's offer of payment cards was extended to include:

- ING virtual C@rd. It was the first pre-paid card in Poland with out a physical plastic for remote cashless transactions (via the Internet, telephone and mail). It is designed for individual and Small Business clients using ING BankOnLine.
- ING proximity card (Maestro PayPass) which is equipped not only with standard functionalities of debit card but also facilitates small-amount proximity transactions without the need to validate the transaction with PIN code or signature. The Bank also offered a card in the form of a proximity payment sticker.

In December 2009, approx. 93% cards issued by the Bank were equipped with microchips (vis-à-vis 48% year on year). The popularisation of the microchip technology considerably improved the security of transactions made with the use of cards issued by the Bank.

Until the end of December 2009, ING Bank Śląski S.A. issued to retail clients some 2,062.5 thousand payment cards (up by 3.9% from the year earlier). Those included 254.0 thousand credit cards. The newly issued types of cards were sought after by clients. Until the end of December 2009, the Bank issued 108.4 thousand proximity cards and 7.3 thousand virtual C@rds.

2. Wholesale Banking

The offer and modifications

In December 2009, the services of ING Bank Śląski S.A. were used by more than 12.7 thousand wholesale clients.

According to the poll made in 2009¹², the Bank was a first choice bank for 15% large corporate entities (number 1 in the ranking) and for 12% largest corporations (number 2). The Bank was chosen, among other, due to the top-quality product offer, adjusted to the clients' preferences which represents one of the key factors determining the choice of bank by wholesale clients.

In 2009, the Bank continued the efforts aimed at making the product offer more attractive, making important modifications both in the area of deposit and clearing products and business financing.

The key modifications made in 2009 by the Bank to the Cash Management offer were as follows:

- Implementation of new functionalities to the ING BusinessOnLine system, namely: enhancing the direct debit function, introducing the possibility of defining and sending SEPA transfers, offering the Mass Payment Identification System module and Trade Finance products (letters of credit, guarantees and collections).
- Development of a comprehensive offer for the sector of Local Government Units.
- Modification of eCall deposit – designated for the segment of large and mid-sized companies – and proposing a new deposit product, the *Term Deposit*.
- Initiation of the process of remote account opening abroad within ING Group for the Bank clients in Poland with the aim of developing the international business.

As part of the lending offer the Bank:

- Implemented the Multi-facility Agreement which replaced three products offered before: the guarantee line, the integrated credit limit and multi-currency facility. Main advantages for the client: obtaining access to several lending products under a single application and the possibility of using various products, depending on the current needs.
- Offered new solutions for loans under the Umbrella Facility Agreement – a master agreement signed by the parent company with a subsidiary of ING Group in the Netherlands or Belgium under which limits are allocated to subsidiaries operating in countries where ING Group's companies are present.
- Finalised the implementation of credit Fast Track in all regions of the corporate network. It consists in automated setting of credit limits for small exposures, thus making it possible to simplify and expedite the entire lending process.
- Modified the offer of preferential loans with ARiMR subsidies (the level of subsidies was raised and interest rates for some agreements were reduced).
- Signed new co-operation agreements with Bank Gospodarstwa Krajowego for:
 - Granting loans with thermal bonus and loans with modernization bonus. Those loans generate a smaller risk for the Bank since their portion (usually 20%) is repaid by BGK.
 - Granting technological credits with technological bonus.
 - Using the sureties and guarantees offered by BDK as part of the programme belonging to the anti-crisis package.

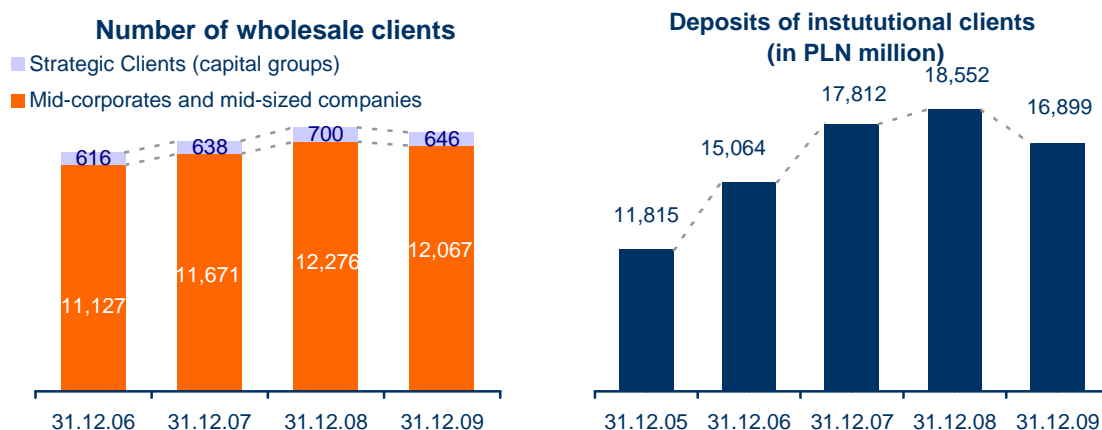
The year 2009 proved to be very successful for ING Bank Śląski S.A. in regard to EU programmes. Over the whole year the managing institutions collected applications, both as part of national and regional programmes. The Bank was active in advising companies which aid programmes to select and how to financially assemble the projects. At the same time, EU programmes were intensively

¹² Source: GFK Polonia Monitor Finansowy 2009.

promoted by one-to-one meetings with entrepreneurs and representatives of local government units, and the continued cycle of *Lunches with EU*. Furthermore, the Bank is a partner of the conferences *European Commune – European City* (organised together with Gazeta Prawna, the Ministry of Finance and the Ministry for Regional Development) which serve the purpose of promoting the expertise in effective management of public funds with the use of progressive banking solutions.

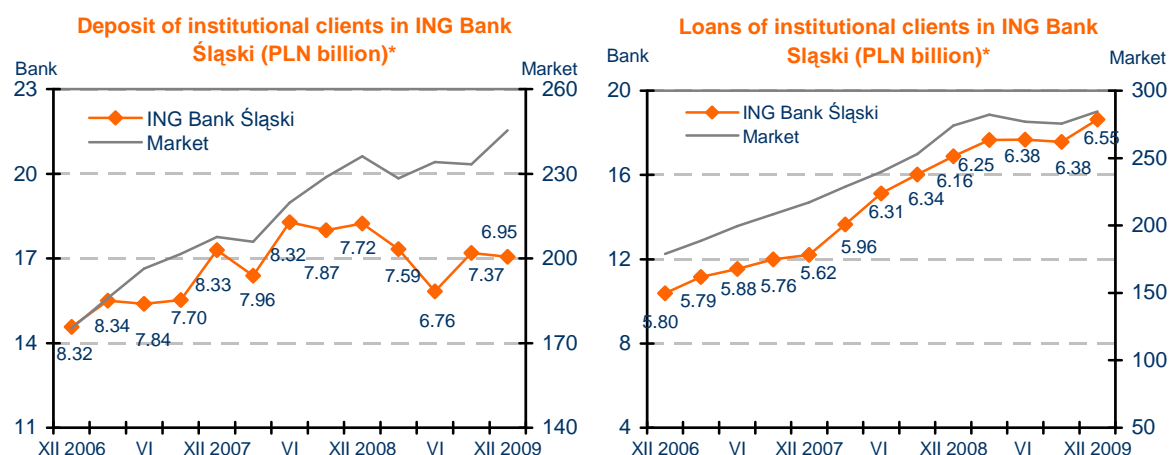
Deposit and Settlement Activity

The macro-economic background, especially deteriorating financial standing of companies and the banks' fierce competition for funds of business entities, had a considerable impact on wholesale deposits at ING Bank Śląski S.A. As at 31 December 2009, the value of institutional clients' deposits at the Bank was PLN 16,899.2 million (PLN 18,551.7 million in December 2008). In December 2009 ING Bank Śląski S.A. held 7.0% share in the market of institutional clients' deposits (7.7% at the end of 2008).



In December 2009, ING Bank Śląski S.A. maintained 47.3 thousand (PLN and FX) current accounts. The sustained attractiveness of the deposit and clearing offer of ING Bank Śląski resulted in a 5.9% increase in the number of accounts over the year.

The wholesale clients also demonstrated a greater interest in electronic distribution channels. At the end of 2009 the process of users' migration from MultiCash and ING BankOnLine systems to the new Internet banking system, ING BusinessOnLine, was finalised and in December the system was used by 11.2 thousand companies, or 90% of corporate clients.



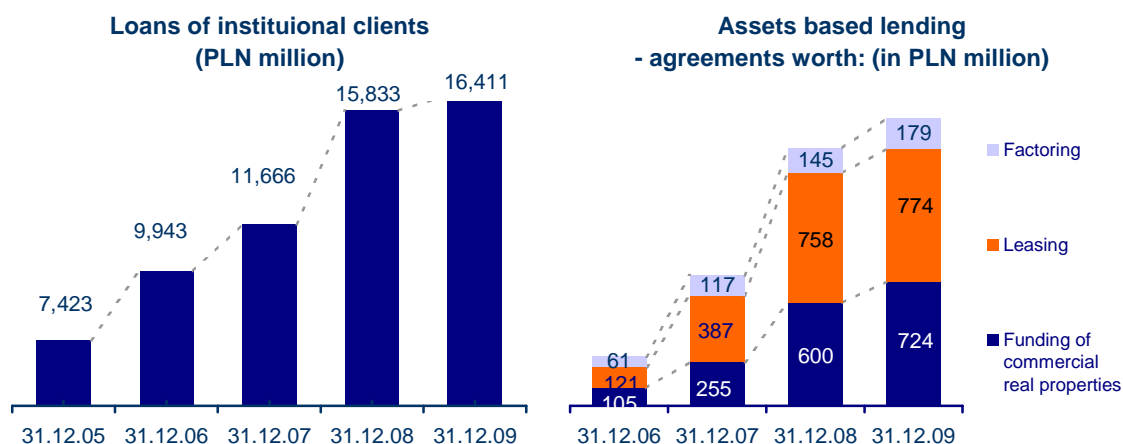
* * Numbers illustrates the shares of ING Bank Śląski S.A. in the market.

Lending

At the end of December 2009 the credit receivables of ING Bank Śląski S.A. from institutional clients totalled PLN 16,411.0 million vis-à-vis PLN 15,832.7 million in December 2008 (up by 3.7%). According to estimates, at the end of 2009 the Bank held a 6.6% share in the market of institutional clients' loans, up by 0.4 p.p. from the year earlier.

In 2009 Bank increased its credit exposure mostly towards mid-sized and large companies. As part of the credit risk mitigation programme, the Bank established a closer credit co-operation with the local government units. W 2009 the Bank won 209 tender for the financing of local government units totalling nearly PLN 1.7 billion (compared with 40 tenders won in 2008 which totalled PLN 0.4 billion). Credit agreements were signed, among others, with the cities of Łódź, Gdańsk, Poznań and with Lublin and Silesia provincial governments. Those activities contributed to a significant increase of the Bank's share in crediting local government institutions – from 4.9% in December 2008 to 8.2% at the end of 2009.

The widespread promotion of EU aid programmes led to a notable growth of the credit exposure of ING Bank Śląski S.A. linked with the handling of those programmes. At the end of December 2009, the total value of EU loans granted and committed was PLN 3,009,5 million (PLN 2,301.8 million at the end of 2008). among the companies covered by the IBnGR poll, ING Bank Śląski S.A. was number one in terms of crediting EU projects with a 22% share.



A lower volume of Bank's lending for strategic clients from the year earlier was primarily the effect of diminished activity in the market for large credit transactions and for transactions' guarantees since the largest companies suspended investment projects.

In spite of the unfavourable market trends in 2009, ING Bank Śląski S.A. established closer co-operation with other ING companies in the area of asset-backed financing, namely in the area of leasing services, factoring service and commercial property finance. The total value of agreements for asset-based lending made in co-operation with other ING companies reached the value of PLN 1,677 million, up by 11.6% year on year. The value of agreements for commercial property finance noted the biggest growth (20.7%) as well as those for factoring services (23.4%).

3. Money and Equity Markets

In 2009, the performance of ING Bank Śląski S.A. in financial markets, both in terms of clients' transactions and proprietary trading, was very good. A gradual stabilisation of world financial markets gave the Bank a boost.

The Bank was intensively developing the best strategy for business growth in the new market reality. Works were conducted, among others, on improving the customer service model on the basis of proven sales standards, in line with the best practices. In order to grow the business in a responsible, sustained and effective manner, the Bank focused on using progressive solutions in the area of

transaction banking products, continuing to offer on a pilot basis the ING Trade Internet platform to the Bank clients for entering into FX transactions, setting up negotiated deposits and entering into forward FX transactions. Other works aimed at integrating and enhancing IT systems used in the Financial Markets area.

As a result of the strategy adopted by the Bank, the number of clients using sophisticated financial solutions, tailor-made to suit the needs of specific business areas, increased. In the sector rating of *Structured Retail Products*, in the ranking in terms of the quantity of structured facilities issued, the Bank was number seven (with a 10% market share) out of 30 institutions offering structured products.

The Bank continued to effectively manage the market risk exposures and the plan was launched for mitigation of proprietary trading credit risk by signing the Credit Support Annex to ISDA agreements with the key partners in the interbank market. The Bank participated in the Warsaw Stock Exchange's efforts aimed at developing and organising a new model for the treasury and corporate bonds market. It was also an active player in the REPO market developing in Poland, and promoted direct participation in European markets as part of proprietary trading.

in 2009 ING Bank Śląski S.A. maintained its strong market position in the arranging and handling of the issue and sales of non-Treasury debt securities acting as the arranger or co-arranger of the largest market programmes, such as:

- PGE Polska Grupa Energetyczna. The Bank played the roles of the Leading Arranger, Issue Agent, Paying Agent, Depository and Dealer in PLN 2 billion worth of Bond Issue Programme.
- Polskie Koleje Państwowe. The Bank played the roles of the Arranger, Paying Sub-Agent and Depository in the PLN 650 million worth of Bond Issue Programme underwritten by the State Treasury.
- PBG S.A. The Bank played the roles of the Arranger, Issue Agent, Paying Agent, Depository and Dealer in the market issue of PLN 375 million worth of mid-term bonds. The bonds are secured with the surety of PBG Group companies.
- Tauron Polska Energia S.A. The Bank played the roles of the Arranger, Issue Agent, Paying Agent, Depository and Dealer in PLN 125 million worth of Bond Issue Programme.
- Programmes of bonds issue for local government units. The Bank played the roles of the Arranger, Issue Agent, Paying Agent, Depository and Dealer in the communal bonds issue for the following cities: Sosnowiec (PLN 90 million), Radom (PLN 70 million), Rzeszów (PLN 36 million), Zabrze (PLN 25 million), Piekary Śląskie (PLN 20 million), Świętochłowice (PLN 8.9 million) and communes of Lesznowola (PLN 20 million) and Radzionków (PLN 1.2 million).

In 2009 ING Bank Śląski S.A. – providing services to 69 entities which issued debt securities of the nominal worth of PLN 4.4 billion – maintained its leading position in the domestic market for non-Treasury debt instruments. In December 2009, the Bank was number three market player in terms of debt due to the issue of short-term debt securities (with a 17.4% share) and in terms of debt due to the issue of wholesale bonds with maturities over 1 year (a 21.9% share).

From early November 2008 until the late October 2009 – being one of eighteen banks applying for the function of the 2010 Money Market Dealer – ING Bank Śląski S.A. was classified in the first position in terms of the Dealer Activity Index. The Bank also held the status of the Treasury Securities Dealer (TSD) in 2009. In the competition of the Ministry of Finance for 2010 TSD, which was carried out from early October 2008 until late September 2009, the Bank was number seven.

IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP COMPANIES.

1. Structure of ING Bank Śląski S.A. Capital Group

As at 31 December 2009, ING Bank Śląski S.A. Capital Group – apart from the parent company – was formed by the following companies:

- 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).

Furthermore, the Bank held shares in an affiliated company – ING Powszechne Towarzystwo Emerytalne S.A. (a 20% share in equity).

In 2009 the liquidation of ING BSK Development Sp. z o.o. in liquidation, whose sole shareholder was ING Bank Śląski S.A., was finalised. On 5 October 2009, the Extraordinary Shareholders Meeting of ING BSK Development Sp. z o.o. in liquidation approved the Liquidation Report and acknowledged the fulfilment of duties by the Company's authorities. ING Bank Śląski S.A. received post-liquidation assets in the form of 55,075 shares (of the value of PLN 2,645.0 thousand) of Centrum Bank Śląski Sp. z o.o. and cash funds deposited in the company's bank account.

ING Bank Śląski S.A. Capital Group is formed by companies operating in various segments of the financial market or in the market's infrastructural sphere. ING Bank Śląski S.A. – as the parent company – by exercising control functions in the companies' supervisory authorities takes key decisions concerning both the business profile and the finances of entities being the Group's members. The capital relations of the Bank with its subsidiaries support the commercial ties. The companies belonging to the Capital Group had their current accounts and deposit their funds in term accounts with ING Bank Śląski S.A. The Bank also credits the business operations of some companies (e.g. ING Bank Hipoteczny). Transactions of ING Bank Śląski S.A. with subsidiaries are made on an arm's length basis. Detailed information concerning the Bank's transactions with subsidiaries is presented in the Consolidated Financial Statements of ING Bank Śląski S.A. Capital Group.

