SECURITIES AND STOCK EXCHANGE COMMISSION

Annual report SAB-R 2004

(pursuant to § 57 par. 1 item 3 of the Decree of the Council of Ministers dated 16 Oct 2001 (Official Journal No 139, item 1569 and No 31/2002, item. 280)

(for banks)

For the period from 01 Jan 2004 and 31 Dec 2004
and for the period from 01 Jan 2003 and 31 Dec 2003

17 Feb 2005
(date of issue of the report)

ING Bank Śląski Spółka Akcyjna
(issuer full name)

ING Bank Śląski S.A.
(issuer short name)

40-086 Katowice Sokolska 34

(032) 357 85 93 (telephone)
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maria.pawlas@ingbank.pl (e-mail)

634-013-54-75 (NIP)
271514909 (REGON)
www.ing.pl (www)

KPMG Polska Audyt Sp. z o.o.
(The company authorised to audit financial statements)

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The annual report consists of:

- ☐ Auditor's opinion and report on the financial statements
- ☐ Letter from the President of the Management Board
- ☐ Annual financial statements
  - ☐ Introduction
  - ☐ Balance sheet
  - ☐ Profit and loss account
  - ☐ Changes in equity capital
  - ☐ Cash flow statement
  - ☐ Additional information and notes
- ☐ Commentary of the Bank Management Board (report regarding the activity of the year)

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	end of the year 2004	end of the year 2003	end of the year 2004	end of the year 2003
I. Interest income	1 686 170	1 620 809	373 195	364 440
II. Fee and commission income	551 566	569 806	122 076	128 121
III. Result on banking activity	1 583 539	1 531 829	350 480	344 432
IV. Operating profit	352 893	147 776	78 105	33 228
V. Gross profit (loss)	353 135	148 014	78 158	33 281
VI. Net profit (loss)	366 255	30 546	81 062	6 868
VII. Net cash flow from operating activities	708 492	-187 847	156 808	-42 237
VIII. Net cash flow from investment activities	-25 994	271 897	-5 753	61 136
IX. Net cash flow from financial activities	-51 082	-38 613	-11 306	-8 682
X. Net cash flow, total	631 416	45 437	139 749	10 217
XI. Total assets	35 043 886	28 953 831	8 591 293	6 138 188
XII. Due to Central Bank	-	-	-	-
XIII. Due to other financial institutions	3 470 645	3 221 303	850 857	682 914
XIV. Due to customers and State budget	26 132 894	20 775 707	6 406 691	4 404 432
XV. Own equity	3 135 958	2 708 812	768 806	574 266
XVI. Share capital	130 100	130 100	31 895	27 581
XVII. Number of shares	13 010 000	13 010 000		
XVIII. Net book value per share (in PLN / EUR)	241,04	208,21	59,09	44,14
XIX. Diluted book value per share (in PLN / EUR)	-	-	-	-
XX. Solvency ratio	14,91	14,41		
XXI. Net profit (loss) per ordinary share (in PLN / EUR)	28,15	2,35	6,23	0,53
XXII. Diluted net profit (loss) per ordinary share (in PLN / EUR)	-	-	-	-
XXIII. Declared or paid dividend per ordinary share (in PLN / EUR)	0,80	2,40	0,20	0,51

ING BANK ŚLĄSKI S.A.

OPINION
OF THE INDEPENDENT AUDITOR
AND REPORT SUPPLEMENTING THE OPINION
ON THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2004

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of ING Bank Śląski S.A.

We have audited the accompanying financial statements of ING Bank Śląski S.A. seated in Katowice, ul. Sokolska 34, consisting of the introduction to the financial statements, the balance sheet as at 31 December 2004, with total assets and total liabilities and equity of PLN 35,043,886 thousand, the capital adequacy ratio, the statement of contingencies and commitments granted at 31 December 2004 amounting to PLN 11,503,688 thousand, the profit and loss account for the year then ended with a net profit of PLN 366,255 thousand, the statement of changes in equity for the year then ended, with an increase in equity of PLN 427,146 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 631,416 thousand, and the supplementary information and explanations.

Management of the Bank is responsible for the true and fair presentation of the financial statements and the accuracy of the accounting records. Our responsibility is to audit and express an opinion on the true and fair presentation of the financial statements and whether the financial statements are derived from properly maintained accounting records.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal from 2002, No 76, item 694 with subsequent amendments) and the professional standards established by the Polish National Council of Certified Auditors. These standards require that we plan and perform the audit to obtain reasonable assurance that will enable us to express an opinion on the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements of ING Bank Śląski S.A. have been prepared from properly maintained accounting records and present fairly, in all material aspects, the financial position of the Bank as at 31 December 2004 and the results of its operations in accordance with the accounting standards as set out in the Polish Accounting Act dated 29 September 1994, the Resolution of the Ministry of Finance dated 10 December 2001 regarding special accounting principles for banks (Official Journal No 149 from 2001, item 1673 with later amendments*)*, requirements for issuers of publicly traded securities and regulations and the provisions of the Bank's Statute that apply to the Bank's financial statements.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the Report on the Company's activities includes the information required by Art. 49 Note 2 of the Accounting Act and requirements of the Ministry of Finance Resolution dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and the information is consistent with the financial statements.

signed on the Polish original
....
Certified Auditor No. 4979/2575
Hanna Fludra

signed on the Polish original
....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk,
Member of the Board of Directors

Warsaw, 16 February 2005

ING BANK ŚLĄSKI S.A.

REPORT SUPPLEMENTING THE OPINION ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

1 General

1.1 General information on the Bank

1.1.1 Name of the Bank

ING Bank Śląski S.A.

1.1.2 Registered office

ul. Sokolska 34
40-086 Katowice
Poland

1.1.3 Commercial registration

Seat of the court:	Katowice
Date:	9th April 2001
Registration number:	KRS 0000005459

1.1.4 Tax Office and Provincial Statistical Office registration

NIP:	634-013-5475
REGON:	271514909

1.2 Auditor information

KPMG Audyt Sp. z o. o.
ul. Chłodna 51
00-867 Warsaw

KPMG Polska Audyt Sp. z o.o. (prior to 9 May 2004 registered as KPMG Polska Audyt Sp. z o.o.) is a company authorised to audit financial statements (number 458).

1.3 Legal status

1.3.1 Share capital

The Bank was established under the terms of its Deed dated 8 October 1991.

The share capital of the Bank as at 31 December 2004 amounted to PLN 130,100,000 divided into 9,260,000 ordinary ‘A’ type shares and 3,750,000 ‘B’ type shares, with a nominal value of PLN 10 each.

As at 31 December 2004, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Number of voting rights (in %)	Book value of shares in PLN	Percentage of share capital (in %)
ING BANK N.V.	11,418,641	87.77%	114,186,410	87.77%
Commercial Union OFE BPH CU WBK	700,000	5.38%	7,000,000	5.38%
Other shareholders <5%	891,359	6.85%	8,913,590	6.85%
	13,010,000	100.00%	130,100,000	100.00%

1.3.2 Related parties

The Bank is a member of the ING Bank Śląski Capital Group.

1.3.3 Management of the Bank

The Board of Directors is responsible for management of the Bank.

As at 31 December 2004, the Board of Directors of the Bank was comprised of the following members:

President of the Board of Directors	Mr Brunon Bartkiewicz
Vice-president of the Board of Directors	Mr Ben van de Vrie
Vice-president of the Board of Directors	Mr Krzysztof Brejdak
Vice-president of the Board of Directors	Mr Grzegorz Cywiński
Vice-president of the Board of Directors	Mr Don Koch
Vice-president of the Board of Directors	Mr Michał Szczurek
Vice-president of the Board of Directors	Mr Maciej Węgrzyński

Until the date of preparation of financial statement there were the following changes in the composition of the Board of Directors.

On 2 April 2004 the Supervisory Board of ING Bank Śląski S.A. accepted resignation of Mr. Marian Czakański, President of the Board of Directors as of 25 May 2004, the date of General Meeting of the Bank.

The Supervisory Board of the Bank appointed Mr. Brunon Bartkiewicz as President of the Board of Directors as of 17 June 2004.

The Supervisory Board of the Bank dismissed Mr. Cornelis Tuijnmam from the position of Vice-President of the Board of Directors as of 31 May 2004 due to the fact of his transition to work in other entity of ING Group. At the same time the Supervisory Board of the Bank designated Mr. Maciej Węgrzyński for the position of Vice-President of the Board of Directors as of 1 July 2004.

The Supervisory Board of the Bank acknowledged resignation of Ist Vice-President of the Board of Directors, Mr. Frederik van Etten as of 1 August 2004 and Vice-President of the Board, Mr. Anthonius Roozen as of 1 September 2004.

The Supervisory Board of the Bank appointed Mr. Don Koch to a post of Vice-President of the Board of Directors of ING Bank Śląski S.A. as of 1 July 2004, Mr. Ben van de Vrie to a post of Vice-President of the Board of Directors of ING Bank Śląski S.A. as of 1 August 2004, and Mr. Michał Szczurek to a post of Vice-President of the Board of Directors as of 1 October 2004.

On 11 February 2005 the Supervisory Board of the Bank appointed also Mr. Ian Clyne to a post of Vice-President of the Board of Directors of ING Bank Śląski S.A. as of 1 March 2005.

1.3.4 Activities of the Bank

The business activities listed in the Bank's Statute include the following:

- opening and maintaining bank accounts;
- accepting current and term placements;
- issuing and trading on own securities;
- granting and taking loans, co–operation and intermediary services in respect of loans;
- financial and operational participation in international projects and undertakings;
- placing and accepting money placements with Polish and foreign banks;
- custodian services;
- providing leasing, factoring, underwriting and other financial services for personal and corporate clients;
- soliciting services as defined in the Act on Organisation and Activities of Pension Funds;
- other services as specified in the articles of association.

1.4 Prior period financial statements

The financial statements for the period from 1 January 2003 to 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

The financial statements were approved at the Shareholders Meeting on 25 May 2004. The shareholders approved distribution of prior year profit of PLN 28,735 thousand as follows:

• General risk fund	PLN 18,327 thousand
• Dividend for shareholders	PLN 10,408 thousand

The closing balances as at 31 December 2003 have been properly recorded as the opening balances of the audited year, with consideration of the adjustments resulting from changes in accounting policies.

As a result of changes in accounting policies regarding the recognition of the income interest from loans classified as irregular, which are overdue less than 90 days, what is consistent with International Accounting Standards and compliant with Regulation of the Minister of Finance dated 10 December 2003 (Official Journal No. 218, item 2197) and presentation in the balance sheet buy-sell-back and sell-buy back transactions, previously presented as off-balance sheet items, the opening balance as of 1 January 2004 was adjusted. For purpose of comparability of the financial statements, the financial statements as at 31 December 2003 were appropriately adjusted.

The financial statements of the Bank for the year ended 31 December 2003 were submitted to the Regional Court for Katowice on 22 June 2004 and published in the "National Journal" No. 1010, item 7099 dated 29 September 2004.

1.5 Audit scope and responsibilities

This report of the independent auditor was prepared for the General Meeting of ING Bank Śląski S.A., seated in Katowice and relates to the financial statements comprising: introduction to financial statements, balance sheet as at 31 December 2004, with total assets and total liabilities and equity of PLN 35,043,886 thousand, capital adequacy ratio, statement of contingencies and commitments granted as at 31 December 2004 amounting to PLN 11,503,688 thousand, profit and loss account for the period then ended with a net profit of PLN 366,255 thousand, statement of changes in equity for the period then ended at 31 December 2004, with an increase in equity of PLN 427,146 thousand, cash flows statement for the period then with an increase in cash of PLN 631,416 thousand, and the supplementary information and explanation.

The financial statements have been audited on the basis of the decision of the Supervisory Board of ING Bank Śląski dated 15 October 2002 on the appointment of the auditor.

The financial statements have been audited in accordance with the contract dated 14 November 2002.

We conducted the audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants, section 7 of the Polish Accounting Act dated 29 September 1994 (Revised Text, Official Journal from 2002, no 76, item 694 with amendments) and the professional standards established by the Polish National Council of Certified Auditors.

We have audited the financial statements in the Bank's head office and it's branches during the period from 2 November 2004 to 14 February 2005.

We have conducted an independent audit of these financial statements in order to express an opinion thereon and present this, together with a written report of the independent auditor, to the Bank's General Meeting.

On 16 February 2005, the Bank's directors submitted a statement as to the completeness, fairness, clarity and accuracy of the financial statements presented for audit which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements for the audited year.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled by the Board of Directors.

The Board of Directors and Supervisory Board members of KPMG Audyt Sp. z o.o. and other persons related to the audit of financial statements of the Bank meet the independence requirements. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.

2 Financial analysis of the Bank

2.1 Summary of the financial statements

2.1.1 Balance sheet

ASSETS	**31.12.2004 PLN'000**	31.12.2003 PLN'000
Cash and due from NBP	**895,324**	1,083,512
Debt securities eligible for rediscounting with NBP	**14,224**	16,552
Due from financial sector	**11,446,900**	8,155,285
Due from customers	**10,008,449**	11,672,391
Due from state budget	**379,163**	447,274
Receivables related to repurchase agreements	**344,476**	329,399
Debt securities	**10,100,644**	5,277,087
Investments in subsidiary undertakings	**140,982**	141,228
Investments in jointly-controlled undertakings	**-**	-
Investments in associated undertakings	**70,944**	53,208
Investments in other undertakings	**15,893**	27,531
Other investments and ownership rights	**470,920**	432,252
Intangible fixed assets	**264,587**	266,292
Tangible fixed assets	**492,963**	545,819
Other assets	**155,488**	240,754
Interperiod settlements	**242,929**	265,247
TOTAL ASSETS	**35,043,886**	**28,953,831**

LIABILITIES AND EQUITY	31.12.2004 PLN '000	31.12.2003 PLN '000
Liabilities		
Due to other financial institutions	**3,470,645**	3,221,303
Due to customers	**24,928,674**	19,715,442
Due to budget	**1,204,220**	1,060,265
Liabilities due to securities sold with promised redemption	**1,047,539**	1,087,588
Other liabilities from financial instruments	**215,180**	256,362
Special funds and other liabilities	**344,530**	322,425
Interperiod settlements and deferred income	**267,040**	271,153
Provisions	**430,100**	310,481
	31,907,928	26,245,019
Share capital	**130,100**	130,100
Capital reserve	**1,003,152**	1,002,292
Revaluation capital	**92,886**	22,447
Other reserve capital	**1,537,079**	1,531,720
Undistributed profit / uncovered losses from prior years	**6,486**	(8,293)
Net profit for the year	**366,255**	30,546
	3,135,958	2,708,812
TOTAL LIABILITIES AND EQUITY	**35,043,886**	**28,953,831**
Capital adequacy ratio	**14.91%**	14.41%

Off-balance sheet items	**31.12.2004 PLN '000**	31.12.2003 PLN '000
Commitments granted	**11,503,688**	8,105,737
Commitments received	**12,082,078**	11,945,735
Commitments due to sale/purchase operations	**59,158,291**	55,853,333
Other off-balance sheet items	**32,276,656**	83,820,163
Total Off-balance sheet items	**115,020,713**	**159,724,968**

2.1.2 Profit and loss account

	01.01.2004 – 31.12.2004 PLN'000	01.01.2003 – 31.12.2003 PLN'000
Interest income	**1,686,170**	1,620,809
Interest expense	**(864,467)**	(749,855)
Net interest income	**821,703**	**870,954**
Fee and commission income	**551,566**	569,806
Fee and commission expense	**(67,620)**	(75,103)
Net fee and commission income	**483,946**	**494,703**
Income from shares and other securities	**750**	1,468
Net profit/(loss) on financial operations	**74,602**	58,854
Net profit on foreign exchange	**201,978**	105,850
Profit on banking activity	**1,582,979**	**1,531,829**
Other operating income	**48,947**	30,310
Other operating expenses	**(64,653)**	(69,117)
General expenses	**(895,221)**	(812,669)
Depreciation of tangible and intangible fixed assets	**(116,076)**	(127,420)
Charges to provisions	**(2,437,795)**	(2,433,610)
Release of provisions	**2,234,152**	2,028,453
Net charges to provisions	**(203,643)**	(405,157)
Profit on operational activity	**352,333**	**147,776**
Extraordinary gains/(losses)	**802**	238
Profit before taxation	**353,135**	**148,014**
Corporate income tax	**(62,833)**	(103,708)
Other gross profit charges	**(1,310)**	(21)
Share in gain/losses of subsidiaries under equity method	**77,263**	(13,739)
Net profit after taxation	**366,255**	**30,546**

2.2 Selected financial ratios

	31.12.2004	31.12.2003
Total assets (PLN thousand)	**35,043,886**	28,953,831
Gross profit before taxation (PLN thousand)	**353,135**	148,014
Net profit after taxation (PLN thousand)	**366,255**	30,546
Equity (excluding current year result, PLN thousand)	**2,769,703**	2,678,266
Return on equity (based on average value of equity)	**13.2%**	1.1%
Capital adequacy ratio	**14.91 %**	14.41%
Receivables to total assets	**62.3%**	70.0%
Income earning assets to total assets	**93.4%**	90.9%
Cost bearing liabilities to total liabilities	**88.1%**	87.5%

2.3 Interpretation of selected financial ratios

The most significant changes in the balance sheet and the profit and loss account items are analysed below.

The total balance sheet grew by PLN 6,090,055 thousand (21%) during the year. The main growth driver in 2004 was an increase in deposits taken on the liabilities side. On the assets side, the highest increase related to debt securities.

Gross profit before tax for the year ended 31 December 2004 amounted to PLN 353,135 thousand. It was higher than in previous year by PLN 205,121 thousand. The main factors for the increase in net income was higher result on foreign exchange, higher share in result of subsidiaries and lower charges to provisions.

As a result, return on equity increased from 1.1% in prior year to 13.2% in 2004.

3 Detailed report

3.1 Accounting records

The Bank holds current documentation describing the applied accounting principles, approved by the Board of Directors and described in the introduction to the financial statements, to the extent required by the Accounting Act and requirements for issuers of publicly traded securities.

The financial statements were prepared on the basis of accounting records which are maintained in accordance with the requirements of section 2 “Maintenance of the accounting records” and section 8 “Data protection” of the Accounting Act dated 29 September 1994.

3.2 Internal control

Internal control is enforced by the Chief Accountant and the Board of Directors on a functional basis.

During our audit of the financial statements, we made an evaluation of the accounting system and underlying system of internal control in order to enable us to express an opinion on the financial statements.

Our review should not be relied upon to disclose all irregularities or material weaknesses in the system. Our procedures did not identify any significant irregularities in the accounting and internal control system.

3.3 Principles of prudence applied by the Bank and the capital adequacy ratio

In the context of the audit of the financial statements, no material exceptions have been noted in the principles of prudence applied by the Bank. Capital adequacy ratio was calculated properly.

3.4 Materiality levels applied by the auditor

In order to issue the audit opinion on the financial statements treated as a whole, materiality levels applied by the auditor were adequate to the materiality and the risk assessment of particular items of the financial statements.

3.5 Introduction to financial statements

All information included in the introduction to the financial statements is presented fairly by the Bank when read in conjunction with the financial statements taken as a whole.

3.6 Supplementary information and explanations

All information included in the supplementary information and explanations is presented accurately and completely by the Bank when read in conjunction with the financial statements taken as a whole.

3.7 Report on the Bank's activities

The report on the Bank's activities includes information specified in Article 49 Paragraph 2 of the Polish Accounting Act and requirements of the Ministry of Finance Resolution dated 16 October 2001 on current and periodic information provided by issuers of publicly traded securities (Official Journal from 2001, No 139, item 1569 with amendments) and it is consistent with the data included in the financial statements.

3.8 Information on the opinion of the independent auditor

Based on our audit of the financial statements as at and for the year ended 31 December 2004, we have issued an unqualified opinion.

signed on the Polish original
....
Certified Auditor No. 4979/2575
Hanna Fludra

signed on the Polish original
....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51; 00-867 Warsaw
Certified Auditor No. 9941/7390
Bożena Graczyk,
Member of the Board of Directors

Warsaw, 16 February 2005

INTRODUCTION TO THE FINANCIAL STATEMENTS

as at 31 December 2004

I LEGAL BASIS FOR THE OPERATIONS OF ING BANK ŚLĄSKI S.A.

Based on ordinance no. 6 of the President of the National Bank of Poland (NBP) dated 14 February 1989, operational units were separated from the NBP together with their assets and liabilities and rights and obligations. As a result Bank Śląski in Katowice was formed on 1 February 1989.

On 8 October 1991, the State-owned Bank Śląski in Katowice was transformed into Bank Śląski S.A. in Katowice. The new entity was registered in section B of the commercial register of the District Court in Katowice under number RHB 7130 on 18 October 1991. The State Treasury became the sole shareholder of the Bank.

On 3 September 1993 the Bank obtained from Stock Exchange Commission an assent for public trading of the Bank's shares. On 31 August 1993 an Issuance Prospectus was presented, in which the State Treasury, represented by the Minister of Finance has made a tender to purchase 4,167,000 shares, and offered 1,389,000 shares for public trading. As a result of tender cancellation 1,400,000 shares were added to the shares for public trading.

On 3 January 1994, the Management of the Warsaw Stock Exchange decided to determine 25 January 1994 as first day of trading with shares of Bank Śląski S.A.

On 9 April 2001, Bank Śląski S.A. in Katowice was registered in the Commercial Register at the District Court, under the number KRS 5459.

On 6 September 2001, the new name of the Bank was registered in the National Court Register and this legally binding name is:

"ING Bank Śląski Spółka Akcyjna"
or in short
"ING Bank Śląski S.A."
The Bank may also use the name „ING Bank".

Increase of share capital of ING Bank Śląski S.A. by PLN 37,500,000 was registered by The District Court in Katowice on 17 September 2001. As a result the share capital of ING Bank Śląski S.A. amounts to PLN 130,100,000 consisting of 13,010,000 ordinary shares with a nominal value of PLN 10 each.

II GENERAL INFORMATION OF THE ISSUER ING BANK ŚLĄSKI SPÓŁKA AKCYJNA 40-086 KATOWICE, UL. SOKOLSKA 34

The primary activity according to Polish Activity Classification 65.12A

The activities of ING Bank Śląski S.A. are as follows:
- opening and maintaining bank accounts;
- accepting savings deposits and term deposits;
- issuing securities, including bonds and certificates, and trading them on the securities markets, purchasing and selling securities for its own account and for the account of third parties;
- granting and obtaining loans, acting as an agent and intermediary for granting loans;
- foreign exchange transactions;
- financial services supporting foreign trade operations;
- cash settlements, bills of exchange operations, granting and accepting guarantees and other commitments;
- acceptance of cheques and promissory notes;
- concluding agreements and processing of payments on bank accounts and on the purchase of goods and services in Poland;
- making payments according to inter-bank transactions agreements;
- financial and operational participation in international financial transactions;
- taking and placing funds in domestic and foreign banks;
- safe-keeping of assets and securities;
- custodian services;
- providing services ordered by other banks;
- other co-operation with domestic, foreign and international banks and financial institutions;
- on request of the Ministry of Privatisation, performing services relating to the privatisation of state-owned companies;
- managing shares from State Treasury;
- leasing, factoring, forfeiting, underwriting and other financial services;
- brokerage services, including the maintenance of securities accounts, accepting orders to purchase units of trust funds, investment funds, and purchasing and acquisition of investment certificates;
- running of housing saving societies;
- issuing payment cards and processing operations made with cards;
- acting as a broker for insurance companies and pension funds;
- activities related to warranties;
- other types of activities outlined in the Bank's Statutes.

III SCOPE AND FRAMEWORK FOR FINANCIAL STATEMENTS

The financial statements are prepared for the year 2004 and contain comparable financial data as at 31 December 2003.

The financial statements have been prepared in accordance with:

- The Accounting Act of 29 September 1994 (Official Journal of 2002, No. 76, item 694, with subsequent amendments);
- Resolution of Minister of Finance, dated 10 December 2003, in respect of provisions against the risk of banking activity (Official Journal No. 218, item 2197, with subsequent amendments);

- Resolution of Minister of Finance, dated 10 December 2001, in respect of specific accounting principles for banks (Official Journal No. 149, item 1673, with subsequent amendments);
- Resolution of Minister of Finance, dated 12 December 2001, in respect of the recognition, valuation, disclosure and presentation of financial instruments (Official Journal No. 149, item 1674, with subsequent amendments);
- Resolution of Minister of Finance, dated 12 August 2004, in respect of detailed conditions to be fulfilled by the issance prospectus as well as brief issuance prospectus (Official Journal No. 186, item 1921)
- additionally, in accordance with the applicable accounting principles currently applied by the ING Bank Śląski S.A. and recommendations of the General Inspectorate of Banking Supervision of NBP and the Securities and Stock Exchange Commission.

IV THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board of the Bank.

On 29 March 2004 President of the Management Board, Mr. Marian Czakański, informed about his intension to resign from the position because of personal reasons at date of the General Shareholders' Meeting for year 2003.

On 2 April 2004 the Supervisory Board of ING Bank Śląski S.A. accepted resignation of Mr. Marian Czakański as of 25 May 2004, the day of General Shareholders' Meeting.

At the same time the Supervisory Board of the Bank designated Mr. Brunon Bartkiewicz as a candidate for the position of President of the Management Board and authorized President of the Supervisory Board, Mr. Andrzej Wróblewski, to make a motion to Banking Supervisory Commission to give assent to the appointment.

The Supervisory Board of the Bank dismissed Mr. Cornelis Tuijnmam from the position of Vice-President of the Management Board as of 31 May 2004 due to the fact of his transition to work in other entity of ING Group. At the same time the Supervisory Board of the Bank designated Mr. Maciej Węgrzyński for the position of Vice-President of the Management Board as of 1 July 2004.

The Supervisory Board acknowledged resignations of I-st Vice-President of the Management Board, Mr. Frederik Van Etten, as of 1st August 2004 and Vice-President of the Management Board, Mr. Anthonius Roozen as of 1st September 2004.

Based on decision of Banking Supervisory Commission made on 9th June, the Supervisory Board appointed Mr. Brunon Bartkiewicz to a post of President of the Management Board of ING Bank Śląskiego S.A. effective 17th June 2004.

Furthermore, after receiving opinion of President of the Management Board, the Supervisory Board appointed:

1. Mr. Don Koch to a post of Vice-President of the Management Board of ING Bank Śląski S.A. as of 1st July 2004

2. Mr. Ben van de Vrie to a post of Vice-President of the Management Board of ING Bank Śląski S.A. as of 1st August 2004
3. Mr. Michał Szczurek to a post of Vice-President of the Management Board of ING Bank Śląski as of 1st October 2004.

As at 31 December 2004 the Management Board was comprised of the following members:

Mr. Brunon Bartkiewicz	President of the Management Board
Mr. Ben van de Vrie	President of the Management Board
Mr. Krzysztof Brejdak	Vice-President of the Management Board
Mr. Grzegorz Cywiński	Vice-President of the Management Board
Mr. Don Koch	Vice-President of the Management Board
Mr. Michał Szczurek	Vice-President of the Management Board
Mr. Maciej Węgrzyński	Vice-President of the Management Board

The Supervisory Board of the Bank

Owing to the fact that the tenure of Supervisory Board came to its end, the new Supervisory Board was appointed at General Shareholders' Meeting on 25 May 2004, comprising the following members:

Mr. Andrzej Wróblewski
Mr. Cornelis Leenaars
Mr. Jerzy Rokita
Mr. Erik Dralans
Mr. Lech Węclewski

The first meeting of the Supervisory Board, which was appointed on 25 May by General Shareholders' Meeting, took place on 17 June 2004, in the composition of:

President of Supervisory Board – Mr. Andrzej Wróblewski,
Vice-President of the Supervisory Board – Mr. Cornelis Leenaars,
Secretary of the Supervisory Board - Mr. Jerzy Rokita,
Member of the Supervisory Board Mr. Erik Dralans,

Member of the Supervisory Board – Mr. Lech Węclewski

V THE CONSOLIDATED FINANCIAL STATEMENTS

In respect to the Accounting Act ING Bank Śląski S.A. is the parent company of the Group and therefore is obliged to prepare consolidated financial statements.

VI GOING CONCERN

The financial statements were prepared in accordance with the going concern principle, taking into account that the Bank will continue its activity in the foreseeable future.