2. ING Securities S.A.

ING Securities S.A. is one of the largest brokerage houses in Poland. In 2009 its shares in the Warsaw Stock Exchange transactions were as follows:

- equity market – 11.2% (number two),
- forwards market – 5.6% (number four).

At the end of December 2009, ING Securities S.A. maintained 36.4 thousand investment accounts. Those included 18.7 thousand Internet accounts.

The Brokerage House of ING Bank Śląski S.A. handles investors' operations, both on the Warsaw Stock Exchange and on the largest world financial markets, including but not limited to New York, Chicago, London, Paris and Frankfurt. The offer covers all capital market products available for individual investors in Poland, notably: brokerage in stock exchange transactions, OTC and in foreign markets, investment loans, securities lending, analytical services, investment recommendations, asset management, and sales of participation units of investment funds.

In order to maintain a high level of service for clients, in 2009 the Brokerage House modified the product offer, transaction systems and distribution channels:

- *Products.* The Brokerage House extended the offer to include Superfund hedging funds, reduced the value of clients' deposits for forward contracts to 100% of the deposit required by the National Depository of Securities, offering at the same time interest on deposited funds, and offered together with ING Bank Śląski S.A. loans for the purchase of PGE shares.
- *Electronic Banking.* The Brokerage House posted on ING BankOnLine the form to be used in order to open a brokerage account, developed and implemented information page for mobile devices (mini.ingsecurities.pl), organised regular on-line chats with analysts to discuss the market developments and provided all Internet clients for free with a program for technical analysis, *Notowania 3Max*.
- *Service Points.* The Brokerage House registered new agents to deal with some brokerage activities for the investment company (in December the number of active agents was 13) and signed an agreement with ING Bank Śląski S.A. for acquisition of clients by the bank's representatives. As of 31 January 2009, the co-operation with Dom Maklerski Polonia Net S.A. was terminated in the area of accepting and transferring orders of ING Securities' clients.
- *Transaction System.* The Brokerage House adjusted the application to the *New Deposit and Clearing System* of the National Depository of Securities, launched the system's version for mobile phones and PDA and joined the *Catalyst* market.

In the area of funding, the Company provides a broad array of services, including the public and non-public issue, keeping the deposits of non-public companies, playing the role of the Issue Sponsor and comprehensive financial and legal advisory services connected with funding.

In 2009 ING Securities S.A. carried out the following projects and transactions:

- participation in the IPO of Polska Grupa Energetyczna (4.4% market share),
- participation in the offering of the new pre-empted shares issue PKO BP,
- participated in the public call for shares of Bank BPH for General Electric Co Company,
- carried out the sale by accelerated book-building (AGT) for the stake of GTC shares (of the value of EUR 40 million) and the stake of Astarta shares (the transaction value: USD 20 million).

In 2009, ING Securities S.A. earned net profit of PLN 27.1 million vis-à-vis PLN 30.8 million in 2008.

3. ING Bank Hipoteczny S.A.

ING Bank Hipoteczny S.A. (ING BH S.A.) is the Centre of Excellence in Commercial Property Finance for other entities of ING Group in Poland.

In 2009, ING BH S.A. was consistently pursuing its long-term development strategy. However, in response to the market developments the risk control and taking care of the credit portfolio quality became the top priorities. Growth of the portfolio and winning new clients became less important. The Bank was also more focused on controlling the operating costs, among others by reducing the sales staff.

In the first half of 2009, ING Bank Hipoteczny S.A. received two capital injections provided by ING Bank Śląski S.A. which totalled PLN 100 million. It took the form of taking up two issues of new shares of ING BH S.A. (in January and May) by closed subscriptions.

At the end of December 2009, the total exposure due to loans granted by the consortium formed with ING Bank Śląski S.A., where ING BH S.A. performed the bank-agent role, went up to more than PLN 1.2 billion. PLN 535 million worth of loans were posted in the books of ING Bank Hipoteczny S.A. The quality of those assets was high – at the end of 2009 the value of provisions established for that portfolio was PLN 550 thousand.

In the next years, along with the brighter macroeconomic landscape, ING BH S.A. is planning to

increase lending, mostly by continuing the co-operation with ING Bank Śląski S.A. as part of the consortium where it will play the bank-agent role.

In 2009, ING Bank Hipoteczny S.A. generated net profit of PLN 7.0 million (compared with PLN 3.3 million in 2008).

4. Centrum Bank Śląski Sp. z o.o.

In relation to the change of approach of ING Bank Śląski S.A. to management of real property, on 23 December 2008 the Extraordinary General Shareholders Meeting of Centrum Banku Śląskiego Sp. z o.o. adopted a resolution on further existence of the company and suspension of its liquidation as of 1 January 2009.

In the first half of 2009, Centrum Bank Śląski Sp. z o.o. made preparations for commencing business operations in the area of facilities management for ING Bank Śląski S.A. As of July 2009 the Company covered with the management process the buildings at 34 Sokolska Street and 50 Chorzowska Street in Katowice and the process of administration the building at 45 Malczewskiego in Warsaw.

In 2009, net profit of Centrum Banku Śląskiego Sp. z o.o. totalled PLN 3.0 million (PLN 2.7 million in 2008).

5. ING Powszechne Towarzystwo Emerytalne S.A

In 2009, ING Otwarty Fundusz Emerytalny (ING Open-end Pension Fund) became the unquestionable number one in pension fund market in terms of the number of participants. In December 2009 it had 2,902.0 participants, representing 20.2% of all OFE participants. In the ranking of open-end pension funds in terms of the assets value, ING OFE was number two. In December 2009 it managed PLN 43.2 billion worth of funds, representing 24.2% of the total value of assets of open-end pension funds operating in Poland (compared with 23.9% at the end of 2008).

ING OFE was able to constantly improve its position on the market, mainly thanks to the high quality of service and fully-fledged distribution channels. Potential and existing clients of the Fund are provided services by approximately 3,000 Insurance-Financial Representatives, the network of branches and franchise units of ING Usługi Finansowe S.A., branches of ING Bank Śląski S.A. and the network of brokers co-operating with ING all-over-Poland. Clients can contact the Fund over the phone (helpline, text messages and WAP) and the Internet as well.

Owing to the recovery in the stock exchange, in 2009 the unit value of all open-end pension funds rose by 14.3%, while the return on investment in ING OFE was 13.8%.

When selecting a pension fund, clients should mainly take into account a long-term investment horizon and stability of generated results. In 2009, ING Polska OFE retained its very good position in rankings for long-term investments. In the ranking published at the beginning of January 2010 by Analizy Online web portal, ING OFE was number four in terms of value of a hypothetical account maintained from the end of August 1999 until the end of 2009.

In its income statement for the year 2009, ING Bank Śląski S.A. recognised its share in the profits of ING PTE S.A. of PLN 52.1 million (PLN 48.2 million in 2008).

6. Solver Sp. z o.o.

Organisation of recreation for the Bank's employees and their families in the retreat centres in Krynica, Wisła and Głębinów forms the core business of Solver Sp. z o.o.

In 2009, net result of Solver Sp. z o.o. was PLN 63 thousand; whereas in the previous year it was PLN 34 thousand.

V. FINANCIAL STANDING OF CAPITAL GROUP OF ING BANK ŚLĄSKI S.A. IN 2009

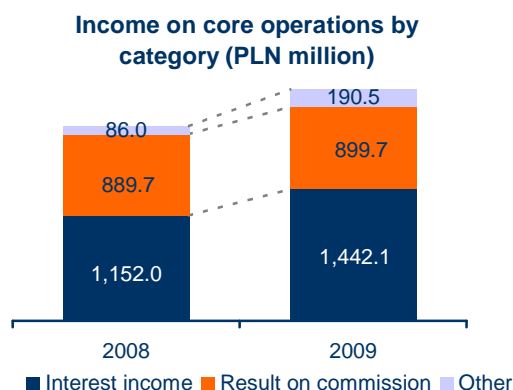
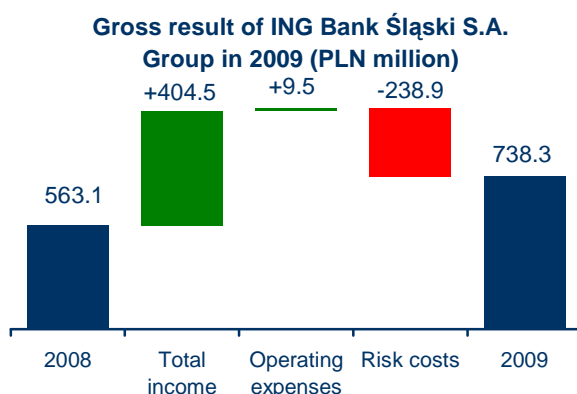
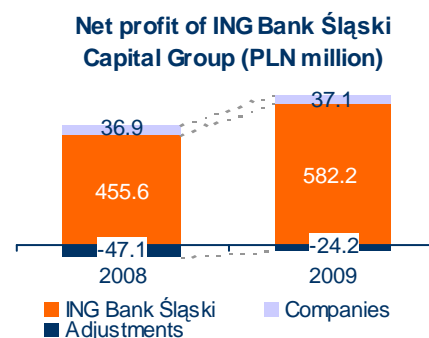
1. Gross and Net Profit

In 2009, the gross financial profit of the Capital Group of ING Bank Śląski S.A. was PLN 738.3 million versus PLN 563.1 million in 2008. Net profit totalled PLN 595.1 million as compared with PLN 445.4 million a year earlier (up by 33.6%).

The main factors influencing the financial results of the Capital Group of ING Bank Śląski S.A. in 2009 were as follows¹³:

- Increase in income on operations to PLN 2,532.3 million (compared to PLN 2,127.7 million in 2008).
- Stabilisation of operating expenses at the level of PLN 1,489.5 million, or down by 0.6% from a year earlier.
- Increase of risk costs. In 2009, the balance of impairment provisions amounted to PLN -304.5 million compared to PLN -65.6 million in 2008.

In 2009, the result before risk costs for the Capital Group of the Bank amounted to PLN 1,042.8 million, up by 65.9% from a year earlier.



In 2009, total income of the Capital Group of ING Bank Śląski S.A. amounted to PLN 662.3 million as compared with PLN 536.1 million a year earlier. Apart from net profit, total income also included other income and cost items recognised in equity, inclusive of positive measurement of the available-for-sale assets.

¹³ The characteristics discussed in this document apply to analytical income statement. The category "Result on operations" includes the result on core operations plus the share in net profits of entities recognised on the equity basis. Operating expenses include result on other income and on operating expenses.

Table. Basic Values of Consolidated Income Statement – analytical (PLN million)

	2009	2008	Change 2009/2008	
	PLN million	PLN million	PLN million	%
Interest Result	1,442.1	1,152.0	290.1	25.2
Result on Commission	899.7	889.7	10.0	1.1
Other*	190.5	86.0	104.5	121.5
Income on Operations*	2,532.3	2,127.7	404.5	19.0
Operating expenses**	-1,489.5	-1,499.0	9.5	-0.6
Result before Risk Costs	1,042.8	628.7	414.2	65.9
Impairment Losses and Provisions	-304.5	-65.6	-238.9	364.1
Gross Financial Result	738.3	563.1	175.2	31.1
Income Tax	-143.3	-117.6	-25.7	21.9
Net Result of Minority Shareholders	0.0	0.0	0.0	0.0
Net Financial Result	595.1	445.4	149.7	33.6

*Income inclusive of the share in earnings of the companies measured with equity method.

**Inclusive of the result from other operating activities.

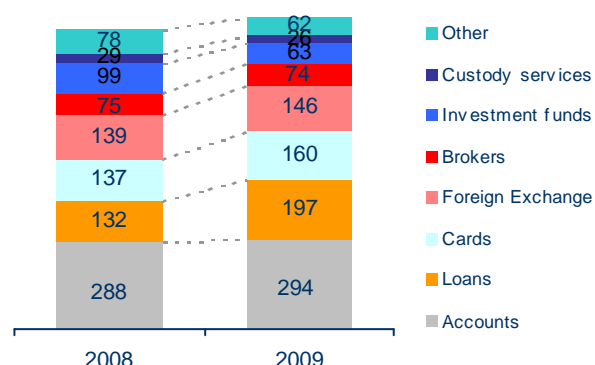
2. Interest Result

In 2009, net interest income generated by the Capital Group of ING Bank Śląski S.A. amounted to PLN 1,422.1 million versus PLN 1,152.0 million a year earlier (up by 25.2%). This increase was most of all the result of the increase of business volumes accompanied by a favourable change in the balance-sheet structure (higher share of lending in the assets) and increase of the interest margin.

In 2009, the Capital Group of the Bank earned the interest margin of 2.34% against 1.99% a year earlier.

Table. Average base interest rate

	Segment		Bank total
	Retail	Wholesale	
Deposits			
PLN	3.68%	1.88%	3.29%
FX	0.75%	0.24%	0.56%
Loans			
PLN	8.69%	5.05%	6.27%
FX	4.46%	2.36%	3.12%
Inclusive of:			
mortgage			
PLN	6.28%	-	6.28%
FX	4.45%	-	4.45%

Commission income of ING Bank Śląski Group (PLN million)


3. Non-interest Income

Income from fees and commissions constituted the major part of non-interest income of the Capital Group of ING Bank Śląski S.A. In 2009, it totalled PLN 899.7 million as compared with PLN 889.7 million a year earlier (up by 1.1%).

The Capital Group of ING Bank Śląski S.A. recorded an increase in lending-related commissions (up by 49.4% due to, among other things, increase in lending and higher sales of credit insurance), increase in commission on card operations (up by 16.5%) and transactional margin on currency exchange operations (up by 4.6%). Compared with 2008, there was a decrease in income from commission on distribution of participation units (down by 36.0%), custody commissions (down by 11.6%), and other commission income (down by 21.6%, inclusive of commission income from subscriptions for structured products, which went down by 79.1%).

In 2009, other income of the Capital Group of ING Bank Śląski S.A. amounted to PLN 190.5 million, up by 121.5% from a year earlier. Among others, the increase resulted from very good liquidity situation

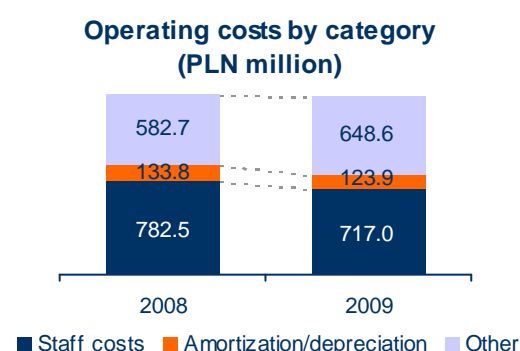
of the Group. In the other income, negative adjustment was taken into account that related to the counterparty risk of the FX option contracts worth PLN 186.0 million that were concluded with the clients. In 2008, the result on financial instruments carried at fair value through profit and loss was negative and totalled PLN 26.0 million. The result included PLN 163.0 million of negative measurement of option transactions concluded with the clients. Moreover, other income included negative measurement of euro-bonds, bonds and transactions with Lehman Brothers for the total amount of PLN 326.0 million, and the sale of the shares of MasterCard Incorporated that gave the Bank income of PLN 25.3 million.

4. Operating Expenses

In 2009, operating expenses of the ING Bank Śląski S.A. Capital Group amounted to PLN 1,489.5 million against PLN 1,499.0 million a year earlier.

The economic slowdown and the necessity of adjusting activities to the limited market potential led to taking actions aimed at costs optimisation in all areas of the activities of the Bank Capital Group, which resulted in decrease of the staff costs. In 2009, the staff costs totalled PLN 717.0 million, down by 8.4% from a year earlier (with a simultaneous 32% increase of retail loans).

Other costs (general/administrative costs and other costs) totalled PLN 648.6 million compared with PLN 582.7 million a year earlier. The Group recorded an increase mostly in the area of maintenance and rental costs (among others due to development of the branch network and increase of prices administered at the beginning of 2009).



5. Impairment Charges and Provisions

In 2009, the risk costs recognised in the income statement of ING Bank Śląski S.A. Capital Group amounted to PLN -304.5 million (whereas in 2008 the value totalled PLN -65.6 million). They were affected by the following factors:

- Deterioration of the financial standing of the borrowers and provisions for credit receivables higher than in previous periods (write-offs totalling PLN 264.0 million).
- Establishing provisions against the risk of FX option transactions for the amount of PLN 115.2 million (PLN 71.4 million a year earlier).

Furthermore, in 2009, ING Bank Śląski S.A. sold its bad debts portfolio worth PLN 217 million whose substantial part was impaired or written-off from the balance sheet. The transaction led to recognising gross profit of PLN 5.7 million, of which PLN 3.7 million was from release of impairment provisions, and PLN 2.0 million was fees and commissions income. ING Bank Śląski S.A. also participated in the composition agreement between PKM Duda and the banks concerning the restructuring proceedings of the company. As at the date of accepting the composition agreement, the debt of PKM Duda towards ING Bank Śląski S.A. amounted to PLN 60.7 million, half of which were the amounts related to the FX option transactions. Upon restructuring of the debt of PKM Duda, pre-tax profit in the amount of PLN 7.6 million was recognised in the profit and loss account of ING Bank Śląski S.A. The above amount was derived from the release of impairment charges totalling PLN 10.9 million and from the negative adjustment of interest of PLN 3.3 million.