There are no known circumstances directly indicating any threat to the Bank's continued operations.

VII COMPARABILITY OF FINANCIAL DATA

The financial statements for the year ending 31 December 2003, in accordance with the Regulation of Board of Ministers, dated 11 August 2004, on detailed conditions on the issuing prospectus, and the Regulation of the Board of Ministers, dated 16 October 2001, on current and periodic information, which is presented by the issuers of securities (Official Journal No. 139, item 1568 and item 1569, with later amendments), were adjusted, so that they are comparable to the information contained in the financial statements for the year ended 31 December 2004.

The breakdown of differences resulting from the changes of accounting principles caused by amendment to executive acts that came into force, is presented in Note 33 of the additional information to the financial statements.

The breakdown of differences resulting from the changes in the way financial statements are prepared is presented in Note 33 of the additional information to the financial statements.

VIII QUALIFICATIONS IN THE AUDITOR'S OPINION

The financial statements for the year ended 31 December 2003 were audited by KPMG Polska Audyt Sp. z o.o. and given an unqualified opinion.

IX ACCOUNTING PRINCIPLES

The Bank's accounting records are maintained in accordance with the general accounting principles as defined in the revised Accounting Act dated 29 September 1994 and the Resolution of the Banking Supervisory Commission of 10 December 2001 concerning specific accounting principles for banks and preparation of additional information.
The Bank's accounting records are maintained in accordance with ING Bank Śląski S.A. Chart of Accounts and with reference to the underlying accounting principles i.e. completeness, chronology, accrual basis, matching concept, materiality, no netting off of assets and liabilities, related income and expenses, and extraordinary profits and losses, consistency principle and the double entry principle in the sub-accounts.

Assets and liabilities were valued in compliance with the going concern principle, i.e. assuming that the Bank will continue its activity in not decreased range. They are valued at cost less any decreases in they value of assets and taking into account any changes of them. The impairment and revaluation was made in compliance with the prudence principle. If the cause for impairment/revaluation is no longer valid, the write-off increases fully or partially the value of an asset.

The valuation of assets and liabilities, income and expenses, the calculation of the net result and presentation of financial data in financial statements is made as follows:

Fixed assets

Tangible and intangible fixed assets are stated at net book value as initial value (purchase price or cost) plus any improvements made less accumulated depreciation and impairment. Depreciation for tax purposes is calculated on a straight-line basis in accordance with the rates defined by the Corporate Income Tax Act dated 15 February 1992 (Official Journal No. 106, item 482 of 1993, with later amendments). For accounting purposes, tangible and intangible fixed assets are depreciated at rates that are determined in accordance with article 32 of the Accounting Act of 29 September 1994 (Official Journal of 2002, No. 76, item 694, unified version).

For the balance sheet purposes, the groups of tangible and intangible fixed assets are depreciated using the unified amortization rate, which take into account the economic useful life of assets. In 2004 new rules concerning capitalization of the expenses incurred as a result of fixed assets purchase or construction were applied. In consequence the limit for incurred expenses was increased and diversified depending on the type of investment – higher in the case of fixed assets purchase or construction within the single investment expense, lower in case of contracts, when the agreed level is exceeded or which are being realized on the base of general agreements.

The Bank applies depreciation rates based on identified groups of fixed assets. Individual depreciation rates within each group are applied to leasehold investments/improvements and to computer software and copyrights recorded in balance sheet before 01 July 2004. Initial value of asset is increased by any expenses of improvements, such as adaptation, modernization, or reconstruction that increase at the same time an asset's utility value.

Assets under construction include the overall costs incurred directly related to unfinished construction, installation, purchase of new, or improvement of an existing fixed asset. They are valued at cost or purchase price. The acquisition cost or price includes all costs incurred from the beginning of the investment up to the balance sheet date or the date when the asset was put into use, and also includes non-deductible VAT, interests, commission, and foreign exchange differences.

Tangible and intangible fixed assets put into use subject to finance lease agreements are recorded as fixed assets and depreciated with the same methods applicable to other fixed assets or intangibles held by the Bank, for lower of the agreement period or estimated useful life of the assets. The fixed assets under finance lease agreements are also subject to impairment.

In the period between 1994 and 1999, the Bank availed of investment tax relief for assets under construction. The value of assets under construction included in the tax relief during this period amounted to PLN 255,898 thousand.

Depreciation of fixed assets under investment tax relief is a non-deductible cost for tax purposes. It is treated as a timing difference in the deferred tax calculations caused by different recognition of revenues as earned and costs as incurred, in accordance with the accounting and tax regulations.

The depreciation charge for fixed assets under investment tax relief amounted to PLN 6,222 thousand for the period from 1 January 2004 to 31 December 2004. As at 31

December 2004, PLN 79,102 thousand of investment tax relief remains to be depreciated. This amount is included in the deferred tax calculation as a timing difference.

Goodwill acquired as a result of the acquisition of Wielkopolski Bank Rolniczy S.A. is being amortised over a 5-year period. Goodwill of ING Bank N.V. Warsaw Branch brought in as a contribution-in-kind is being amortised over a 10-year period. Goodwill acquired as a result of acquisition of ING Barings Securities (Poland) S.A. is being amortised over a 5-year period. Depreciation of goodwill is charged to other operating expenses.

Share capital raising costs composing of brokerage costs, costs of prospectus and payments to National Depository of Securities together with consulting costs related to preparation of Issuance Prospectus according to the amended Commercial Code decreased the reserve capital that arisen from the surplus of the issuance value over the nominal value of shares.

Other expenses related to the increase in share capital were presented as accruals and amortised over a 5-year period.

Assets for sale represent fixed and current assets that were repossessed in lieu of receivables during the process of restructuring of corporate entities, settlements of repossession, acquisition of collateral and vindication (including private debtors) and are intended to be sold. These assets are recognized in the balance sheet at fair value and for the difference between the value of outstanding debt and the lower asset's estimated fair value write-offs is made. If the fair value is higher than the value of an outstanding debt the difference is recognised as a liability to a borrower.
These assets are not subject to depreciation but are subject to impairment. The Bank is obliged to sell them within a three-year period from the purchase/repossession date. After this period they are treated as assets utilised by the Bank.

Loans and off-balance sheet commitments

Loans granted and other non-trading receivables are presented in this annual financial statements at amortised cost (without consideration of effective interest rate) net of specific provisions established to cover possible losses resulting from credit risk. The level of specific provisions is determined by the risk assessment in respect of the receivables and complies with Regulation of the Minister of Finance dated 10 December 2003 regarding the principles of specific provisions creation for the risks of banking activities.

The following minimum rates of specific provisions were applied to individual risk categories:

- normal (granted for individuals, excluding mortgage loans)	1.5 %
- watch	1.5 %
- sub-standard	20.0 %
- doubtful	50.0 %
- loss	100.0 %

In accordance with the MF Regulation, collateral offset is taken into consideration when calculating provisions for credit risk.

Applied methodology of creating and releasing of provisions takes tax aspect into consideration, which results in the form of technical increase of incomes and expenses connected with update of level of provisions.

Furthermore, in accordance with the MF Regulation of 10 December 2003 regarding the principles of specific provisions creation for the risks of banking activities, the level of provisions in the normal and watch categories was reduced by an allocation of up to 25% of the general risk reserve.
As at 31 December 2004, to cover the provision for normal and watch loans, PLN 23,798 thousand was allocated from the general risk reserve.

Off-balance sheet commitments granted are recognised at nominal amount. For off-balance sheet commitments granted, which are classified as irregular, including irrevocable, undrawn credit lines and the Bank's commitments arising on the rediscounting of bills of exchange and factoring with recourse, in accordance with Regulation of the Banking Supervisory Commission dated 10 December 2003, regarding the conditions that should be met to create provisions for the risk of banking activity, specific provisions are created and presented in the balance sheet item "Provisions".

For other receivables where collection has been assessed as doubtful, the Bank writes them off to fair value and this impairment can be treated as a collateral for potential losses in the lack of repayment.

Principles of receivables' write-off.
In case when loan receivables are classified as lost for at least one year and created provision is equal to remaining exposure (i.e. net value of receivables amounts to zero), the Bank writes-off these receivables against existing specific provisions (incl. interest) transferring them to off-balance sheet till their redemption, prescription or repayment. Along with transferred receivables, the parent entity also transfers created specific provisions.

The Bank applied the Minister of Finance Regulation dated 12 December 2003 changing the regulation concerning specific accounting principles for banks and during 2004 has written-off loans and provisions in amount of PLN 410,7 million (principal), which were classified as lost as at 31 December 2002 and 31 December 2003, and for which the amount of specific provisions was equal to the loan amount. The Bank has booked the above loans on off-balance sheet accounts. As at 31 December 2003 written-off loans and provisions amounted to PLN 863.4 million.

Investments and debt securities

Initially, debt securities are presented at acquisition cost. At the balance sheet date historical cost is adjusted by the revaluation that is subject to the classification of the financial instrument to a particular portfolio, specified in two Resolutions of Minister of Finance dated 10 and 12 December 2001 concerning specific accounting principles for banks and the specific rules for recognition, valuation, disclosure and presentation of financial instruments (Official Journal no. 149, item 1673 and 1674 respectively).

1. Trading securities are marked to market and these for which there is no active market, are recognised at, in other way estimated, fair value. The differences from revaluation are recognised as income or expenses from financial operations.
   Debt securities are recognised at acquisition price adjusted by the difference between acquisition price and initial value (discount, premium) and adjusted by any impairment or revaluation made. The effects of impairment/revaluation are recognised as expenses or income from financial operations respectively.

2. Securities held to maturity are valued at amortised cost, adjusted by amortized discount, amortized premium and adjusted by any impairment. The Bank regards the permanent impairment or revaluation no less than 3 months.

3. Securities available-for-sale are valued at fair value and the effects of the changes in the fair value are recognised into revaluation capital.

4. Securities repossessed in lieu of receivables are valued at fair value. For the difference between the outstanding debt and the lower asset's estimated fair value write-off was made. If the asset's estimated fair value was higher than the outstanding debt the difference was recognised as a liability to a borrower.

5. Shares in subordinated entities (subsidiaries, jointly-controlled entities and entities associated with major investor) are valued under the equity method. The valuation is adjusted by any impairment.

Repurchase agreements

The Group carries out both reverse repo, buy-sell-back, and repo, sell-buy-back transactions.
Valuation and disclosure of the underlying securities has been described earlier in section "Trading securities".
Receivables and liabilities resulting from those transactions are stated at fair value taking into account discounted cash-flows (NPV), whereas mark to market adjustment is presented under "other receivables/ liabilities".

Precious metals

Gold and coins, which are not recognized as current assets are recorded at cost, however not higher than current quotations on the international markets, with any difference being recognized as expenses of financial operations. In the case of a permanent increase of prices on international stock exchanges, the value of gold held is increased but to a value not higher than cost, and any difference is recognised as an income from financial operations.

Foreign currencies

Assets, liabilities and off-balance sheet items denominated in foreign currencies are valued at the average exchange rate announced by the National Bank of Poland at the balance sheet date. Foreign exchange differences arising from foreign exchange balance sheet items are recognised in the profit and loss account as the net result on foreign exchange.

Derivative instruments

The Bank conducts trading activity with the following financial instruments: currency forwards, currency swap, currency options, interest rate swaps (IRS), currency interest rate swaps (CIRS) and Forward Rate Agreement (FRA).

Financial instruments offered by the Bank to its customers are traded by the Bank for speculative purposes. Customers purchase the financial instruments for speculative and hedging purposes.

Currency transactions

Any financial instruments such as currency forwards are recognised at their fair value after taking into account the discounted cash flows (NPV). The net result of the valuation is recognised in the profit and loss account within the net result on foreign exchange. For the period from 1 January 2004 to 31 December 2004 the amount of PLN 248.9 million that consists of interest received on currency financial instruments, i.e. currency swaps, was recognised as interest income. This amount cannot be comparable with the data for the year 2003 due to the change of the system recording the abovementioned transactions.

The amounts purchased on currency transactions valued at the exchange rate announced by the National Bank of Poland at the balance sheet date are recognised as off-balance sheet item 'Commitments resulting from sale/purchase transactions'.

Currency option contracts are valued at fair value taking into account the discounted cash flows (the Garman-Kohlhagen model).

Underlying amounts for currency options purchased and sold are valued at the rate announced by the National Bank of Poland at the balance sheet date and presented in the off- balance position as 'Other commitments from options'.

Interest rate transactions

Interest rate derivative contracts are recognised as swap transactions (interest rate swaps – IRS, or the currency interest rate swaps – CIRS) and forward rate agreements (FRA). Open IRS and CIRS contracts are valued at fair value based on the discounted cash flows (NPV). Open FRA contracts are marked to market based on discounted cash flows.

Currencies purchased related to IRS/CIRS, for CIRS transactions are valued at the exchange rate announced by the National Bank of Poland at the balance sheet date and presented as off-balance sheet item as 'Commitments resulting from sale/purchase transactions'.

The nominal values of FRA transactions are presented as the off-balance sheet item as "Other commitments from FRA transactions".

Hedge accounting

In 2004 the Group closed transaction related to hedge accounting in financial statements.

Provisions for future liabilities

The Bank establishes provisions for liabilities whose payment date and amount is uncertain. The amount of such provisions corresponds to the estimates (made as at the balance sheet date) of the outlays necessary to fulfil the current obligation.
In the amount of the provision established as at the balance sheet date, the Bank also takes account of future events that may affect the level of the amount necessary to fulfil the financial obligation for which such provision has been established. In order for such future events to be provided for in the amount of the provision, there must exist sufficient and objective premises proving that the events may actually take place. The Bank may discount the value of the provision in order to show the current value of the future outlays. The consequences of changes to the value of money over time are included in the provision amount only when the discount value is material.

General risk provision

In accordance with the Banking Law Act dated 29 August 1997 (Official Journal No. 140, item 939), the Bank creates a provision for general banking risk to cover any risks related to a banking activity. The general banking risk provision is recognised as an expense in the profit and loss account. At the end of 2004, its value amounted to PLN 222,567 thousand.

Capital and reserve funds

Capital and reserve funds are presented at nominal values.

Revaluation capital

Revaluation capital relates to:
- revaluation of fixed assets,
- revaluation of financial assets available for sale.

Revaluation capital emerged from fixed assets revaluation is increased by the difference in net value of fixed assets arising as an effect of revaluation and decreased by the revaluation difference of previously revaluated sold or liquidated fixed assets. The exception is the write-off of fixed assets' value, which was previously revaluated and recognised in revaluation capital – it decreases revaluation capital up to the amount of this capital.

Revaluation capital from the revaluation of financial assets available for sale is increased/decreased by the result of revaluation of financial assets available for sale, resulting from short-term market prices changes. After sale of the assets, its collection or impairment, gain or loss recognised in revaluation capital is then recognised in profit and loss account.

Revaluation capital includes the deferred tax items related to revaluation of financial assets available for sale.

Prepayments and accruals

Expenses are accounted for as prepayments or accruals in order to recognise them in the appropriate period, to which they relate.

<u>Early retirement pay</u>
According to the Employees Remuneration Regulations of ING Bank Śląski S.A. and the Employment Code, employees who have worked for a given number of years and reached the predetermined age are entitled to receive retirement bonuses. Retirement liabilities are recognised as the present value of future retirement commitments as at the reporting period end. These commitments are updated annually and recorded as accruals.

<u>Unused holiday costs</u>
The ING Bank Śląski accounts for the unused holiday costs on an accrual basis. These are recorded as provisions for unused holidays in accruals.

Income and expense recognition

Interests expenses and income are recognised taking into account accrued interest receivable and payable as at the balance sheet date. Interest receivable and payable from loans classified as watch, substandard, doubtful and lost are recognised as an asset (interest receivable) or a liability (suspended interests) in balance sheet item "Accruals and deferred income". Commencing from 2004, the Bank recognizes as income interest from loans classified as irregular, which are overdue less than 90 days. It is consistent with International Accounting Standards, common practice in European banks and compliant with Regulation of the Minister of Finance dated 10 December 2003 in respect of provisions against the risk of banking activity (Official Journal No. 218, item 2197). As a result of the above, results from prior years increased by PLN 6,486 thousand (including deferred tax), and current year result increased by PLN 660 thousand.

Capitalised interests from loans classified as normal are recognised in the profit and loss account.

Unearned discounts on regular receivables are disclosed as deferred income and then are gradually recognised in the profit and loss account on an accrual basis. Unearned discounts on irregular receivables are disclosed in deferred income and are recognised in the profit and loss account on cash basis.

The same is applicable to non-interest, general and other income and expenses.

Fees and commissions represent income received from customers for banking services and are charged based on the Fees and Commissions Table approved by the parent entity and agreements with customers.

Adjustments related to exchange rates differences concerning principal instalments in leasing agreements increase or decrease operating income.

Other operating expenses and income comprise of expenses and income incurred /earned on other than banking activity, including expenses /income from the sale and liquidation of fixed assets, compensation expenses and penalty costs.

The movement in the balance of accruals in respect of provisions for early retirement bonuses (calculated using actuarial valuation) and unused holidays costs are recognised respectively in other operating income and other operating expenses.

Net result

The net result is calculated based on Resolution of the Minister of Finance dated 10 December 2001 in respect of specific accounting principles for banks, with reference to the underlying principles of prudence, matching and accrual accounting. Income and expenses are recognised and accounted for on an accrual basis.

Corporate income tax

Corporate income tax is calculated based on gross profit adjusted by accrued (not yet received or paid) interest payable and receivable, non-tax deductible expenses, and allowable deductions.

Corporate income tax payable is disclosed as a tax liability (at the current tax rate of 19% in force at 31 December 2003 and 31 December 2004) and deferred tax assets or liabilities (at the tax rates related to dates of realisation of timing differences) that are the result of temporary differences in values of assets and liabilities under the accounting and tax approach. Both the deferred tax assets and liabilities are calculated and recognised as separate balance sheet items. Deferred tax assets and liabilities concerning the transactions through capital (retained earnings) brought forward are recognised using the same method i.e. through retained earnings.

All specific provisions created by the Bank, which have not yet been treated as tax-deductible, have been considered as timing differences for purposes of the deferred tax calculation. The exception refers to provisions that in the future will not be treated as tax-deductible expenses. Additionally, provisions for the impairment in the value of securities, similar to specific provisions, are treated as timing differences and included in the deferred tax calculation.

The Act on European Union Guarantee Fund allows banks to reduce in years 2007-2009 the corporate income tax by 8% of the amount of specific provisions created for loans classified as doubtful and lost, which were not treated as tax deductible as at 31 December 2002. Taking into account the fact that the dates of expected reductions of the tax to be paid are known, the reductions should be discounted using the following factor: 0.8008, 0.7486, 0.7005. Expected receivable amounts to PLN 17.2 million and is amortised on a linear basis. This amount has been recognized in the financial result of 2004.

X. AVERAGE PLN FOREIGN EXCHANGE RATE TO EURO FOR THE REPORTING PERIOD AND COMPARABLE FINANCIAL DATA

Exchange rate	Average exchange rate	Minimal rate for the last day of the month in the period	Maximum rate for the last day of the month in the period	Rate for the last day of the period
31.12.2004	4.5182	4.0790	4.8746	4.0790
31.12.2003	4.4474	4.1286	4.7170	4.7170

XI MAIN POSITIONS OF FINANCIAL STATEMENTS CONVERTED INTO EURO

EUR '000

Position	**31.12.2004**	**31.12.2003**
Interest income	373,195	364,440
Commission income	122,076	128,121
Results on banking activity	350,480	344,432
Results on operating activity	78,105	33,228
Gross profit/loss	78,158	33,281
Net profit/loss	81,062	6,868
Total assets	8,591,293	6,138,188
Equity	768,806	574,266
Shareholders equity	31,895	27,581
Net cash flows	139,749	10,217

For the purposes of calculation of the main positions into EUR the following exchange rates were used:

- for balance sheet items:
  - 4.0790 PLN, NBP fixing dated 31.12.2004
  - 4.7170 PLN, NBP fixing dated 31.12.2003,
- for profit and loss account and cash flow items:
  - 4.5182 PLN i.e. the average rate calculated as the average value of NBP fixing from last date of each month for the year 2004,
  - 4.4474 PLN i.e. the average rate calculated as the average value of NBP fixing from last date of each month for the year 2003.

XII DISCLOSURE OF SIGNIFICANT DIFFERENCES BETWEEN ADOPTED ACCOUNTING STANDARDS AND INTERNATIONAL ACCOUNTING STANDARDS

The Group prepares financial statements in accordance with Polish Accounting Standards (PAS) as at 31 December 2004. There are some differences between the accounting principles adopted by the European Commission and International Accounting Standards, which are outlined below:

- IAS 39 requires that interest on a financial instrument is recognized taking into account an effective rate of return, calculated taking into account all fees and payments paid and received.
  Currently, the Group does not recognize interest taking into account the effective interest rate.
- Additionally, IAS 39 requires recognition of an impairment on assets that are carried at amortised cost, as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
  The parent entity establishes specific provisions according to the Ministry of Finance Resolution regarding the creation of provisions for banking risk. The difference has not been quantified.
  In the absence of corresponding regulations under IFRS, the Bank will perform an analysis to allocate part of general provision to the credit risk resulting from timing differences between an occurrence of the impairment trigger event and its recognition as specific impairment. The remaining part of the general banking risk provision will be allocated according to IFRS requirements.

- In order to present in the financial statements the real value of the property, there is a change in valuation method of real estates in use by the Bank. Until now, they were valued at historical cost or purchase price less accumulated depreciation. According to the Bank such method does not present real estates fairly. Valuation of real estates will be conducted every 3-5 years.

- Implementation of IAS implicates changes in goodwill valuation, which according to IAS is subject to impairment. The Bank records in its books goodwill acquired as a result of the acquisition of ING Warsaw Branch and Wielkopolski Bank Rolniczy.

- According to IAS, the Bank should show subsidiaries in the stand-alone report using the purchase price. At present the Bank evaluates subsidiaries using the equity method.

The Management Board estimations of the differences between the financial statements according PAS and IAS were presented in Commentary of Management Board.

ING Bank Śląski Spółka Akcyjna in PLN thousand

BALANCE SHEET

	Note	end of the year 2004	end of the year 2003
ASSETS			
I. Cash and due from NBP	1	895 324	1 083 512
II. Treasury bills and other bills eligible for refinancing with NBP		14 224	16 552
III. Due from other financial institutions	2	11 446 900	8 155 285
1. Current		4 610 874	3 760 418
2. Term		6 836 026	4 394 867
IV. Due from customers	3	10 008 449	11 672 391
1. Current		2 980 416	2 713 722
2. Term		7 028 033	8 958 669
V. Due from State budget	4	379 163	447 274
1. Current		233	5 275
2. Term		378 930	441 999
V. Receivables subject to securities sale and repurchase agreements	5	344 476	329 399
VII. Debt securities	6	10 100 644	5 277 087
VIII. Investments in wholy-owned subsidiaries	7, 10	140 982	141 228
IX. Investments in partialy-owned subsidiaries	8, 10	-	-
X. Investments in associated undertakings	9, 10	70 944	53 208
XI. Investments in other undertakings	11	15 893	27 531
XII. Other investments and other financial assets	12	470 920	432 252
XIII. Intangible fixed assets, of which:	14	264 587	266 292
- goodwill		198 101	227 927
XIV. Tangible fixed assets	15	492 963	545 819
XV. Other assets	16	155 488	240 754
1. Repossessed assets		1 514	413
2. Other		153 974	240 341
XVI. Interperiod settlements	17	242 929	265 247
1. Deferred tax		200 150	211 138
2. Other interperiod settlements		42 779	54 109
TOTAL ASSETS		**35 043 886**	**28 953 831**

ING Bank Śląski Spółka Akcyjna in PLN thousand

LIABILITIES			
I. Due to Central Bank		-	-
II. Due to other financial institutions	20	3 470 645	3 221 303
1. Current		1 346 595	1 253 617
2. Term		2 124 050	1 967 686
III. Due to customers	21	24 928 674	19 715 442
1. Saving deposits		14 323 130	12 167 563
a) Current		1 634 911	1 861 292
b) Term		12 688 219	10 306 271
2. Other		10 605 544	7 547 879
a) Current		5 136 322	3 630 792
b) Term		5 469 222	3 917 087
IV. Due to State budget	22	1 204 220	1 060 265
1. Current		836 759	757 237
2. Term		367 461	303 028
V. Liabilities in respect of securities subject to sale and repurchase agreements	23	1 047 539	1 087 588
VI. Liabilities on securities issued	20, 21, 22, 24	-	-
1. Short-term		-	-
2. Long-term		-	-
VII. Other liabilities on financial instruments		215 180	256 362
VIII. Funds for staff benefit and other liabilities	25	344 530	322 425
IX. Accruals and deferred income	26	267 040	271 153
1. Interperiod settlements		51 329	38 906
2. Negative goodwill		-	-
3. Deferred income		215 711	232 247
X. Provisions	27	430 100	310 481
1. Provisions in respect of deferred income tax		127 553	58 964
2. Other provisions		302 547	251 517
a) short-term		-	-
b) long-term		302 547	251 517
XI. Subordinated debt	28	-	-
XII. Share capital	29	130 100	130 100
XIII. Unpaid contribution to share capital (negative value)		-	-
XIV. Own shares (negative value)	30	-	-
XV. Equity reserves	31	1 003 152	1 002 292
XVI. Revaluation reserve	32	92 886	22 447
XVII. Other reserves	33	1 537 079	1 531 720
XVIII. Profit (loss) from previous years		6 486	-8 293
XVII. Net profit (loss)		366 255	30 546
LIABILITIES TOTAL		**35 043 886**	**28 953 831**

Solvency ratio	34	**14,91**	**14,41**
Net book value		**3 135 958**	**2 708 812**
Number of shares	35	**13 010 000**	**13 010 000**
Net book value per share (in PLN)		**241,04**	**208,21**
Assumed number of shares		-	-
Diluted book value per share (in PLN)	35	-	-

ING Bank Śląski Spółka Akcyjna in PLN thousand

OFF-BALANCE SHEET ITEMS

	Note	end of the year 2004	end of the year 2003
I. Contingent liabilities granted and received		23 585 766	20 051 472
1. Contingent liabilities granted	36	11 503 688	8 105 737
a) financial		10 521 480	7 033 854
b) guarantees		982 208	1 071 883
2. Contingent liabilities received	37	12 082 078	11 945 735
a) financial		207 220	88 042
b) guarantees		11 874 858	11 857 693
II. Commitments resulting from sale/purchase transactions		59 158 291	55 853 333
III. Other, including		32 276 656	83 820 163
- liabilities due to transactions on FRA		27 226 000	76 462 530
- liabilities due to transactions on options		4 681 743	7 105 999
- liabilities due to transactions on securities		368 913	251 634
Off-balance sheet items total		**115 020 713**	**159 724 968**

PROFIT AND LOSS ACCOUNT

	Note	end of the year 2004	end of the year 2003
I.Interest income	38	1 686 170	1 620 809
II.Interest expense	39	864 467	749 855
III. Net interest income (I-II)		**821 703**	**870 954**
IV. Fee and commission income	40	551 566	569 806
V. Fee and commission expense		67 620	75 103
VI. Net fee and commission income (IV-V)		**483 946**	**494 703**
VII. Income from shares and other securities	41	1 310	1 468
1. From wholy-owned subsidiaries		560	
2. From partialy-owned subsidiaries			
3. From associated undertakings			
4. From other undertakings		750	1 468
VIII. Net profit on financial operations	42	**74 602**	**58 854**
IX. Net profit on foreign exchange		201 978	105 850
X. Profit (loss) on banking activity		**1 583 539**	**1 531 829**
XI. Other operating income	43	48 947	30 310
XII. Other operating expenses	44	64 653	69 117
XIII. General expenses	45	895 221	812 669
XIV. Depreciation of fixed and intangible assests		116 076	127 420
XV. Charges to provisions and revaluation	46	2 437 795	2 433 610
1. Charges to provisions		2 433 327	2 431 785
2. Revaluation of financial assets		4 468	1 825
XVI Release of provisions and decrease in respect of revaluation	47	2 234 152	2 028 453
1. Release of provisions		2 233 549	2 028 172
2. Revaluation of financial assets		603	281
XVII. Net charges to/release of provisions and decrease in respect of revaluation (XV-XVI)		203 643	405 157
XVIII. Operating profit		**352 893**	**147 776**
XIX. Extraordinary losses / gains		242	238
1. Extraordinary gains	49	247	239
2. Extraordinary losses	50	5	1
XX. Profit before taxation		**353 135**	**148 014**
XXI. Corporate income tax	51	62 833	103 708
1. Current part		17 243	
2. Deferred part		45 590	103 708
XXII. Other obligatory charges to profit / (loss)	52	1 310	21
XXIII. Participation in net profit (loss) of subordinated entities valuated on equity basis	53	77 263	-13 739
XXIII. Net profit (loss)	54	**366 255**	**30 546**