To compare, in 2008 ING Bank Śląski S.A. sold PLN 1,056,8 million worth of amounts due from the corporate clients classified as non-performing. Upon the sale, profit before tax of PLN 43 million was recognised (as the result of release of the impairment charges).

6. Share of Individual Business Lines in the Financial Result

In 2009, the share of individual business lines in the financial result of the Capital Group of ING Bank Śląski S.A. changed from a year earlier.

In 2009, the Retail Banking Division generated PLN 190.3 million of gross profit against PLN 224.3 million in 2008 (down by 15.2%). The following factors contributed thereto:

- Stabilisation of income that amounted to PLN 1,213.7 million, down by 0.2% from a year earlier. However, the Division generated interest income higher than a year earlier and lower fees and commission and other income (including income from the sale of the FM products).
- Keeping the costs at the level similar to the last year costs level. Total costs of the Division amounted to PLN 959.6 million, down by 0.4% from a year earlier.
- Increase of risk costs. In 2009, the risk costs totalled PLN 63.9 million compared with PLN 28.4 million a year earlier.

In 2009, the gross result of the Wholesale Banking Division was negative and totalled PLN -121.8 million (in 2008, the result was positive and it was PLN 222.1 million). The loss resulted mostly from the increase of the risk costs. In 2009, balance of the assets impairment charges totalled PLN 241.3 million compared with PLN 37.2 million a year earlier. It also included impairment charges in the amount of PLN 115.1 million established for the amounts due from the companies on the matured option transactions (in 2008, the charges totalled PLN 71.4 million). Furthermore:

- In 2009, income of the Division amounted to PLN 600.6 million, down by 19.3% year on year. The Division had higher interest income and fees and commission but lower other income. The other income item included an amount of PLN 186.0 million of the negative valuation of option transactions concluded with the Bank clients (PLN 163.0 million in 2008).
- Segment costs totalled PLN 481.1 million, similarly as a year earlier.

In 2009, the gross result of proprietary operations totalled PLN 669.8 million (versus PLN 116.7 million in 2008). The result was impacted positively by very good liquidity situation of the Group and increase of margins on inter-bank market. In 2008, the total negative influence of the adverse situation in the financial markets on the result on proprietary operations was PLN 326 million.

7. Key Efficiency Ratios

In 2009, efficiency of the Capital Group of ING Bank Śląski S.A. improved from a year earlier. ROE amounted to 14.31%, up by 2.00 p.p. year on year.

It is worth noticing that the C/I ratio improved significantly decreasing from 70.5% in 2008 to 58.8% in 2009, which better safeguarded the Bank's operations should the market situation deteriorate which would lead to potential decrease of income of the Capital Group of ING Bank Śląski S.A.

Table. Basic Efficiency Ratios (%)

	2009	2008
Profitability ratio	19.9	14.3
C/I ratio	58.8	70.5
ROA	0.91	0.72
ROE	14.31	12.31
Interest margin ratio	2.34	1.99
Solvency ratio	12.0	10.4

Profitability ratio – gross profit to total costs.

Cost to Income ratio (C/I) – total operating expenses to operating income in analytic terms.

Return on assets (ROA) – net profit per shareholders of the dominant entity to mean assets.

Return on equity (ROE) – relation between the net profit per shareholders of the dominant entity to mean equities (less profit of the current year).

Interest margin ratio – relation between the net interest income and mean yield assets of the Bank¹⁴ (including receivables from financial and non-financial entities, fixed and floating yield securities and participation units).

Solvency ratio – net equity and funds to off-balance sheet assets and liabilities including risk weights.

8. Balance-Sheet Structure

As at 31 December 2009, the balance sheet total of the Capital Group of ING Bank Śląski S.A. amounted to PLN 59,883.5 million, down by PLN 9,727.0 million, or 14.0% from a year earlier. The decrease resulted mostly from the fact that the amounts due from the banks, measurement of derivative instruments and financial assets carried at fair value through profit and loss decreased, while at the same time loans and other receivables from clients increased notably.

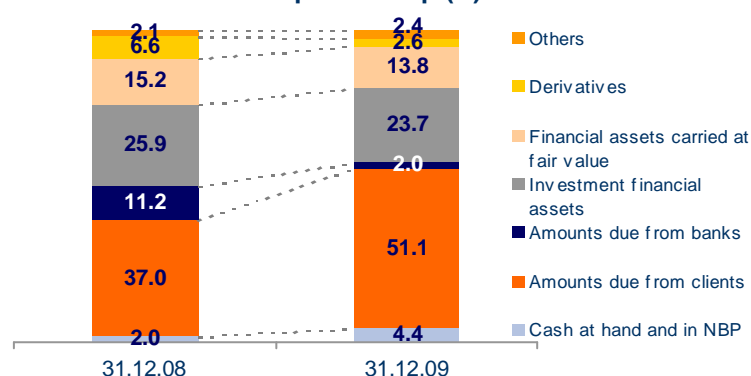
The Group's balance sheet total as well as the structure of assets and liabilities are determined by the operations of ING Bank Śląski S.A. As at the end of December 2009, the balance sheet total of ING Bank Śląski S.A. amounted to PLN 59,751.5 million compared to PLN 69,535.9 million a year earlier (down by 14.1%).

Assets

During 2009, the share of the amounts due from clients in the assets increased, which necessitated decrease of other balance sheet items. As at 31.12.2009, loans and other receivables from clients totalled PLN 30,592.8 million, or 51.1% of the total assets of the Capital Group of the Bank. Their share in assets went up by 14.1 p.p. year on year.

In 2008, ING Bank Śląski S.A. benefited from the changes introduced to IAS 39 and changed classification of a part of debt securities into "amounts due from". The debt securities were previously in the available-for-sale portfolio. As at 31.12.2009, the balance sheet value of these securities was PLN 1,848.8 million. Moreover, in 1Q 2009 the Bank sold Eurobonds classified as at 31.12.2008 to the portfolio of financial assets recognised initially at fair value (nominal value of the Eurobonds was EUR 417 million). Then, the Bank repurchased the Eurobonds from an independent counterparty at the market prices and classified them to the amounts due from clients. In December 2009, in the total amounts due from clients, loans and advances extended to clients amounted to PLN 26,715.9 million (or, 44.6% of the assets) versus PLN 23,657.6 million (or, 34.0% of the assets) a year earlier.

Structure of assets of ING Bank Śląski S.A. Capital Group (%)



¹⁴ Average assets are calculated based on the data from five periods: 31.12.2008, 31.03.2009, 30.06.2009, 30.09.2009 and 31.12.2009.

Table. Currency structure of the amounts due from clients

	31.12.2009		31.12.2008	
	PLN million	%	PLN million	%
PLN	23 363.1	76.4	19 885.6	77.2
FX	7 229.7	23.6	5 857.2	22.8
Total	30 592.8	100.0	25 742.8	100.0

The following items were also an important part of the balance sheet of the Capital Group of the Bank:

- *Investment financial assets* consisting almost only of debt securities. As at the end of 2009, they totalled PLN 14,166.3 million (or, 23.7% of the assets) versus PLN 18,050.9 million (or, 25.9% of the assets) in December 2008.
- *Financial assets carried at fair value through profit or loss* (i.e. assets to be introduced into financial turnover in a short time). As at the end of December 2009, they amounted to PLN 8,267.7 million as compared with PLN 10,548.92 million a year earlier. Their share in assets totalled: 13.8% and 15.2%, respectively.

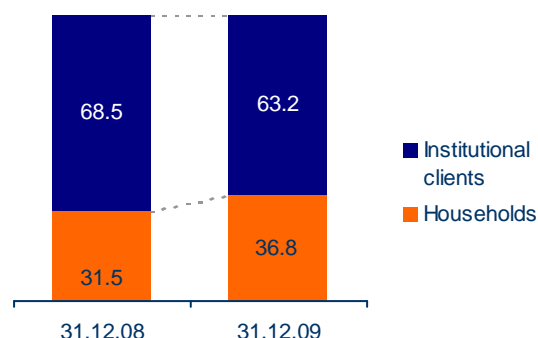
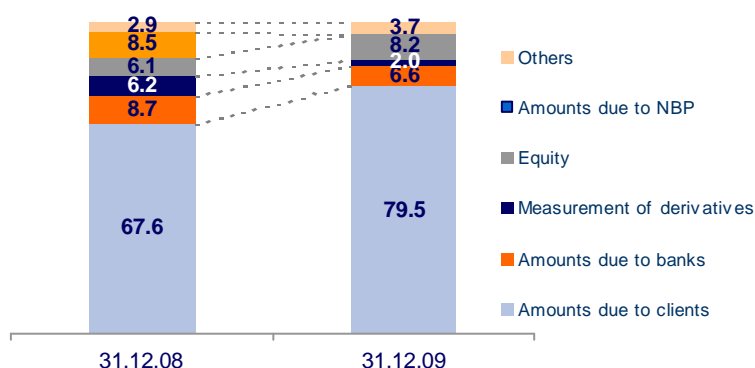
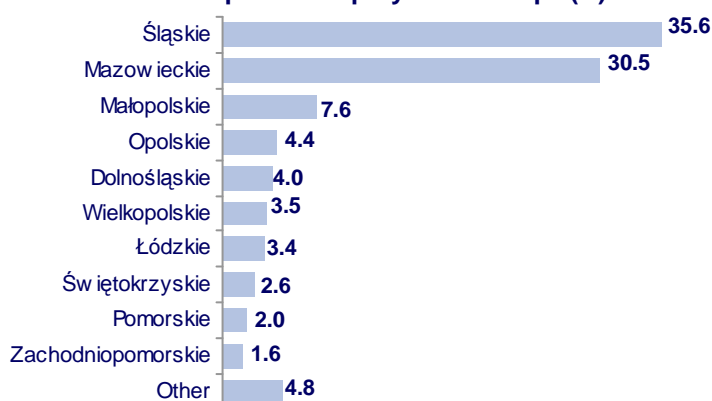
Liabilities

The funds deposited with the Bank by clients were the dominant source of funding for the operations of ING Bank Śląski S.A. Capital Group. They went up from PLN 47,066.9 million as at the end of December 2008 to PLN 47,584.7 million as at the end of 2009. In December 2009, they represented 79.5% of the Group's liabilities, up by 11.9 p.p. year on year.

The Group's liabilities towards other banks totalled PLN 3,973.8 million as compared with PLN 6,060.9 million a year earlier. Funds from monetary financial institutions represented 6.6% of the liabilities, while in December 2008 their share was 8.7%.

In December 2009, the Capital Group of the Bank had no amounts due to the Central Bank, whereas in December 2008, total amounts due from the Group to NBP resulting from the lombard loan and repo transactions totalled PLN 5,932.1 million, or 8.5% of the total liabilities.

As at 31.12.2009, the share of equity in the liabilities of the Capital Group of ING Bank Śląski S.A. was 8.2% compared with 6.1% in December 2008.

Lending structure by client groups (%)

Structure of liabilities of the ING Bank Śląski S.A. Capital Group (%)

Structure of deposits of ING Bank Śląski S.A. Capital Group by voivodships (%)


VI. MANAGEMENT OF KEY RISKS

1. Credit Risk

Credit Policy

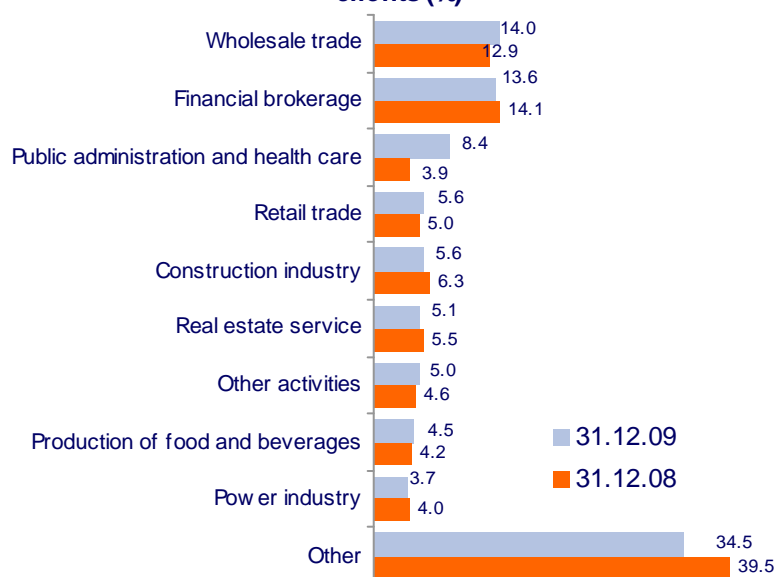
In view of the overall domestic economic situation related to the global financial crisis, in 2009 the Bank modified its credit policy in the area of the corporate credit exposure. The purpose of the changes in the credit policy was:

- To increase the efficiency of the credit process, while ensuring adequate mechanisms for credit risk identification and measurement in line with the requirements of the Polish Financial Supervision Authority (KNF) (Resolution No. 380/2008);
- To keep the Bank's credit risk at an acceptable level.

As part of the changes in the credit policy for corporate clients the following measures were taken:

- Modified credit approval rules were introduced for the corporate client regular portfolio, adhering to ING Group's best practices, and the Delegated Approval Authorities were adjusted accordingly.
- A new policy of the Bank was introduced for FM instruments with respect to the settlement and pre-settlement risks and collateral.
- Recommendations were issued for the industries that were deemed by the Bank as bearing an increased risk, and the credit process related to financing such higher-risk industries was modified accordingly.
- The Bank's collateral policy was modified so as to make it yet more consistent with the requirements of KNF's Resolution No. 380/2008 and with the solutions applied within ING Group.
- The policy on financing income-generating real estate was updated to allow for the situation on the real estate market.
- Modified rules for problem loan management were drafted.

Concentration of (balance sheet and non-balance sheet) exposures towards corporate clients (%)



Furthermore, the principles of operation of the Credit Policy Committee were changed and the principles of their co-operation with other credit and product committees of the Bank were modified.

Due to complicated situation in the labour and housing real estate markets, ING Bank Śląski S.A. also undertook numerous actions aimed at strengthening the control of the credit risk in the retail portfolio, including but not limited to the following:

- Review and tightening of the criteria for calculating credit capacity for all retail products.
- Verification of the policy in a part concerning mortgages. The Bank resigned from FX mortgages, limited maximum LTV, implemented procedures governing the principles of updating and monitoring of the value of real properties used as collateral, reinstated monitoring of the real estate insurance policies.

- The Bank adjusted the principles of financing small businesses to the macroeconomic situation, changed the client segmentation and increased financial criterion, limited lending for some types of undertakings, and implemented new principles of calculating credit capacity for housing communities.
- The principles of consumer lending were modified and the process was streamlined for the existing clients of the Bank.

Credit Process and Assessment of Credit Risk

In 2009, the Bank also adjusted tools and instruments used for measuring and monitoring of the corporate client risk to the changes in the credit policy. The Bank took the following actions:

- Reviewed all template documents connected with the FM instruments. To increase the legal surety of the implemented solutions, the process of modifying template documents of the FM instruments used in the Bank and implementation of modified ones was started.
- Updated credit risk appraisal procedures.
- Carried out an additional one-off review and appraisal of the results of monitoring of all credit exposures.
- Developed additional controls in the credit decision taking and credit exposure monitoring areas to mitigate the credit risk (including, but not limited to, de-risking and directional documents).
- Carried out global stress testing and stress tests compliant with Recommendation S as regards credit risk in the corporate clients and small business segments.
- Elaborated the scope of applying LGD models in case of insolvency in compliance with the Resolution no. 380/2008 of the Polish Financial Supervision Authority in the process of credit risk management, and in particular as regards guarantees and warranties, and collecting information about the established collaterals.

Simultaneously, the Bank introduced changes in the tools and instruments for the credit risk measurement and monitoring that were intended to streamline the credit process and facilitate financing of the client's needs. The Bank:

- Implemented lending principles for clients' specialist working capital needs based on the available borrowing base determined on the basis of receivables and/or stock.
- Updated some rating models in order to adjust them to the centralised models compliant with the requirements of the Resolution no. 380/2008 of the Polish Financial Supervision Authority.

Credit Portfolio Quality and Provisioning

At the end of December 2009, the total gross value of loans and other receivables from clients by the Capital Group of ING Bank Śląski S.A. was PLN 26,715.9 million.

Impaired loans totalled PLN 1,164.6 million compared with PLN 502.4 million as at the end of 2008. Thus, the share of impaired loans portfolio in the total credit portfolio of the Capital Group increased from 2.1% in December 2008 to 4.4% as at the end of December 2009.

As at the end of December 2009, the Capital Group of ING Bank Śląski S.A. provisioned the credit portfolio for PLN 719.6 million. Impaired portfolio provisioning was 61.8%.

Table: The quality of credit portfolio of the Capital Group of ING Bank Śląski S.A

	31.12.09	31.12.08
Total exposure (PLN million)	26,715.9	23,657.6
Non-impaired portfolio (PLN million)	25,551.3	23,155.2
Impaired portfolio (PLN million)	1,164.6	502.4
Impairment charges and provisions (PLN million)	892.8	502.8
Charge for non-impaired portfolio (PLN million)	153.1	116.0
Charge for impaired portfolio (PLN million)	719.6	377.5
Provisions for off-balance-sheet liabilities (PLN million)	20.1	9.3
Share of the impaired portfolio (%)	4.4	2.1
Impaired portfolio provisioning ratio (%)	61.8	75.1
Exposure - Wholesale Banking (PLN million)	16,959.1	16,356.6
Non-impaired portfolio (PLN million)	15,987.2	16,008.9
Impaired portfolio (PLN million)	972.0	347.8
<i>inclusive of amounts due from derivative transactions</i>	<i>346.1</i>	<i>32.7</i>
Impairment charges and provisions (PLN million)	668.7	338.7
Charge for non-impaired portfolio (PLN million)	77.2	71.2
Charge for impaired portfolio (PLN million)	571.4	258.2
<i>inclusive of amounts due from derivative transactions</i>	<i>263.2</i>	<i>21.6</i>
Provisions for off-balance-sheet liabilities (PLN million)	20.1	9.3
Share of the impaired portfolio (%)	5.7	2.1
Impaired portfolio provisioning ratio (%)	58.8	74.3
Exposure - Retail Banking (PLN million)	9,756.7	7,300.9
Non-impaired portfolio (PLN million)	9,564.1	7,146.3
Impaired portfolio (PLN million)	192.6	154.6
Impairment charges (PLN million)	224.1	164.1
Charge for non-impaired portfolio (PLN million)	75.9	44.8
Charge for impaired portfolio (PLN million)	148.2	119.3
Share of the impaired portfolio (%)	2.0	2.1
Impaired portfolio provisioning ratio (%)	76.9	77.1

2. Off-balance sheet items

As at 31 December 2009, the Capital Group of ING Bank Śląski S.A. held:

- Commitments to grant loans (such as overdraft limits in current account and card limits) and commitments under issued guarantees and letters of credit for the total amount of PLN 14,096.7 million (i.e. at the similar level as at the end of 2008).
- Received contingent liabilities in the amount of PLN 12,483.3 million (down by 18.5% from a year earlier).
- Off-balance sheet financial instruments with the face value of PLN 119,086.6 million. As a result of the drop in value of transactions related to FX derivatives and IR derivatives, their value was down by 54.7% from the end of 2008.

Detailed information on off-balance sheet items can be found in the Annual Consolidated Financial Statements of the Capital Group of ING Bank Śląski S.A.

Table. Off-balance sheet items of ING Bank Śląski Capital Group (in PLN million)

	31.12.09	31.12.08
Contingent liabilities granted and received	26,580.0	29,411.5
Liabilities granted:	14,096.7	14,100.9
Financing	11,720.1	11,302.9
Guarantee	2,376.6	2,798.0
Liabilities received:	12,483.3	15,310.5
Financing	195.0	743.8
Guarantee	12,288.3	14,566.7
Off-balance sheet financial instruments	119,086.6	262,721.0
Interest rate derivatives	56,244.0	145,962.0
FX derivatives	48,459.8	90,058.2
Stock market derivatives	2,142.1	2,814.4
Other	12,240.7	23,886.4
Off-balance sheet items total	145,666.5	292,132.4

3. Market Risk Management

General Information

Market risk is defined in ING Bank Śląski S.A. as a potential loss due to unfavourable changes in market prices (e.g. interest rates, FX rates, share prices, etc.) and/or market parameters (e.g. volatility of equity prices and correlation between movements in market prices) and/or customer behaviour (e.g. early loan repayments).

Market risk management within ING Bank Śląski S.A. covers market risk identification, measurement, monitoring, and reporting, both within the Bank itself and in its subsidiaries. Independent from the Bank business units generating market risk, Market Risk Management Department provides FM Management, Management Board and ALCO Committee members with market risk updates. An important consultative role in the market risk management process is performed by the Bank's majority shareholder – ING Bank N.V.

The Market Risk Management Department is sub-divided into three sections: the Trading Risk Management Section for proprietary trading, the Banking Risk Management Section focussing on the balance sheet management, and the Product Control Section, which assures correctness of products valuation and P&L reporting in the FM area.

The intention-based book structure reflects the types of market risk and areas where market risk should be internally transferred/hedged within the Bank. Specifically, books are categorised based on intention as:

- *Trading.* Those are FM books (FX, FX Options and Interest Rate Trading) and ING Securities books – equity market-making and arbitrage activities (reported under FM structure). Those positions are taken in expectation of short-term financial gain from market movements or arbitrage activities.
- *Banking.* The risks of those commercial deposits and loans are transferred to the Financial Markets via internal transactions to centralise all market risks within the specialised treasury function. The primary purpose of the Banking books (Liquidity Management & Funding and ALM book) is to ensure the management of liquidity and interest rate of the Bank's overall positions.

Risk measurement tools

Value at Risk (VaR) is the main methodology used to calculate market risk in FM books, both Trading and Banking. It is also used for periodic check of market risk in Commercial books (non-FM books). The VaR ratio gives the potential loss that is not to be exceeded assuming certain confidence (probability) level. The Bank calculates VaR separately for individual interest rate, FX and FX options

portfolios. As VaR does not present a full picture of market risk under extreme conditions – event risk calculation (stress testing) is performed additionally.

Earnings at Risk (EAR) concept is applied for (parts of) banking book positions. Calculations cover a 1-year time horizon and provide for the possible changes in accrual results given shock changes of +/- 1% and +/- 2%. Two approaches are used: a “basic” approach for positions comprised of term transactions and/or small volumes of demand positions and an “advanced” approach for material volumes of demand positions (at present: the Bank’s PLN demand deposit base and its internal contracts into FM banking books). 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 those positions given early-withdrawal of deposits and/or early re-payment of loans) and base risk (the potential losses on those positions arising from non-standard rate-setting mechanisms).

VaR exposures and limits in 2009

In the first half of 2009 the financial markets remained in turmoil identical as in the second half year of 2008. Moreover, the liquidity and depth in the market was limited, the number of potential counterparties decreased, FX rates and prices of financial instruments were changing unexpectedly. In the second half of 2009, the situation in the financial markets was stabilising gradually as a result of actions taken by state governments and central banks under stimulus packages.

In 2009, the Financial Markets kept their trading exposures at reasonable levels compared to the limits. The average usage of limits in 2009 was respectively: 42% for interest rate trading, 48% for FX spot and 79% for FX options. The barrier options portfolio of the Bank was steadily decreasing during the year as a result of restructuring process, maturing options and limited demand from customers. Based on the revised budget-risk targets, the Bank increased in May the VaR limit for FX spot risk from EUR 510,000 to EUR 950,000.

In 2009, FX options limits were exceeded four times – three times in the first half of the year and once in the second half of the year. FX spot risk limit was exceeded once. Positions were immediately reduced. There were no VaR limit excesses for IR positions within the trading portfolio.

Liquidity risk management

Liquidity risk is the potential risk that the Bank will be unable to meet its obligations because it will be unable to:

- Cash assets or obtain adequate funding (“funding liquidity risk”); or
- Easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (“market liquidity risk”).

The process of liquidity management at ING Bank Śląski S.A. covers:

- Developing and analysing liquidity ratios, as well as monitoring liquidity limits;
- Preparation of liquidity procedures/policies (The policy took into account the following, among other things: the new liquidity risk regulations from the Polish Financial Supervision Authority and ING Bank N.V. liquidity regulations);
- Harmonisation of contingency planning in regard to liquidity with the changes in the Bank’s organisational structure and the changes in definition of warning signals.

One of the most important aspects of the liquidity risk management process in the Bank is contingency funding plan which provides guidance as regards pro-active identification of the liquidity crisis and actions to be taken to survive it.

In light of difficult liquidity situation on the market and global financial crisis, the Liquidity Crisis Team was established in the Bank in 2008. In 2009, the Team was to define additional measures of liquidity profile, monitor liquidity on a daily basis, and to decide which necessary actions are to be taken.

During the entire 2009, the liquidity of the Bank stayed within all regulatory and internal limits.

Replicating Portfolios

The Bank's demand deposits are a sizeable balance sheet position. Replication of duration and liquidity profiles are based on client behaviour and are reviewed at least every six months.

4. Capital Adequacy

At the turn of 2008/2009, as a result of the growing Bank's lending and a higher level of credit risk (being the effect of the economic decline and deteriorating standing of borrowers), the demand for capital of ING Bank Śląski S.A. Capital Group rose. In order to ensure that the solvency ratio will remain above the level recommended by the Polish Financial Supervision Authority (10%), ING Bank Śląski S.A. took the following steps:

- Pursuant to the General Meeting, the Bank allocated the entire 2008 profit for equity.
- Reduced the exposure in FX derivative instruments.
- Aimed at eliminating the volatility of the capital base (the size of capital base is determined by the valuation of assets available for sale).
- Set forth the rule to be followed in case it is required to counteract the decreasing of the capital adequacy measures below the thresholds set in internal regulations and by the banking regulatory authorities.
- Re-modeled the Internal Capital Adequacy Assessment Process (ICAAP). A special emphasis was put on the consideration of forecasts of capital adequacy measures and results of stress tests when taking strategic decisions.

At the end of December 2009, the solvency ratio of ING Bank Śląski S.A. Capital Group was 12.0%.

In 2010, the Bank's solvency ratio will be adversely affected by the implementation of Advance Internal Rating Book (AIRB) for calculation of the capital requirement for the credit risk of wholesale clients.

5. Operational Risk and Compliance

ING Bank Śląski S.A. manages operational risk pursuant to the Polish Banking Law Act, Recommendation M of the National Bank of Poland, which is based on the guidelines of the Basle Committee, Resolution No. 383/2008 of the Polish Financial Supervision Authority and ING Group standards.

The Operational Risk Management Policy, stipulating a single ORM methodology and practice, was approved and implemented in the Bank in 2004. The Policy and detailed regulations thereto are being updated on a regular basis, if required, and to be in compliance with the regulations of the Banking Supervision.

Operational risk is understood in the Bank as the risk of suffering direct or indirect material loss or loss of reputation resulting from inadequate or failing internal processes, people or technical systems or external events. This definition also covers the litigation risk.

To obtain maximum efficiency of the processes, the Bank implemented the operational risk management model based on the division of tasks and obligations along the three defence lines, notably:

- Business units,
- ORM units that support business units in their actions aimed at identifying and mitigating operational risk events,
- Internal audit.

As regards operational risk management, ING Bank Śląski S.A. focuses on the following issues:

- Implementation of policies, standards and regulations in the ORM, IT, personnel and resources security areas,

- Implementation of the mechanisms of active identification of operational risk, its assessment and mitigation in specific areas of the Bank's operations taking into account new/modified products, carried out projects, outsourcing and organisational changes as well as changes in the Bank's environment,
- Collecting data about operational risk events, analysing them and taking actions to prevent their re-occurrence in the future,
- Determining key risks indicators and monitoring them,
- Monitoring configuration of IT systems and applications,
- Classification and analysis of the information resources risk,
- Limiting losses by streamlining the Bank's operations control system,
- Active mitigation of operational risk by applying integrated system of recording and monitoring the execution of the post-control recommendations and other risk mitigating activities,
- Adequate allocation of economic capital to risk,
- Testing of business continuity plans for critical and major business processes,
- Improvement of physical security in the Bank; especially, improvement of the integrated system of branch security monitoring and providing immediate help in alarm situations,
- Management of the process of global and local insurance,
- Preparation of the management reporting related to ORM,
- Organisation of ORM awareness programmes and training.

VII. ORGANISATION AND INFRASTRUCTURE DEVELOPMENT AT CAPITAL GROUP OF ING BANK ŚLĄSKI S.A. IN 2009

1. Information Technology and Operations

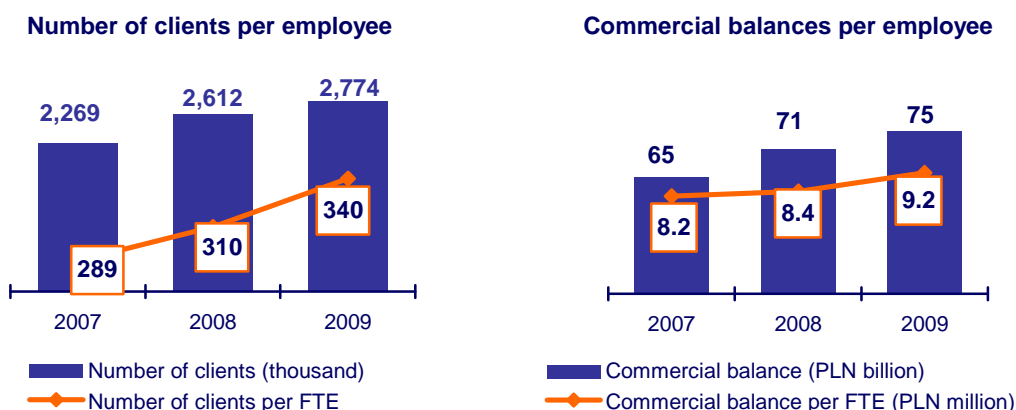
IT projects carried out in ING Bank Śląski S.A. and supporting the operation of business divisions led most of all to:

- Rendering available subsequent modules of the new branch application (Front-End), such as: service of non-standard deposits and structured products, accounts-related insurance, pre-paid and debit cards service, and service of transfers in the telephone banking system.
- The Bank's accession to the TARGET2 clearing system as a direct participant. In practice it helps the Bank to strengthen its market position thanks to offering new business solutions for the clients of the Bank. TARGET2 allows for on-line settlement of transactions in EUR between the system participants and contributes to lowering the costs of transaction service.
- Adjustment of the application for custody activities to the requirements of the *New Deposit and Settlement System* and implementation of the on-line connection with National Depository for Securities.
- Implementation of a new system for handling all SEPA CREDIT TRANSFER transactions in a fully automated way (with the exception of transactions with negotiated rate).
- Upgrade of the main application handling and supporting the operations of a dealing room.
- Implementation of new solutions for cards, such as: implementation of the technology for servicing contact-less cards, pay pass stickers, adjustment of the card system to the new global system of authorising electronic payments, and start up of the remote ATM management system.
- Implementation of a new application allowing for making use of the ING BankOnLine version for mobile phones.

As regards the works connected with optimisation of processes and security of systems, the Bank:

- Implemented a new change management application that provides new possibilities for handling software errors, reporting of application changes and handling of project requests, inclusive of on-line monitoring of the status of each request and automatic build-up of reports.
- Implemented solutions safeguarding the Bank's compliance with the requirements of the ING Group related to the non-financial risk management.
- Automated back-office processes for retail loans by modifying the application for handling credit processes.
- Improved operational processes for corporate clients and implemented image workflow of the Corporate Client File.

In 2009, ING Bank Śląski S.A. also carried out projects in the operations area, of which the following are especially worth-noticing: cash process optimisation in the branch network, projects related to mass print-outs, archiving the documents and ATM network optimisation.



2. Development of Electronic Distribution Channels

In 2009, ING Bank Śląski S.A. continued works to extend functionalities of the electronic distribution channels. Most of all, the Bank:

- Rendered available mobile version of the Internet banking system for retail clients (mobile phone version).
- Offered virtual ING VISA C@rd.
- Added new functionalities to the ING BankOnLine system, like: offering structured products (Investment Term Deposit, Investment Insurance Scheme), *Secure Loan* programme and accession to ING Open Pension Fund. Security of using this application was notably improved and the tools helping to prevent Internet frauds were developed.
- Modified ING BusinessOnLine by introducing service of housing co-operatives, by adding direct debit and outgoing SEPA transactions to the functionality, by developing credit module for strategic clients and handling of e-applications of the Trade Finance module.

Also subsequent deposit products (insurance policies of deposit type, term deposits, Extra Bonus deposits and eDeposits) were added to the scope of the *You Bank You Buy* loyalty programme that is an important part of the *Most Internet Bank* project.

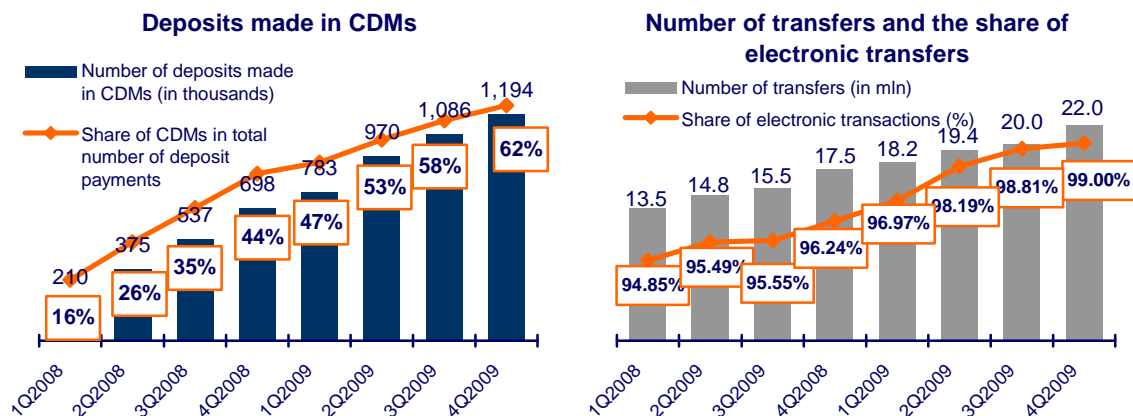
As at the end of December 2009, the electronic banking systems of ING Bank Śląski S.A. were used by 1,559,500 clients, up by 33.6% year on year. The number of the clients who use the SMS system also increased, up by 59.9% from a year earlier.