Net profit (loss) /for 12 months/		**366 255**	**30 546**
Weighed average number of ordinary shares		**13 010 000**	**13 010 000**
Net profit (loss) per ordinary share (in PLN)	55	**28,15**	**2,35**
Assumed average weighted number of shares		-	-
Diluted net profit (loss) per ordinary share (in PLN)	55	-	-

ING Bank Śląski Spółka Akcyjna in PLN thousand

MOVEMENTS IN OWN EQUITY

	end of the year 2004	end of the year 2003
I.Opening balance of own equity	**2 708 812**	**2 717 237**
a) changes in adopted accounting principles	5 441	4 736
b) corrections of material errors		-
I.a.Opening balance of own equity after reclassifications to confirm with current year presentation	**2 714 253**	**2 721 973**
1. Opening balance of share capital	130 100	130 100
1.1. Movements	-	-
a) increases (in respect of)	-	-
- issue of share	-	-
b) decreases (in respect of)	-	-
- redemption of shares	-	-
1.2. Closing balance of share capital	**130 100**	**130 100**
2. Opening balance of unpaid contribution to share capital	-	-
2.1. Movements in unpaid contribution to share capital	-	-
a) increases	-	-
b) decreases	-	-
2.2. Closing balance of unpaid contribution to share capital	-	-
3. Opening balance of own shares	-	-
a) increases	-	-
b) decreases	-	-
3.1. Closing balance of own shares	-	-
4. Opening balance of equity reserves	1 002 292	999 829
4.1. Movements in equity reserves	860	2 463
a) increases (in respect of)	860	2 463
- issue of shares with premium	-	-
- distribution of profit (mandatory)	-	-
- distribution of profit (voluntary)	-	-
- liquidation or sale of fixed assets	860	2 463
b) decreases (in respect of)	-	-
- covering prior period losses	-	-
4.2. Closing balance of equity reserves	**1 003 152**	**1 002 292**
5. Opening balance of revaluation reserve	22 447	34 393
5.1. Movements in revaluation reserve	70 439	-11 946
a) increases	71 299	-
- valuation of assets available for sale	65 858	-
- hedge accounting	5 441	-
b) decreases (in respect of)	-860	-11 946
- liquidation or sale of fixed assets	-860	-2 463
- valuation of assets available for sale	-	-4 042
- hedge accounting	-	-5 441
5.2. Closing balance of revaluation reserve	**92 886**	**22 447**
6. Opening balance of General Risk Fund	381 825	262 000
6.1. Movements in General Risk Fund	18 327	119 825
a) increases (in respect of)	18 327	119 825
- profit distribution for previous year	18 327	119 825
b) decreases	-	-
6.2. Closing balance of General Risk Fund	**400 152**	**381 825**
7. Opening balance of other reserves	1 149 895	1 161 432
7.1. Movements in other reserves	-12 968	-11 537
a) increases (in respect of)	-	-
- profit distribution for previous year	-	-
b) decreases	-12 968	-11 537
- corrections of not covered loss	-12 968	-11 537
7.2. Closing balance of other reserves	**1 136 927**	**1 149 895**

ING Bank Śląski Spółka Akcyjna in PLN thousand

8. Opening balance of undistributed profit or not covered loss of prior year	22 253	129 483
8.1. Opening balance of undistributed profit	28 735	141 020
a) changes in adopted accounting principles	-	4 736
b) corrections of material errors	-	-
8.2. Opening balance of undistributed profit, after reclassifications to confirm with current year presentation	28 735	145 756
8.3. Movements	-28 735	-154 049
a) increases	-	-
b) decreases	-28 735	-154 049
- charges to general risk fund	-18 327	-119 825
- charges to Social Fund	-	-1 500
- dividend	-10 408	-31 224
- donation for the ING Bank Śląski Foundation	-	-1 500
8.4. Closing balance of undistributed profit	0	-8 293
8.5. Opening balance of not covered loss	-6 482	-11 537
a) changes in adopted accounting principles	-	-
b) corrections of material errors	-	-
8.6. Opening balance of not covered loss, after reclassifications to confirm with current year presentation	-6 482	-11 537
8.7. Movements	12 968	11 537
a) increases	-	-
b) decreases	12 968	11 537
- corrections of not covered loss	12 968	11 537
8.8. Closing balance of not covered loss	6 486	0
8.9. Closing balance of undistributed profit or not covered loss of prior year	6 486	-8 293
9. Net result	366 255	30 546
a) net profit	366 255	30 546
b) net loss	-	-
II. Closing balance of own equity	**3 135 958**	**2 708 812**
III. Own capital after taking account of proposed profit distribution (covering loss)	**2 869 253**	**2 698 404**

ING Bank Śląski Spółka Akcyjna in PLN thousand

CASH FLOW STATEMENT

	Note	end of the year 2004	end of the year 2003
A. NET CASH FLOW FROM OPERATING ACTIVITY			
I. Net profit (loss)		**366 255**	**30 546**
II. Adjustment for:		**342 237**	**-218 393**
1. Participation in net profit (loss) of subordinated entities valuated on equity basis		-77 264	13 739
2. Depreciation		146 215	157 952
3. Foreign exchange gains (losses)		-15 964	22 697
4. Interest and dividends		3 596	4 843
5. Profit or loss on investment activity		-3 177	-1 700
6. Change in provisions		119 619	-215 965
7. Change in debt securities held		-4 757 378	-3 195 831
8. Change in amounts due from other financial institutions		-2 472 011	63 577
9. Change in amounts due from customers and State budget		1 756 859	761 175
10 . Change in receivables in respect of securities subject to sale and repurchase agreements		-15 077	-329 399
11. Change in other investments and other financial assets		-62 771	-87 666
12. Change in amounts due to other financial institutions		301 852	476 252
13. Change in amounts due to customers and State budget		5 357 187	740 698
14. Changes in payables in respect of securities subject to sale and repurchase agreements		-40 049	1 087 588
15. Change in liabilities on securities		-	-
16. Change in other liabilities		46 569	-97 468
17. Change in interperiod settlements		3 362	396 503
18. Change in deferred income		-14 616	-264 747
19. Other items	57	65 285	249 359
III. Net cash flow from operating activities (I +/- II)		**708 492**	**-187 847**
B. NET CASH FLOW FROM INVESTING ACTIVITY			
I. Cash inflows		**54 679**	**340 528**
1. Sale of investments in wholy-owned subsidiaries		46 500	-
2. Sale of investments in partialy-owned subsidiaries		-	-
3. Sale of investments in associated undertakings		-	-
4. Sale of investments in other undertakings and sale of other financial assets		-	332 402
5. Sale of intangible and tangible fixed assets		3 194	3 875
6. Sale of investments in properties and intangible fixed assets		-	547
7. Other inflows	57	4 985	3 704
II. Cash outflows		**-80 673**	**-68 631**
1. Acquisition of investments in wholy-owned subsidiaries		-13 950	-54
2. Acquisition of investments in partialy-owned subsidiaries		-	-
3. Acquisition of investments in associated undertakings		-	-
4. Acquisition of investments in other undertakings and other financial assets		-	-
5. Acquisition of intangible and tangible fixed assets		-41 008	-41 002
6. Investments in properties and intangible fixed assets		-25 715	-27 575
7. Other outflows	57	-	-
III. Net cash flow from investment activities (I - II)		**-25 994**	**271 897**
C. NET CASH FLOW FROM FINANCIAL ACTIVITY			
I. Cash inflows		**0**	**15 942**
1. Long-term loans taken from banks		-	-
2. Long-term loans taken from other than banks financial institutions		-	15 942
3. Issuance of debt securities		-	-
4. Increase in subordinated debt		-	-
5. Net inflow from issuance of own shares and additional payment to share capital		-	-
6. Other inflows	57	-	-

ING Bank Śląski Spółka Akcyjna in PLN thousand

II. Cash outflows		**-51 082**	**-54 555**
1. Repayment of long-term loans to banks		-1 086	-1 001
2. Repayment of long-term loans to other financial institutions		-35 193	-15 333
3. Redemption of debt securities		-	-
4. Outflows in respect of other financial commitments		-	-
5. Payments of liabilities under financial lease agreements		-	-
6. Decrease in subordinated debt		-	-
7. Dividends and other payments to owners		-10 408	-31 224
8. Other payments in respect of profit distribution		-	-1 500
9. Acquisition of own shares		-	-
10. Other outflows	57	-4 395	-5 497
III. Net cash flow from financial activities (I - II)		**-51 082**	**-38 613**
D. Net cash flow (A.III +/- B.III +/- C.III)		**631 416**	**45 437**
E. Balance sheet change in cash		-188 188	86 850
- in this change in cash arising on FX differences on foreign currencies		-8 887	5 216
F. Cash at the beginning of reporting period	56	**4 755 946**	**4 710 509**
G. Cash at the end of reporting period (F+/- D), of which:	56	**5 387 362**	**4 755 946**
- in this cash not at free disposal		-	-

ADDITIONAL INFORMATION AND EXPLANATORY NOTES

A. EXPLANATORY NOTES

EXPLANATORY NOTES TO BALANCE SHEET

Note 1A

CASH, OPERATIONS WITH CENTRAL BANK	end of the year 2004	end of the year 2003
a) in current account	554 707	717 066
b) mandatory reserve	-	-
c) fund of the Bank Guarantee Fund	-	-
d) other funds	340 617	366 446
Cash, operations with central bank, total	**895 324**	**1 083 512**

Note 1B

CASH (CURRENCY STRUCTURE)	end of the year 2004	end of the year 2003
a) in Polish currency	845 289	1 025 857
b) in foreign currencies (in currency and converted into PLN):	50 035	57 655
b1. unit/currency 1000/EUR	*8 329*	*7 854*
in PLN thousand	33 975	37 047
b2. unit/currency 1000/USD	*4 887*	*5 044*
in PLN thousand	14 615	18 868
other currencies (in PLN thousand)	1 445	1 740
Cash, total	**895 324**	**1 083 512**

Legally binding charges to cash and due from NBP include:
Declared balance of an obligatory reserve held on current account in NBP amounted to:
- PLN 910 296 thousand as at 31 Dec 2004,
- PLN 744 287 thousand as at 31 Dec 2003.

Note 2A

AMOUNTS DUE FROM FINANCIAL SECTOR (by type)	end of the year 2004	end of the year 2003
a) current accounts	4 590 915	3 745 859
b) advances, placements and loans, including:	6 740 401	4 284 649
- term deposits in other banks and other financial institutions	6 177 085	3 152 551
c) debt purchased	10	13 686
d) realised guarantees	-	-
e) other claims (due to):	101 491	97 485
- receivables in the course of settlement	20 423	15 035
- receivables in respect of CIRS contracts	70 116	82 450
- stock exchange operations	176	-
- other	10 776	-
f) accrued interest:	16 349	16 440
- non-due	15 083	14 025
- due and payable	1 266	2 415
Total amounts due from financial sector (gross)	**11 449 166**	**8 158 119**
g) provision established for amounts due from financial sector (negative figure)	-2 266	-2 834
Total amounts due from financial sector (net)	**11 446 900**	**8 155 285**
- in this: lease receivables (gross)	313 498	695 076

Information about loans and advances which interest does not accrue on
The Bank does not accrue the interest on the claims referred to vindication procedure and the claims in bancrupt's proceedings. Moreover in the individual cases the interest on claims in restructuring is not accrued. The value of loans and advances which interest does not accrue on is insignificant from Bank's receivables point of view.

In amounts due from financial sector Bank presents receivables in respect to CIRS contracts with exchange of notional (notional of deposit given including interest accrued). These receivables together with commitments in respect to CIRS contracts presented by the Bank in amounts owed to financial sector (notional of deposit taken including interest accrued) constitute a part of fair value of CIRS transactions. The remaining part of fair value of CIRS transactions is mark to market adjustment presented by the Bank in other financial assets/ liabilities.

Note 2B

AMOUNT DUE FROM FINANCIAL SECTOR (GROSS) by term to maturity	end of the year 2004	end of the year 2003
a) in current account	4 611 338	3 760 894
b) term, with maturity remaining to balance sheet date:	6 821 479	4 380 785
- up to 1 month	5 462 982	2 633 176
- 1 month - 3 months	1 063 089	583 852
- 3 months - 1 year	114 274	744 924
- 1 year - 5 years	107 755	333 994
- over 5 years	72 624	82 450
- past due	755	2 389
c) accrued interest	16 349	16 440
- non-due	15 083	14 025
- due and payable	1 266	2 415
Total amounts due from financial sector (gross)	**11 449 166**	**8 158 119**

Note 2C

AMOUNT DUE FROM FINANCIAL SECTOR (GROSS) by original maturity	end of the year 2004	end of the year 2003
a) in current account	4 611 338	3 760 894
b) term, with maturity remaining to balance sheet date:	6 821 479	4 380 785
- up to 1 year	6 451 581	3 695 511
- 1 year - 5 years	289 791	271 966
- over 5 years	80 107	413 308
c) accrued interest	16 349	16 440
- non-due	15 083	14 025
- due and payable	1 266	2 415
Total amounts due from financial sector (gross)	**11 449 166**	**8 158 119**

Note 2D

AMOUNT DUE FROM FINANCIAL SECTOR (GROSS) by currency structure	end of the year 2004	end of the year 2003
a) in Polish currency	1 710 503	1 517 514
b) in foreign currencies (in currency and converted into PLN):	9 738 663	6 640 605
b1. unit/currency 1000/EUR	*256 047*	*202 817*
in PLN thousand	1 044 416	956 687
b2. unit/currency 1000/USD	*2 878 968*	*1 511 828*
in PLN thousand	8 609 266	5 654 993
other currencies (in PLN thousand)	84 981	28 925
Total amounts due from financial sector (gross)	**11 449 166**	**8 158 119**

Note 2E

AMOUNT DUE FROM FINANCIAL SECTOR (GROSS)	end of the year 2004	end of the year 2003
1. Normal	11 411 310	7 998 296
2. Watch	557	293
3. Irregular, in this:	20 950	143 090
a) substandard	18 847	139 099
b) doubtful	7	885
c) loss	2 096	3 106
4. Accrued interest	16 349	16 440
a) non-due	15 083	14 025
b) due and payable	1 266	2 415
- on normal and watch claims	628	2
- on irregular claims	638	2 413
Total amounts due from financial sector (gross)	**11 449 166**	**8 158 119**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 2F

VALUE OF COLLATERAL REDUCING THE BASIS FOR CALCULATION OF PROVISIONS FOR AMOUNTS DUE FROM FINANCIAL SECTOR	end of the year 2004	end of the year 2003
a) watch	35	167
b) irregular	18 841	140 215
- substandard	18 840	139 062
- doubtful	1	778
- loss	-	375
Total value of collateral reducing the basis for calculation of provisions for amounts due from financial sector	**18 876**	**140 382**

Note 2G

PROVISIONS FOR AMOUNTS DUE FROM FINANCIAL SECTOR	end of the year 2004	end of the year 2003
a) watch	160	-
b) irregular	2 106	2 834
- substandard	4	28
- doubtful	6	77
- loss	2 096	2 729
Total provisions for amounts due from financial sector	**2 266**	**2 834**

Note 2H

CHANGES IN PROVISIONS FOR AMOUNTS DUE FROM FINANCIAL SECTOR	end of the year 2004	end of the year 2003
1. Balance at the beginning of period	2 834	4 974
a) increases (in respect of)	-	-
- charges to provisions	-	-
b) use (in respect of)	-	1 630
- receivables written off	-	1 630
c) release (in respect of)	568	510
- release of provisions	568	510
2. Balance at the end of period	**2 266**	**2 834**
3. Required balance of provisions for amounts due from financial sector at the end of period, according to the binding regulations	2 266	2 834

Total irregular amount due from financial sector do not exceed 10% of total assets.

Note 3A

AMOUNTS DUE FROM NON-FINANCIAL SECTOR (by type)	end of the year 2004	end of the year 2003
a) advances and loans	9 992 456	11 871 846
b) debt purchased	109 146	98 881
c) realised guarantees	7 576	974
d) other claims (due to):	455 353	520 644
- receivables in the course of settlement	12 967	32 188
- receivables in respect of CIRS contracts	442 386	483 786
- amount received for debt sold	-	4 670
e) accrued interest:	224 423	233 195
- non-due	33 294	47 011
- due and payable	191 129	186 184
Total amounts due from non-financial sector (gross)	**10 788 954**	**12 725 540**
f) provision established for amounts due from non-financial sector (negative figure)	-780 505	-1 053 149
Total amounts due from non-financial sector (net)	**10 008 449**	**11 672 391**

Information about loans and advances which interest does not accrue on

The Bank does not accrue the interest on the claims referred to vindication procedure and the claims in bancrupt's proceedings. Moreover in the individual cases the interest on claims in restructuring is not accrued.
The value of loans and advances which interest does not accrue on is insignificant from Bank's receivables point of view.

In amounts due from non-financial sector Bank presents receivables in respect to CIRS contracts with exchange of notional (notional of deposit given including interest accrued). These receivables together with commitments in respect to CIRS contracts presented by the Bank in amounts owed to non-financial sector (notional of deposit taken including interest accrued) constitute a part of fair value of CIRS transactions. The remaining part of fair value of CIRS transactions is mark to market adjustment presented by the Bank in other financial assets/ liabilities.

Note 3B

AMOUNT DUE FROM NON-FINANCIAL SECTOR (GROSS) by term to maturity	**end of the year 2004**	**end of the year 2003**
a) in current account	3 097 597	2 832 560
b) term, with maturity remaining to balance sheet date:	7 466 934	9 659 785
- up to 1 month	1 128 126	1 049 688
- 1 month - 3 months	786 446	848 006
- 3 months - 1 year	1 612 243	1 858 863
- 1 year - 5 years	2 039 431	2 197 902
- over 5 years	1 437 238	2 030 400
- past due	463 450	1 674 926
c) accrued interest	224 423	233 195
- non-due	33 294	47 011
- due and payable	191 129	186 184
Total amounts due from non-financial sector (gross)	**10 788 954**	**12 725 540**

Note 3C

AMOUNT DUE FROM NON-FINANCIAL SECTOR (GROSS) by original maturity	**end of the year 2004**	**end of the year 2003**
a) in current account	3 097 597	2 832 560
b) term, with maturity remaining to balance sheet date:	7 466 934	9 659 785
- up to 1 year	1 842 165	2 916 275
- 1 year - 5 years	2 799 235	3 246 267
- over 5 years	2 825 534	3 497 243
c) accrued interest	224 423	233 195
- non-due	33 294	47 011
- due and payable	191 129	186 184
Total amounts due from non-financial sector (gross)	**10 788 954**	**12 725 540**

Note 3D

AMOUNT DUE FROM NON-FINANCIAL SECTOR (GROSS) by currency structure	**end of the year 2004**	**end of the year 2003**
a) in Polish currency	8 379 650	8 927 730
b) in foreign currencies (in currency and converted into PLN):	2 409 304	3 797 810
b1. unit/currency 1000/EUR	*514 763*	*632 563*
in PLN thousand	2 099 717	2 983 801
b2. unit/currency 1000/USD	*74 062*	*177 631*
in PLN thousand	221 474	664 429
other currencies (in PLN thousand)	88 113	149 580
Total amounts due from non-financial sector (gross)	**10 788 954**	**12 725 540**

Note 3E

AMOUNT DUE FROM NON-FINANCIAL SECTOR (GROSS)	**end of the year 2004**	**end of the year 2003**
1. Normal	9 004 710	8 249 329
2. Watch	276 232	957 363
3. Irregular, in this:	1 283 589	3 285 653
a) substandard	163 120	806 385
b) doubtful	391 543	1 496 659
c) loss	728 926	982 609
4. Accrued interest	224 423	233 195
a) non-due	33 294	47 011
b) due and payable	191 129	186 184
- on normal and watch claims	2 413	2 056
- on irregular claims	188 716	184 128
Total amounts due from non-financial sector (gross)	**10 788 954**	**12 725 540**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 3F

VALUE OF COLLATERAL REDUCING THE BASIS FOR CALCULATION OF PROVISIONS FOR AMOUNTS DUE FROM NON-FINANCIAL SECTOR	end of the year 2004	end of the year 2003
a) normal	-	-
b) watch	163 181	457 022
c) irregular	422 259	2 179 032
- substandard	52 552	680 234
- doubtful	259 527	1 258 597
- loss	110 180	240 201
Total value of collateral reducing the basis for calculation of provisions for amounts due from non-financial sector	**585 440**	**2 636 054**

Note 3G

PROVISIONS FOR AMOUNTS DUE FROM NON-FINANCIAL SECTOR	end of the year 2004	end of the year 2003
a) normal	-	-
b) watch	3 894	44 030
c) irregular	776 611	1 009 119
- substandard	44 459	32 102
- doubtful	108 575	204 303
- loss	623 577	772 714
Total provisions for amounts due from non-financial sector	**780 505**	**1 053 149**

Note 3H

CHANGES IN PROVISIONS FOR AMOUNTS DUE FROM NON-FINANCIAL SECTOR	end of the year 2004	end of the year 2003
1. Balance at the beginning of period	1 053 149	1 653 821
a) increases (in respect of)	2 340 994	2 316 390
- charges to provisions	2 271 230	2 298 801
- provision transfer	5 404	-
- reversals	64 360	-
- change in presentation of negative goodwill	-	17 589
b) use (in respect of)	448 471	931 629
- receivables written off - 1	37 804	69 892
- receivables written off - 2	410 667	861 737
c) release (in respect of)	2 165 167	1 985 433
- release of provisions	2 141 141	1 979 722
- provision transfer	24 026	5 711
2. Balance at the end of period	**780 505**	**1 053 149**
3. Required balance of provisions for amounts due from non-financial sector at the end of period, according to the binding regulations	780 505	1 053 149

Total irregular amount due from financial sector do not exceed 10% of total assets.

In accordance with the Resolution of the Finance Minister dated 2 December 2003 which changed the Resolution in respect of specific accounting principles for banks, ING Bank Śląski has written-off loans to entities from the non-financial sector against specific provisions amounted to PLN 410.667 thousand.

Note 4A

AMOUNTS DUE FROM BUDGET SECTOR (by type)	end of the year 2004	end of the year 2003
a) advances and loans	386 396	458 978
b) debt purchased		-
c) realised guarantees		-
d) other claims (due to):	0	-
- receivables in the course of settlement		-
e) accrued interest:	3 104	3 391
- non-due	3 012	3 384
- due and payable	92	7
Total amounts due from budget sector (gross)	**389 500**	**462 369**
f) provision established for amounts due from budget sector (negative figure)	-10 337	-15 095
Total amounts due from budget sector (net)	**379 163**	**447 274**

Information about loans and advances which interest does not accrue on

The Bank does not accrue the interest on the claims referred to vindication procedure and the claims in bancrupt's proceedings. Moreover in the individual cases the interest on claims in restructuring is not accrued.

The value of loans and advances which interest does not accrue on is insignificant from Bank's receivables point of view.

Note 4B

AMOUNT DUE FROM BUDGET SECTOR (GROSS) by term to maturity	end of the year 2004	end of the year 2003
a) in current account	233	5 275
b) term, with maturity remaining to balance sheet date:	386 163	453 703
- up to 1 month	4 933	5 742
- 1 month - 3 months	18 447	20 554
- 3 months - 1 year	79 192	84 649
- 1 year - 5 years	216 693	239 041
- over 5 years	66 898	64 220
- past due	-	39 497
c) accrued interest	3 104	3 391
- non-due	3 012	3 384
- due and payable	92	7
Total amounts due from budget sector (gross)	**389 500**	**462 369**

Note 4C

AMOUNT DUE FROM BUDGET SECTOR (GROSS) by original maturity	end of the year 2004	end of the year 2003
a) in current account	233	5 275
b) term, with maturity remaining to balance sheet date:	386 163	453 703
- up to 1 year	4 350	1 519
- 1 year - 5 years	128 873	151 113
- over 5 years	252 940	301 071
c) accrued interest	3 104	3 391
- non-due	3 012	3 384
- due and payable	92	7
Total amounts due from budget sector (gross)	**389 500**	**462 369**

Note 4D

AMOUNT DUE FROM BUDGET SECTOR (GROSS) by currency structure	end of the year 2004	end of the year 2003
a) in Polish currency	360 810	420 107
b) in foreign currencies (in currency and converted into PLN):	28 690	42 262
b1. unit/currency 1000/EUR	*112*	*530*
in PLN thousand	455	2 498
b2. unit/currency 1000/USD	*1 206*	*1 960*
in PLN thousand	3 606	7 331
other currencies (in PLN thousand)	24 629	32 433
Total amounts due from budget sector (gross)	**389 500**	**462 369**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 4E

AMOUNT DUE FROM BUDGET SECTOR (GROSS)	end of the year 2004	end of the year 2003
1. Normal	330 347	419 157
2. Watch	19 586	312
3. Irregular, in this:	36 463	39 509
a) substandard	1 443	1 070
b) doubtful	34 981	38 367
c) loss	39	72
4. Accrued interest	3 104	3 391
a) non-due	3 012	3 384
b) due and payable	92	7
- on normal and watch claims	56	7
- on irregular claims	36	-
Total amounts due from budget sector (gross)	**389 500**	**462 369**

Note 4F

VALUE OF COLLATERAL REDUCING THE BASIS FOR CALCULATION OF PROVISIONS FOR AMOUNTS DUE FROM BUDGET SECTOR	end of the year 2004	end of the year 2003
a) normal		
b) watch	13	16
c) irregular	18 930	21 902
- substandard	-	1 070
- doubtful	18 930	20 832
- loss	-	-
Total value of collateral reducing the basis for calculation of provisions for amounts due from budget sector	**18 943**	**21 918**

Note 4G

PROVISIONS FOR AMOUNTS DUE FROM BUDGET SECTOR	end of the year 2004	end of the year 2003
a) normal	-	-
b) watch	-	-
c) irregular	10 337	15 095
- substandard	289	-
- doubtful	10 009	15 023
- loss	39	72
Total provisions for amounts due from budget sector	**10 337**	**15 095**

Note 4H

CHANGES IN PROVISIONS FOR AMOUNTS DUE FROM BUDGET SECTOR	end of the year 2004	end of the year 2003
1. Balance at the beginning of period	15 095	10 087
a) increases (in respect of)	-	5 008
- charges to provisions	-	5 008
b) use	-	-
c) release (in respect of)	4 758	-
- release of provisions	4 758	-
2. Balance at the end of period	**10 337**	**15 095**
3. Required balance of provisions for amounts due from budget sector at the end of period, according to the binding regulations	10 337	15 095

Total irregular amount due from budget sector do not exceed 10% of total assets.

Note 5

AMOUNTS DUE UNDER SECURITIES PURCHASED UNDER REPO AGREEMENTS	end of the year 2004	end of the year 2003
a) from financial sector	342 922	329 399
b) from non-financial sector	1 554	-
c) form budget sector	-	-
d) interest	-	-
Total amounts due under securities purchased under repo agreements	**344 476**	**329 399**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 6A

DEBT SECURITIES	end of the year 2004	end of the year 2003
a) issued by central banks, of which:	1 436 272	2 543 960
- bonds denominated in foreign currencies	-	-
b) issued by other banks, of which:	42 590	14 334
- denominated in foreign currencies	12 399	14 334
c) issued by other financial institutions, of which:	-	-
- denominated in foreign currencies	-	-
d) issued by non-financial institutions, of which:	220 463	69 377
- denominated in foreign currencies	-	-
e) issued by State Budget, of which:	8 401 319	2 649 416
- denominated in foreign currencies	-	-
f) issued by local governments, of which:	-	-
- denominated in foreign currencies	-	-
g) repurchase of own debt securities	-	-
Total debt securities	**10 100 644**	**5 277 087**

Note 6B

DEBT SECURITIES by type	end of the year 2004	end of the year 2003
1. Issued by State Budget, of which:	8 401 319	2 649 416
a) bonds	5 163 267	1 058 347
b) treasury bills	3 238 052	1 591 069
c) other	-	-
2. Issued by parent entity, of which:	-	-
a) bonds	-	-
b) other	-	-
3. Issued by significant investor, of which:	-	-
a) bonds	-	-
b) other	-	-
4. Issued by subsidiary undertakings, of which:	42 590	14 334
a) bonds	-	-
b) other (in respect of):	42 590	14 334
- mortgage backed papers	42 590	14 334
5. Issued by partialy owned undertakings, of which:	-	-
a) bonds	-	-
b) other	-	-
6. Issued by associated undertakings, of which:	-	-
a) bonds	-	-
b) other	-	-
7. Issued by other entities, of which:	1 656 735	2 613 337
a) bonds	742 505	592 547
b) other, by type:	914 230	2 020 790
- NBP bills	914 230	2 020 790
Total debt securities	**10 100 644**	**5 277 087**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 6C

CHANGES IN DEBT SECURITIES	end of the year 2004	end of the year 2003
Balance at the beginning of period	5 277 087	2 419 912
a) increase (in respect of)	192 975 601	180 045 383
- purchase of debt securities	192 520 487	179 983 252
- increase in value	455 114	62 131
b) decrease (in respect of)	188 152 044	177 188 208
- sale of debt securities	188 028 524	177 159 379
- decrease of value	110 020	28 829
- charges to provisions	13 500	-
Balance at the end of period	**10 100 644**	**5 277 087**

Legally binding charges to debt securities:

- as at 31 Dec 2004 treasury bills of PLN 25,34 million were held as collateral of loan received from the Bank Guarantee Fund,
- as at 31 Dec 2004 treasury bills of PLN 59,21 million were held towards the Bank Guarantee Fund,
- as at 31 Dec 2003 NBP bonds of PLN 34,74 million were held as collateral of loan received from the Bank Guarantee Fund,
- as at 31 Dec 2003 treasury bills of PLN 88,65 million were held towards the Bank Guarantee Fund.

Note 7A

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS CONSOLIDATED ON EQUITY BASIS	end of the year 2004	end of the year 2003
a) in banks	43 512	45 084
b) in other finacial institutions	73 791	89 353
c) in non-financial institutions	23 679	6 791
Total investments in subsidiary undertakings consolidated on equity basis	**140 982**	**141 228**

Note 7B

CHANGES IN SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS	end of the year 2004	end of the year 2003
Balance at the beginning of period	141 228	129 131
a) increase (in respect of)	44 754	12 097
- the purchase	13 950	54
- increase in value due to valuation according to equity method	30 804	7 814
- the acquisition of shares in form of contribution in kind	-	4 229
b) decrease (in respect of)	45 000	-
- the sale	45 000	-
Shareholdings in subsidiary undertakings at the end of period	**140 982**	**141 228**

Note 7C

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS, OF WHICH:	end of the year 2004	end of the year 2003
- goodwill - subsidiary undertakings	-	-
- negative goodwill - subsidiary undertakings	-	-

Note 7D

CHANGES IN GOODWILL - SUBSIDIARY UNDERTAKINGS	end of the year 2004	end of the year 2003
a) gross value at the beginning of period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of period	-	-
e) goodwill written off at the beginning of period	-	-
f) goodwill written off for the period	-	-
g) goodwill written off at the end of period	-	-
h) net value at the end of period	-	-

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 7E

CHANGES IN NEGATIVE GOODWILL - SUBSIDIARY UNDERTAKINGS	end of the year 2004	end of the year 2003
a) gross value at the beginning of period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of period	-	-
e) negative goodwill written off at the beginning of period	-	-
f) negative goodwill written off for the period	-	-
g) negative goodwill written off at the end of period	-	-
h) net value at the end of period	-	-

Note 8A

SHAREHOLDINGS IN PARTIALY OWNED UNDERTAKINGS	end of the year 2004	end of the year 2003
a) in banks	-	-
b) in other finacial institutions	-	-
c) in non-financial institutions	-	-
Total shareholdings in partialy owned undertakings	-	-

Note 8B

CHANGES IN SHAREHOLDINGS IN PARTIALY OWNED UNDERTAKINGS	end of the year 2004	end of the year 2003
Balance at the beginning of period	-	15 127
a) increase (in respect of)	-	17 589
- change in presentation of negative valuation of shareholdings - movement to provisions for amounts due from non-financial sector	-	17 589
b) decrease (in respect of)	-	32 716
- decrease of value due to valuation according to equity method	-	32 716
Shareholdings in partialy owned undertakings at the end of period	-	**0**

Note 8C

SHAREHOLDINGS IN PARTIALY OWNED UNDERTAKINGS, OF WHICH:	end of the year 2004	end of the year 2003
- goodwill - partialy owned undertakings	-	-
- negative goodwill - partialy owned undertakings	-	-

Note 8D

CHANGES IN GOODWILL - PARTIALY OWNED UNDERTAKINGS	end of the year 2004	end of the year 2003
a) gross value at the beginning of period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of period	-	-
e) goodwill written off at the beginning of period	-	-
f) goodwill written off for the period	-	-
g) goodwill written off at the end of period	-	-
h) net value at the end of period	-	-

Note 8E

CHANGES IN NEGATIVE GOODWILL - PARTIALY OWNED UNDERTAKINGS	end of the year 2004	end of the year 2003
a) gross value at the beginning of period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of period	-	-
e) negative goodwill written off at the beginning of period	-	-
f) negative goodwill written off for the period	-	-
g) negative goodwill written off at the end of period	-	-
h) net value at the end of period	-	-

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 9A

SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS	end of the year 2004	end of the year 2003
a) in banks	-	-
b) in other finacial institutions	70 944	53 208
c) in non-financial institutions	-	-
Total shareholdings in associated undertakings	**70 944**	**53 208**

Note 9B

CHANGES IN SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS	end of the year 2004	end of the year 2003
Balance at the beginning of period	53 208	42 388
a) increase (in respect of)	17 736	10 820
- increase in value due to valuation according to equity method	17 736	10 820
b) decrease	-	-
Shareholdings in associated undertakings at the end of period	**70 944**	**53 208**

Note 9C

SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS, OF WHICH:	end of the year 2004	end of the year 2003
- goodwill - associated undertakings	-	-
- negative goodwill - associated undertakings	-	-

Note 9D

CHANGES IN GOODWILL - ASSOCIATED UNDERTAKINGS	end of the year 2004	end of the year 2003
a) gross value at the beginning of period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of period	-	-
e) goodwill written off at the beginning of period	-	-
f) goodwill written off for the period	-	-
g) goodwill written off at the end of period	-	-
h) net value at the end of period	-	-

Note 9E

CHANGES IN NEGATIVE GOODWILL - ASSOCIATED UNDERTAKINGS	end of the year 2004	end of the year 2003
a) gross value at the beginning of period	-	-
b) increase	-	-
c) decrease	-	-
d) gross value at the end of period	-	-
e) negative goodwill written off at the beginning of period	-	-
f) negative goodwill written off for the period	-	-
g) negative goodwill written off at the end of period	-	-
h) net value at the end of period	-	-

Note 10

SHAREHOLDINGS IN SUBORDINATED UNDERTAKINGS	file 'ang_Akcje2004R-Note10'

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 11A

SHAREHOLDINGS IN OTHER ENTITIES	end of the year 2004	end of the year 2003
a) in financial institutions	14 276	14 276
b) in non-financial institutions	1 617	13 255
Total shareholdings in other entities	**15 893**	**27 531**

Note 11B

CHANGES IN SHAREHOLDINGS IN OTHER ENTITIES	end of the year 2004	end of the year 2003
Balance at the beginning of period	27 531	9 335
a) increase (in respect of)	3 986	26 798
- purchases	3 383	23 551
- increase in value	-	2 966
- release of provisions	603	281
b) decrease (in respect of)	15 624	8 602
- sale	11 126	6 777
- decrease of value	30	-
- charges to provisions	4 468	1 825
Shareholdings in other entities at the end of period	**15 893**	**27 531**

Note 11C

SHAREHOLDINGS IN OTHER ENTITIES	file 'ang_Akcje2004R-Note11'

Note 12A

OTHER SECURITIES AND OTHER FINANCIAL ASSETS by type	end of the year 2004	end of the year 2003
a) subscription rights	-	-
b) derivative rights	-	-
c) other (by type)	470 920	432 252
- fair value of financial instruments	470 920	432 252
Total other securities and other financial assets	**470 920**	**432 252**

Note 12B

CHANGES IN OTHER SECURITIES AND OTHER FINANCIAL ASSETS	end of the year 2004	end of the year 2003
Balance at the beginning of period	432 252	193 695
a) increase (in respect of)	38 668	407 478
- purchase of trust units in investment fund	-	168 136
- increase in derivatives value	38 668	239 342
b) decrease (in respect of)	0	168 921
- sale of trust units in investment fund	-	168 921
Other securities and other financial assets at the end of period	**470 920**	**432 252**

Note 12C

OTHER SECURITIES AND OTHER FINANCIAL ASSETS by currency structure	end of the year 2004	end of the year 2003
a) in Polish currency	382 071	305 875
b) in foreign currencies (in currency and converted into PLN):	88 849	126 377
b1. unit/currency 1000/EUR	*8 782*	*8 899*
in PLN thousand	35 820	41 977
b2. unit/currency 1000/USD	*17 339*	*22 564*
in PLN thousand	51 852	84 401
other currencies (in PLN thousand)	1 177	-
Total other securities and other financial assets	**470 920**	**432 252**

Note 13A

FINANCIAL ASSETS	end of the year 2004	end of the year 2003
a) financial assets designed to sale	4 022 250	4 882 086
b) loans and advances granted and own debts - not to sale	22 193 212	20 620 901
c) financial assets held to maturity date	-	-
d) financial assets available to sale	6 565 207	854 784
e) cash	895 324	1 083 512
Total financial assets	**33 675 993**	**27 441 283**

Note 13B

FINANCIAL ASSETS by currency structure	end of the year 2004	end of the year 2003
a) in Polish currency	21 415 587	16 907 289
b) in foreign currencies (in currency and converted into PLN):	12 260 406	10 533 994
b1. unit/currency 1000/EUR	*775 097*	*827 355*
in PLN thousand	3 161 621	3 902 635
b2. unit/currency 1000/USD	*2 976 070*	*1 717 588*
in PLN thousand	8 899 640	6 424 638
other currencies (in PLN thousand)	199 145	206 721
Total financial assets	**33 675 993**	**27 441 283**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 13C

FINANCIAL ASSETS DESIGNED TO SALE (per transferability)	end of the year 2004	end of the year 2003
A. With unlimited transferability, listed on stock exchanges (balance sheet value)	1 375 552	1 024 178
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
b) bonds (balance sheet value):	1 375 552	1 024 178
- fair value	1 375 552	1 024 178
- market value	1 375 552	1 024 178
- value at cost of purchase	1 361 041	1 007 914
c) other	-	-
B. With unlimited transferability, listed on OTC markets (balance sheet value)	-	-
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
c) other	-	-
C. With unlimited transferability, unlisted on regulated markets (balance sheet value)	2 175 778	3 411 322
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
b) bonds (balance sheet value):	145 861	-
- fair value	145 861	-
- market value	-	-
- value at cost of purchase	142 124	-
c) other - by group (balance sheet value):	2 029 917	3 425 656
c1) treasury bills (balance sheet value):	1 103 288	1 390 532
- fair value	1 103 288	1 390 532
- market value	-	-
- value at cost of purchase	1 078 744	1 391 048
c2) NBP bills (balance sheet value):	914 230	2 020 790
- fair value	914 230	2 020 790
- market value	-	-
- value at cost of purchase	913 570	2 016 672
c3) mortgage backed papers (balance sheet value):	12 399	14 334
- fair value	12 399	14 334
- market value		-
- value at cost of purchase	12 237	14 151
D. With limited transferability (balance sheet value)	470 920	432 252
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
c) other - by group (balance sheet value):	470 920	432 252
c1) derivatives (balance sheet value):	470 920	432 252
- fair value	470 920	432 252
Total value at cost of purchase	**3 507 716**	**4 429 785**
Value at the beginning of period	**4 882 086**	**1 421 924**
Total revaluation adjustments (for the period)	**514 534**	**452 301**
Total balance sheet value	**4 022 250**	**4 882 086**

Note 13D

FINANCIAL ASSETS HELD TO MATURITY DATE (by term to maturity)	end of the year 2004	end of the year 2003
A. With unlimited transferability, listed on stock exchanges (balance sheet value)	-	-
a) bonds (balance sheet value):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of period	-	-
- value at cost of purchase	-	-
b) other	-	-
B. With unlimited transferability, listed on OTC markets (balance sheet value)	-	-
a) bonds (balance sheet value):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of period	-	-
- value at cost of purchase	-	-
b) other	-	-
C. With unlimited transferability, unlisted on regulated markets (balance sheet value)	-	-
a) bonds (balance sheet value):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of period	-	-
- value at cost of purchase	-	-
b) other	-	-
D. With limited transferability (balance sheet value)	-	-
a) bonds (balance sheet value):	-	-
- revaluation adjustments (for the period)	-	-
- value at the beginning of period	-	-
- value at cost of purchase	-	-
b) other	-	-
	-	-
Total value at cost of purchase	-	-
Value at the beginning of period	-	**334 293**
Total accrued interest (for the period)	-	-
Total balance sheet value	-	-

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 13E

FINANCIAL ASSETS AVAILABLE TO SALE (per transferability)	end of the year 2004	end of the year 2003
A. With unlimited transferability, listed on stock exchanges (balance sheet value)	3 787 715	45 295
a) shares (balance sheet value):	-	11 126
- fair value	-	11 126
- market value	-	11 126
- value at cost of purchase	-	13 456
b) bonds (balance sheet value):	3 787 715	34 169
- fair value	3 787 715	34 169
- market value	3 787 715	34 169
- value at cost of purchase	3 630 939	30 001
c) other	-	-
B. With unlimited transferability, listed on OTC markets (balance sheet value)	-	-
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
c) other	-	-
C. With unlimited transferability, unlisted on regulated markets (balance sheet value)	2 777 492	809 489
a) shares (balance sheet value):	15 893	16 405
- fair value	15 893	16 405
- market value	-	-
- value at cost of purchase	21 625	26 843
b) bonds (balance sheet value):	596 644	592 547
- fair value	596 644	592 547
- market value	-	-
- value at cost of purchase	579 292	565 792
c) other - by group (balance sheet value):	2 164 955	200 537
c1) treasury bills (balance sheet value):	2 134 764	200 537
- fair value	2 134 764	200 537
- market value	-	-
- value at cost of purchase	2 073 962	197 795
c2) mortgage backed papers (balance sheet value):	30 191	-
- fair value	30 191	-
- market value	-	-
- value at cost of purchase	30 000	-
D. With limited transferability (balance sheet value)	-	-
a) shares (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
b) bonds (balance sheet value):	-	-
- fair value	-	-
- market value	-	-
- value at cost of purchase	-	-
c) other	-	-
Total value at cost of purchase	**6 335 818**	**833 887**
Value at the beginning of period	**854 784**	**866 725**
Total revaluation adjustments (for the period)	**229 389**	**20 897**
Total balance sheet value	**6 565 207**	**854 784**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 14A

INTANGIBLE FIXED ASSETS	end of the year 2004	end of the year 2003
a) accrued cost of formation and further expansion of public limited company	-	-
b) development expenditure	198 101	227 927
c) acquired concessions, patents, licenses and similar items of value, including:	40 617	34 651
- computer software	40 617	34 651
d) other intangible fixed assets	25 869	3 714
e) prepayments for intangible fixed assets	-	-
Total intangible fixed assets	**264 587**	**266 292**

Note 14B

CHANGES IN INTANGIBLE FIXED ASSETS (by group)	a	b	c		d	e	
	development expenditure	goodwill	acquired concessions, patents, licenses and similar items of value, including:	computer software	other intangible fixed assets	prepayments for intangible fixed assets	**Total intangible fixed assets**
a) gross value at the beginning of period		315 796	95 000	95 000	10 820		**421 616**
b) increase (due to)	0	0	21 129	21 129	32 802	0	**53 931**
- purchase			14 311	14 311	42		**14 353**
- transfer from assets under construction			6 542	6 542	1 381		**7 923**
- transfer from projects to settle					31 379		**31 379**
- other			276	276			**276**
c) decrease (due to)	0	0	7 915	7 915	6 095	0	**14 010**
- sale and liquidation			7 356	7 356			**7 356**
- other			559	559	6 095		**6 654**
d) gross value at the end of period	0	315 796	108 214	108 214	37 527	0	**461 537**
e) accumulated depreciation at the beginning of period		87 869	60 349	60 349	7 106		**155 324**
f) depreciation for the period (due to)	0	29 825	7 248	7 248	4 553	0	**41 626**
- depreciation charges		29 825	20 026	20 026	1 285		**51 136**
- sale and liquidation			-7 356	-7 356			**-7 356**
- other			-5 422	-5 422	3 268		**-2 154**
e) accumulated depreciation at the end of period	0	117 694	67 597	67 597	11 659	0	**196 950**
h) charges due to permanent loss of value at the beginning of period	-	-	-	-	-	-	-
- increase	-	-	-	-	-	-	-
- decrease	-	-	-	-	-	-	-
i) charges due to permanent loss of value at the end of period	-	-	-	-	-	-	-
j) net value of intangible fixed assets at the end of period	0	198 102	40 617	40 617	25 868	0	**264 587**

Note 14C

INTANGIBLE FIXED ASSETS (ownership structure)	end of the year 2004	end of the year 2003
a) freehold	255 659	252 724
b) used under lease, rental or other agreement, including leasing agreement	8 928	13 568
Total intangible fixed assets	**264 587**	**266 292**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 15A

TANGIBLE FIXED ASSETS	end of the year 2004	end of the year 2003
Tangible fixed assets		
a) fixed assets, including	483 230	536 658
- land (in this title to perpetual lease of land)	3 130	3 099
- buildings, premises and civil engineering facilities	341 726	367 675
- equipment	85 928	106 757
- means of transport	2 550	4 167
- other fixed assets	49 896	54 960
b) assets in course of construction	9 733	9 161
c) prepayments for assets in course of construction	-	-
Total tangible fixed assets	**492 963**	**545 819**

Note 15B

TABLE OF MOVEMENTS IN TANGIBLE FIXED ASSETS (by group)	land (in this title to perpetual lease of land)	buildings, premises and civil engineering facilities	equipment	means of transport	other fixed assets	**Total fixed assets**
a) gross value at the beginning of period	3 099	534 845	301 898	12 353	290 623	**1 142 818**
b) increase (due to)	145	6 904	12 111	240	29 778	**49 178**
- purchase	145	694	7 387	240	18 189	**26 655**
- transfer from assets under construction		6 210	4 724		7 221	**18 155**
- other					4 368	**4 368**
c) decrease (due to)	114	1 326	10 554	2 107	34 319	**48 420**
- sale	114		1 063	1 950	7 899	**11 026**
- liquidation		1 262	1 550	157	8 435	**11 404**
- other		64	7 941		17 985	**25 990**
d) gross value at the end of period	3 130	540 423	303 455	10 486	286 082	**1 143 576**
e) accumulated depreciation at the beginning of period		167 170	195 141	8 186	235 663	**606 160**
f) depreciation for the period (due to)	0	31 527	22 386	-250	523	**54 186**
- depreciation charges		32 213	28 369	1 705	32 792	**95 079**
- sale and liquidation		-686	-2 203	-1 955	-15 088	**-19 932**
- other			-3 780		-17 181	**-20 961**
g) accumulated depreciation at the end of period	0	198 697	217 527	7 936	236 186	**660 346**
h) charges due to permanent loss of value at the beginning of period	-	-	-	-	-	-
- increase	-	-	-	-	-	-
- decrease	-	-	-	-	-	-
i) charges due to permanent loss of value at the end of period	-	-	-	-	-	-
j) net value of tangible fixed assets at the end of period	3 130	341 726	85 928	2 550	49 896	**483 230**

Note 15C

BALANCE SHEET FIXED ASSETS (ownership structure)	end of the year 2004	end of the year 2003
a) freehold	425 839	500 379
b) used under lease, rental or other agreement, including leasing agreement	67 124	45 440
Total balance sheet fixed assets	**492 963**	**545 819**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 15D

OFF-BALANCE SHEET FIXED ASSETS	end of the year 2004	end of the year 2003
- used under lease, rental or other agreement, including leasing agreement, including:	44 821	46 979
- value of land under perpetual usufruct	3 721	3 721
- value of fixed assets under operational lease agreements	41 100	43 258
Total off-balance sheet fixed assets	**44 821**	**46 979**

Note 16A

OTHER ASSETS	end of the year 2004	end of the year 2003
a) repossessed assets - for sale	1 514	413
b) other, including:	185 289	268 911
- sundry debtors, of which:	69 754	90 215
- loans granted from the Social Fund	19 848	20 762
- interbank settlements	4 654	4 274
- interbranch settlements	108	2 850
- public settlements	110 467	171 318
- other	306	254
Total other assets (gross)	**186 803**	**269 324**
Provision for other assets	-31 315	-28 570
Total other assets (net)	**155 488**	**240 754**

Note 16B

REPOSSESSED ASSETS - FOR SALE	end of the year 2004	end of the year 2003
a) assets in course of construction	-	-
b) real estate	177	177
c) other	1 337	236
Total repossessed assets - for sale	**1 514**	**413**

Note 16C

MOVEMENTS IN REPOSSESSED ASSETS - FOR SALE	end of the year 2004	end of the year 2003
Balance at the beginning of period (per titles)	413	760
- real estate	177	252
- other	236	508
a) increase (due to)	2 173	129
- repossession for bad debts	2 173	129
b) decrease (due to)	1 072	476
- sale	1 072	476
Repossessed assets - for sale at the end of period (per titles)	**1 514**	**413**
- real estate	177	177
- other	1 337	236

Note 17A

INTERPERIOD SETTLEMENTS	end of the year 2004	end of the year 2003
a) long-term, including:	97 321	104 182
- deferred income tax	83 352	98 066
- cost of company's expanding paid in advance	2 189	3 368
- expenditures for projects to settle	10 911	1 666
- other interperiod settlements	869	1 082
b) short-term, including:	145 608	161 065
- deferred income tax	116 798	113 072
- expenditures for projects to settle	-	31 296
- other interperiod settlements	28 810	16 697
Total interperiod settlements	**242 929**	**265 247**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 17B

CHANGES IN DEFERRED INCOME TAX	end of the year 2004	end of the year 2003
1. Balance at the beginning of period:	**211 138**	**620 592**
a) included in financial result	209 222	620 435
b) included in equity capital	1 916	157
c) included in goodwill or negative goodwill	-	-
2. Increase	**23 387**	**6 532**
a) included in financial result for the period due to negative temporary differences (in respect of)	23 387	3 080
- accrued cost payable	10 053	-
- charges to other provisions	1 334	-
- provisions for staff bonuses concerning current year	5 061	3 080
- provision for retirement bonuses and past-due leaves	449	-
- increase of future liabilities balance from salaries and general expenses	6 490	-
- other	-	-
b) included in financial result for the period due to tax loss	-	1 693
c) included in equity capital due to negative temporary differences	-	1 759
d) included in equity capital due to tax loss	-	-
e) included in goodwill or negative goodwill due to negative temporary differences	-	-
3. Decrease	**34 375**	**415 986**
a) included in financial result for the period due to negative temporary differences (in respect of)	32 617	415 986
- income paid in advance	2 939	1 429
- accrued cost payable	-	12 217
- unrealised cost on derivatives	-	289 360
- charges to provisions for receivables	25 053	101 507
- charges to other provisions	-	4 751
- settlement of charges to provision for staff bonuses concerning prior years	2 740	5 831
.- usage of tax loss	1 849	-
- other	36	891
b) included in financial result for the period due to tax loss	-	-
c) included in equity capital due to negative temporary differences	1 758	-
d) included in equity capital due to tax loss	-	-
e) included in goodwill or negative goodwill due to negative temporary differences	-	-
4. Total deferred income tax at the end of period, including:	**200 150**	**211 138**
a) included in financial result	199 992	209 222
b) included in equity capital	158	1 916
c) included in goodwill or negative goodwill	-	-

Note 17C

OTHER INTERPERIOD SETTLEMENTS	end of the year 2004	end of the year 2003
a) prepayments, including:	24 656	46 668
- general expenses	342	565
- insurance expenses	1 637	1 568
- stock of materials	2 276	2 723
- renovation costs	279	308
- cost of factoring paid in advance	869	1 082
- cost of company extention paid in advance	2 189	3 368
- interest on Interest Rate Swap transaction paid in advance		273
- expenditures for projects to settle	10 911	32 962
- cost to settle	1 484	1 364
- other	4 669	2 455
b) other interperiod settlements, of which:	18 123	7 441
- income receivable, of which:	18 123	7 441
Total other interperiod settlements	**42 779**	**54 109**

Note 18

SUBORDINATED LOANS				
a	b		c	d
name of entity	value of loan extended		interest terms	date of maturity
	currency of loan	PLN thousand		

Note 20A

AMOUNTS OWED TO FINANCIAL SECTOR (by group)	end of the year 2004	end of the year 2003
a) funds in accounts and deposits, of which:	3 205 957	2 729 169
- deposits from banks and other financial institutions	1 867 523	1 489 579
b) borrowings	130 521	182 839
c) promissory notes	-	-
d) own securities issue	-	-
e) other commitments, including:	110 795	301 970
- commitments in course of settlement	8 161	14 027
- commitments in respect of money collaterals	32 518	205 493
- commitments in respect of CIRS contracts	70 116	82 450
f) accrued interest	23 372	7 325
Total amounts owed to financial sector	**3 470 645**	**3 221 303**

In amounts owed to financial sector Bank presents commitments in respect to CIRS contracts with exchange of notional (notional of deposit taken including interest accrued). These commitments together with receivables in respect to CIRS contracts presented by the Bank in amounts due from financial sector (notional of deposit given including interest accrued) constitute a part of fair value of CIRS transactions. The remaining part of fair value of CIRS transactions is mark to market adjustment presented by the Bank in other financial assets/ liabilities.

Note 20B

AMOUNTS OWED TO FINANCIAL SECTOR (by term to maturity)	end of the year 2004	end of the year 2003
a) current	1 346 595	1 253 617
b) term, with maturity remaining to balance sheet date:	2 100 678	1 960 361
- up to 1 month	1 304 989	1 181 047
- 1 month - 3 months	393 030	218 818
- 3 months - 1 year	214 274	291 239
- 1 year - 5 years	103 395	172 271
- over 5 years	84 072	96 406
- past due	-	-
- blocked	918	580
c) accrued interest	23 372	7 325
Total amounts owed to financial sector	**3 470 645**	**3 221 303**

Note 20C

AMOUNTS OWED TO FINANCIAL SECTOR (by original maturity)	end of the year 2004	end of the year 2003
a) current	1 346 595	1 253 617
b) term, with maturity:	2 100 678	1 960 361
- up to 1 month	1 100 934	1 163 953
- 1 month - 3 months	243 815	189 592
- 3 months - 1 year	521 559	294 157
- 1 year - 5 years	148 900	214 008
- over 5 years	84 552	98 071
- blocked	918	580
c) accrued interest	23 372	7 325
Total amounts owed to financial sector	**3 470 645**	**3 221 303**

Note 20D

AMOUNTS OWED TO FINANCIAL SECTOR (by currency structure)	end of the year 2004	end of the year 2003
a) in Polish currency	3 167 412	2 523 553
b) in foreign currencies (in currency and converted into PLN):	303 233	697 750
b1. unit/currency 1000/EUR	*57 606*	*89 302*
in PLN thousand	234 976	421 236
b2. unit/currency 1000/USD	*11 833*	*71 061*
in PLN thousand	35 384	265 803
other currencies (in PLN thousand)	32 873	10 711
Total amounts owed to financial sector	**3 470 645**	**3 221 303**

Note 21A

AMOUNTS OWED TO NON-FINANCIAL SECTOR (by group)	end of the year 2004	end of the year 2003
a) funds in accounts and deposits	24 109 349	18 914 530
b) borrowings		-
c) promissory notes		-
d) own securities issue		-
e) other commitments, including:	749 144	759 875
- commitments in course of settlement	77 242	88 547
- commitments in respect of money collaterals	283 697	191 819
- commitments in respect of CIRS contracts	388 205	479 509
f) accrued interest	70 181	41 037
Total amounts owed to non-financial sector	**24 928 674**	**19 715 442**

In amounts owed to non-financial sector Bank presents commitments in respect to CIRS contracts with exchange of notional (notional of deposit taken including interest accrued). These commitments together with receivables in respect to CIRS contracts presented by the Bank in amounts due from non-financial sector (notional of deposit given including interest accrued) constitute a part of fair value of CIRS transactions. The remaining part of fair value of CIRS transactions is mark to market adjustment presented by the Bank in other financial assets/ liabilities.