Table. Clients of electronic banking systems in ING Bank Śląski S.A.

	31.12.09	31.12.08
ING BankOnLine, ING OnLine, ING BusinessOnLine and MultiCash	1,559,504	1,167,054
HaloŚląski	786,008	617,422
SMS	619,664	387,456

As at the end of December 2009, ING Bank Śląski S.A. had a network of 737 ATMs, compared to 683 ATMs as at the end of 2008.

In December 2009, 10.3 million transactions were made in the Bank via electronic banking systems, compared to 8.6 million a year earlier (up by 19.8%).

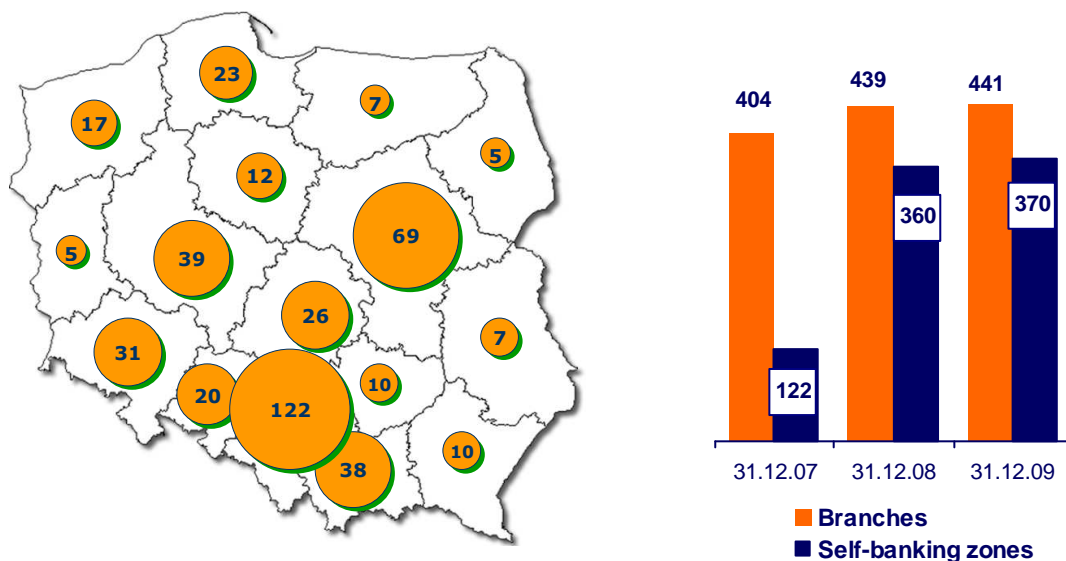


3. Network of Bank Outlets

As at 31 December 2009, ING Bank Śląski S.A. had 441 branches (of which 66 franchise branches). During 2009, the Bank opened 7 new branches and closed 5 old ones.

In the Bank branches, there were 370 self-service zones (compared with 360 such zones as at the end of 2008). After a period of dynamic increase in the number of self-banking zones, in 2009 the Bank focussed on improving their operations and availability.

Branch Network of ING Bank Śląski (as at 31.12.2009)



4. Human Resources Management

Headcount

As at 31 December 2009, the Capital Group of ING Bank Śląski S.A. had 8,291 employees. In 2009, the number of people employed in Bank's Group companies went down by 286 FTEs.

In December 2009, ING Bank Śląski S.A. employed 8,053 FTEs, down by 286 FTEs (or by 3.4%) from a year earlier.

In 2009, the Bank carried out restructuring of employment. Reduction of head-count resulted not only from a significant deterioration of the market situation but also from organisational changes and

decreased work intensity of some operations. The employees leaving the Bank were covered with a package of additional severance pays and could participate in special outplacement training programmes.

Table. Structure of employment in ING Bank Śląski S.A

	31.12.2009		31.12.2008	
	FTEs	%	FTEs	%
Retail Banking	4,398	54.6	4,755	57.0
Wholesale Banking and Financial Markets	968	12.0	998	12.0
Operations/IT/Services	1,836	22.8	1,732	20.8
Risk/Organisation/Finances/HR	851	10.6	854	10.2
Total	8,053	100.0	8,339	100.0

In 2009, the changes in the structure of employment of the Bank took mostly the following form:

- Decrease of FTEs employed in the Retail Banking Division and their share in the total headcount, which was a consequence of decreasing FTEs in the mortgage area and of transferring the credit platforms to the Operations Division.
- Increase of FTEs employed in the Operations/IT/Services area and their share in the total headcount, however the employment in this area resulted not only from taking over the functions from the Retail, but also from further automation of numerous banking processes.

Payroll policy

Despite the market challenges in 2009, ING Bank Śląski S.A. continued to pursue the ultimate goal of its payroll policy that was to sustain the employees' engagement and continued its remuneration policy focused on maintenance of consistence, fairness and competitiveness of remuneration offered to the employees. To safeguard stability of the terms and conditions of employment, the Bank affirmed the existing assumptions of the payroll policy, but changed the bonus principles due to the prevailing economic situation.

In 2009, the Bank carried out a review of the job structure aimed mostly at verifying coherence of the job valuations in terms of internal coherence and market alignment. The verified job structure was then used to create solutions aimed at the Bank's employees development and making it possible for them to improve their competencies and skills.

Recruitment and Selection

In 2009, a research was carried out aimed at appraisal of the quality and effectiveness of the recruitment processes, and the research results were then used to determine changes in this area. In the recruitment processes, special attention was paid to development of internal selection tools and new channels that could be used to reach the candidates. Furthermore, it was emphasised that the quality of communication on professional development and internal promotion improved.

Due to the situation in the banking market, the Bank carried out considerably fewer recruitment processes than a year earlier. The Bank looked mostly for the candidates willing to work in the retail sales network, at operational positions and (self-employed) people to the mobile sales network. The recruitment did not result from development of organisational structures of the Bank but was necessitated mainly by vacancies that had to be filled. Due to the situation in the labour market, in 2009 the fluctuation was much lower in the Bank than a year earlier.

Employee Training and Development

During 2009, ING Bank Śląski S.A. carried out mostly internal training programmes. Due to stricter cost discipline the Bank limited employees access to external training programmes, especially foreign ones.

The main areas of training in ING Bank Śląski S.A. in 2009:

- *Employees' Competencies.* Based on results of the Annual Review a Catalogue of Competency Training was updated and new items were added. At present there are up to 70 training offers available in the Catalogue, and they are in the field of corporate, specialist

and managerial competencies. The catalogue enlists training courses delivered by internal and external training units.

- *Managerial Training* is carried out by internal trainers, and it covers such modules as: Recruitment and Selection, Team Building, Conduct of Assessment Interviews, Motivation and Leadership.
- *Training for Employees of Corporate Division* is run by the Corporate Banking Training Centre. 47 training programmes were carried out, and 2,822 employees took part therein. Apart from the standard offer for Wholesale Banking, there were also training courses in the New Capital Accord, financial instruments (including credit and legal risks of the FM products). Moreover, another, more advanced training package was introduced under the *Master of Corporate Lending* programme.
- *For the Sales Network Employees*. The training run as part of the *Best Service* programme referred to the changes in the IT systems, recently introduced and modified products, quality of service and development of selling and sales team management skills.
- *Language Courses*. In the school year 2008/2009, nearly 380 employees attended the English language courses, whereas in 2009/2010 approximately 270 employees started to learn the language.
- *For the Newly Employed*. The new employees participate in the Bank's training programme that consists of both traditional and e-learning training units.

Electronic learning is a separate type of training provided by ING Bank Śląski S.A. In 2009, the catalogue offer covered nearly 150 courses mostly in the area of products, applications, security and operational risk, specialist and competence training programmes. In 2009, the process of updating or preparing them was started or finalised for more than 40 training programmes. 44,130,000 man-training took place as part of the e-learning formula, and the total time of training was 27,131 days.

In 2009, the Bank continued diagnosing employees' potential as part of the Development Centre, and qualitative and quantitative 360-Degree Assessment. The Management Development Programme (MDP) addressed to the employees with the highest managerial potential within the organisation was also continued in 2009 and it covered 192 people. They participated not only in training of various types but they were also invited to *Breakfast with the Management Board Members*. They also carried out mentoring and run competence training programmes.

Apart from training programmes, in-house knowledge-sharing developmental activities were initiated in the Bank in 2009. For instance:

- *Mentoring*. Under the new mentoring model 45 mentors were prepared and 23 processes were started.
- *Developmental Coaching*. External and internal coaches carried out more than 20 processes for top managers and participants of the Management Development Programme.
- *Competence Coaching* being an original concept developed in the Bank in response to a great demand for individual work related to development of the employees' competencies. The solution is based on the know-how and experience of the best employees. After training, 71 people were awarded certificates of the *Competence Coach of ING Bank Śląski*.

Also effectiveness programmes for the managers from the IT Division, Finances Division and Retail Banking Division (Processes and Products area) were launched. 77 managers were invited to take part in the programmes that include diagnosis (360-Degree Assessment and DC), analysis of training needs and developmental activities.

Work Conditions

In September 2009, the Bank employees participated in the *Winning Performance Culture Scan (WPC)*. The questionnaire was responded by 79% of the Bank employees entitled to take part in WPC. In November, the results of WPC were handed over to the managers to be analysed and used as a basis for proposed actions aimed at reinforcing the organisational culture. The proposed actions are prepared by the managers supported by *WPC Ambassadors* who were elected in each Division/Region from among the employees.

The 2008 WPC scan led to preparation of the *Development Navigator* programme that makes it easier for the employees to search for new opportunities within the organisation, and that teaches them how to manage their own development. The *Development Navigator* programme includes transfer maps with the transfer risks, an application showing the employees potential channels of their promotion, initial appraisal of their competencies, and proposed developmental activities.

In 2009, the Bank continued its actions started in 2007 and addressed to the managers and other employees with a view to promoting knowledge about hiring the disabled. Thanks to the initiative, 42 disabled employees became an important part of the organisation.

VIII. ACTIVITY OF ING BANK ŚLĄSKI IN 2010

The mission of ING Bank Śląski S.A. is to assist clients in managing their financial future. Two elements are crucial for the operation of the institution, namely assistance in satisfying financial needs and focus on the future. It means that the Bank must establish long-lasting relations with clients by such actions as presenting them with a product offer adjusted to their changing preferences (both from the perspective of functionality and price) and developing a multi-channel distribution system.

The main strategic objective of ING Bank Śląski S.A. is sustainable growth for improvement and maintenance of a leading position in the Polish banking sector by harmonious development of the core business areas, such as Retail Banking, Wholesale Banking and Financial Markets.

A considerable growth of the scale of operations of ING Bank Śląski S.A. represents also an important factor for the stable growth of the company's value and assuring that the shareholders will gain higher-than-average return on investment in a longer run. The shareholders expectations are fulfilled while maintaining the strategic balance at all times, namely the needs of other stakeholders (clients and employees) must be also taken into consideration in the Bank's business activity.

The global financial crisis changed the conditions in which the Polish banking sector operated and resulted, most of all, in:

- Stopping of the growing demand for bank services, both of the households and business entities, and making the competition in the shrinking market tougher.
- Returning to traditional business models based on the establishment of long-lasting relationships with the clients in which confidence and brand awareness play an important role.
- New regulatory requirements like, for instance, regulations pertaining to the obligation of the banking institutions to disclose product prices and related costs and risks for the client.
- Increased importance of efficiency (operational excellence) in connection with the process of offer standardisation (bank products are becoming simpler and more transparent).

Thus, the key success factors in the banking sector are as follows:

- Financial strength thanks to which the bank is able to obtain clients' funds and generate assets of high quality.
- Strong market position and ability to maintain it and enjoy the scale benefits.
- Optimised processes and (thanks to it) optimised costs of operation.
- High quality of service leading to the clients' loyalty.
- Multi-channel, integrated distribution system safeguarding, on the one hand, operational excellence, and on the other hand, unique customer experience.
- Strong brand (brand awareness, confidence) and effective marketing.

Retail Banking

The strategic directions of the retail banking at ING Bank Śląski S.A. for 2010 remain unchanged. The main goal of the Bank remains to be strengthening of the market position; however, the Bank focuses mostly on the operations aimed at ensuring top quality service.

The Bank focuses on tightening its relationships with the existing clients thanks to, for instance, simplification of the products offered, and making them available via a simple and friendly multi-channel distribution system.

Simultaneously, the Bank will continue taking efforts to increase its client base, for instance, by increase of the number of active current accounts. The increase of the number of people using the services of the Bank, as well as actions taken to tighten the relationships with the existing clients should result in the growing funds deposited with the Bank.

The Bank will address its credit offer mainly to its existing clients. Housing loans will be an exception to the rule, as in their case the Bank will strive to increase its market share considerably.

In 2010, the Retail Banking Division will continue to carry out the already started projects, such as:

- The most Internet-based retail bank. The works include streamlining of the ING BankOnLine system, and its integration with other distribution channels.
- Self-banking zones. After a time of dynamic growth of those zones in terms of quantity, the Bank will focus on modification of the already existing equipment to make them more user-friendly.
- Mortgages. Streamlining of procedures and sales processes optimisation are planned, which will allow for offering that product via modern, easily accessible distribution channels (the Internet, brokers).
- Front End. The branch application, which was being implemented over the last few years, came to its assumed level of functionality. Further work will be focused on creating a modern contact centre.
- Network of franchise branches. The works will aim at integration of the franchise branch network with other distribution channels.
- Private Banking segment. Development of the product and service offer will contribute to tightening the co-operation with the existing well-off clients, and will be a chief asset in the process of acquiring new clients.

Wholesale Banking

In 2010, the main actions of ING Bank Śląski S.A. on the wholesale banking market will aim at:

- Maintaining a high level of acquisition of the wholesale network clients (especially in the segment of mid-sized companies) and increasing the number of strategic clients in the target segments.
- Tightening co-operation with the existing client base by rendering an attractive offer of products and services to them (including, but not limited to, increasing the number of transactions and deposit volumes).
- Increasing the share in both the deposit and credit markets.
- Keeping the position of a leader as regards client satisfaction with the offer quality and service level.

Lending will be treated by the Bank both as a tool for tightening co-operation with the existing clients and as an instrument for acquiring new ones. The Bank will aim at further optimisation of the credit portfolio by better adjustment of the awarded limits and prices to the client's risk profile and prevailing market conditions.

It is the ambition of the Bank to offer its clients attractive products that are well tailored to their needs, transparent and fast procedures and effective electronic distribution channels. Thus, in 2010, the Bank will focus on carrying out the following projects:

- Improvement of the Internet banking systems. The Bank wants to offer its corporate clients Internet applications of the highest market standards, lowering at the same time the costs of their maintenance to be borne by the Bank. Internet banking will be developed, for instance, by rendering available all products for mid-sized companies and MID corporates on the Internet platform, by adding foreign trade financing products and payment cards to the product range, and by popularisation of the credit module for strategic clients. Furthermore, ING Trade platform will be implemented for the selected FM products.
- Streamlining of credit processes. The Bank will continue simplifying processes and procedures, and a new credit analysis approach will be implemented, which will lead to increasing the share of standard credit agreements.
- Trade Finance. To ensure operational potential for serving increased volumes of foreign trade transactions, the Bank plans to implement a back-office platform supporting the service of the trade finance products (L/Cs, guarantees and documentary collection) and develop the existing Trade Finance module in the ING BusinessOnLine system.

- Review of the FM products offer. Product changes will be adjusted to the specific nature of business clients (the so-called product mandates). Also new procedures will be introduced as regards determining limits for the FM transactions.
- Working out a reverse factoring model. The new model assumes transferring such transactions to ING Commercial Finance, which will allow for simplifying the structure, and will make offering the product to the new clients simpler.
- Restructuring of the wholesale network. A new (functional and visual) standard of the branches will be applied to increase the quality of service and to reinforce the Bank's image.

In 2010, ING Bank Śląski S.A. will also adjust its business to stricter domestic and EU regulatory requirements, inclusive of MIFiD and Payment Services Directive.

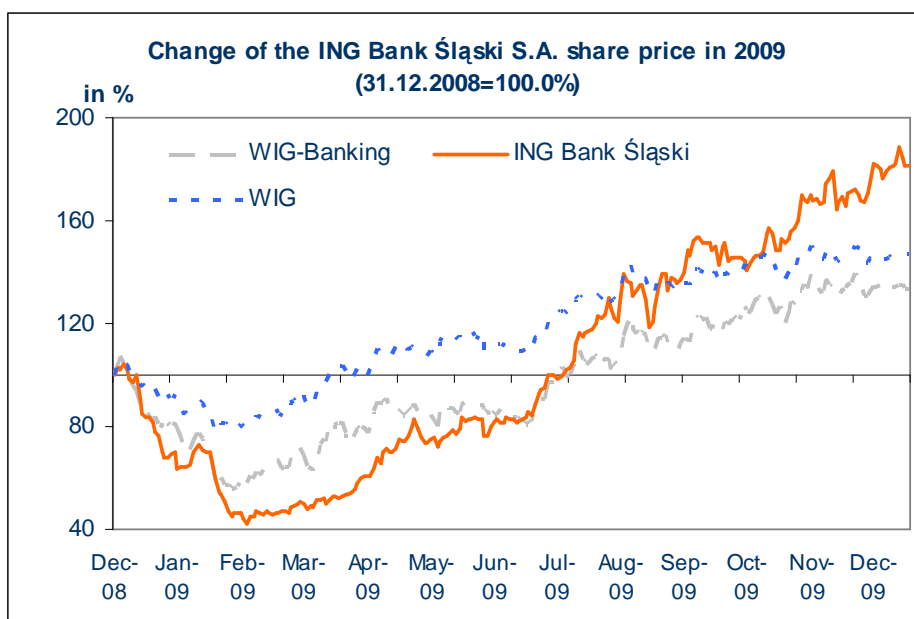
The planned wider scale of the Company's operations during the forecast economic revival, and continuation of undertakings in the IT area as well as optimisation of the operational area should create favourable conditions for improving the effectiveness of the operations of ING Bank Śląski S.A. and for the improvement of the Bank's value.