Note 21B

AMOUNTS OWED TO NON-FINANCIAL SECTOR - SAVINGS DEPOSITS (by term to maturity)	end of the year 2004	end of the year 2003
a) current	1 634 911	1 861 292
b) term, with maturity remaining to balance sheet date:	12 634 152	10 279 697
- up to 1 month	7 192 776	6 722 089
- 1 month - 3 months	2 907 648	1 617 419
- 3 months - 1 year	1 915 122	1 422 316
- 1 year - 5 years	425 289	232 963
- over 5 years	82 980	108 431
- past due	-	-
- blocked	110 337	176 479
c) accrued interest	54 067	26 574
Total amounts owed to non-financial sector - savings deposits	**14 323 130**	**12 167 563**

Note 21C

AMOUNTS OWED TO NON-FINANCIAL SECTOR - SAVINGS DEPOSITS (by original maturity)	end of the year 2004	end of the year 2003
a) current	1 634 911	1 861 292
b) term, with maturity:	12 634 152	10 279 697
- up to 1 month	462 696	780 761
- 1 month - 3 months	2 836 420	1 934 148
- 3 months - 1 year	2 645 043	1 737 037
- 1 year - 5 years	5 975 489	5 542 840
- over 5 years	604 167	108 432
- blocked	110 337	176 479
c) accrued interest	54 067	26 574
Total amounts owed to non-financial sector - savings deposits	**14 323 130**	**12 167 563**

Note 21D

AMOUNTS OWED TO NON-FINANCIAL SECTOR - OTHER (by term to maturity)	end of the year 2004	end of the year 2003
a) current	5 136 322	3 630 792
b) term, with maturity remaining to balance sheet date:	5 453 108	3 902 624
- up to 1 month	4 599 762	2 931 945
- 1 month - 3 months	326 905	266 268
- 3 months - 1 year	85 877	126 171
- 1 year - 5 years	368 902	482 037
- over 5 years	281	250
- past due	-	-
- blocked	71 381	95 953
c) accrued interest	16 114	14 463
Total amounts owed to non-financial sector - other	**10 605 544**	**7 547 879**

Note 21E

AMOUNTS OWED TO NON-FINANCIAL SECTOR - OTHER (by original maturity)	end of the year 2004	end of the year 2003
a) current	5 136 322	3 630 792
b) term, with maturity:	5 453 108	3 902 624
- up to 1 month	3 609 588	2 166 154
- 1 month - 3 months	672 863	527 486
- 3 months - 1 year	140 146	211 567
- 1 year - 5 years	958 850	901 213
- over 5 years	280	251
- blocked	71 381	95 953
c) accrued interest	16 114	14 463
Total amounts owed to non-financial sector - other	**10 605 544**	**7 547 879**

Note 21F

AMOUNTS OWED TO NON-FINANCIAL SECTOR (by currency structure)	end of the year 2004	end of the year 2003
a) in Polish currency	20 423 157	16 146 999
b) in foreign currencies (in currency and converted into PLN):	4 505 517	3 568 443
b1. unit/currency 1000/EUR	*621 267*	*445 626*
in PLN thousand	2 534 149	2 102 017
b2. unit/currency 1000/USD	*645 276*	*385 244*
in PLN thousand	1 929 632	1 441 005
other currencies (in PLN thousand)	41 736	25 421
Total amounts owed to non-financial sector	**24 928 674**	**19 715 442**

Note 22A

AMOUNTS OWED TO BUDGET SECTOR (by group)	end of the year 2004	end of the year 2003
a) funds in accounts and deposits	1 195 098	1 056 921
b) borrowings	-	-
c) promissory notes	-	-
d) own securities issue	-	-
e) other commitments, including:	7 980	2 471
- commitments in course of settlement	7 980	1 599
- commitments in respect of money collaterals		872
f) accrued interest	1 142	873
Total amounts owed to budget sector	**1 204 220**	**1 060 265**

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Note 22B

AMOUNTS OWED TO BUDGET SECTOR - SAVINGS DEPOSITS (by term to maturity)	**end of the year 2004**	**end of the year 2003**
a) current	-	-
b) term, with maturity remaining to balance sheet date:	-	-
- up to 1 month	-	-
- 1 month - 3 months	-	-
- 3 months - 1 year	-	-
- 1 year - 5 years	-	-
- over 5 years	-	-
- past due	-	-
- blocked	-	-
c) accrued interest	-	-
Total amounts owed to budget sector - savings deposits	-	-

Note 22C

AMOUNTS OWED TO BUDGET SECTOR - SAVINGS DEPOSITS (by original maturity)	**end of the year 2004**	**end of the year 2003**
a) current	-	-
b) term, with maturity:	-	-
- up to 1 month	-	-
- 1 month - 3 months	-	-
- 3 months - 1 year	-	-
- 1 year - 5 years	-	-
- over 5 years	-	-
- blocked	-	-
c) accrued interest	-	-
Total amounts owed to budget sector - savings deposits	-	-

Note 22D

AMOUNTS OWED TO BUDGET SECTOR - OTHER (by term to maturity)	**end of the year 2004**	**end of the year 2003**
a) current	836 759	757 237
b) term, with maturity remaining to balance sheet date:	366 319	302 155
- up to 1 month	339 041	212 095
- 1 month - 3 months	19 145	81 388
- 3 months - 1 year	3 420	6 638
- 1 year - 5 years	4 063	97
- over 5 years	-	-
- past due	-	-
- blocked	650	1 937
c) accrued interest	1 142	873
Total amounts owed to budget sector - other	**1 204 220**	**1 060 265**

Note 22E

AMOUNTS OWED TO BUDGET SECTOR - OTHER (by original maturity)	**end of the year 2004**	**end of the year 2003**
a) current	836 759	757 237
b) term, with maturity:	366 319	302 155
- up to 1 month	217 425	149 633
- 1 month - 3 months	118 671	54 181
- 3 months - 1 year	17 636	94 615
- 1 year - 5 years	11 937	1 523
- over 5 years	-	266
- blocked	650	1 937
c) accrued interest	1 142	873
Total amounts owed to budget sector - other	**1 204 220**	**1 060 265**

Note 22F

AMOUNTS OWED TO BUDGET SECTOR (by currency structure)	end of the year 2004	end of the year 2003
a) in Polish currency	1 181 007	1 047 415
b) in foreign currencies (in currency and converted into PLN):	23 213	12 850
b1. unit/currency 1000/EUR	*4 990*	*2 059*
in PLN thousand	20 356	9 712
b2. unit/currency 1000/USD	*955*	*839*
in PLN thousand	2 857	3 138
other currencies (in PLN thousand)	-	-
Total amounts owed to budget sector	**1 204 220**	**1 060 265**

Note 23

AMOUNTS OWED UNDER SECURITIES SOLD UNDER REPO AGREEMENTS	end of the year 2004	end of the year 2003
a) to financial sector	890 261	941 702
b) to non-financial sector and budget sector	146 249	142 124
c) interest	11 029	3 762
Total amounts owed under securities sold under repo agreements	**1 047 539**	**1 087 588**

Note 24A

AMOUNTS OWED UNDER OWN ISSUE OF DEBT SECURITIES	end of the year 2004	end of the year 2003
a) bonds	-	-
b) certificates	-	-
c) other (by type)	-	-
d) interest	-	-
Total amounts owed under own issue of debt securities	-	-

Note 24B

CHANGES IN AMOUNTS OWED UNDER OWN ISSUE OF DEBT SECURITIES	end of the year 2004	end of the year 2003
Balance at the beginning of period	-	-
a) increase	-	-
b) decrease	-	-
Amounts owed under own issue of debt securities at the end of period	-	-

Note 24C

LONG TERM COMMITMENTS UNDER DEBT SECURITIES ISSUE							
a	b	c	d	e	f	g	h
debt securities by type	nominal value	interest rate	maturity	guarantees / collateral	additional rights	notional market	other

Note 25

SPECIAL FUNDS AND OTHER LIABILITIES	end of the year 2004	end of the year 2003
a) special funds (of which)	23 847	26 366
- Social Fund	23 847	26 341
- bonus fund	-	25
b) other liabilities (of which)	320 683	296 059
- interbank settlements	139 539	149 219
- interbranch settlements	11 157	25 409
- public settlements	79 965	21 789
- sundry creditors	41 101	30 880
- lease commitments	48 865	68 721
- other	56	41
Total special funds and other liabilities	**344 530**	**322 425**

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Note 26A

ACCRUED EXPENSES	end of the year 2004	end of the year 2003
a) short-term, of which:	51 329	38 906
- general expenses	50 442	38 296
- commission payable	225	587
- other	662	23
b) long-term, of which:	-	-
Total accrued expenses	**51 329**	**38 906**

Note 26B

CHANGES IN NEGATIVE GOODWILL	end of the year 2004	end of the year 2003
Balance at the beginning of period	-	-
a) increase	-	-
b) decrease	-	-
Negative goodwill at the end of period	-	-

Note 26C

OTHER DEFERRED AND RESERVED INCOME	end of the year 2004	end of the year 2003
a) short-term, of which:	215 491	231 382
- reserved interest	197 256	199 432
- income on loans given	13 066	30 553
- income on discount of bills of exchange received in advance	329	205
- income on factoring received in advance	592	387
- income on lombard loan received in advance	4	22
- other	4 244	783
b) long-term, of which:	220	865
- capitalised interest based on agreements	218	243
- interest on Interest Rate Swap transaction received in advance	2	622
Total other deferred and reserved income	**215 711**	**232 247**

Note 27A

CHANGES IN DEFERRED INCOME TAX PROVISION	end of the year 2004	end of the year 2003
1. Balance at the beginning of period:	**58 964**	**367 191**
a) included in financial result	58 964	366 469
b) included in equity capital	-	722
c) included in goodwill or negative goodwill	-	-
2. Increase	**69 832**	**0**
a) included in financial result for the period due to positive temporary differences (in respect of)	54 788	-
- accrued interest income receivable	51 771	-
- settlement of difference between the amounts of depreciation calculated for balance sheet and corporate income tax purposes	3 017	-
- other	-	-
b) included in equity capital due to positive temporary differences	15 044	-
c) included in goodwill or negative goodwill due to positive temporary differences	-	-
3. Decrease	**1 243**	**308 227**
a) included in financial result for the period due to positive temporary differences (in respect of)	1 243	307 505
- accrued interest income receivable	-	297 426
- interperiod settlement due to investment tax allowance	1 226	9 088
- settlement of difference between the amounts of depreciation calculated for balance sheet and corporate income tax purposes	-	136
- settlement of lease agreements	17	472
- other	-	383
b) included in equity capital due to positive temporary differences	-	722
c) included in goodwill or negative goodwill due to positive temporary differences	-	-
4. Total deferred income tax provision at the end of period, including:	**127 553**	**58 964**
a) included in financial result	112 509	58 964
b) included in equity capital	15 044	-
c) included in goodwill or negative goodwill	-	-

Note 27B

DEFERRED INCOME TAX PROVISION (currency structure)	end of the year 2004	end of the year 2003
a) in Polish currency	127 553	58 964
b) in foreign currencies (in currency and converted into PLN):	-	-
b1. unit/currency .../...	-	-
in PLN thousand	-	-
other currencies (in PLN thousand)	-	-
Total deferred income tax provision	**127 553**	**58 964**

Note 27C

OTHER PROVISIONS (PER TITLES), INCLUDING:	end of the year 2004	end of the year 2003
- provision for off-balance sheet commitments	17 446	34 720
- provision for general risk	222 567	204 240
- provision for future commitments	28 297	12 157
- provision for impairment of investment property	34 237	-
- provision for restructuring of employment	-	400
Total other provisions	**302 547**	**251 517**

Note 27D

OTHER PROVISIONS	end of the year 2004	end of the year 2003
a) short-term	-	-
-	-	-
b) long-term (per titles):	302 547	251 517
- provision for off-balance sheet commitments	17 446	34 720
- provision for general risk	222 567	204 240
- provision for future commitments	28 297	12 157
- provision for impairment of investment property	34 237	-
- provision for restructuring of employment	-	400
Total other provisions	**302 547**	**251 517**

Note 27E

OTHER PROVISIONS (currency structure)	end of the year 2004	end of the year 2003
a) in Polish currency	298 214	242 738
b) in foreign currencies (in currency and converted into PLN):	4 333	8 779
b1. unit/currency 1000/EUR	*468*	*1 474*
in PLN thousand	1 908	6 952
b2. unit/currency 1000/USD	*811*	*488*
in PLN thousand	2 425	1 827
other currencies (in PLN thousand)	-	-
Total other provisions	**302 547**	**251 517**

Note 27F

CHANGES IN OTHER PROVISIONS - SHORT-TERM	end of the year 2004	end of the year 2003
Balance at the beginning of period (per titles)	-	-
a) increases	-	-
b) use	-	-
c) release	-	-
Balance at the end of period (per titles)	-	-
Total other provisions - short-term at the end of period	-	-

Note 27G

CHANGES IN OTHER PROVISIONS - LONG-TERM	end of the year 2004	end of the year 2003
Balance at the beginning of period (per titles)	251 517	159 255
- provision for off-balance sheet commitments	34 720	74 839
- provision for general risk	204 240	84 416
- provision for future commitments	12 157	-
- provision for impairment of investment property	-	-
- provision for restructuring of employment	400	-
a) increases (in respect of)	175 002	206 615
- charges to provisions	152 202	205 223
- provision transfer	22 800	1 392
b) use (in respect of)	400	11 750
- use of provision for restructuring of employment	400	11 750
c) release (in respect of)	123 572	102 603
- release of provisions	98 961	102 602
- provisions transfer	24 611	1
Total other provisions - long-term at the end of period	**302 547**	**251 517**
- provision for off-balance sheet commitments	17 446	34 720
- provision for general risk	222 567	204 240
- provision for future commitments	28 297	12 157
- provision for impairment of investment property	34 237	-
- provision for restructuring of employment	-	400

Note 28A

SUBORDINATED DEBT						
a	b		c	d	e	f
name of entity	loan amount		interest rate	repayment date	balance of subordinated debt	interest
	in loan currency	in thousand PLN				

Note 28B

CHANGES IN SUBORDINATED DEBT	end of the year 2004	end of the year 2003
Balance at the beginning of period	-	-
a) increase	-	-
b) decrease	-	-
Subordinated debt at the end of period	-	-

Note 29

INITIAL CAPITAL (structure)								
series / issue	class of shares	type of preference attached to share	type of preference limitation	number of shares	value of series/ issue at nominal price	method of contribution to capital	registration date	dividend entitlement (as of date)
series A	bearer shares	ordinary shares		9 260 000	92 600 000		18.10.1991	18.10.1991
series B	bearer shares	ordinary shares		3 750 000	37 500 000	contribution in kind	17.09.2001	17.09.2001
Total number of shares				13 010 000				
Total initial capital					130 100 000			
Nominal value per share = PLN 10,00								

LIST OF SHAREHOLDERS								
shareholder's name	2004				2003			
	number of shares	value of shares at nominal price	holding of share capital	participation in management (votes at the general meeting)	number of shares	value of shares at nominal price	holding of share capital	participation in management (votes at the general meeting)
ING Bank N.V.	11 418 641	114 186 410	87,77%	87,77%	11 418 641	114 186 410	87,77%	87,77%
Commercial Union OFE BPH CU WBK	700 000	7 000 000	5,38%	5,38%	650 568	6 505 680	5,00%	5,00%
Other shareholders	891 359	8 913 590	6,85%	6,85%	940 791	9 407 910	7,23%	7,23%
TOTAL	13 010 000	130 100 000	100,00%	100,00%	13 010 000	130 100 000	100,00%	100,00%

Note 30A

OWN SHARES				
a	b	c	d	e
number	value at cost of purchase	balance sheet value	purpose of acquisition	designation

Note 30B

ISSUER'S SHARES HELD BY ITS SUBSIDIARIES			
a	b	c	d
name of subsidiary, registered office	number	value at cost of purchase	balance sheet value

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 31

SUPPLEMENTARY CAPITAL	end of the year 2004	end of the year 2003
a) share premium	955 746	955 746
b) statutory reserves	47 406	46 546
c) capital reserves establishment in accordance with articles or deed of association, in excess of the (minimum) statutory amount	-	-
d) additional shareholders contributions	-	-
e) other	-	-
Total supplementary capital	**1 003 152**	**1 002 292**

Note 32

REVALUATION RESERVE	end of the year 2004	end of the year 2003
a) revaluation of fixed assets	28 760	29 620
b) deferred income tax reserve	-	-
c) exchange variations on translation of foreign branches	-	-
d) other, of which:	64 126	-7 173
- valuation of financial assets available for sale	64 126	-7 173
Total revaluation reserve	**92 886**	**22 447**

Note 33

OTHER RESERVE CAPITAL (per its purpose), including:	end of the year 2004	end of the year 2003
- general bank risk fund	400 152	381 825
- other, of which:	1 136 927	1 149 895
- reserve capital	1 136 927	1 149 895
Total other reserve capital	**1 537 079**	**1 531 720**

Note 34

SOLVENCY RATIO	end of the year 2004	end of the year 2003
Own funds:		
a) Initial capital	130 100	130 100
b) Supplementary capital	1 003 152	1 002 292
c) General bank risk fund	400 152	381 825
d) Revaluation reserve	28 760	29 620
e) Other reserve capital	1 136 927	1 149 895
f) Decrease of capital in respect of shareholdings in financial institutions	-117 308	-134 437
g) Decrease of capital in respect of intangible fixed assets	-255 659	-151 634
h) Retained profit or uncovered loss from prior years	6 486	-8 293
i) Short-term capital	119 274	-
I. Total own funds	**2 451 884**	**2 399 368**
Risk weighted assets:		
- risk weighted assets with risk rate 20%	2 379 135	1 602 609
- risk weighted assets with risk rate 50%	470 588	461 831
- risk weighted assets with risk rate 100%	8 819 669	11 272 324
II. Total risk weighted assets	**11 669 392**	**13 336 764**
Risk weighted contingent liabilities granted:		
- risk weighted contingent liabilities granted with risk rate 10%	609	3 540
- risk weighted contingent liabilities granted with risk rate 20%	1 074 414	418 061
- risk weighted contingent liabilities granted with risk rate 50%	376 277	92 221
- risk weighted contingent liabilities granted with risk rate 100%	906 995	1 004 525
III. Total risk weighted contingent liabilities granted	**2 358 295**	**1 518 347**
IV. Total risk weighted assets and contingent liabilities granted (II + III)	**14 027 687**	**14 855 111**
V. Credit risk (IV*8%)	**1 122 215**	**1 188 409**
VI. Market risk	**193 691**	**143 787**
VII. Total capital requirement (V + VI)	**1 315 906**	**1 332 196**
VIII. Solvency ratio (%)	**14,91**	**14,41**

The solvency ratio is calculated according to Regulation no. 4/2004 of Banking Supervisory Commission dated 8 September 2004 (Official NBP Journal No. 15, item 25). It is percentage value obtained by multiplication by 100 the fraction in which numerator equals total own funds increased by short-term capital and denominator equals total capital requirement multiplied by 12,5.

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 35

DATA TO CALCULATION OF BOOK VALUE PER SHARE AND DILUTED BOOK VALUE PER SHARE	end of the year 2004	end of the year 2003
TIER 1 CAPITAL	**2 670 331**	**2 664 112**
1. Initial capital	130 100	130 100
2. Supplementary capital	1 003 152	1 002 292
3. General bank risk fund	400 152	381 825
4. Other reserve capital	1 136 927	1 149 895
TIER 2 CAPITAL	**92 886**	**22 447**
1. Revaluation reserve	92 886	22 447
Retained profit or uncovered loss from prior years	**6 486**	**-8 293**
Net result	**366 255**	**30 546**
TOTAL	**3 135 958**	**2 708 812**
Number of shares	13 010 000	13 010 000
Book value per share (PLN)	**241,04**	**208,21**
Anticipated number of shares	-	-
Diluted book value per share (PLN)	-	-

Note 36

OFF-BALANCE SHEET CONTINGENT LIABILITIES EXTENDED TO RELATED PARTIES (IN RESPECT OF)	end of the year 2004	end of the year 2003
a) guarantees and sureties extended to:	28 422	660
- subsidiary undertakings	-	-
- partialy owned undertakings	-	-
- associated undertakings	-	-
- significant investor	-	-
- parent company	28 422	660
b) other (in respect of)	3 300 493	1 714 207
- letters of credit extended to:	3 955	488
- subsidiary undertakings	-	-
- partialy owned undertakings	-	-
- associated undertakings	-	-
- significant investor	-	-
- parent company	3 955	488
- credit lines extended to:	3 296 538	1 713 719
- subsidiary undertakings	287 625	80 067
- partialy owned undertakings	-	-
- associated undertakings	-	-
- significant investor	-	-
- parent company	3 008 913	1 633 652
Total off-balance sheet contingent liabilities extended to related parties	**3 328 915**	**1 714 867**

Note 37

OFF-BALANCE SHEET CONTINGENT LIABILITIES RECEIVED FROM RELATED PARTIES (IN RESPECT OF)	end of the year 2004	end of the year 2003
a) guarantees and sureties received from:	1 535 031	1 757 239
- subsidiary undertakings	-	-
- partialy owned undertakings	-	-
- associated undertakings	-	-
- significant investor	-	-
- parent company	1 535 031	1 757 239
b) other (in respect of)	-	-
-	-	-
- subsidiary undertakings	-	-
- partialy owned undertakings	-	-
- associated undertakings	-	-
- significant investor	-	-
- parent company	-	-
Total off-balance sheet contingent liabilities received from related parties	**1 535 031**	**1 757 239**

ING Bank Śląski Spółka Akcyjna in PLN thousand

EXPLANATORY NOTES TO PROFIT AND LOSS ACCOUNT

Note 38

INTEREST INCOME	end of the year 2004	end of the year 2003
a) from financial sector	492 672	485 884
b) from non-financial sector	798 499	941 893
c) from budget sector	37 914	40 177
d) from fixed-income securities	357 085	152 855
e) other	-	-
Total interest income	**1 686 170**	**1 620 809**

Note 39

INTEREST EXPENSE	end of the year 2004	end of the year 2003
a) from financial sector	184 070	155 046
b) from non-financial sector	635 512	551 880
c) from budget sector	44 885	42 929
d) other	-	-
Total interest expense	**864 467**	**749 855**

Note 40

FEES AND COMMISSION INCOME	end of the year 2004	end of the year 2003
a) Fees and commissions on banking activity	551 566	569 806
b) Fees and commissions on brokerage activity	-	-
Total fees and commission income	**551 566**	**569 806**

Note 41

INCOME FROM SHAREHOLDINGS, OTHER SECURITIES AND OTHER FINANCIAL INSTRUMENTS	end of the year 2004	end of the year 2003
a) from subsidiary undertakings	560	-
b) from partialy owned undertakings	-	-
c) from associated undertakings	-	-
d) from other entities	750	1 468
Total income from shareholdings, other securities and other financial instruments	**1 310**	**1 468**

Note 42

NET PROFIT ON FINANCIAL OPERATIONS	end of the year 2004	end of the year 2003
a) financial operations on securities and other financial instruments	75 259	59 636
- income on securities and other financial instruments	319 744	284 776
- expense relating to securities and other financial instruments	244 485	225 140
b) other financial operations	-657	-782
Net profit on financial operations	**74 602**	**58 854**

Note 43

OTHER OPERATING INCOME	end of the year 2004	end of the year 2003
a) from management of third party assets	-	3
b) from sale or termination of tangible and intangible fixed assets and assets for resale	3 844	5 429
c) from increase in value of tangible fixed assets and intangible fixed assets	-	428
d) from recovery of uncollectible debts	23 470	424
e) from damages, fines and financial penalties	245	404
f) donations received		25
g) other (in respect of)	21 388	23 597
- sale of goods and services	4 396	7 763
- income in respect of recovery of borne court fees	8 250	2 352
- release of provisions for holiday pay accruals, created in previous years	163	5 224
- other	8 579	8 258
Total other operating income	**48 947**	**30 310**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 44

OTHER OPERATING EXPENSE	end of the year 2004	end of the year 2003
a) management of third party assets	19	1
b) sale or termination of tangible and intangible fixed assets and assets for resale	3 572	7 326
c) claims written off		1 081
d) damages, fines and financial penalties paid	925	1 150
e) donations given	1 334	208
f) charges due to permanent loss of value of fixed assets	13 748	360
g) other (in respect of)	45 055	58 991
- expense in respect of court fees	6 648	8 809
- increase of provisions for employee's retirement benefits		-
- depreciation of goodwill	29 825	29 825
- other	8 582	20 357
Total other operating expense	**64 653**	**69 117**

Note 45

GENERAL EXPENSES	end of the year 2004	end of the year 2003
a) salaries	379 112	346 580
- severence pays / restructuring of employment		16 240
b) social security and other employee benefits	65 637	59 196
Total salaries and employee benefits	444 749	405 776
c) material costs	64 227	45 089
d) taxes and charges	6 518	4 706
e) contribution and payments to the Bank Guarantee Fund	5 688	7 630
f) other (in respect of)	374 039	349 468
- accommodation and rent	140 923	144 509
- communication services	62 059	64 236
- leasing services	7 398	8 108
- renovation services	30 628	35 696
- licences and patents	11 630	6 923
- other services	121 401	89 996
Total general expenses	**895 221**	**812 669**

Note 46

CHARGES TO PROVISIONS AND REVALUATION	end of the year 2004	end of the year 2003
a) charges to provisions for:	2 433 327	2 431 785
- normal receivables	47 323	26 350
- watch receivables	30 630	36 797
- non-performing receivables	2 193 276	2 181 312
- general banking risk	18 327	119 825
- other assets / sundry debtors	23 133	8 576
- off-balance sheet commitments	67 698	56 857
- other	52 940	2 068
b) revaluation:	4 468	1 825
- of financial assets	4 468	1 825
Total charges to provisions and revaluation	**2 437 795**	**2 433 610**

Note 47

RELEASE OF PROVISIONS AND REVALUATION	end of the year 2004	end of the year 2003
a) release of provisions for:	2 233 549	2 028 172
- normal receivables	47 250	34 628
- watch receivables	25 572	35 533
- non-performing receivables	2 058 795	1 854 892
- general banking risk	-	-
- other assets / sundry debtors	18 302	3 874
- off-balance sheet commitments	83 630	99 245
- other	-	-
b) revaluation:	603	281
- of financial assets	603	281
Total release of provisions and revaluation	**2 234 152**	**2 028 453**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 49

EXTRAORDINARY GAINS	end of the year 2004	end of the year 2003
a) non-recurring	247	239
b) other	-	-
Total extraordinary gains	**247**	**239**

Note 50

EXTRAORDINARY LOSSES	end of the year 2004	end of the year 2003
a) non-recurring	5	1
b) other	-	-
Total extraordinary losses	5	1

Note 51A

CURRENT INCOME TAX	end of the year 2004	end of the year 2003
1. Profit (loss) before taxation	430 398	132 672
2. Differences betweenprofit (loss) before taxation and taxable basis for income tax, per titles:	-332 753	-143 417
- depreciation expenses in respect of investment tax allowance	6 222	8 012
- depreciation of other fixed assets	728	1 212
- depreciation of goodwill	28 514	28 514
- accrued income receivable	-324 838	-53 820
- income received in advance	-15 466	4 754
- accrued cost payable	52 913	-32 264
- finance lease	-	2 257
- charges to National Fund for Rehabilitation of Disabled People	3 747	-
- charges to provision for staff bonuses concerning previous year and paid in curren year	-14 420	-19 944
- charges to provision for staff bonuses concerning current year	26 637	16 212
- provisions for receivables	-133 985	-71 218
- provisions for cost of consulting	2 500	-
- provision for general expenses	34 114	1 158
- provision for anticipated losses	24 598	11 963
- release of provision for retirement bonuses and past-due leaves	2 363	-3 612
- settlement of sale of Centrum Banku Śląskiego Sp. z o.o.	-	-44 910
- difference between the amounts of depreciation calculated for balance sheet and corporate income tax purposes	-15 411	-16 409
- increase/decrease of provisions in foreign currency due to FX differences	-16 183	17 591
- other	5 214	7 087
3. Taxable basis for income tax	97 645	-10 745
4. Income tax at 19 % rate in year 2004 and 27 % rate in year 2003	18 553	-
5. Increases, cancellation, exemptions, deductions and abatement of tax	-1 310	-
6. Current income tax reported in tax return for the period, of which:	17 243	-
- reported in profit and loss account	17 243	-
- concerning items, which decreased or increased equity capital	-	-
- concerning items, which decreased or increased goodwill or negative goodwill	-	-
7. Tax loss to settle in next years	-	-2 901

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 51B

DEFERRED INCOME TAX, REPORTED IN PROFIT AND LOSS ACCOUNT	end of the year 2004	end of the year 2003
- decrease (increase) due to appearance and turning of temporary differences	62 774	39 710
- increase (due to)	87 405	51 186
- income paid in advance	2 939	-
- accrued cost payable	-	8 711
- accrued interest income receivable	51 770	5 018
- charges to provisions for receivables	25 053	24 577
- settlement of charges to provision for staff bonuses concerning previous year	2 740	5 820
- charges to other provisions	-	2 242
- accruals for retirement benefits	-	394
- settlement of difference between the amounts of depreciation calculated for balance sheet and corporate income tax purposes	3 017	3 512
- settlement of tax loss from prior years	1 849	-
- other	37	912
- decrease (due to)	-24 631	-11 476
- income paid in advance	-	-1 284
- accrued cost payable	-10 053	-
- accruals for retirement benefits	-22	-
- charges to other provisions	-7 825	-
- interperiod settlement due to investment tax allowance	-1 226	-2 244
- settlement of lease agreements	-	-495
- settlement of charges to provision for staff bonuses concerning current year	-5 061	-4 377
- tax loss to settle in next years	-	-2 901
- other	-444	-175
- decrease (increase) due to changes in taxation rates	-	64 206
- part of deferred income tax resulting from implementation of solutions included in Union Guarantees Fund Act	-17 184	-
- decrease (increase) due to tax loss, tax allowance or temporary difference which were not reported previously	-	-
- decrease (increase) due to writing-off of deferred income tax or impossibility of use deferred income tax provision	-	-
- other components of deferred income tax (per titles)	-	-
Total deferred income tax	**45 590**	**103 916**

Note 51C

TOTAL DEFERRED INCOME TAX	end of the year 2004	end of the year 2003
- included in equity capital	14 886	-1 916
- included in goodwill or negative goodwill	-	-

Note 51D

INCOME TAX REPORTED IN PROFIT AND LOSS ACCOUNT CONCERNING:	end of the year 2004	end of the year 2003
- abandoned activity	-	-
- result on extraordinary operations	46	64

Note 52

OTHER MANDATORY REDUCTION OF PROFIT (INCREASE OF LOSS)	end of the year 2004	end of the year 2003
Other mandatory reduction of profit (increase of loss), due to:		
- correction for previous years	-	21
- witholding tax on dividends received	1 310	-
- other	-	-
Total other mandatory reduction of profit (increase of loss)	**1 310**	**21**

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 53

PARTICIPATION IN PROFIT (LOSS) OF SUBORDINATED ENTITIES VALUATED ACCORDING TO EQUITY METHOD, OF WHICH:	end of the year 2004	end of the year 2003
- write-off of goodwill of subordinated undertakings	-	-
- write-off of negative goodwill of subordinated undertakings	-	-
- write-off of difference in valuation of net assets	77 263	-13 739

Note 54

PROFIT DISTRIBUTION	end of the year 2004 (planned)	end of the year 2003
1. Charges to reserve capital	69 550 009,24	-
2. Charges to General Risk Fund	30 000 000,00	18 327 136,81
3. Dividend	266 705 000,00	10 408 000,00

Note 55

DATA FOR CALCULATING THE PROFIT (LOSS) PER ORDINARY SHARE AND THE DILUTED PROFIT (LOSS) PER ORDINARY SHARE	end of the year 2004	end of the year 2003
1. Net profit (loss) (for 12 months)	366 255	30 546
2. Weighted average number of ordinary shares	13 010 000	13 010 000
3. Net profit (loss) per ordinary share (PLN)	28,15	2,35
4. Weighted average anticipated number of ordinary shares	-	-
5. Diluted profit (loss) per ordinary share (PLN)	-	-

ING Bank Śląski Spółka Akcyjna in PLN thousand

EXPLANATORY NOTES TO CASH FLOW STATEMENT

Note 56A

CASH AT THE BEGINNING OF PERIOD	01 Jan 2004	01 Jan 2003
a) cash, of which:	366 446	336 643
- cash on hand	364 202	334 565
- coupons	1 820	1 982
- bank cheques	403	15
- traveller's cheques	21	81
b) current account with the NBP	717 066	660 019
c) current accounts in other banks	3 672 434	3 713 847
Total cash at the beginning of period	**4 755 946**	**4 710 509**

Note 56B

CASH AT THE END OF PERIOD	31 Dec 2004	31 Dec 2003
a) cash, of which:	340 617	366 446
- cash on hand	338 737	364 202
- coupons	1 606	1 820
- bank cheques	227	403
- traveller's cheques	47	21
b) current account with the NBP	554 707	717 066
c) current accounts in other banks	4 492 038	3 672 434
Total cash at the end of period	**5 387 362**	**4 755 946**

Note 57A

NET CASH FLOW FROM OPERATING ACTIVITY - OTHER ITEMS	end of the year 2004	end of the year 2003
1. Change in other assets	86 367	147 205
2. Change in other liabilities, including:	-24 464	101 202
- change in interbank settlements	-9 680	9 163
- change in interbranch settlements	-14 252	25 054
- other	-532	66 985
3. Profit distribution to Social Fund	-	-1 500
4. Unrealised accrued interest on long-term borrowing from banks and other financial institutions	532	799
5. Change in repossessed assets for sale	-1 101	347
6. Other	3 951	1 306
Total net cash flow from operating activity - other items	**65 285**	**249 359**

Note 57B

NET CASH FLOW FROM INVESTING ACTIVITY - OTHER INFLOWS	end of the year 2004	end of the year 2003
1. Dividends received	4 985	-
2. Realised interest on debt securities	-	3 704
Total net cash flow from investing activity - other inflows	**4 985**	**3 704**

Note 57C

NET CASH FLOW FROM INVESTING ACTIVITY - OTHER OUTFLOWS	end of the year 2004	end of the year 2003
1...	-	-
Total net cash flow from investing activity - other outlows	-	-

Note 57D

NET CASH FLOW FROM FINANCIAL ACTIVITY - OTHER INFLOWS	end of the year 2004	end of the year 2003
1.	-	-
Total net cash flow from financial activity - other inflows	-	-

Note 57E

NET CASH FLOW FROM FINANCIAL ACTIVITY - OTHER OUTLOWS	end of the year 2004	end of the year 2003
1. Interest on long-term borrowing from other financial institutions	-4 395	-5 497
Total net cash flow from financial activity - other outlows	**-4 395**	**-5 497**

Explanations to the division of operations into operating, investing and financial activities in the cash flow statement

Operational activity relates to the principal operations of the Bank excluding investment and financial activity.

Investing activity includes the purchase and sale of shareholdings in subsidiary, partialy owned and associated undertakings, shareholdings in other entities and other securities and other financial assets as well as intangible fixed assets, tangible fixed assets and investments in properties and intangible fixed assets.

Financial activity relates to long-term (over 1 year) financial operations with financial institutions. Inflows from financial operations represent sources of funding for the Bank received in the form of long-term borrowing from banks and other financial institutions. Outflows from financial activity relate to repayment of long-term liabilities (e.g. repayment of borrowing) and payments of dividends to owners and other payments due to profit distribution.

Differences between balance sheet movements and the changes presented in the cash flow statement

Change in debt securities

The item represents changes in debt securities designed to sale and debt securities available to sale. Cash inflows and outflows due to debt securities held to maturity date are presented as a cash flow from investment activity. The item is also corrected due to change in valuation of financial assets available for sale which is related to revaluation reserve.

Changes in amounts due from financial sector

The item does not include a portion of amounts due from operations with NBP and other banks, which was presented in the item Total net cash flow (change in cash).

Changes in amounts owed to financial sector

The item does not include the changes in respect of taking and repayment of long-term (over 1 year) borrowing from banks and other financial institutions. These amounts are presented as a cash flow from financial activity. The item does not include also the change in amounts due to financial institutions caused by foreign exchange differences, which are presented in the point A.II.2 'Foreign exchange gains (losses)'.

in PLN thousand

Note 10A

SHAREHOLDINGS IN SUBORDINATED UNDERTAKINGS

	a	b	c	d	e	f	g	h	i	j	k	l
	name of entity (with legal form indicated)	registered office	principal activity	nature of connection (subsidiary, partialy owned, associated undertaking, with specification of direct and indirect ties)	method of consolidation / valuation on basis of equity method, or indication that entity is excluded from consolidation / is not valuated on basis of equity method	date of taking control / date from which considerable influence is exercised	value of shareholding at cost of purchase	revaluation adjustments (total)	balance sheet value of share-holdings	percentage held in share capital	percentage of total number of votes at the general meeting	basis for domination other than specified in j) or k)
1.	ING Securities S.A.	Warszawa	brokerage activity	subsidiary	consolidated	12.1996 07.1997	30 229	43 499	73 796	100,00	100,00%	
2.	Śląski Bank Hipoteczny S.A.	Warszawa	banking services	subsidiary	consolidated	12.2000	49 950	-6 438	43 512	100,00	100,00%	
3.	ING BSK Development Sp z o.o.	Katowice	consultancy services	subsidiary	consolidated	08.2004	50	-54	-4	100,00	100,00%	
4.	ING Services Polska Sp z o.o.	Katowice	IT services	subsidiary	consolidated	11.2003	13 954	1 961	15 612	100,00	100,00%	
5.	Solver Sp. z o.o.	Bielsko-Biała	trading, publishing, consulting and other services	subsidiary	consolidated	09.2002	6 682	4	6 740	79,79	79,79%	
6.	Centrum Banku Śląskiego Sp. z o.o.	Katowice	management of own buildings, lease of office area	subsidiary	consolidated	12.1997 06.1998 05.1999	55 075	-38 120	16 218	60,00	50,00%	
7.	ING Nationale Nederlanden Polska PTE S.A.	Warszawa	establishing and management of pension funds	associated entity	valuated on basis of equity method	08.1998 03.1999 05.2000	40 000	28 815	70 944	20,00	20,00%	

Note 10B

SHAREHOLDINGS IN SUBORDINATED UNDERTAKINGS

	a	m							n			o			p	r	s	t
	name of entity	equity of the entity, including:							creditors of the entity, including:			debtors of the entity, including:			total assets of the entity	sales	value of shareholding in the entity not paid up by the issuer	dividend received or declared for the last financial year
			initial capital	outstanding share capital contributions	supplementary capital	other equity capital, including:												
							retained profit or uncovered loss from prior years	net profit (loss)		short-term	long-term		short-term	long-term				
1.	ING Securities S.A.	73 796	30 229		5 581	37 986	-	21 614	113 684	113 684	-	181 667	181 667	-	193 348	48 914		
2.	Śląski Bank Hipoteczny S.A.	43 562	50 000		1 803	-8 241	-6 696	-1 572	159 200	436	158 764	201 242	19 046	182 196	203 455	13 808		
3.	ING BSK Development Sp z o.o.	2 696	50		2 700	-54		-54	-	-	-	43	43	-	2 698	-		
4.	ING Services Polska Sp z o.o.	15 613	13 950		5	1 658	-	1 658	-	-	-	2 896	2 896	-	17 284	10 662		
5.	Solver Sp z o.o.	8 448	8 374		69	5	-	5	130	130	-	198	198	-	8 604	3 014		
6.	Centrum Banku Śląskiego Sp. z o.o.	10 796	91 791		88	-81 083	-131 940	33 748	309 058	4 479	304 579	9 046	9 046	-	326 212	30 716		
7.	ING Nationale Nederlanden Polska PTE S.A.	357 877	33 000		208 166	116 711	-	112 841	10 553	10 553	-	13 050	13 050	-	401 349	249 960		

ING Bank Śląski Spółka Akcyjna in PLN thousand

Note 11C

SHAREHOLDINGS IN OTHER ENTITIES										
	a	b	c	d	e	f	g		h	i
	name (business name) of entity (and its legal status)	registered office	principal activity	balance sheet value of shareholdings	percentage held in share capital	percentage of total number of votes at the general meeting	equity of the entity, including:		value of shareholding in the entity not paid up by the issuer	dividend received or declared for the last financial year
								initial capital		
1.	Wschodni Bank Cukrownictwa S.A.	Lublin	banking services	13 956	6,97	6,97%	115 367	200 191		
2.	Fabryka Parkietów Biadki Sp z o.o.	Biadki	production of wooden products	0	17,57	17,57%	no data	19 250		
3.	Fabryka Dywanów KOWARY S.A.	Kowary	production of carpets	0	23,40	23,40%	no data	19 925		
4.	Giełda Papierów Wartościowych S.A	Warszawa	stock exchange	8	0,02	0,02%	no data	42 000		
5.	Krajowa Izba Rozliczeniowa S.A.	Warszawa	services for inter-bank settlements	313	5,74	5,74%	no data	5 445		750
6.	Biuro Informacji Kredytowej S.A.	Warszawa	market research on banking loan services	1 400	9,00	9,00%	no data	15 550		
7.	Centrum Zaufania i Certyfikacji CENTRAST S.A.	Warszawa	services for Electronic Data Processing of credit cards	0	3,18	3,18%	no data	33 000		
8.	Huta Lucchini Sp. z o.o.	Warszawa	manufacture and sale of steel products	0	0,76	0,76%	no data	380 000		
9.	Międzynarodowa Szkoła Bankowości i Finansów Sp.z o.o.	Katowice	banking education	24	13,89	13,89%	no data	288		
10.	Society For Worldwide Interbank Financial Telecommunication S.C.	Belgia	telecommunication services	191	-	-	no data	-		
11.	Zakopiańska Spółdzielnia Mieszkaniowa	Zakopane	housing estate building	1	-	-	no data	-		
12.	HATROL Sp z o.o.	Kraków	processing and trading of agriculture products, law services, trading of estate, publishing	0	99,14	99,14%	no data	2 320		
13.	Regionalna Agencja Rozwoju S.A.	Kalisz	timing of projects relating to restructurisation of consulting services	0	0,34	0,34%	no data	no data		
	TOTAL			**15 893**						

ADDITIONAL NOTES

TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2004

1. Concentration of exposure of the ING Bank Śląski S.A. in individual entities, capital groups, industry sectors and geographic regions together with the assessment of the risk involved

The Banking Law, which became effective on 1 January 1998 (with later amendments in art. 71 par.1 and 2), defines the maximum exposure limits for a bank. The total on-balance sheet and off-balance sheet exposure to entity or entities as a capital group that are related to the Bank cannot exceed 20% of the Bank's equity, which amounts to PLN 490,377 thousand and 25% of equity, in case of not related parties, which amounts to PLN 612,971 thousand.
In addition, the total Bank's exposure to parent entity or own subsidiaries or other subsidiaries of the parent entity to the Bank, which exceeds 10% of the Bank's equity in total, cannot exceed 800% of the equity.

As at 30 December 2004, no concentration limits were exceeded in ING Bank Śląski S.A.

The most significant on- and off-balance sheet exposures:

In PLN thousand

Client	On-balance sheet exposures	Off-balance sheet exposures	Total
1 (Group)	245,117	156,361	401,478
2 (Client)	114,313	286,058	400,371
3 (Client)	309,059	0	309,059
4 (Group)	221,901	85,612	307,513
5 (Client)	269,281	0	269,281
6 (Group)	138,830	83,101	221,931
7 (Group)	153,730	55,293	209,023
8 (Client)	123,376	72,210	195,586
9 (Client)	194,130	0	194,130
10 (Client)	177,241	0	177,241
TOTAL	**1,946,978**	**739,635**	**2,685,613**

According to the Banking Law the total equity investments of ING Bank Śląski S.A. (including shares and participation in trust funds) cannot exceed 15% of equity, (i.e. PLN 367,783 thousand per investment and 60% in case of significant share packages i.e. amount PLN 1,471,130 thousand).

Concentration of exposures to industry sectors (exposure equal or exceeding PLN 500 thousand)*:

	Total on-balance sheet exposure		Structure	
	In PLN '000		%	
	31.12.2004	31.12.2003	**31.12. 2004**	31.12.2003
Agriculture, forestry and fishing	249,937	257,500	1.51	1.25
Coal mining	8,724	17,139	0.05	0.08
Other mining	38,212	74,013	0.23	0.36
Foodstuff and beverages	1,124,500	1,725,663	6.80	8.41
Tobacco	357,053	210,233	2.16	1.02
Textiles	40,208	52,378	0.24	0.26
Clothing and leather	40,373	69,477	0.24	0.34
Paper and cellulose	235,821	284,585	1.43	1.39
Publishing	150,289	132,539	0.91	0.65
Fuel industry	246,066	268,538	1.49	1.31
Chemicals	369,251	308,607	2.23	1.50
Rubber industry	134,140	187,160	0.81	0.91
Non-ferrous metals	330,103	322,596	2.00	1.57
Production of metals	245,377	506,594	1.48	2.47
Metal finished goods	207,648	300,636	1.25	1.46
Machinery	545,755	323,887	3.30	1.58
Electronics	315,325	274,215	1.91	1.34
Precision equipments	103,437	192,820	0.63	0.94
Motor vehicles and trailers	366,421	478,400	2.21	2.33
Furniture	93,607	113,934	0.57	0.56
Recycled goods	17,207	21,460	0.10	0.10
Energy	556,992	835,248	3.37	4.07
Water supply	80,379	81,261	0.49	0.40
Construction	446,714	454,237	2.70	2.21
Vehicle trading, repairs and maintenance	328,785	575,968	1.99	2.81
Trade	2,717,173	3,737,972	16.43	18.22
Hotels and restaurants	51,608	85,077	0.31	0.41
Transport	238,228	672,094	1.43	3.27
Mail and telecommunication	412,464	603,008	2.49	2.94
Financial, insurance and pension funds intermediary services	3,067,666	5,302,460	18.54	25.83
Administration and rental of equipment	887,395	872,297	5.36	4.25
Information Technologies	85,358	60,864	0.52	0.30
Research and development	8,047	33,260	0.05	0.16
Other business activities	474,104	378,895	2.87	1.85
Administration and defence	833,699	464,765	5.04	2.26
Education	54,103	57,296	0.33	0.28
Health and social care	26,319	22,042	0.16	0.11
Other social and municipal services	6,572	10,376	0.04	0.05
Entertainment and sport services	248,858	123,970	1.50	0.60
Other	802,240	30,015	4.83	0.15
Total	**16,546,158**	**20,523,479**	**100.00**	**100.00**

*As at 31 December 2004, 31 December 2003 engagement is calculated taking into consideration balance sheet equivalent of the off-balance sheet items

**Considerable increase of 'Financial, insurance and pension funds intermediary services' as of 31 December 2003 results from taking into account balance sheet equivalent of the off-balance sheet transaction of trading portfolio.

Exposure to geographic regions (receivables from customers and budget sector – gross loans and debt securities, entitled to discount at Central Bank :

In PLN thousand

Province	31.12.2004	31.12.2003
Dolnośląskie	520,428	390,666
Kujawsko-pomorskie	69,728	71,981
Lubelskie	16,763	37,559
Lubuskie	46,503	57,565
Łódzkie	198,780	366,148
Małopolskie	417,337	485,365
Mazowieckie	650,302	926,346
Opolskie	377,066	413,127
Podkarpackie	35,663	62,303
Podlaskie	68,461	59,729
Pomorskie	141,438	258,852
Silesia	2,171,492	2,498,870
Świętokrzyskie	108,657	183,936
Warmińsko-mazurskie	58,497	33,506
Wielkopolskie	563,891	717,807
Zachodnio-pomorskie	130,435	170,648
Head Office	5,617,237	6,470,053
Total	**11,217,471**	**13,204,461**

A credit risk assessment for each exposure is undertaken in order to classify the exposure into a specific risk category and create provisions accordingly.

According to the Bank's loan granting procedures, the Bank accepts collateral against loan losses, established on a customer account or collateral established on a customer property.
For the purpose of estimating specific provisions against irregular loans, only collateral offset that is specified in the Regulation of Minister of Finance dated 10 December 2003 in respect of provisions against the risk of banking activity is recognized. As at 31 December 2004, the collateral offset amounted to PLN 604,383 thousand comparing to PLN 2,657,972 thousand as at 31 December 2003.

2. Deposit Structure and Sources

Deposit structure (term and current accounts) – excluding interest and unsettled liabilities is as follows:

In PLN thousand

Deposits	Financial sector	Non financial Business entities	Individuals	Budget sector	Total
PLN	3,098,216	8,014,595	12,294,416	1,178,926	24,586,153
term	1,810,857	4,389,635	10,943,120	366,283	17,509,895
current	1,287,359	3,624,960	1,351,296	812,643	7,076,258
Foreign currencies	210,375	2,497,593	1,974,647	16,172	4,698,787
term	159,300	670,976	1,691,032	36	2,521,344
current	51,075	1,826,617	283,615	16,136	2,177,443
Total	**3,308,591**	**10,512,188**	**14,269,063**	**1,195,098**	**29,284,940**

Deposit structure (customers and budget sector) by geographical region:

In PLN thousand

Province	31.12.2004	31.12.2003
Dolnośląskie	792,583	643,380
Kujawsko-pomorskie	203,051	119,117
Lubelskie	109,556	65,665
Lubuskie	94,940	75,567
Łódzkie	678,419	518,108
Małopolskie	1,530,463	1,271,653
Mazowieckie	2,480,054	2,101,339
Opolskie	993,369	865,643
Podkarpackie	166,912	137,834
Podlaskie	138,555	94,565
Pomorskie	335,166	249,582
Śląskie	10,193,533	9,295,650
Świętokrzyskie	696,114	591,787
Warmińsko-mazurskie	55,501	39,295
Wielkopolskie	707,580	546,538
Zachodnio-pomorskie	269,509	221,531
Head Office	6,687,589	3,938,453
Total	**26,132,894**	**20,775,707**

3. Changes in subsidies to foreign branches

The ING BSK S.A. Bank does not have any foreign branches.

4. Financial instruments

Financial instruments characteristics

Cash

Cash includes cash on hand and operations with Central Bank, amounting to PLN 895,324 thousand as at 31 December 2004 (1,083,512 thousand as at 31 December 2004).

Trading portfolio
The portfolio consists of:
- fair value of derivative instruments as described in the next section,
- fair value of debt securities recognised as off-balance sheet items,
- debt securities: bonds, treasury bills, certificates of deposits and mortgage bonds

As at 31 December 2004 and 31 December 2003 the value of trading portfolio amounted to:
- PLN 470,656 thousand, PLN 264 thousand and PLN 3,551,330 thousand, respectively,
- PLN 427,755 thousand, PLN 4,497 thousand, PLN 4,449,834 thousand, respectively.

Assets available for sale
The portfolio consists of:
- debt securities: bonds and treasury bills, mortgage bonds
- shares and interests,

As at 31 December 2004 and 31 December 2003 the portfolio of assets available for sale amounted to:
- PLN 6,549,314 thousand and PLN 15,893 thousand respectively,
- PLN 827,253 thousand and PLN 27,531 thousand respectively.

Classification of the above receivables in terms of their maturity remaining and original, currency structure, are presented in Notes 5, 6, 11, 12 and 13 of the explanatory notes to the financial statements.

Loans originated and receivables –financial sector
The portfolio consists of:
- funds held in nostro accounts and exceeded balances in loro accounts,
- inter-bank deposits,
- receivables resulting from buy-sell-back transactions
- loans granted, including overdrafts,
- purchased receivables,
- receivables from financial leasing,
- receivables in transit, including interest.

As at 31 December 2004 the total value of the portfolio amounted to PLN 11,791,376 thousand (as at 31 December 2003 PLN 8,484,684 thousand).
Classification of the above receivables in terms of their maturity remaining and original, currency structure, is presented in Note 2 of the explanatory notes to the financial statements.

Loans originated and receivables – non-financial sector
The portfolio consists of:
- loans granted, including current account loans,
- purchased receivables,
- realised guarantees,
- receivables in transit, including interest.

As at 31 December 2004 the total value of the portfolio amounted to PLN 10,008,449 thousand (as at 31 December 2003 PLN 11,672,391 thousand).

Classification of the above receivables in terms of their maturity remaining and original, currency structure, is presented in Note 3 of the explanatory notes to the financial statements.

Loans originated granted and receivables – budget sector
The portfolio consists of:
- loans granted, including current account loans,
- purchased receivables
- receivables in transit, including interest

As 31 December 2004 the total value of the portfolio amounted to PLN 379,163 thousand (as at 31 December 2003 PLN 447,274 thousand).

Classification of the above receivables in terms of their maturity remaining and original, currency structure, is presented in Note 4 of the explanatory notes to the financial statements.

Financial liabilities – trading
The portfolio consists of:
- fair value of derivative instruments as described in the next section, and
- valuation of debt securities recognised as off-balance sheet items,

As at 31 December 2004 and 31 December 2003 the total balance sheet value amounted to:
- PLN 209,795 thousand, PLN 5,385 thousand respectively,
- PLN 256,353 thousand, PLN 9 thousand respectively.

Classification of the above liabilities is presented in Note 24 of the explanatory notes to the financial statements.

Other financial liabilities – financial sector
The portfolio consists of:
- money held at loro accounts and the exceeded balances at nostro accounts,
- interbank deposits,
- loans received,
- liabilities resulting from sell-buy-back transactions
-
- funds held at current accounts,
- term deposits,
- other liabilities, including interest

As at 31 December 2004 the total value of the portfolio amounted to PLN 4,518,184 thousand (as at 31 December 2003 PLN 4,308,891 thousand).
Classification of the above liabilities in terms of their maturity remaining and original, currency structure, is presented in Note 20 of the explanatory notes to the financial statements.

Other financial liabilities – non-financial sector
The portfolio consists of:
- amounts held at current accounts,
- term deposits,

- other liabilities, including interest

As at 31 December 2004 the total value of the portfolio amounted to PLN 24,928,674 thousand (as at 31 December 2003 PLN 19,715,442 thousand).
Classification of the above liabilities in terms of their maturity remaining and original, currency structure, is presented in Note 21 of the explanatory notes to the financial statements.

Other financial liabilities – budget sector
The portfolio consists of:
- money held at current accounts,
- term deposits,
- other liabilities, including interest

As at 31 December 2004 the total value of the portfolio amounted to PLN 1,204,220 thousand (as at 31 December 2003 PLN 1,060,265 thousand).
Classification of the above liabilities in terms of their maturity remaining and original, currency structure, is presented in Note 22 of the explanatory notes to the financial statements.