IX. INVESTOR INFORMATION

1. Price per Share of ING Bank Śląski S.A.

In 2009, the price of the shares of ING Bank Śląski S.A. at closing of the session was within the range from PLN 182.1 (on 3 March) to PLN 810.0 (on 28 December). On 31 December 2009, the share of ING Bank Śląski S.A. was worth PLN 780.0, up by 81.4% from the last day of quoting in 2008 (by contrast, the Banks sub-index went up by 33.7%).

On 31 December 2009, the market value of the Bank was PLN 10,148 million, while its book value was PLN 4,884.4 million.



2. Ratings

ING Bank Śląski S.A. co-operates with Fitch Ratings and Moody's Investors Service. Fitch Ratings gives the Bank full rating, whereas Moody's Investors Service rates the Bank only on the basis of information available to the public.

On 28 January 2009, Fitch Ratings downgraded the long-term rating of ING Bank Śląski S.A. from AA- to A+ and gave the Stable rating outlook. Simultaneously, the short-term rating of ING Bank Śląski S.A. was downgraded from F1+ to F1. Downgrading the ratings of ING Bank Śląski S.A. was connected with the change of rating for the controlling shareholder of the Bank - ING Bank N.V.

On 12 August 2009, Fitch changed rating for ING Bank Śląski S.A. again. Long-term IDR was downgraded from A+ to A with Stable outlook. Other ratings were affirmed. The long-term rating of the Bank changed mostly due to the change of ratings for the ING Group and its entities, inclusive of the controlling shareholder of ING Bank Śląski S.A. – ING Bank N.V.

As at the release date of this Report, the rating awarded by Fitch agency for ING Bank Śląski S.A. was as follows:

Fitch Ratings Ltd.

Long-term IDR	A
Outlook for sustaining the above rating	Stable
Short-term IDR	F1
Individual rating	C
Support rating	1

Long-term IDR and short-term rating specify the entity's capacity to meet its financial liabilities on time. A-Rating of the entity reflects high capacity of the Bank to meet its long-term financial liabilities on time, whereas the F1 short-term rating stands for the highest appraisal of the capacity to timely payment of the short-term financial liabilities (up to 13 months). In case of both ratings of the Bank Fitch took into account high probability of getting potential support from the controlling shareholder of the Bank – ING Bank N.V. (the highest rating of the support).

Individual rating of ING Bank Śląski S.A. at C reflects required equity, improving quality of the assets, high provisioning of non-performing loans, high liquidity and strong position in the deposit market. The Bank's individual rating also takes into account the pressure on capitals due to increased capital requirements resulting from the regulations of the New Capital Accord and growing values of the risk weighted assets.

On 28 January 2009, Moody's Investors Service Ltd downgraded the rating of ING Bank Śląski S.A. for long-term deposits in home currency from A1 to A2. The other ratings were affirmed. The said change was connected with verification of the rating of ING Bank N.V.

Moody's Investors Service Ltd.

Long-term deposits in foreign currencies	A2
Long-term deposits in home currency	A2
Short-term deposits	P-1
Financial strength of the Bank	D+
Outlook regarding financial strength	Stable

On 26 May 2009, Moody's changed its rating for ING Bank Śląski S.A., and outlook for the rating of the long-term deposits (A2) from Stable to Negative. Other ratings remained unchanged. Moody's determined that in the light of new ratings of the system support, the Negative outlook regarding financial strength of the parent company (ING Bank N.V. is rated as Aa3/P1/C+) may have an impact on the rating of the long-term deposits of ING Bank Śląski S.A.

On 2 February 2010, the Agency accomplished the review of ratings of ING Group that was started on 21 September 2009, inclusive of deposit ratings of ING Bank Śląski S.A. After the review the Agency affirmed ratings for long-term deposits (in foreign and home currencies) and short-term ones, however the outlook for long-term deposits was given as negative. Other ratings had the stable outlook. The change of the outlook for long-term deposits results from analogous activity of the Agency as regards ratings of other entities of the ING Group, inclusive of the parent company - ING Bank N.V.

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

In 2009, the total amount of remuneration (understood as the value of salaries, bonuses, cash benefits, in-kind benefits or any other benefits) paid by ING Bank Śląski S.A. to the Management Board Members amounted to PLN 9,937,400. The total amount of remuneration and bonuses paid out or due for 2009 given here is the gross amount of remuneration paid out or due and payable for the period from January to December 2009.

The Members of the Management Board of ING Bank Śląski S.A. are covered neither with the incentive programme nor bonus one based on the issuer's equity. However, the Capital Group of ING Bank Śląski S.A. participates in the long-term incentive system (Long-term Equity Ownership – LEO) of ING Group. LEO principles are presented in the notes to the Annual Consolidated Financial

Statements of the Capital Group of ING Bank Śląski S.A. under *Employee Benefits*. In 2009, Members of the Bank Management Board exercised LEO options worth PLN 14,700.

Contracts of employment concluded with all Management Board Members stipulate that should the Bank terminate the contract for reasons other than the ones entitling the Bank to terminate it without a notice period, the Management Board Member shall receive a severance pay. The amount of the severance pay shall be equal to a base salary for the last three months preceding the termination of the contract of employment, and shall be payable not later than on the last business day of a given month for the next three months.

The Management Board Members and other persons employed with ING Bank Śląski S.A. receive neither remuneration nor awards for holding office in the authorities of subsidiaries and affiliated entities of the capital group of ING Bank Śląski S.A.

Table. Remuneration of Members of the Management Board of ING Bank Śląski S.A. in 2009 (PLN)

Forename and surname	Period from - to	Salaries and bonuses	Exercised LEO options	Other benefits	Total
Brunon Bartkiewicz	01.01.09-31.12.09	1,910,500	11,100	353,200	2,274,800
Mirosław Boda	01.01.09-31.12.09	1,056,000	0	188,300	1,244,300
Michał Bolesławski	01.01.09-31.12.09	1,044,100	1,300	166,800	1,212,100
Evert Derks Drok	01.06.09-31.12.09	579,200	0	531,200	1,110,400
Justyna Kesler	01.01.09-31.12.09	1,012,800	1,500	173,000	1,187,300
Małgorzata Kołakowska	01.01.09-31.12.09	1,190,800	0	184,000	1,374,800
Oscar Swan	01.01.09-31.12.09	960,000	800	171,200	1,132,000
Michał Szczurek	01.01.09-16.03.09	278,100	0	123,600	401,700
Total		8,031,400	14,700	1,891,300	9,937,400

In 2009, the total amount of remuneration (defined as above) paid by ING Bank Śląski S.A. to the Supervisory Board Members totalled PLN 579,600.

Table. Remuneration of Members of the Supervisory Board of ING Bank Śląski S.A. in 2009 (PLN)

Forename and surname	Period from - to	Salaries and bonuses	Benefits	Total
Anna Fornalczyk	01.01.09-31.12.09	210,000	0	210,000
Jerzy Hausner	01.01.09-31.12.09	105,600	0	105,600
Mirosław Kośmider	01.01.09-31.12.09	132,000	0	132,000
Wojciech Popiołek	01.01.09-31.12.09	132,000	0	132,000
Total		579,600	0	579,600

None of the Bank's Management Board Members held shares of ING Bank Śląski S.A. The following Members of the Supervisory Board held the shares of the Bank: Mr. Mirosław Kośmider – 3 shares and Mr. Wojciech Popiołek – 6 shares.

4. Auditor

On 30 November 2007, the Supervisory Board of ING Bank Śląski S.A. adopted a resolution by which Ernst & Young should be the entity authorised to audit its financial statements for the period of the subsequent three years, starting from the beginning of 2008. Ernst & Young is entered into the list kept by the National Chamber of Certified Auditors under the number 130, and its registered office is in Warsaw, at Rondo ONZ 1. The Bank concluded the agreement with the Auditor on 29 February 2008.

ING Bank Śląski S.A. did not use the services of Ernst & Young Audit Spółka z o.o. in the past.

Ernst & Young is also the only external auditor of the consolidated statements of ING Group.

Table. Net auditor's fee

	Accounting year ended 31 December 2009	Accounting year ended 31 December 2008
Fee for the audit of the consolidated annual financial statements	EUR 194,600 + reimbursement of documented direct expenses (max 5%)	EUR 174,700 + reimbursement of documented direct expenses (max 5%)
Review of the financial statements	EUR 112,400 + reimbursement of documented direct expenses (max 5%)	EUR 112,400 + reimbursement of documented direct expenses (max 5%)
Tax advising	Not covered with the agreement	Not covered with the agreement
Fee for related services	PLN 239,700	PLN 136,700

X. ING BANK ŚLĄSKI S.A. IN THE SOCIETY

1. Corporate Responsibility

Being a socially responsible corporate citizen, ING Bank Śląski S.A. applies corporate responsibility rules in its business activities by taking into account numerous ethical, social and environmental issues.

Corporate Responsibility is applied in the Bank in four areas:

- Business/Client relationships. The Bank provides high quality products and services for its clients, with no detriment to people or environment. It is a partner that keeps its promises, who is easy to co-operate and make business with. Thus, a responsible business stands for a tailored, transparent and easy to understand offer, ethical marketing and communication, fair principles of making complaints and financial education of the clients.
- Workplace/Relationships with the employees. The Bank respects human rights, and aims at creating friendly and secure workplaces stimulating the employees' development. ING Bank Śląski S.A. undertakes actions to increase employment of the disabled. Furthermore, the Bank aims at assessing the employees' work in an honest manner and at awarding the best employees. As part of the Annual Review Process, the Bank encourages employees to have an open discussion with their superiors about their achievements, opportunities and expectations. Since 2009, the Annual Review is closely connected with planning employees' development and with the *Development Navigator* program that is used both to support managers and improve the ability to plan one's own carrier path. Every year, the employees of ING Bank Śląski S.A. participate in the *Winning Performance Culture* scan organised by ING Group and used for appraising the employees' engagement. The response rate during the 2009 WPC was 79% of all of the Bank's employees. Moreover, the satisfaction of the employees with the provided medical service is under permanent monitoring to improve the health care offer. The employees of the Bank may also spend 8 hours annually from their working time for participating in the employees' volunteer activities.
- Environment. To mitigate the negative impact of the Bank's activities on the environment, the Bank has in place numerous savings programmes as regards the use of the utilities and stationary, segregation of paper wastes, and recycling of computer hardware. The employees are made aware of their responsibility for issues related to the natural environment. The *Plant a Tree* project may serve as an example of a global campaign of ING Group for environment protection. Volunteers from ING Bank Śląski S.A. take an active part in the project by participating in planting trees events.
- Relationships with the community. ING Bank Śląski S.A. was one of the first banks in Poland to undertake initiatives in the field of educating the community (mostly about financial issues). Special service was prepared to inform the clients about bank products. In 2009, more than 200 people participated in the *Internet Academy of ING* where they learnt the basics of computer service and use of the Internet. Moreover, the Bank published and distributed million free copies of the *Internet ABC*.

2. ING Children Foundation

The ING Children Foundation has nearly 20 years of experience in bringing help to those in need. It is a legal successor of Bank Śląski Foundation established in 1991. Thanks to the knowledge and commitment of the Foundation personnel and ING employees-volunteers the Foundation has already helped several thousand children all over Poland.

The mission of ING Children Foundation is to educate, and thus provide equal opportunities, to children from poor areas and children suffering from chronic illnesses, to promote entrepreneurship among young people, and to support young people from poor families to gain university education.

The Foundation carries out its statutory targets under the following programmes:

- ING Internet Youth Clubs. In 2009, five new standard youth clubs and a mini one were opened. In total, the Foundation opened 18 orange Internet youth clubs all over Poland, where nearly 2,000 children can use the Internet for free.
- Smile Stay. Educational and rehabilitation stays in the Bank's recreational centre in Wisła organised for sick children (mostly suffering from cancer and autism), for talented children from primary schools and community youth clubs. In 2009, almost 1,000 kids participated in the Smile Stay programme.
- In the Company of the Lion. Under the bibliotherapeutic programme launched in 2005, over 25,000 copies of the book called "Lucjan lew, jakiego nie było" (or, *Lucian, the Lion One of Its Kind*) were handed out to sick children free of charge. The book helps kids to overcome difficult moments of their medical treatment. Following the success of the book, in 2008 another book was published within the program under the title "Kosmita", or *The Alien* by Roksana Jędrzejowska-Wróbel. The book shows the story about a family to whom an autistic child is born. The purpose of the book is to help the readers accept their difficult life situations, show them that they should seek specialists' therapy and prove that love and respect to every human being are the most important values in life. In total 8,000 copies of the book were handed out to the sick children free of charge. *The Alien* is on the *All Poland Reads to Children* golden list, and was nominated to a prestigious award of the Polish Section of IBBY (*International Board on Books for Young People*) under *The Book of the Year* category.

3. Employees in Voluntary Service

ING Bank Śląski S.A. also promotes community actions among its employees, for instance as part of the ING Voluntary Service programme run in co-operation with the Polish Voluntary Service Centre Association.

As at the end of 2009, nearly a 1,000 Bank employees were active in the ING volunteers group. In 2009, they organised more than a hundred volunteer campaigns for hospitals, schools, kindergartens, foundations and various associations. During the campaigns, they renovated and repaired kindergartens and youth clubs, read books to the children, participated in blood donation events. During Christmas time, the volunteers encouraged other Bank employees to prepare Christmas gifts for children from orphanages, community youth clubs, hospital paediatric wards, children's homes and poor families. Thanks to those initiatives the dreams of 862 kids came true.

Members of the *Singers* band are also ING volunteers. *Singers* are a vocal band comprised of the employees of ING Bank Śląski S.A. exclusively. In 2008, they prepared a stage version of the *Lucian, the Lion One of Its Kind*. The spectacle was developed in co-operation with the professionals from the Musical Academy in Katowice and from the Theatre for Children of Zagłębie in Będzin. *Singers* performed the spectacle about *Lucian, the Lion* 7 times, and in 2009, a film version of the spectacle was made as well.

In 2009, *Polish Voluntary Service Centre Association* awarded three volunteers from ING with the *Personality of the Month* title for their commitment to helping the kids in need.

4. ING Polish Art Foundation

ING Bank Śląski S.A. is an active member of the ING Polish Art Foundation. The main purpose of the Foundation's activities is to promote Polish contemporary art, especially by supporting young artists. The Foundation collects the works of art that represent various trends of the contemporary art and different artistic techniques (painting, drawing, graphics or photography), abstract and figurative art.

The art collection of the Foundation includes pieces of art of such renowned artists as: Edward Dwurnik, Stefan Gierowski, Jerzy Nowosielski, Leon Tarasiewicz, or Wilhelm Sasnal. In 2009, new works of art by young artists were added to the collection.

XI. REPORT ON OBSERVANCE OF CORPORATE GOVERNANCE RULES AT ING BANK ŚLĄSKI S.A. IN 2009

Pursuant to §91 (5) item 4 of the Minister of Finance Ordinance as of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent (Journal of Laws No. 33, item 259 as amended) and §29 (5) of the Warsaw Stock Exchange Bylaw and Resolution no. 1013/2007 of the Management Board of the Warsaw Stock Exchange dated 11 December 2007, the Management Board of ING Bank Śląski S.A. presents the Report on Observance of Corporate Governance Rules at ING Bank Śląski S.A. in 2009.

1. Specification of the set of Corporate Governance Rules binding for the Entity and where they are published

The Corporate Governance Rules, which are binding for ING Bank Śląski S.A. (hereinafter referred to as: the "Bank"), are a part of the "Best Practices of Companies Listed on WSE" as enclosed with the Resolution no. 12/1170/2007 as of 4 July 2007 of WSE Council.

The contents of the above mentioned set of rules have been published at the Warsaw Stock Exchange Website S.A. at: <http://corp-gov.gpw.pl>.

The Bank amended its internal statutory documents so that they include the regulations reflecting the corporate governance rules including those applicable to the functioning of the General Shareholders Meeting and the rights of shareholders, the rules and scopes of operation of the Supervisory Board and its Committees, and also the criteria of independence of the Supervisory Board members.

2. Specification of Corporate Governance rules from which the Entity departed/made exception and explanation of the reasons

The Bank adopted Corporate Governance Rules resulting from the "Best Practices of Companies Listed on WSE" except for Rule no. IV.8.

The reason for exception from this rule is the requirement to consolidate financial reports and unified approach of ING Group to principles of changing the auditor, which is in line with applicable EU regulations. The Bank made a relevant declaration in that matter in current report no. 01/2008 of 2 January 2008.

The Management Board of ING Bank Śląski S.A. declares that in 2009 the Bank and its authorities abided by the adopted corporate governance rules as set forth in the "Best Practices for Companies Listed on WSE".

There were no cases of non-observance of the corporate governance rules in the period covered by this report.

3. Base features of internal control and risk management systems applied by the Bank in the process of financial reports development.

Financial reports are developed by the Finance Division; the process is one of the key elements of compliance with standards. The basic elements allowing for the execution of this process comprise: the accounting policy adopted by the Bank Management Board and the accounting structure within the Bank, which defines the main principles of recording business events at the Bank. Recording of events leads to formation of the Bank books, which, in turn, are the basis for the development of financial reports.

The following risks were identified in the process of financial reports development:

- risk of incorrect input data,

- risk of inappropriate presentation of data in financial reports,
- risk of use of incorrect estimates,
- risk of lack of integration of IT systems and operating and reporting applications.

To mitigate the aforementioned risks, the process of financial reports development was structured in two layers: application- and content-related.

The application part of the process comprises flow of data from the core operating systems of the Bank via various interfaces to the base of reporting data which host reporting applications. The application layer is controlled in line with the IT systems security policy adopted by the Bank. The following elements are controlled in particular: user management, developing environment management and integrity of data transmission systems (including correct operation of interfaces with particular attention to completeness of data transfer from operating systems to reporting environment).

So that the process of financial reports development is appropriately managed, the process was described in line with the principles in force at the Bank. The description lists all activities present in the process, determines their performers and the “what if” situations. It also indicates the key controls embedded in the process of financial reports development which include but are not limited to:

- control of quality of input data for the financial reports, supported by the data control applications; a variety of principles concerning data correctness, error correction track and close monitoring of data quality were defined in the applications,
- control of data mapping from source systems to the financial reports, guaranteeing correct data presentation,
- analytic review based on the experts’ knowledge, whose main objective is to confront business know-how with the financial data and identify indications of incorrect data presentation or incorrect input data – if present.

The estimates adopted by the Bank and compliant with IAS/ IFRS were detailed in the Accounting Policy. To avoid the risk of incorrect estimates, the following solutions were adopted, among others:

- to estimate loan impairment – specific models and applications as well as internal regulations for credit risk assessment were implemented,
- to measure financial instruments quoted in active markets or whose measurement is based on those quotations – the requisite functionality of core systems was implemented and, furthermore, the control exercised by the market risk management units was instituted,
- to measure financial instruments not quoted in active markets – measurement models were implemented, which underwent an independent verification before application,
- to estimate the reserves for retirement and pension pays – an independent actuary was commissioned to make an estimate,
- to estimate the reserves for bonuses for employees and executive staff – the calculations used are in line with the General Terms and Conditions of Bonus Award adopted at the Bank and take account of forecasts of Bank’s results,
- to value investment estates and own properties – the following rule was adopted: the appraisal is obtained from independent experts on a semi-annual basis for investment estates of significant value, and every three years for other estates.

A detailed description of accounting principles has been published in the Annual Financial Report in the section called “Accounting Policies and Additional Explanatory Notes” of “Major Accounting Principles”

The organizational structure introduced at the Bank makes it possible to retain the segregation of duties between the front office, back office, Risk and Finance. In addition, institution of an adequate internal control system enforces implementation of control of transactions and financial data in back office and support units. The area is subject of independent and objective assessment by the Internal Audit Department in terms of adequacy: of the internal audit system and risk management, and in terms of corporate governance.

4. Specification of shareholders being in possession of major block of shares including specification of number of shares owned by the entities, percentage share in base capital, number of votes of the shares and percentage share in general number of votes at General Shareholders Meeting

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which on 31 December 2009 had a 75% share in the equity of ING Bank Śląski S.A. and a 75% share in the general number of votes at General Shareholders Meeting.

Name of Shareholder	Number of shares and votes at GSM	Share in equity and total votes at GSM	Number of shares and votes at GSM	Share in equity and total votes at GSM
	31 December 2009		31 December 2008	
ING Bank N.V.	9,757,500	75.00%	9,757,500	75.00%
Aviva OFE Aviva WBK (former Commercial Union OFE BPH CU WBK)	665,500	5.12%	884,798	6.80%
Other	2,587,000	19.88%	2,367,702	18.20%
Total	13,010,000	100.00%	13,010,000	100.00%

As at the report publication date, ING Bank Śląski S.A. did not have any information on agreements whereby there could be changes in proportion of the shares held by the existing shareholders in the future.

5. Specification of holders of all securities which entitle to special control rights inclusive of the description of these entitlements

The shares of the Bank are ordinary bearer's shares. No additional controlling entitlements are connected with these shares.

6. Specification of any restrictions related to the exercising of voting right such as restriction of exercising voting right by holders of a specific part or number of votes, time restrictions of exercising voting right or entries according to which capital rights attached to shares are separated from shares ownership.

The Bank Charter does not impose any restrictions of voting right execution or any stipulations according to which capital rights attached to shares are separated from shares ownership.

7. Specification of any restrictions regarding transfer of ownership rights to the issuer's shares

The Bank Charter does not impose any restrictions regarding transfer of ownership rights to the shares issued by the Bank.

8. Specification of principles of appointing and recalling managing bodies and their scope of authorisation, in particular authorisation to make decision of issuing or redeeming shares

The Management Board is composed of 3 to 8 members appointed by the Supervisory Board and the number of their members in a given term is determined by the Supervisory Board.

The Management Board members are appointed for a 5-year term. In the event of changes in the composition of the Management Board during the term, the mandate of the Management Board member appointed during the term, shall expire upon the termination of the term.

At least one half of the Management Board members have to be Polish citizens. Two Management Board members, inclusive of the President and Vice-President in charge of risk management, are appointed with the consent of the Polish Financial Supervision Authority. Other Management Board members shall be appointed upon consultation with the President of the Management Board. The

Management Board members may be dismissed at any time by the Supervisory Board. The dismissal of a Vice-President of the Management Board shall take place upon consultation with the President of the Management Board.

The Management Board manage the Bank and represent it with external matters. Any matters not restricted to the authorities of other Bank's bodies pursuant to legal regulations and Bank Charter shall fall within the scope of the Management Board's activity. The Management Board act collegially with reservation of the matters which have been entrusted to particular Management Board members.

Arrangement of the Management Board plan of work, scope of matters which require Management Board resolution and the way of their functioning is stipulated in the Management Board Bylaw passed by the Management Board and approved by the Supervisory Board.

Pursuant to the stipulations of the Bank Charter, the Management Board do not have any special rights concerning share issue or redemption.

Point 11 contains a detailed description of the Management Board operations, including their rights.

9. Amending the Bank's Charter - Rules

Any amendment to the Bank's Charter requires resolution of the General Shareholders Meeting as well as registration in the register of entrepreneurs of the National Court Register (KRS). Any amendment to the Charter within the scope stipulated in Article 34 (2) of the Banking Law Act of 29 August 1997 (unified text Journal of Laws of 2002, no 72, item 665 as amended) requires approval of the Polish Financial Supervision Authority.

An amendment to the Bank's Charter as for change of business activity of the Bank does not require redemption of shares by those shareholders who do not approve this amendment, provided that the resolution of the General Shareholders Meeting concerning such change was adopted by a two-thirds majority of votes in the presence of individuals representing at least one half of equity.

As any other matters submitted by the Management Board for consideration by the General Shareholders Meeting, the Management Board's motions concerning amendments to the Bank's Charter should be first presented to the Supervisory Board for their consultation.

Motions submitted to the Management Board by shareholders who have the right to demand that certain items be put on the agenda of the General Shareholders Meeting, as well as motions for consideration of amendments to the Bank's Charter by the General Meeting are placed by the Management Board on the agenda of the nearest General Shareholders Meeting by the deadline specified in the Commercial Companies Code and are presented to the Supervisory Board together with the advice of the Management Board.

10. Operations of the General Meeting, its essential rights as well as the rights of shareholders and mode of their exercise in particular rules of General Meeting Bylaw which do not result directly from legal regulations.

The General Shareholders Meeting is convened by way of an announcement at the Bank's website as well as in the way specified for publishing current information by public companies and it functions according to the principles defined in the regulations of the Commercial Companies Code and the Charter as either an Ordinance or Extraordinary General Meeting.

General Meeting should take place on an annual basis in June at the latest. The General Meeting is convened by the Management Board. If the Management Board fails to do this in the abovementioned time, the General Meeting is convened by the Supervisory Board.

Extraordinary Shareholders Meeting shall be convened if necessary by the Management Board on their own initiative or when petitioned by the Supervisory Board or shareholders representing at least one twentieth of equity; shareholders' request should be submitted to the Management Board in writing or via electronic mail. Extraordinary General Meeting may be convened at any time by the Supervisory Board if considered necessary. Extraordinary General Meeting may be also convened by shareholders representing at least one half of the equity of the Bank or at least one half of the general number of votes in the Bank; the Chair of this Meeting is appointed by the shareholders.

The Company adopted the rule that the General Meetings are held at the time enabling all the eligible and concerned shareholders to attend them.

Bank shareholders representing at least one twentieth of equity are entitled to:

- request putting particular items on the agenda of the nearest General Meeting. This request should be submitted to the Management Board not later than twenty one days before the appointed date of the Meeting. This request should include a rationale or draft of resolution of the suggested item. The request may be submitted via electronic mail .
- submit drafts of resolutions concerning items put on the agenda of the General Meeting or items which are to be put on this agenda in writing or via electronic mail; the Management Board shall immediately announce drafts of the resolutions on the Bank's website

Each shareholder is entitled to submit drafts of resolutions concerning items put on the agenda during Shareholders Meeting. When an Extraordinary General Meeting is convened, the Management Board presents the rationale for its convening and inclusion of specific matters in the agenda or asks for presentation of the rationale if convening of the general meeting is requested by another eligible entity.

Draft resolutions are presented to the General Meeting by the Management Board after being advised by the Bank Supervisory Board. Draft resolutions are presented to the General Meeting along with the rationale, except for the ones which should be obligatorily passed by the General Meeting.

The General Meeting shall be valid irrespective of the number of shares represented. The resolutions of the General Meeting shall be generally passed by an absolute majority of votes. The regulations of the Commercial Companies Code and the stipulations of the Charter define the exceptions to that rule. Apart from the Commercial Companies Code, the issues regarding the convening and functioning of the General Meeting are governed by the Bank Charter, the Bylaw of the General Meeting and the Notice of General Meeting.

General Meetings are held at the Company's registered office in Katowice.

Pursuant to the stipulations of the Bank's Charter, it is possible to organize a General S Meeting in a way enabling shareholders to participate in the General Shareholders Meeting by means of electronic communication including in particular:

- Real time transmission of the General Shareholders Meeting
- real time two-way communication enabling shareholders to express their opinion during the debates of the General Meeting
- exercising voting right in person or by proxy

The debate of the General Shareholders Meeting may be watched by shareholders on the Internet. The debate of the General Shareholders Meeting may be also attended by the media representatives acting as observers; they may also use the Internet transmissions.

A General Meeting should be attended by members of the Management Board and the Supervisory Board who are able to answer questions submitted at the General Meeting. If a member of the Management Board or the Supervisory Board cannot attend the Meeting for material reasons, the General Shareholders Meeting participants are presented with the reasons of their absence. Chartered auditor is invited for the debate of the General Shareholders Meeting, especially when an item pertaining to the financial matters of the Company is included in the agenda of the meeting.

The General Shareholders Meeting has a solid bylaw setting forth detailed principles of debating and passing resolutions. In particular, the Bylaw includes the provisions regarding elections, including election of the supervisory board by voting in separate groups. The Bylaw is not a subject to frequent amendments. Any amendments to the bylaw come into force as of the subsequent General Shareholders Meeting.

In line with the regulations of the Commercial Companies Code, the Banking Law and the stipulations of the Bank Charter, the base authorities of the General Shareholders Meeting are as follows:

- consideration and approval of the Management Board report on the company's operations and the financial statements for the previous financial year,
- acknowledgement of the fulfilment of duties of the Management Board and Supervisory Board Members in the previous financial year,
- distribution of the Bank's profit after tax,
- appointment and recall of the Supervisory Board Members; determination of the number of the Supervisory Board Members; and determination of the principles of their remuneration,
- making amendments to the Charter, inclusive of raising or lowering the initial capital of the Bank,
- redemption of shares,
- taking decisions on the usage of the statutory provision and reserve capital,
- disposal and lease of the Bank's business or its organized part and establishment of limited property right on them,
- issue of convertible bonds or bonds with pre-emptive right,
- issue of bonds with right for conversion into Bank's bonds (convertible bonds)
- resolutions of claims of repair of damage at establishing the company or management or supervision
- purchase and alienation of real estate, perpetual holder or share in real estate unless the Charter stipulates otherwise
- purchase of own shares in the situation stipulated in Article 362 §1 (2) and authorization to their purchase in the situation stipulated in Article 362 §1 (8) of the Commercial Companies Code
- other matters provided for by the legal regulations, the Charter or raised by the Supervisory Board, the Management Board or eligible shareholders.

11. Composition and amendments introduced during last operating year as well as the rules of operation of the Bank's governing and supervisory bodies and their committees

Supervisory Board

The Supervisory Board shall consist of 5 to 11 Members appointed by the General Shareholders Meeting for a 5-year term. The General Shareholders Meeting shall determine the number of the Supervisory Board Members for a given term. The members of the Supervisory Board may be recalled any time with the resolution of the General Shareholders Meeting.

Complying with the rules of Corporate Governance, the Bank introduced the institution of the independent members of the Supervisory Board. In line with the Charter, at least two members of the Supervisory Board should have no relations with the Bank, its shareholders or employees, if such relations could have a significant impact on the ability of such member to take impartial decisions (Independent Members). The minimal number of Independent Members as well as detailed criteria of independence result from "Best Practices for Companies Listed on WSE" adopted by the Bank.

As the tenure of the Supervisory Board came to its end, on 3 April 2009 the General Meeting of ING Bank Śląski S.A. appointed the Supervisory Board for the next tenure (2009-2014). All newly

appointed Members of the Supervisory Board held office in the Supervisory Board during the previous tenure. On their meeting of 8 May 2009, the Supervisory Board constituted themselves as follows:

- Ms. Anna Fornalczyk Chair, Independent Member,
- Mr. Cornelis Leenaars Deputy Chair,
- Mr. Wojciech Popiołek Secretary, Independent Member,
- Mr. Ralph Hamers Member,
- Mr. Jerzy Hausner Member, Independent Member,
- Mr. Nicolaas Cornelis Jue Member,
- Mr. Tom Kliphuis Member,
- Mr. Mirosław Kośmider Member, Independent Member.

Shortly after the end of 2009, on 13 January 2010, Mr. Jerzy Hausner tendered his resignation as member of the Supervisory Board, effective 13 January 2010, to the Chair of the Supervisory Board of ING Bank Śląski S.A. due to his taking office in the Monetary Policy Council. On 5 February 2010, Mr Tom Kliphuis handed in to the Chair of the Supervisory Board a resignation as Supervisory Board Member. The resignation of Mr Tom Kliphuis who is the CEO for Insurance Central Europe was dictated by planned organisational changes in ING Group (split between bank and Insurance) and his duties related thereto.

The primary mission of the Supervisory Board is to perform the supervisory function – the Supervisory Board conducts ongoing oversight of the Bank's operations in all areas. Special rights and duties of the Supervisory Board include appraisal of the report on the Bank's operations and financial reporting for the previous financial year, motions of the Management Board regarding profit distribution or covering the losses, as well as submitting the annual written report on the results of the said appraisal to the General Shareholders Meeting.

Apart from the above mentioned rights and duties, the Supervisory Board shall also have the following decision-taking authorities pursuant to the Bank's Charter:

- approval of rules of cautious and stable Bank management and Bank strategy prepared by the Management Board as well as periodical reviews and verification of their execution, approval of long-term plans of Bank development and annual financial plans of the Bank's operations,
- approval of risk levels acceptable in the individual areas of Bank's activities,
- approval of motions of the Bank's Management Board concerning the establishing and dissolution of organisational units abroad,
- approval of purchase or redemption of shares or rights of share, shares of other legal entities if the assets value exceeds the PLN equivalent of the amount of EUR 5,000,000 at one time or the activity refers to the assets constituting at least 20% of the initial capital of another legal entity; the Supervisory Board approval is not requested for the Bank's exposure resulting from conversion of claims, execution of collateral approved by the Bank or service of underwriting
- appointing and dismissing members of the Bank Management Board,
- concluding agreements concerning execution of functions with the members of the Management Board and settling remuneration resulting from those agreements as well as approval of receipt of other benefits from the Bank and related entities by members of the Management Board,
- approval of Management Board Bylaw, Organisational Bylaw and Bank's internal control system,
- selection of the entity entitled to examine financial report of the Bank on the grounds of recommendation submitted by the Audit Committee,
- settling unified text of the Charter immediately upon adopting the resolution of the editorial amendments in the Charter by the General Shareholders Meeting,

- approval of concluding major agreements with related entity by the Bank,
- approval of purchase, redemption, or encumbrance on a non-current asset, the value of which exceeds the PLN equivalent of EUR 5,000,000 by the Bank; the approval of the Supervisory Board is not required when purchase of the non-current asset takes place by taking over of such asset by the Bank as a creditor as a result of recovering a debt claim by the Bank,
- submitting to the General Meeting concise evaluation of the Bank's position inclusive of the evaluation of internal control system and system of major risks management as well as report of Supervisory Board and its Committees in the operating year inclusive of the Supervisory Board estimation in this time,
- suspension for major reasons of a Management Board member and delegating members of the Supervisory Board to perform activities of the Management Board member who is not authorized to perform his/ her functions for no longer than three months,
- approval of the Bank's compliance policy, approval of rules of internal capital evaluation processes, capital management, capital planning.