Derivative instruments characteristics

INSTRUMENT	FX spot	FX forward	FX Swap	Currency Options	IRS	FRA
Description of the instrument	Foreign currency spot transactions are agreements to exchange specific amounts of currency at specified spot exchange rate with settlement usually occurring within two working days from the trading date.	Foreign exchange forward transactions are agreements to exchange specific amounts of currency at specified exchange rate at a forward fixed date where the settlement occurs later than the spot date. Bank offers delivery or non-delivery forward transactions. At the settlements date of non-delivery contracts the bank pays/receives the difference between the actual spot exchange rate and the exchange rate specified in the agreement calculated based on the nominal value of the transaction.	Combination of spot and forward transactions: agreement to exchange specific amounts of currency simultaneously with inverse exchange at specified date and fixed exchange rate in the future.	FX option transactions give the right, but not the obligation to buy or sell foreign currencies at a fixed exchange rate and at specified date (European option) or in a specified period (American option). The holder pays a premium, which do not change, regardless of whether the option was executed or not.	Interest rate swap transactions are agreements, in which one party agrees to exchange periodically fixed interest rate payments that are calculated based on an agreed nominal amount. There are two main types of swap transactions: one is the interest rate swap (IRS), of which the nominal value of both parties of the transaction are denominated in the same currency, and the second is the Currency Interest Rate Swap (CIRS), where every party of the transaction is denominated in a different currency.	Forward rate agreements are used to hedge the buyer or seller against a negative change of interest rates in the future. FRA contracts are settled on the value date. The settlement amount is based on the actual market reference rate existing at the value of the contract. The transfer of the nominal amount does not occur either on value date, or on maturity.
Accounting principles-valuation	Mark to market	Discounted cash flows	Discounted cash flows	Market prices (Garman – Kohlhagen model)	Unsettled IRS and CIRS contracts are marked to market based on discounted future cash flows (NPV)	Discounted future cash flows (NPV)
Purchase purpose	trading	trading	trading	trading	trading	trading

Number of transactions	76	1 334	155	159	638	219
Nominal value (PLN'000)	402,432	5,459,860	21,451,048	4,681,744	31,710,774	27,226,000
Fair value (PLN'000)	-2,507	-183,469	371,783	-3,602	135,015	-4,767
Future revenues/ payments	Floating	Floating	Floating	Floating	Floating	Floating
Maturity	03.01.2005 – 04.01.2005	03.01.2005 – 10.12.2013	03.01.2005 – 30.12.2005	03.01.2005 – 23.06.2006	12.01.2005 – 22.12.2014	03.01.2005-03.03.2006
Possibility of earlier settlement	No	No	No	No	No	No
Price/ Range of prices	Sold/Purchased: CHF / EUR: 1.5438 CZK / PLN: 0.13558 DKK / PLN: .0.5659 EUR / PLN: 4.0396 – 4.2665 EUR / USD: 1.3603 – 1.3637 PLN / EUR: 4.0725 – 4.08 PLN / USD: 2.991 – 3.0995 USD / EUR: 1.3593 – 1.3657 USD / PLN: 2.987 – 2.998	Sold/Purchased: CHF / GBP: 2.186 – 2.23085 CHF / JPY: 88.225 – 89.6925 EUR / PLN: 4.0785 – 5.5195 EUR / USD: 1.2677 – 1.365101 GBP / CHF: 2.2245 GBP / PLN: 6.6595 – 6.6714 PLN / CZK: 0.13365 – 0.136975 PLN / DKK: 0.5577 – 0.5659 PLN / EUR: 4.027 – 5.46 PLN / USD: 2.993 – 6.1814 USD / EUR: 1.262 – 1.3062 USD / PLN: 3.0003 – 4.6281	Sold/Purchased: CHF / USD: 1.1316 CZK / USD: 22.31 – 22.43105 EUR / PLN: 4.233425 – 5.06 HUF / USD: 180.358 PLN / EUR: 4.1151 – 4.811 PLN / USD: 2.977 – 4.216 USD / CHF: 1.13155 – 1.134727 USD / CZK: 22.31007 – 22.38004 USD / EUR: 1.20225 – 1.33866 USD / PLN: 2.978 – 4.216	0.010457 – 0.319602 EUR / PLN: 0.000001 – 0.780068 EUR / USD: 0.000001 – 0.163986 USD / PLN: 0.000002 – 0.860021	For transactions in CHF: 0.98 – 1.25 For transactions in EUR: 2.3 – 6.5625 For transactions in HUF: 9.52 For transactions in PLN: 4.77 – 15.55 For transactions in USD: 1.335 – 7.86436	For transactions in PLN : 4.68 – 7.7
Possibility of exchange for other assets or liabilities	No	No	No	No	No	No
Fixed interest rate/revenue amounts and payment terms	Floating	Floating	Floating	Floating	Floating	Floating
Additional collateral	No	No	No	No	No	No
Other conditions	No	No	No	No	No	No
Type of risk	currency risk, operating risk	currency risk, operating risk	currency risk, operating risk	currency risk, operating risk	interest rate risk, operating risk	interest rate risk, operating risk
Sum of liabilities – amount of instruments sold in nominal value (PLN'000)	404,977	5,794 898	21,050,677	2,476,201	31,774,331	13,466,000

Methods used and assumptions made for establishing fair value of assets and financial liabilities

Fair value is the amount for which the assets could be exchanged or liabilities settled on market conditions between interested, non-related and fully informed parties.

Fair value is established as follows:

1. Valuation of the financial instruments at market price quoted on an active regulated market with public trading of the financial instruments and where price information is publicly available.
2. Use of appropriate valuation model for financial instruments with the data put into this model based on liquid regulated market.
3. Estimation of the price/value of financial instruments using estimation methods that are generally accepted as correct.

The following categories of financial assets and liabilities are valued at fair value:

Assets and financial liabilities – trading portfolio

Financial instruments FRA, IRS, FX swap, FX forward are valued by using appropriate valuation models (discounted cash flows). Yield curves are based on actual WIBOR rates (and LIBOR etc. for currencies) and market rates for IRS contracts. Market data are verified every day by the Risk Department.

Currency option contracts are valued using Garman-Kohlagen model.

Financial assets – trading and available for sale portfolio

Debt securities are valued marked to market, the only exception are bonds, which the Bank has previously purchased in order to exchange them for a decrease in the level of obligatory reserve – these bonds are valued under valuation model based on discounted cash flows.

Valuation of shares (fair value) is based on the entities' net assets value.

Accounting principles for recording the financial instruments purchased on regulated market

Purchases of financial instruments on regulated market are recorded at the transaction settlement date. From the date of transaction settlement financial instruments are recognised as off-balance sheet items and the effects of its valuation are recognised in the profit and loss account.

Interest rate risk and currency risk

In order to monitor and manage the market risk of the trading portfolio the Bank estimates VaR limits for particular type of risks: currency risk and interest rate risk. The utilisation of VaR limits is monitored on a daily basis for the trading portfolio and on a monthly basis for the bank portfolio. Average rates for risk measurement of interest rate and currency risks for each month of 2004 for the trading portfolio are presented below:

In PLN thousand

Month	VaR for interest rate risk	VaR for currency risk
	monthly average	monthly average
January	1,186	1,602
February	1,128	1,884
March	1,228	1,262
April	1,335	780
May	1,085	864
June	970	665
July	1,235	804
August	1,217	1,586
September	1,288	957
October	1,598	1,462
November	1,386	1,633
December	1,536	1,134

For the interest rate risk average VaR values ranged from PLN 657 thousand to PLN 2,353 thousand and average VaR for currency risk ranged from PLN 187 thousand to PLN 2,940 thousand.

The table below presents values of measurement of interest rate risk for bank portfolio for each month of 2004.

In PLN thousand

Date	VaR for interest rate risk
31.01.2004	106
29.02.2004	136
31.03.2004	151
30.04.2004	142
31.05.2004	128
30.06.2004	72
31.07.2004	72
31.08.2004	68
30.09.2004	91
31.10.2004	129
30.11.2004	66
31.12.2004	112

Credit risk

According to Resolution No. 4/2004 of the Banking Supervisory Commission dated 8 September 2004 (NBP Official Journal No. 15, item 25) banks, in which the trading activity represents a significant proportion, calculate the capital requirements in respect to the credit risk for the bank's portfolio.

The Bank's portfolio of assets, where credit risk is calculated, is presented in the table below:

In PLN thousand

Weight assets	Balance sheet value	Risk weighted value
Weight assets – 0%	9,267,107	0
Weight assets – 20%	11,891,022	2,378,204

Weight assets – 50%	859,544	429,772
Weight assets – 100%	8,276,673	8,276,673
TOTAL	**30,294,346**	**11,084,649**

Financial assets available for sale or trading valued at amortised cost, if there is no possibility of estimating the reliable fair value

There were no such transactions during the period from 1 January 2004 to 31 December 2004.

Assets and liabilities that are not valued at fair value

The Bank values at fair value all financial assets and liabilities, for which accounting regulations require such valuation (financial assets and liabilities trading and available-for-sale portfolio). Except for the above-mentioned in the period from 1 January 2004 to 31 December 2004 there were no assets or liabilities valued at value other than fair value.

Financial assets transferred into securities or buy-back agreements

As at 31 December 2004 the repurchase value of sell-buy-back transactions amounted to PLN 702,897 thousand.

Effects of the valuation of assets available for sale at fair value

As at 31 December 2004 the following results of valuation of the financial assets from available for sale portfolio are included in the revaluation capital:

In PLN thousand

Item	Positive valuation	Negative valuation	Result
Shares			
Other securities			
Debt securities	79,180	9	79,171
Total	**79,180**	**9**	**79,171**

Moreover, on the capital from revaluation the amount of PLN 1 thousand is registered. It results from the valuation of ING Securities S.A made by ownership rights method, in part ensuing from the valuation of financial asset available-for-sale, which should be registered as revaluation capital.

Income and expenses on financial assets available for sale, which were withdrawn from the balance sheet (sold, liquidated)

There were the following withdrawals (sale, liquidation, redemption) from the financial assets portfolio available for sale during the period from 1 January 2004 to 31 December 2004:

Shares and interests

In the year 2004 ING Bank Śląski sold shares of 1 company. Total result of the transactions was 586 thousand.

Debt securities

During the period from 1 January 2004 to 31 December 2004:

- there was a sale of financial assets available for sale in form of debt securities at nominal value of PLN 9,360 thousand, with the negative result on the sales of PLN 7 thousand
- there was a redemption of debt securities at nominal value of PLN 307,103 thousand.

Sale of financial assets, for which fair value could not be reliably established

There were no such transactions during the period from 1 January 2004 to 31 December 2004.

Reclassification of financial assets valued at their fair value to assets valued at their adjusted purchase price.

There were no such transactions during the period from 1 January 2004 to 31 December 2004.

Specification of financial assets revaluation / impairment

In PLN thousand

Financial instruments	Group	Impairments /Provision creation	Releases of provision /impairments
Loans originated and receivables	Financial institutions	-	568
	Non financial institutions	2,271,230	2,141,141
	Budget sector		4,758
Financial assets available for sale	Shares and interests	4 468	603
Total		**2,275,698**	**2,147,070**

Interest income from debt financial instruments, loans granted or receivables, calculated using interest rates resulting from contracts signed, in respect of asset category and maturity.

In PLN thousand

Category	Group	Interest matured	Interest up to 3 months maturity	Interest maturity from 3 to 12 months	Interest maturity over 12 months	TOTAL
Loans originated and receivables	Financial institutions	476,963	12,933	2,609	167	492,672
	Non financial institutions	769,906	24,495	1,570	2,528	798,499
	Budget sector	34,881	3,033	0	0	37,914
Financial assets- trading	Debt securities	124,903	43,226	0	0	168,129
Financial assets- held to maturity	Debt securities	0	0	0	0	0
Financial assets- available for sale	Debt securities	22,935	26,472	90,666	48,883	188,956
Total		**1,429,588**	**110,159**	**94,845**	**51,578**	**1,686,170**

Unrealised interest on receivables for which specific provisions were created

Unrealised interest on receivables for which specific provisions were created amounted to PLN 197,256 thousand as at 31 December 2004.

Interest expense on financial liabilities calculated using interest rates according to contracts signed in respect of liability category and maturity.

In PLN thousand

Category	Group	Interest matured	Interest up to 3 months maturity	Interest maturity from 3 to 12 months	Interest maturity over 12 months	TOTAL
Financial liabilities-other	Financial institutions	141,125	20,690	22,220	35	184,070
	Non financial institutions	574,111	7,857	46,318	7,226	635,512
	Budget sector	43,743	468	656	18	44,885
Total		**758,979**	**29,015**	**69,194**	**7,279**	**864,467**

Nominal value of the underlying instruments for derivatives

Nominal value of FX transactions:

In PLN thousand

FX spot		FX forward		FX options	
Purchase	Sale	Purchase	Sale	Purchase	Sale
402,432	404,977	26,910,908	26,845,575	2,205,542	2,476,201

Nominal value of interest rate transactions:

In PLN thousand

IRS		CIRS		FRA	
Purchase	Sale	Purchase	Sale	Purchase	Sale
31,175,972	31,175,972	534,802	598,359	13,760,000	13,466,000

Risk management

Market risk

The main purpose of effective market risk management in ING Bank Śląski S.A. is profit maximization with simultaneous mitigation of potential losses that may arise from unfavourable changes of market parameters and customers behaviour. Market risk management consists of the following:
- identification of market risk
- measurement of market risk (including back testing to test the adequacy of applied models)
- current risk monitoring in relation to set limits
- mitigation or acceptance of risk level, based on risk analyses in relation to rates of return

Principles of market risk management and methods of risk measurement applied by ING Bank Śląski S.A. are in accordance with the methods applied by the ING Group as well as the general principles of the banking sector.
For market risk measurement, apart from liquidity risk, ING Bank Śląski S.A. mainly uses VaR methodology (value at risk), which measures the potential loss of positions held by the Bank, volatility of prices, rates, market quotations (and volatility for options), together with correlations between these parameters. The estimation of the adequacy of applied models used for risk measurement (VaR) is back tested by comparing the real and hypothetical effect (based on positions held at the end of the day) with VaR.
In addition, the Bank measures EVaR (value at risk in the crisis situation) i.e. the amount of the potential loss, which can be incurred when the Bank holds particular positions in the situation when market parameters change extremely. EVaR is determined based on macroeconomic scenarios (by choosing the worst case) assuming that more extreme changes of market parameter than those presented in the scenarios should not take place more often than once in every 10 years.
The methods of risk measurement applied by the Bank vary depending on the kind of activity and complexity of products offered. Risk measurement and monitoring of VaR and EVaR are carried out in three areas:

- FX spot,
- currency options
- interest rate.

Interest rate area includes all interest rate transactions, including the simple instruments, such as placements, deposits and derivatives – FRA, IRS and securities. All interest rate positions resulting from currency transactions such as of FX forward and FX Swap - after discounting to present value - are transferred by internal transactions into the interest rate area.

The Bank also monitors other limits i.e. value limits and time limits of securities portfolio. Volatility parameters, e.g. volatility parameters for currency options (Greeks) or BPV (Basis Point Value) showing volatility of the interest rate position for market interest rates changes, are continuously monitored.
Market risk control is related to the strictly defined list of products offered by the Bank. For each type of risk, portfolios can include only products, which have been formally approved by authorized Bank units.

Risk management relates to the Bank's trading and banking portfolio. For the banking portfolio the objective of risk management is to minimize market risk. The task is fulfilled by two methods: by the system of direct financing and by Transfer Pricing System. Transfer Pricing System enables to move market risk resulting from transactions concluded by business lines (Wholesale, Retail) to the Financial Markets area, using internal transactions. Correctness of internal financing and Transfer Pricing systems is measured by monthly VaR calculation for banking portfolio. VaR level cannot exceed the limit, which was set for that area.

In ING Bank Śląski S.A., one of the essential elements of market risk management is liquidity management. This process encompasses measurement of liquidity ratios, liquidity risk management and reporting. The Bank distinguishes and monitors current, short-term and mid-term liquidity

- Market risk management is a dynamic process requiring continuous updating in line with organizational development. In the third quarter of 2004, the Bank introduced organizational changes, among others to integrate the market risk management functions, which included the appointment of Market Risk Management Department, subordinated directly to the President of the Management Board.

Liquidity risk

Liquidity risk management and monitoring in the Bank includes measurement of the liquidity risk, monitoring the risk and liquidity ratios and reporting the liquidity risk to Assets and Liabilities Committee. The Bank separately monitors current, short-term and mid-term liquidity.

Liquidity risk monitoring includes standard liquidity measurements defined as follows:

- measurement of mismatches in payment terms of assets and liabilities of up to 3 months, incl. conditional off-balance sheet liabilities;
- by dividing assets into liquid and non-liquid, liabilities into volatile and stable, the Bank defines 'net liquid assets up to 3 months' ratio; calculation of 'net liquid assets up to 3 months' ratio shows the coverage of volatile liabilities by liquid assets;
- calculation of liquidity risk up to 1 month defined as coverage of floating deposit base by assets with maturity of up to 1 month.

The Bank also carries out analysis of the current deposits portfolio analysis using statistical methods, which take the diversification and concentration of financial resources into consideration.

Liquidity risk ratios are analysed on a daily and monthly basis. There is a maximum limit estimated for each liquidity ratio, which is continuously monitored. On the basis of historical data forecasts are made for mid-term liquidity measures based on linear trend and moving average.

Standard liquidity ratios as at end of December 2004 were as follows: 3-month liquidity 51%, 3-month net liquid assets 204%, W1 ratio 151%. Deposits base was stable at 96% level.

Credit risk

In 2004 the Bank continued actions in credit risk management area initiated in the previous periods. The Bank also improved the credit process, including organizational structure and software.

Policy and procedures

In 2004, the Bank continued applying prudent credit policies, directed towards lower risk customers. Updated and enhanced branch analyses precisely describe minimal risk profile requirements for corporate clients operating in particular sectors.

Consistent application of the prudent foreign currency and indexed loans policy in 2002 and 2003 lead to a significant decrease in volume of those loans and reduction in the related credit risk. The loan conditions applied in the year 2004 enabled the Bank to adopt less restrictive policy concerning mentioned loans. Accordingly to rules applied by the Bank, foreign currency and indexed loans can be accorded to the customers, which have a possibility to generate income in foreign currencies.

In 2004 one area of enhancement in corporate loan portfolio was the policy of granting loans to low risk customers, by offering revolving products that finance specific transactions. The Bank also granted long-term loans as a result of cooperation in financing the European Union projects.

In the retail sector the Bank mitigated selection criteria for additional financing products (e.g. credit cards, cash loan) for existing customers. The idea of pre-selection was applied, which is based on the analysis of cash-flows on the current accounts, deposits, and the relation of the current exposure to the amount of cash - flows and deposits on the customer's account. In addition, approval policies were changed and credit competencies were transferred to the Bank's Head Office.

From the fourth quarter of 2004 ING Bank Śląski implemented a new credit policy in relation to mortgage loans by standardizing products and changing the acceptance model. New statistical method of risk appraisal (scoring card) was applied and credit competencies were transferred to the Bank's Head Office. Monitoring activities were also transferred to Head Office.

In the retail sector the Bank conducted operations aiming at separating the process of housing loans service and further centralization of retail loans service. In order to centralize retail products area the expert units have been created at the Head Office level: retail card and loan platform, car loans platform, small business platform, mortgage loan platform and the internet sale customer service division.
Central monitoring and debt collection implemented by the Bank enable operations in relation to the total exposure of a customer and applying retail monitoring and debt collection operations.

In the second quarter of 2004 the Bank adopted a new *Provisioning policy* to mitigate the risk level in the Bank. The Bank took into account real possibilities to liquidate the collateral when valuating collateral used for offsetting provisionable exposure. Certain types of collaterals have been excluded, the Bank set lower collateral offset limits for other collateral than generally accepted.

For risk appraisal of the mortgage loans the Bank implemented a scoring card. The Bank has initiated works on the statistical tools used in the small business sector for the risk appraisal. The Bank has also started works on the implementing of new application supporting risk appraisal in the retail segment, which is expected to be complete until the end of 2005.

In 2004, the Bank adopted the Resolution of Minister of Finance, dated 10 December 2003, in respect of provisions for banking risks, which among other things mitigated requirements related to quality of debt service. The Bank also considers guarantees granted by prime banks and parents entities for purpose of risk classification.

As part of the preparation for Basel II and as a consequence of preparation for the application of International Financial Reporting Standards / International Accounting Standards starting from the beginning of 2005, the Bank introduced the following:

- A new risk appraisal model, enabling full appreciation of risk classification was introduced. Risk levels were assigned to probabilities of default (PD). This model has been tested on the selected group of exposures and subsequently a new risk appraisal method was introduced in some branches for testing. Results of the testing confirmed the effectiveness (the force separating companies between good and bad ones) of the model. In 2005, a new method of corporate customer risk appraisal will be applied to all corporate customers of the Bank. In

addition, works on receivables' monitoring system have been started. This system will be implemented at the beginning of the year 2005.
- The collateral policy has been updated, e.g. legal collateral classification (severity rating system) for LGD calculation purpose,
- Methods of provisions calculation and actualization were developed and implemented from 1 January 2005.

To improve credit risk management for corporate loans the Bank adopted in 2004 a system of irregular loan registration. The system generates reports on the irregular portfolios, to analyse effectiveness of the adopted strategy with respect to those borrowers/ loans and the effectiveness of the restructuring and collection processes.

In the retail loans area, the Bank implemented a data collection system, critical for model construction, in accordance with Basel II and calculation of provision level in accordance with IAS requirements.

Loan process organisation – new structure of the risk management

New credit risk management implementation was finalized in 2003. Fundamental features of implemented risk structure are: strict division of sales from risk assessment through introducing hierarchical dependence of risk management units.
In all regions Risk Management Department was created, consisting of: Risk Analysis Team, Loan Administration Team, Intensive Care and Collection Team.
In case of retail loans activities connected with activating, administrating, monitoring and collection of the loans have been taken over by Departments within Operations Division in Headquarters.
In order to support the process, special IT tools have been used and loan documentation has been standardized. The tools enabled unification of the process throughout whole Bank. The region became the lowest level where credit committees function. It means that branches subordinated to regions have been deprived of loan authorities, except for decisions concerning small loans and standard products for retail and small business customers.
In retail area, in 2004 the decision making and monitoring works continued to be centralized. To support central business units, analytical risk management centres have been created on the Head Office level.

Operational risk

ING Bank Śląski, implements operational risk management principles in accordance with NBP recommendations, based on standards developed in ING Group in accordance with Basel Committee guidelines. In compliance with the guidelines, in 2004 new Operational Risk Policy was implemented by the Bank. The new policy defines methodology and practice. The Bank recognizes operational risk as direct or indirect material loss resulting from improper internal processes, people or systems as well as from external factors.

Operational risk management includes all organisational entities of the Bank and all subsidiaries. It consists of risk identification, measuring and monitoring as well as taking actions in order to mitigate such risk. Supervisory Board and Management systematically supervise actions taken regarding operational risk management, while Operating Risk Committee coordinates related activities. In organisation structure of the Bank new Operating Risk Management Department has been created, which is subordinated directly to the President of the Management. Realisation of tasks relating to implementing, coordinating, controlling and monitoring of operating risk, IT, business and safety of employees and resources processes has been entrusted to the new Department.

With regard to operating risk management, the Bank concentrates on the following topics:

- implementation of mechanisms for assessment of operating risk level and its mitigation in particular areas of the Bank's operations,
- accumulation of information, analysis and event reporting related to operating risk,
- defining significant risk indices together with monitoring
- reduction of losses by improving system of control of the Bank's operations,
- improvement of audit process by implementing integrated system of recording and tracking of recommendations and post-control,
- allocation of economic capital, adequate to the risk level,
- testing of Business Continuity Plans preservation plans regarding critical and important business processes,
- improvement of physical security in the Bank including integrated branch security monitoring system in emergency situations,
- organizing of awareness programs and trainings regarding operating risk management.

Hedge accounting

In 2004 the Group closed transaction related to hedge accounting in its financial statements.

Hedging of planned transactions or likely future commitments

Such operations did not take place in 2004.

Recognition of gains or losses resulting from valuation of hedging instruments in revaluation capital

In 2004 the Bank closed transaction related to hedge accounting in its financial statements._As a result, the valuation recorded in 2003 was derecognized. Amount of PLN 6,718 ths (fair value of hedged position) was charged to 2004 profit and loss account and deferred tax of PLN 1 276 ths was recognized in 2004 profit and loss account.

5. Information on subscription option or sale of ordinary shares agreements

In the period from 1 January 2004 to 31 December 2004 no such transactions occurred.

6. Information on assets used as a collateral offset for own or third parties commitments, and information on the value of commitments being collateralised with these assets

On 18 June 2002 the Bank obtained from the Banking Guarantee Fund a loan amounting to PLN 30 million for the acquisition of Wielkopolski Bank Rolniczy S.A. The loan was granted for a period of 5 years. The Bank repaid first instalment in June 2004, and second one in December 2004. The exposure as at 31 December 2004 is PLN 21,430,000.
NBP Bonds at nominal value of PLN 29,920 thousand are used as collateral offset for this loan.

On 22 June 2002 the agreement between 12 banks in respect of the financial aid for restructuring of Wschodni Bank Cukrownictwa S.A. seated in Lublin was concluded. Under the agreement on 5 June 2003 ING Bank Śląski received a loan from the Banking Guarantee Fund amounting to PLN 13,955,600 designated for the purchase of new issuance of shares of Wschodni Bank Cukrownictwa S.A. The loan has been granted for the period of 8 years. The collateral of the loan is a bill of exchange issued by ING Bank Śląski.

7. Sell-buy-back transactions not included in the financial statements

The Bank presents sell-buy-back transactions in assets and liabilities of balance sheet.

8. Information on financial commitments granted, including irrevocable commitments

As at 31 December 2004 the Bank held financial commitments granted amounting to PLN 10,521,480 thousand, composing mainly of active credit lines, undrawn current account loans and open or confirmed letters of credits. As at 31 December 2003 and these commitments amounted to PLN 7,033,854.

As at 31 December 2004 the provisions for financial contingent commitments concerning carrying risk of default in amount of PLN 7,358 thousand were created. As at 31 December these provisions amounted to PLN 3,476 thousand.

The Bank granted financial type contingent commitments to subsidiaries and associated entities. They are presented in note 16.

9. Information on off-balance sheet items and specification of underwriting guarantees granted to issuers

Guarantees granted are as follows

In PLN thousand

Sector	31.12.2004	31.12.2003
Financial sector	35,614	45,662
Non-financial sector	922,835	998,941
State sector	23,759	27,280
TOTAL	982,208	1,071,883

As at 31 December 2004 the provisions for contingent guarantees carrying risk of default amounted to PLN 10,088 thousand were created. As at 31 December 2003 these provisions amounted to PLN 31,244 thousand.

The Bank has granted contingent guarantees in favour of its subsidiaries and associated entities, which are presented in Note 16.

Contingent commitments received

As at 31 December 2004, the Bank received contingent commitments amounting to PLN 11,874,858 thousand and concerning financing in the amount of PLN 207,220 thousand. As at 31 December 2003 these commitments amounted to PLN 11,857,693 thousand and PLN 88,042 thousand, respectively.

Information on underwriting guarantees granted to other issuers

As at 31 December 2004 no such transactions were present.

10. Proposed dividend

The Management Board of ING Bank Śląski S.A. proposes to pay the dividend for the year 2004 in the amount of PLN 20.5 per 1 share. Since all shares of ING Bank Śląski are ordinary shares, there are no liabilities due to cumulated dividends to be paid for preferred shares.
Justification for the proposed dividend payment was presented in the Commentary of the Management Board.

11. Liabilities in respect to the approved dividends payable

As at 31 December 2004 the Bank had no commitments in respect of the approved dividends payable.

12. Liabilities due to state budget or local government entities in respect of ownership rights to buildings received

As at 31 December 2004 the Bank had no such commitments.

13. Income, expense and results on discontinued operations in current period or planned in the next period

From 1 January 2004 to 31 December 2004 there were no discontinued operations.

14. Expenses in respect to asset under construction, fixed assets for internal use

From 1 January 2004 to 31 December 2004 there were no such expenses.

15. Investment outlays incurred and planned (for the next 12 months from the balance sheet date), including non-financial fixed assets

All purchases of tangible and intangible fixed assets were recognised as investment outlays incurred in relation to investments conducted in the period from 1 January 2004 to 31 December 2004. In the Bank investment outlays during 2004 amounted to PLN 51,501 and were below plan. For year 2005 the Bank planned investment outlays in amount of PLN 144,597 thousand.

16. Transactions with related parties

Transactions of the issuer with related parties

Within its activities ING Securities S.A. deposits its cash assets held on current accounts in ING Bank Śląski S.A. in the form of short-term deposits (overnight, a few day deposits). The number of such transactions was very high.

During 2004 ING Securities S.A. acted as an intermediary in the buy/sell securities transaction conducted by ING Bank Śląski S.A (as depository), with a total value of PLN 3,151,124 thousand.

The payments between ING Securities and ING Bank Śląski in the period from 1 January 2004 to 31 December 2004 amounted to PLN 1,213 thousand and related to:
- cooperation agreement regarding operations of brokerage house outlets signed on 26 July 1997 with Dom Maklerski BSK S.A.
- agreement dated 16 July 2001 for the Bank's headquarters rental for a period of 10 years beginning from 23 October 2000.
- agreement on lease of equipment dated 25 July 1997
- agreement in respect of cooperation and information stewardship dated 31.12.2003

ING BSK Development Sp. z o.o.