The resolutions of the Supervisory Board are passed with the absolute majority of votes, whereas in case of a tie, the Chair of the Supervisory Board shall have the casting vote.

The resolutions of the Supervisory Board may be passed, if more than a half of the Supervisory Board Members are present at the meeting, including its Chair or Deputy Chair, to which all Supervisory Board Members have been invited.

In principle, the meetings of the Supervisory Board are convened by its Chair, or by Deputy Chair or the Secretary of the Supervisory Board who acts based on the authorization granted by the Chair, in line with the annual plan or on an ad hoc basis.

The meetings of the Supervisory Board shall take place at least 5 times a year.

In cases stipulated in the Charter and the Supervisory Board Bylaw, the resolutions of the Supervisory Board may be passed without holding a meeting, using the written mode or by means of remote communication.

The office service of the Supervisory Board shall be provided by the Bank Management Board Bureau.

Detailed principles of the operations of the Supervisory Board are determined in the Bank Charter and the Supervisory Board Bylaw approved by the Supervisory Board.

The Supervisory Board shall appoint members of the Audit Committee and of the Remuneration and Nomination Committee out of their number to support the Supervisory Board in performing their duties.

Audit Committee

The Audit Committee supports the Supervisory Board in the process of monitoring and supervision over internal and external audits and management system at the Bank and its related entities. In particular this covers the adequacy and efficiency of the internal and external audit system and risk management system including non-compliance risk, and the relations between the Bank and its related entities as well as between the Bank and the entity auditing the Bank's financial statements.

The activities of the Audit Committee are described in more detail in the Charter and the Audit Committee Bylaw.

The Audit Committee consists of at least three members, including at least one Independent Member of the Supervisory Board. The independent member should have qualifications and experience in accounting and finances.

In 2009, the members of the Audit Committee included:

- Mirosław Kośmider – Chair,

- Ralph Hamers – Member,
- Jerzy Hausner – Member,
- Tom Kliphuis – Member.

The Audit Committee meets at least once per quarter. While performing their tasks, the Audit Committee may make use of experts' assistance.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee supports the Supervisory Board in the area of monitoring and supervision over the Bank's personnel and payroll area, including in particular plans of succession, the process of employees' turnover, measuring the Bank employees' satisfaction, and policy of remuneration and rewarding system.

The Remuneration and Nomination Committee consists of at least 3 members of the Supervisory Board, including at least one Independent Member.

In the year 2009, the members of the Remuneration and Nomination Committee included:

- Anna Fornalczyk – Chair,
- Cornelis Leenaars – Member,
- Wojciech Popiołek – Member,
- Nicolaas Cornelis Jue – Member.

The Remuneration and Nomination Committee meets at least once per quarter. While performing their tasks, the Committee may make use of experts' assistance.

Management Board

The Management Board is composed of 3 to 8 members appointed by the Supervisory Board for a term of 5 years. At least one half of the Management Board members have to be Polish citizens. In principle, two Management Board members, inclusive of the President, are appointed with the consent of the Banking Supervision Commission.

The Supervisory Board determines the number of Management Board members for a given term. Management Board members may be dismissed at any time with the resolution of the Supervisory Board.

Throughout 2009 there were the following changes in the composition of the Management Board of ING Bank Śląski S.A.:

- At the meeting of the Supervisory Board of the Bank on 28 January 2009, Mr. Michał Szczurek tendered his resignation as Vice-President of the Management Board of the Bank, effective as of 16 March 2009 due to his moving to another position in the Retail Banking structure of ING Group in Asia.
- At the Supervisory Board meeting held on 8 May 2009, the Supervisory Board of the Bank appointed Mr. Evert Derks Drok to the position of Vice-President of the Management Board of ING Bank Śląski S.A., effective 1 June 2009. Mr. Evert Derks Drok has worked for ING Group for many years. Before taking office as Vice-President of the Management Board of ING Bank Śląski S.A., he was the General Director of ING Direct and ING Bank Australia for more than three years.
- On 26 October 2009, Mr. Brunon Bartkiewicz tendered his resignation as Chief Executive Officer of ING Bank Śląski S.A., effective 31 December 2009, to the Chair of the Supervisory Board of the Bank, due to moving to another position in ING Group. As of 1 January 2010, Mr. Brunon Bartkiewicz is responsible for ING Direct in England, France, Italy and Spain.
- On 8 December 2009, the Supervisory Board appointed the so far Vice President of the Management Board, Ms. Małgorzata Kołakowska, as Chief Executive Officer, subject to obtaining the required consent of the Polish Financial Supervision Commission. Thus, the

appointment shall be effective of the date of the said consent. Simultaneously, the Supervisory Board authorised Ms. Anna Fornalczyk, Chair of the Supervisory Board, to apply to the Polish Financial Supervision Commission for their consenting to the appointment of Ms. Małgorzata Kołakowska as the CEO.

Management Board of the Bank as of 31.12.2009		Management Board of the Bank as of the financial statements publication date	
● Mr. Brunon Bartkiewicz	Chief Executive Officer in charge of units that report directly to the Management Board of the Bank, including: Personnel Policy and Development Department, Internal Audit Department, Legal Department and Press Office,	● Ms. Małgorzata Kołakowska	Vice-President, Designated President of Management Board by the Supervisory Board in charge of: Strategic Clients Division, Treasury and FM Division, and units that report directly to the Management Board of the Bank, including: Personnel Policy and Development Department, Internal Audit Department, Legal Department and Press Office,
● Mr. Mirosław Boda	Vice-President in charge of the Finance Division,	● Mr. Mirosław Boda	Vice-President in charge of the Finance Division
● Mr. Michał Bolesławski	Vice-President in charge of the Corporate Sales Network Division,	● Mr. Michał Bolesławski	Vice-President in charge of the Corporate Sales Network Division,
● Mr. Evert Derks Drok	Vice-President in charge of the Retail Banking Division,	● Mr. Evert Derks Drok	Vice-President in charge of the Retail Banking Division,
● Ms. Justyna Kesler	Vice-President in charge of the Operations Division, Services Division and IT Division,	● Ms. Justyna Kesler	Vice-President in charge of the Operations Division, Services Division and IT Division,
● Ms. Małgorzata Kołakowska	Vice-President in charge of the Strategic Clients Division and Treasury and Financial Markets Division,	● Mr. Oscar Swan	Vice-President in charge of the Credit Risk Management Division and Market Risk Management Division.
● Mr. Oscar Swan	Vice-President in charge of the Credit Risk Management Division and Market Risk Management Division.		

Any matters not restricted to the authorities of other Bank's bodies shall fall within the scope of the Management Board's activity. The tasks of the Management Board shall be in particular:

- to fulfil commercial, operational and financial objectives through determining and monitoring their execution by the organizational units,
- to organize and supervise the risk management process in the Bank,
- to organize and supervise the efficiency and effectiveness of processes supporting the Bank's commercial activity,
- to ensure efficient functioning of the Bank's organizational structure and adequate security level,
- to create the Bank corporate culture, norms of co-operation, principles of ethics and a friendly work environment for employees,

- to draw up rules and implement informational policy as regards the Bank and its operational strategy.

The Bank Management Board formulates the strategy of the Bank's operations as part of a three-year rolling action plan, to be approved by the Supervisory Board.

Furthermore, the authorities of the Management Board shall also include decisions on assuming obligations or managing assets, if their total value for one entity exceeds 5% of the Bank's equity, unless those decisions have been reserved as the authority of the Supervisory Board or a relevant Committee, or unless they have been referred by the Management Board to another decision-taking level.

The following matters are within the exclusive authority of the Management Board:

- establishment of Committees, determination of their scope of activities and composition as well as issue of bylaws thereto,
- establishment of Projects, determination of their objectives, rules of operations and requisite resources.

Apart from the matters covering the management of the Bank's business processes, the Management Board is authorized and obligated to undertake actions related to the Bank's operations as a joint-stock company (e.g. convening the General Meeting). The tasks of the Management Board in that respect may not be delegated to others. The Management Board shall act collegially with the reservation of issues which, pursuant to the stipulations of the Management Board Bylaw or the Organizational Bylaw, may be entrusted to individual Management Board Members.

The matters requiring a resolution by the Management Board are set forth in the Management Board Bylaw. The Management Board shall pass resolutions, provided that the meeting is attended by more than a half of the members and all Management Board members were invited. Resolutions of the Management Board shall be passed with the absolute majority of votes, except for appointment of a proxy, which shall require consent of all Management Board members and revocation of the proxy, which can be done by each Management Board member. In the case of a tie, the Executive President shall have the casting vote.

Management Board meetings shall be convened and chaired by the Executive President. The meetings shall be held as necessary, but at least once every other week, in practice once a week.

Management Board members shall supervise individual Divisions and organizational units in accordance with the segregation of duties defined by the Supervisory Board at the request of the Executive President, and bear responsibility for implementation of their missions and core tasks. In the event when a Management Board member cannot temporarily perform his/her authority, the Executive President defines the rules of deputation.

Organization of the Management Board's work, the scope of matters requiring a resolution of the Management Board and the mode of its performance are defined in the Management Board Bylaw passed by the Management Board and approved by the Supervisory Board. Authorities of individual Management Board members are defined in the Organizational Bylaw of the Bank and the regulations concerning functioning of their areas as enacted by the Management Board.

XII. APPRAISAL OF THE OPERATIONS OF THE CAPITAL GROUP OF ING BANK ŚLĄSKI S.A. IN 2009 PREPARED BY THE SUPERVISORY BOARD

In 2009, Polish economy slowed down significantly. It led to deterioration of the financial standing of the bank clients (both corporate and retail ones). Limited demand for bank services, and most of all worsening ability of the bank clients to repay their debts in time was reflected in a significant decrease of the net result of the Polish banking sector that totalled PLN 8.7 billion, down by 1/3 year on year.

In 2009, in this complex environment, the Capital Group of ING Bank Śląski S.A. generated net profit of PLN 595.1 million compared with PLN 445.4 million in 2008 (up by 33.6%). The net profit figure was influenced by:

- Increase of income that in 2009 totalled PLN 2,532.3 million versus PLN 2,127.7 million a year earlier. Income increased due to the increase of income on traditional deposit and credit operations and due to very good financial results from FM operations.
- Stabilisation of operating expenses. As the result of consistent actions aimed at further improvement of the effective use of resources, in 2009 operating expenses of the Capital Group of the Bank amounted to PLN 1,489.5 million, similarly to last year.
- Increase of risk costs burden. Negative balance of the assets impairment charges recognised through profit and loss went up from PLN 65.6 million in 2008 to PLN 304.5 million in 2009. It included PLN 115.2 million worth of provision against the risk connected with deterioration of the financial standing of the clients active in the derivatives market (versus PLN 71.4 million in 2008).

The Supervisory Board, acting through its Audit Committee, supervise the processes of risks management in ING Bank Śląski S.A. on a continuous basis, both in terms of the Bank and the whole Capital Group of the Bank.

ING Bank Śląski S.A. presents the Audit Committee with the reports referring to actions taken to improve the internal control system, as well as the results of reviewing processes carried out by the Internal Audit Department reporting directly to the Bank's CEO. In 2009, the Audit Committee of the Supervisory Board accepted the 2008 IAD Report, accepted and then updated the Audits Plan for 2009, and familiarised themselves with quarterly Non-Financial Risk Dashboards. The supervision showed that ING Bank Śląski S.A. had an efficient system of internal audit which was of importance for the compliance with the corporate governance rules.

The Audit Committee also supports the Supervisory Board in monitoring and overseeing the financial risk management system (credit, liquidity and market risks). In 2009, the Committee acknowledged the report on the review of the process of internal capital adequacy appraisal against the policy, and monitored the market risk level in the Bank on a current basis. The Supervisory Board is of the opinion that – in terms of risk identification, measurement and management – ING Bank Śląski S.A. applies techniques adequate to the risks. In 2009, ING Bank Śląski S.A. fulfilled all the requirements for secure operation and capital adequacy, and especially:

- Had prudent credit policy in place, and the Bank's credit processes and procedures were in compliance with the supervisory requirements and best market practices. In its credit policy in 2009, the Bank took into account the prevailing economic situation and applied stricter procedures to sectors generating higher risk. In December 2009, the share of impaired loans was 4.4%, and it was below the mean for the entire banking sector.
- Has in place the MRM procedures and systems meeting the highest market standards. In 2009, there were few short-term excesses of the limits assumed in the Bank for the management of risks related to FX options and FX spot transactions. As at the end of 2009, the risk level in individual risk categories was within the limits binding in the Bank.
- Had good liquidity. The Bank is the net lender in the interbank market, and the Bank's base of stable and diversified deposits of individual clients is one of the largest in Poland.
- Had sufficient equity. In December 2009, the solvency ratio of the Capital Group of ING Bank

Śląski S.A. was 12.0%.

In view of the 2010 forecast of low pace of improvement of Polish economy that will limit the development potential for the Polish banking sector, and that will contribute to the increase of the credit risk, the Supervisory Board draw attention to the challenges that ING Bank Śląski S.A. will have to face in the nearest future:

- Necessity of prudent equity management. Development of lending that is indispensable from the point of view of further improvement of the Bank's efficiency should be diversified and should take into account the credit risk in individual client groups.
- Need to keep to the basic values in establishing and maintaining relationships with the clients, which will create favourable conditions for further strengthening of co-operation, and which will contribute to the increase of the Company's income.
- Effective costs management. Maintenance of the so far decisive actions aimed at cost optimisation should be one of the basic instruments to counteract the limited potential of the increase of the Bank's income.

Judging by the financial results obtained by the Capital Group of ING Bank Śląski S.A. in 2009, the Bank will cope well with the macroeconomic challenges in 2010 as well.

XIII. STATEMENTS OF MANAGEMENT BOARD OF ING BANK ŚLĄSKI S.A.

1. Truthfulness and Accuracy of Statements

To the best knowledge of the Management Board of the Bank, the annual financial data for 2009 and the comparable data presented in the annual consolidated financial statements of the Capital Group of ING Bank Śląski S.A. were prepared, in all material aspects, in accordance with the effective accounting principles and present fairly, accurately and transparently all the information on the property and financial standing of the Bank's Capital Group and its financial result. The annual report of the Management Board being part of this document is a true presentation of the development, achievements and standing (including a description of key risks) of the Bank's Capital Group in 2009.

2. Selection of Entity Authorised to Audit Financial Statements

The entity authorised to audit the financial statements that audited the annual financial statements of the Bank's capital group was selected according to the effective laws and Bank's regulations. The entity and the certified auditors fulfilled the conditions required to make an impartial and independent report on their audit, as required by the applicable Polish laws.

3. Additional Information

Agreements Concluded

The Bank Management Board declare that as at 31.12.2009 ING Bank Śląski S.A. did not have any:

- significant cash loans agreements, sureties or guarantees not concerning operating activity,
- liabilities towards Central Bank (whereas as at the end of 2008 the Bank's liabilities towards NBP in relation to a lombard loan and repo transactions totalled PLN 5,932.1 million),
- contractual obligations due to issued debt securities or financial instruments.

Number and Value of Writs of Execution

To safeguard the Bank against the lending-related risk, the Bank accepts various personal and tangible collaterals such as: bank guarantee, surety under the civil law, blank promissory note, draft guarantee, transfer of debt claims, mortgage, pledge register, ordinary pledge, repossession for collateral, transfer of a specific amount to the Bank's account and freezing of funds in the bank account.

As at 31 December 2009, the number of writs of execution issued by the Bank in the case of loans for business purposes was 167 and covered total debt of PLN 294.4 million.

As regards retail clients, in the year 2009 the Bank filed 6,247 banking writs of execution totalling PLN 31,829,800 and 2,228 claims totalling PLN 23,576,800.

Value of proceedings regarding liabilities or debt claims in progress in 2009 did not exceed 10% of the Bank's equity.

The Bank is of the opinion that individual proceedings that were in progress in 2009 and that were heard before any court of justice or arbitration, or before any public administration authority, as well as all proceedings in total do not pose a threat for the financial liquidity of the Bank.

Signatures of the Members of the Management Board of ING Bank Śląski S.A.:

Małgorzata Kołakowska
Executive Vice President, Designated President
of the Management Board by the Supervisory Board
(signed on the Polish original)

Mirosław Boda
Executive Vice President
(signed on the Polish original)

Michał Bolesławski
Executive Vice President
(signed on the Polish original)

Evert Derks Drok
Executive Vice President
(signed on the Polish original)

Justyna Kesler
Executive Vice President
(signed on the Polish original)

Oscar Edward Swan
Executive Vice President
(signed on the Polish original)

3 March 2010