On 3rd August 2004 ING Bank Śląski S.A. acquired from ING BSK Leasing S.A. 100% shareholding of BSK Leasing 2 Sp. z o.o. (on 27th August 2004 company name was changed to ING Development Sp. z o.o.).
The main activity of the company business is advisory, property rentals, property agency activities and property management.

Payments between ING BSK Development and ING Bank Śląski in 2004 related to:
- Loan in amount of PLN 2,650,000 for the purpose of setting up economic activity, incl. shares purchase
- PLN 2,700,000 charge granted to the company in order to repay loans and finance current activities

Centrum Banku Śląskiego Sp. z o.o.

From 1 January 2004 to 31 December 2004, the Bank continued the agreements in respect of loans granted to Centrum Bank Śląskiego Sp. z o.o. As at 31 December 2004, the total value of these loans amounted to PLN 309,058 (EUR 75,768) thousand.
In the period 1 January 2004 – 31 December 2004 Centrum Banku Śląskiego repaid principal in amount of EUR 809 thousand and EUR 2,099 thousand interests.

Office space (located in Katowice, at Sokolska 34 street) rental agreement is also being continued. During 2004 total amount connected with this agreement amounted to PLN 22,843 thousand in monthly installments.

Powszechne Towarzystwo Emerytalne ING Nationale Nederlanden S.A. (Nationale Nederlanden Pension Fund)

ING Nationale Nederlanden SA Pension Company holds at ING BSK S.A. O/Warszawa current accounts and deposits with total value of PLN 47,217 thousand as at 31 December 2004.

Śląski Bank Hipoteczny Spółka Akcyjna

As at 31 December 2004, balance of loan resulting from credit line agreement amounted to PLN 114,313 thousand, whereas unused credit line level to PLN 286,058 thousand. The total credit line was increased in 2004 to PLN 360 million. In the period 1 January 2004 – 31 December 2004 Śląski Bank Hipoteczny repaid interests worth PLN 7,047 thousand.

ING Bank Śląski, under the Multicurrency Programme of Issuance of Mortgage Backed Securities set by Śląski Bank Hipoteczny amounting to PLN 150,000,000, has purchased from Śląski Bank Hipoteczny the first part of mortgage backed papers amounting to EUR 3,000,000.

ING Services Polska Sp z o.o.

ING Services performs computer equipment rental services in aid of ING Bank Śląski. In 2004 expenditures connected with those services reached PLN 10,662 thousand.

ING

Information on the Principles of Settlements with the Strategic Investor

ING Bank Śląski S.A. conducts transactions on the interbank market ranging from PLN a few dozen thousand to a few billion. These transactions consist of short-term loans and deposits given as well as derivative instruments: FX Spot and FX Forward, FX options, swap transactions. Transactions are conducted based on market conditions.

On 20 March 2003, ING Bank Śląski S.A. and ING Bank N.V. concluded the agreement on cooperation with respect to supporting the operations of ING Bank Śląski S.A. Based on the agreement, ING will allow the Bank to make use of the knowledge and experience of ING specialists, among other things by appointing them to Management Board of the Bank. Remuneration provided by the agreement are specified in the Note concerning Management Board members remuneration.

Since July 1996 ING Bank Śląski S.A. is a subsidiary of ING Bank NV. Since that time, there has been a close co-operation between the Bank and the ING Group regarding making use of specialist know-how in the field of finances, law, taxes, as well as credit, market, administrative risks management and principles of business activities. ING Bank Śląski S.A. makes use of the said specialist know-how, experience and possibilities to increase the effectiveness of its business activities. Due to the so widely defined co-operation the services for the Bank are concentrated on direct support of Bank management and on the exchange of experiences with various departments / entities of the ING Group. In many cases the solutions of ING Group are directly implemented in the bank; it refers both to the new projects such as IAS 2005, Basel II, IT Project, but it also refers to the solutions that work very well in the Group conditions. The co-operation of the Bank with the ING Group entities is governed by the Co-operation Agreement concluded in 1997. Total settlements regarding the co-operation agreement amounted to PLN 22.435 thousand in the year 2004.

ING Bank Śląski received guarantees from several ING Group entities as collateral for the credit that includes global ING Group clients. Total commission paid by the Bank amounted to PLN 3,000 thousand.

ING Nationale Nederlanden:

Furthermore in the period 1 January 2004 – 31 December 2004 ING Bank Śląski cooperated with Nationale Nederlanden with regared to employee group life insurance as well as employee term group life insurance. Fee paid by the Bank equalled PLN 6,133 thousand.

ING Lease (Polska)

ING Bank Śląski on 20 August 2004 sold its shares in ING BSK Leasing (Polska) to ING Leasing S.A. Value of transaction - PLN 46,500; its aim is the consolidation of ING leasing activities in Poland.

ING Lease (Polska) in the period 01.01.2004-31.12.2004 repaid PLN 5,292 thousand debt, including PLN 1,433 thousand interests. The total value of loans granted as at 31 December 2004 amounted to PLN 60,853 thousand.

Additionally the Bank continues with ING Lease (Polska) the lease agreement for rental of office space and leasing of leasehold improvements amounting to PLN 22,464 thousand.

ING Bank Śląski has off-balance sheet liabilities due to the guarantee of the ING Lease agreements. As at 31 December 2004 the guarantee amounted to PLN 110 thousand.

ING Car Lease

ING Bank Śląski cooperates with ING Car Lease in the scope of car leasing activities and management of car fleet. The amount paid in 2004 due to these activities totalled to PLN 1,836 thousand.

Numerical data concerning related entities

Balances of receivables and payables

In PLN thousand

Name of the entity	Capital relationship	Holding of share capital as at 31.12.2004	Receivables of ING Bank Śląski S.A.		Payables of ING Bank Śląski S.A.	
			31.12.2004	31.12.2003	31.12.2004	31.12.2003
ING	parent company	87.77	8,522,062	6,341,602	884,812	687,974
ING BSK Development	subsidiary undertaking	100.00	0	0	43	0
ING Securities S.A.	subsidiary undertaking	100.00	810	1,360	128,084	108,196
Centrum BSK Sp. z o.o.	subsidiary undertaking	60.00	309,058	361,213	9,046	6,301
ING PTE NN S.A.	associated undertaking	20.00	0	0	47,217	0
Śląski Bank Hipoteczny S.A.	subsidiary undertaking	100.00	158,764	149,242	19,047	21,981
Solver Sp. z o.o.	subsidiary undertaking	79.79	0	0	948	1,545
ING Services Polska Sp. z o.o.	subsidiary undertaking	100,00	0	0	2,896	10,355

Income, expenses, gains and losses

Name of entity	Capital relationship	Holding of share capital as at 31.12.2004	Income and gains of ING Bank Śląski S.A.		Expenses and losses of ING Bank Śląski S.A.	
			31.12.2004	31.12.2003	31.12.2004	31.12.2003
ING	parent company	87.77	177,184	125,604	48,730	45,220
ING BSK Development Sp. z o.o.	subsidiary undertaking	100.00	29	0	0	0
ING Securities S.A.	subsidiary undertaking	100.00	1,302	2,705	7,099	4,099
Centrum BSK Sp.z o.o.	subsidiary undertaking	60.00	9,502	10,623	9,976	125
ING PTE NN S.A.	associated undertaking	20.00	278	890	1,663	268
Śląski Bank Hipoteczny SA	subsidiary undertaking	100.00	8,052	4,161	889	1,390
Solver Sp. z o.o.	subsidiary undertaking	79.79	0	0	841	711
ING Services Sp. z o.o.	subsidiary undertaking	100.00	698	0	8,633	0

In PLN thousand

Off-balance sheet commitments and contingencies (granted and received)

In PLN thousand

Name of undertaking	Capital relationship	Holding of share capital as at 31.12.2004 (%)	Off-balance-sheet commitments	
			31.12.2004	**31.12.2003**
ING	parent company	87.77	4,576,320	3,392,039
ING BSK Develompent Sp. z o.o.	subsidiary undertaking	100.00	0	0
ING Securities S.A.	subsidiary undertaking	100.00	0	0
Centrum BSK Sp. z o.o.	subsidiary undertaking	60.00	0	0
PTE ING NN S.A.	associated undertaking	20.00	0	0
Śląski Bank Hipoteczny S.A.	subsidiary undertaking	100.00	286,058	18,760
Solver Sp. z o.o.	subsidiary undertaking	79.79	0	0
ING Services Sp. z o.o.	subsidiary undertaking	100.00	1,567	0

17. Joint ventures excluded from consolidation

In the period from 1 January 2004 to 31 December 2004 the Bank did not participated in joint ventures excluded from consolidation.

18. Income and expenses of the Bank's brokerage activity

The Bank does not perform brokerage activity within brokerage house in Bank's structure.

19. Write-offs for bad debts

In PLN thousand

Title of provision	Charge to specific provisions		Charge to Rother operating expenses	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Bank agrement proceedings	-	-	-	-
Agrement proceedings	3,603	3,838	-	-
Execution proceedings	,-	27,001	-	-
Arrangement dunder Civil Law and exemption from a debt	-	-	-	-
Bankruptcy	3,151	23,526	-	-
Sale sof debts	1,014	1,359	-	-
Rother	30,036	14,168	-	-
Total	**37,804**	**69,892**	**-**	**-**

According to the Resolution of Ministry of Finance dated 2 December 2003 changing the MF Resolution on specific provisions for banks, the Bank has written off in 2004 loan receivables amounting to PLN 410,667 thousand against specific provisions, transferring them to off-balance sheet till their redemption, prescription or repayment (as at 31 December 2003 the Bank has written off PLN 863,367 thousand).

For irregular loans the Bank, in accordance with accounting regulations and adopted policies, creates specific provisions for the outstanding debts. Expenses incurred in relation with debt collection are recognised in the profit and loss account.

20. Information on the provisions for future payables to employees

<u>Retirement benefits</u>
The balance of payables due in respect of the pension severance payments is updated annually and recognised in accruals. The present value of the future payables due to the pension severance payments amounted as at 31 December 2004 to PLN 8,789 thousand.

<u>Unused holidays</u>
The provision for unused holidays amounted to PLN 10,586 thousand as at 31 December 2004.

21. Costs of financing the employee pension schemes

The Bank does not finance an employee pension scheme.

22. Custodian activity

As at 31 December 2004 Custodian Department of ING Bank Śląski S.A maintained 3,370 securities accounts, where the Bank held the securities in favour of the customers of the Department. In 2004 the Custodian Department of the Bank has acted as the custodian bank for 28 investment funds and 1 pension fund.

Recently, ING Bank Śląski S.A. has been chosen to act as the custodian bank for 4 newly established investment funds. In the period from 1 January 2004 and 31 December 2004 ING Bank Śląski S.A. cooperated with 16 Polish brokerage houses.

23. Securitisation of assets

In the period from 1 January 2004 to 31 December 2004 the Bank did not participate in any assets securitisations.

24. Average employment

As at 31 December 2004 the ING Bank Śląski S.A. had a total average of 7,073 employees, what equals 6,952.4 full-times. Comparative figures as at 31 December 2003 equal 6,825 and 6,682.2 respectively.
Average employment for whole 2004 year equals 6,882, compared to 7,199 in 2003.

25. Memo on remuneration, including the remuneration paid out of profit that was paid to the Management Board Members and supervisory authorities of the Bank Capital Group of ING Bank Śląski S.A.

Total value of remuneration, bonuses, rewards and benefits paid or due to the present and former Members of the Management Board of ING Bank Śląski S.A. in the year 2004.

in PLN thousands

First and last name	Period from - to	Total value of paid and due remuneration and bonuses	Total value of benefits
Brunon Bartkiewicz	17.06.2004 – 31.12.2004	820	573
Krzysztof Brejdak	1.01.2004 – 31.12.2004	1 193	160
Grzegorz Cywiński	1.01.2004 – 31.12.2004	1 110	150
Donald Koch	1.07.2004 – 31.12.2004	605	463
Michał Szczurek	1.10.2004 – 31.12.2004	256	39
Benjamin van de Vrie	1.08.2004 – 31.12.2004	597	243
Maciej Węgrzyński	1.07.2004 – 31.12.2004	452	154
Marian Czakański	1.01.2004 – 25.05.2004	2 728	127
Frederik van Etten	1.01.2004 – 1.08.2004	1 412	682
Anthonius Roozen	1.01.2004-1.09.2004	1 526	702
Cornelis Tuijnman	1.01.2004-31.05.2004	1 222	251
TOTAL		11 921	3 544

The value of the remuneration paid in the year 2004, bonuses for the year 2003 paid in 2004, and paid severance pay are included in the "Total paid and due remuneration and bonuses". A decision on the bonuses for the year 2004 has not been taken by the Supervisory Board yet. In case of such Management Board Members like: F.van Etten, A. Roozen and K. Tuijnman the stated amount of remuneration - under the contract for supporting the functioning of Bank Śląski business by way of passing on their knowledge and experience in respect of bank activities - is proportional to their time worked for the Bank.

The costs connected with working for the Bank, especially the costs of social security and pension benefits, health care premiums as well as the costs connected with the necessity of ensuring the functioning of the Management Board Members in connection with their working as expatriates were shown as the "Total value of benefits".

The Management Board Members do not receive remuneration or bonuses for fulfilling the functions in the authorities of subsidiaries and associates of ING Bank Śląski S.A. Group.

Remuneration, bonuses and advantages received by the Management Board members are regulated by Supervisory Board decisions passed with regard to this matter – regulations no. 17/III/2000 of 9 June 2000, no. 16/V/2002 of 27 June 2002 and 17/V/2002 of 27.06.2002 as well as under the contract for supporting the functioning of Bank Śląski business by way of passing on their knowledge and experience in respect of bank activities dated 30 March 2003.

Remuneration, bonuses or advantages obtained in EUR were converted into PLN at the 4.5182 rate that is an annual arithmetic average.

<u>Total value of remuneration, bonuses, rewards and benefits paid or due to the present or former Members of the Supervisory Board of ING Bank Śląski S.A. in the year 2004.</u>

in PLN thousands

First and last name	Period from - to	Total value of paid and due remuneration and bonuses
Andrzej Wróblewski	1.01.2004 – 31.12.2004	310
Cornelis Leenaars	25.05.2004 – 31.12.2004	119
Jerzy Rokita	1.01.2004 – 31.12.2004	200
Lech Węclewski	1.01.2004 – 31.12.2004	145
Johannes Nijssen	1.01.2004 – 25.05.2004	82
Erik Dralans	1.01.2004 – 31.12.2004	145
TOTAL		1 001

Remuneration paid to the Members of the Supervisory Board in accordance to Annual General Shareholder Meetings regulations regarding this matter: regulation no 16 ZWZA Bank Śląski S.A. in Katowice of 19 May 1998 and no.5 NWZA ING Bank Śląski of 14 September 2001.

Gross remuneration paid to the Members of the Management Board and Supervisory Board of the Capital Group of ING Bank Śląski S.A.

in PLN thousands

Remuneration for:	Management Board		Supervisory Board	
	2004	2003	2004	2003
ING Securities S.A.	1 275	1 286	-	-
Śląski Bank Hipoteczny S.A.	1 215	1 229	-	-
ING Bank Śląski S.A.	15 465	14 688	1 001	977
Centrum Banku Śląskiego Sp. z o.o.	672	336	-	-
Solver Spółka z o.o.	58	63	-	-
ING BSK Development Sp. z o.o.	0	0	-	-
ING Services Polska Spółka z o.o.	88	0	-	-
TOTAL	18 773	17 602	1 001	977

26. Credits, loans and guarantees granted to employees, members of the Board of Directors and the Supervisory Board of the Bank

Employees of ING Bank Śląski S.A. are granted credit facilities at the same terms as the other customers of the Bank (no preferential loans to employees are available). Loans to employees are recognised in due from customers item and amount to PLN 49,503 thousand.
Granting a loan and bank guarantee for members of the Board of Directors of the Bank is determined by a separate procedure and monitored in accordance with the Decree of the President of ING Bank Śląski S.A.
The financial statements as at 31 December 2004 include information on credits, loans and guarantees to the management of the Bank (article 79 of the Banking Law) in the amount of PLN 7,794 thousand.
The Bank's employees are entitled to different forms of social help within the Social Fund:

- loans for redecoration and modernisation of flat or house;
- loans for purchase and instalment of long term use equipment, permanently connected with flat or house;
- loans for flat or house extension;
- house or flat for handicap use adopting;
- loans for house or flat purchase or construction.

As at 31 December 2004, loans granted from the Social Fund amounted to PLN 19,848 thousand.

27. Significant events relating to previous periods that are presented in the financial statements for the current period

There were no such events in the period from 1 January 2004 to 31 December 2004.

28. Significant post-balance sheet events

1. On 1 February 2005 ING Bank Śląski transferred the portfolio of receivables for the benefit of Sygma Banque as the execution of liabilities deriving from the co-operation agreement between ING Bank Śląski SA and Finplus. The portfolio came to existence as a consequence of many years' co-operation with the Finplus Company, which was selling *private label* payment cards. As a result thereof, the receivables due from private persons were reduced by PLN 148,530 thousand. The operation does not affect the financial result of the Bank.

2. At the meeting held on 11 February 2005 the Supervisory Board of ING Bank Śląski S.A. appointed Mr. Ian Clyne to the position of the Vice-President of the Management Board of ING Bank Śląski S.A. as of 1 March 2005.

29. Significant events concerning current year, which have crucial influence on balance sheet and P&L structure

There were no such events in the period from 1 January 2004 to 31 December 2004.

30. Relations between the legal predecessor and the issuer, the way and range of taking over assets and liabilities

ING Bank Śląski S.A. (the previous name Bank Śląski S.A. in Katowice) was established on the basis of the notarial deed dated 8 October 1991 as a result of the transformation of the state-owned Bank Śląski in Katowice. All assets and liabilities of Bank Śląski in Katowice were taken over by Bank Śląski Spółka Akcyjna in Katowice.

31. Comparable financial statements adjusted for inflation

There is no requirement to present the comparable financial statements adjusted for inflation because the cumulated average annual inflation rate for the three previous years is less than 100%.

32. Differences between information in the financial statements and previously published financial statements

There are no such differences.

33. Changes in accounting policies and in preparation of financial statements comparing to previous period

The annual financial statement as at 31 December 2004 has been prepared in accordance with the Regulation of Board of Ministers dated 11 August 2004 on detailed conditions on the issuing prospectus (Official Journal No. 139, item 1568, with subsequent amendments), and the Regulation of the Board of Ministers, dated 16 October 2001, on current and periodic information, which is presented by the issuers of securities (Official Journal No. 186, item 1921, with later amendments), and additionally in accordance with the applicable accounting principles currently applied by the ING Bank Śląski S.A. and recommendations of the General Inspectorate of Banking Supervision of NBP and the Securities and Stock Exchange Commission.

Commencing from 2004, the Bank recognizes as income interest from loans classified as irregular, which are overdue less than 90 days. It is consistent with International Accounting Standards, common practice in European banks and compliant with Regulation of the Minister of Finance dated 10 December 2003 in respect of provisions against the risk of banking activity (Official Journal No. 218, item 2197). As a result of the above, results from prior years increased by PLN 6,486 thousand (including deferred tax) increased result from prior years, and current year result increased by PLN 660 thousand. Consequently, the financial statements for 2003 have been adjusted to be comparable.

Commencing from 2004 the Bank decided to disclose in the balance sheet buy-sell-back and sell-buy-back transactions, previously disclosed as off-balance sheet items. As a result, assets and liabilities increased by PLN 702,897 thousand and off-balance sheet commitments granted were decreased by the same amount. The financial statement for year 2003 was adjusted for comparability purposes. Consequently, assets and liabilities increased by PLN 750,213 thousand as at 31 December 2003.

34. Adjustments for fundamental errors

In the period from 1 January 2004 to 31 December 2004 there were no fundamental errors.

35. Going concern

There is no uncertainty in respect of going concern in the foreseeable future.

36. Financial statement in case of merger

In the period 01 January 2004 – 31 December 2004 the Bank did not merge.

37. Methods of estimating market value of owned securities and shares which are not noted on stock exchange and are not in regulated off – stock exchange market.

As a basis for securities market value estimation, the following methods have been used, in respect of individual companies:

No.	Company name	Valuation method
1	ING Securities SA w Warszawie	ownership rights
2	ING BSK Development Sp. z o.o.	ownership rights
3	Centrum Banku Śląskiego Sp. z o.o.	ownership rights
4	Powszechne Towarzystwo Emerytalne ING NN S.A.	ownership rights
5	Śląski Bank Hipoteczny S.A.	ownership rights
6	„Solver" Sp. z o.o Bielsko-Biała	ownership rights
7	ING Services Sp. z o.o.	ownership rights
8	Międzynarodowa Szkoła Bankowości i Finansów Sp. z o.o. Katowice	fair value
9	Giełda Papierów Wartościowych SA w Warszawie	fair value
10	Krajowa Izba Rozliczeniowa SA Warszawa	fair value
11	Huta Lucchini Sp. z o.o. Warszawa	fair value
12	Zakopiańska Spółdzielnia Mieszkaniowa Zakopane	fair value
13	Society for Worldwide Interbank Financial Telecommunication SWIFT SC Belgium	fair value
14	Biuro Informacji Kredytowej	fair value
15	Centrum Zaufania i Certyfikacji „Centrast"S.A. Warszawa	fair value
16	„Hatrol" Sp. z o.o.	fair value

17	Regionalna Agencja Rozwoju	fair value
18	Fabryka Dywanów „Kowary" S.A.	fair value
19	Huta Ferrum S.A.	fair value
20	Wschodni Bank Cukrownictwa S.A.	fair value

Fair value is calculated on a book value basis or owned shares market value basis.

38. General provisions

The parent entity has created a general risk provision, as at 31 December 2004 it amounted to PLN 222,567 thousand comparing to PLN 204,240 thousand as at 31 December 2003.

39. Capital adequacy

In accordance with Resolution No 4/2004 of the Banking Supervision Commission dated 8 September 2004 on the scope and specific principles of setting the capital adequacy requirements for particular types of risk, and scope of applying statistical methods and conditions, which have to be met to obtain agreement of their use, the method of calculation of capital adequacy ratio and taking into account a bank's relationship with entities, and the determination of any additional balance sheet items which are recognized together with equity in the capital adequacy account the Bank's capital adequacy, as at 31 December 2004 amounted to 14.91% - whereas the minimum is 8%. Due to the wide scope of trading activities the Bank was subject to full capital adequacy requirement for all risks.

As at 31 December 2004 the full capital requirement amounted to PLN 1,310,000 thousand, including 85,2% of requirement for covering credit risk and 14,8% for financial risk of the trading portfolio. Capital requirement in respect of exchange rate risk amounted to PLN 9,320 thousand. Capital requirement in respect of: specific risk of debt instruments amounted to PLN 72,369 thousand, general interest rates risk amounted to PLN 76,592 thousand, settlement risk and contractors risk amounted to PLN 35,410 thousand. The Bank has not exceeded the limits for concentration of concentration of capital.

The total foreign exchange position for convertible currencies at 31 December 2004 amounted to PLN 165,537 thousand.

The Bank's currency position at the reporting date is as follows (in PLN thousand):

In thousand PLN

	Assets and off – balance sweet balances		**Liabilities and off – balance sheet balances**		**Long (l) Short (S) psition**			
	31.12.04	31.12.03	31.12.04	31.12.03	31.12.2004		31.12.2003	
					L	S	L	S
USD	16,594,840	4,585,588	16,584,087	4,577,258	10,753		8,330	
EUR	6,756,415	1,398,183	6,606,177	1,424,626	150,238			26,443
Other	551,913	209,608	549,757	209,697	4,546	2,387	2,673	2,762
Total	**23,903,168**	**6,193,379**	**23,740,021**	**6,211,581**	**165,537**	**2,387**	**11,003**	**29,205**

40. Bank's shares owned by the Board and the Supervisory Board Members.

Members of the Management Board and Supervisory Board do not own shares of ING Bank Śląski S.A.

ING BANK ŚLĄSKI

2004 Annual Report of ING Bank Śląski S.A.

Katowice, February 2005

Table of contents

BANK MANAGEMENT BOARD

Status as of 31.12.2004

Brunon Bartkiewicz	– President (as of 17 June 2004)
Krzysztof Brejdak	– Vice-President
Grzegorz Cywiński	– Vice-President
Don Koch	– Vice-President (as of 1 July 2004)
Michał Szczurek	– Vice-President (as of 1 October 2004)
Maciej Węgrzyński	– Vice-President (as of 1 July 2004)
Ben van de Vrie	– Vice-President (as of 1 August 2004)

Status as of 31.12.2003

Marian Czakański	– President (until 25 May 2004)
Frederik van Etten	– 1st Vice-President (until 31 July 2004)
Krzysztof Brejdak	– Vice-President
Grzegorz Cywiński	– Vice-President
Anthonius Roozen	– Vice-President (until 31 August 2004)
Cornelis Tuijnman	– Vice-President (until 31 May 2004)

SUPERVISORY BOARD

Status as of 31.12.2004

The new Supervisory Board, appointed on 25 May 2004, composed of the members:

Andrzej Wróblewski	– Chairman
Eli Leenaars	– Vice-Chairman
Jerzy Rokita	– Secretary
Erik Dralans	– Member
Lech Węclewski	– Member

Status as of 31.12.2003

Andrzej Wróblewski	– Chairman
Johannes Nijssen	– Vice-Chairman
Jerzy Rokita	– Secretary
Erik Dralans	– Member
Lech Węclewski	– Member

Message from the Chairman of Supervisory Board

Sirs,

On behalf of the Supervisory Board, appointed by the General Shareholders Meeting on 25 June 2004, I have the honour to present you with the results of ING Bank Śląski for the year 2004.

I would like to begin my statement emphasizing the fact that ING Bank Śląski S.A. can be really satisfied with the results the Bank achieved in the year 2004. The Bank considerably enhanced its market presence, improved the credit portfolio quality and reduced risk costs. It also recorded better financial results compared with the past years. Those achievements were accompanied by the efforts focusing on deep restructuring of the institution which covered organisational structures, sales network, segmentation of customers, the product offer and customer service rules.

The net financial result obtained in the year 2004 by ING Bank Śląski – at the level of PLN 366.3 million – allowed to significantly improve effectiveness of the institution's operation. The Bank's effectiveness in the year 2004 was similar to the average in the group of peer banks. The bank's ability to create income on basic activity needs to be underlined. The result on banking activity amounted to PLN 1,683.0 million compared with the last year's result of PLN 1,519.8 million. The improvement of the credit portfolio quality, which translated into lower risk costs, considerably contributed to the good financial result of the Bank at the year-end.

Besides the substantial improvement of financial results the Bank recorded another important success which was the implementation of the deposit strategy adopted in mid-2004. As a result, in the 2004 the Bank became the market leader in regard to acquisition of deposits and acquired net PLN 5.5 billion worth of deposits, both from the retail and corporate customers.

On behalf of the Supervisory Board, I would like to confirm that ING Bank Śląski is well prepared for the further development, for realisation of its mission and main strategic objectives. The consistent re-engineering of organisational structures and procedures, effective cost management, change of customer segmentation and adjustment of the product and service offer to the preferences of individual groups of customers create the platform for successful competition of ING Bank Śląski on the market. The abovementioned element also allow for further improvement of the commercial and financial results contributing to the growth of the company's value.

The investments in the shares of ING Bank Śląski will become more attractive in the nearest time due to their better liquidity. It will take place after the fulfilment of the commitment of ING Group towards the Banking Supervision Commission and sale of approx. 13% of the Bank's shares by way of public offer addressed both to individual and institutional customers.

I would like to thank the Management Board of the company and all employees of ING Bank Śląski for their efforts in the year 2004. I want to assure our Shareholders that the ultimate aim of all our actions is to increase the Bank's value.

Message from the President of Management Board

Dear Shareholders,

I would like to express my great satisfaction with the results of ING Bank Śląski for the year 2004. This year was much better for the Bank that the previous one in terms of the growth dynamic, the credit portfolio quality and the financial results recorded by the Bank.

The most important achievements of ING Bank Śląski include mainly the effective realisation of the strategy of expansion on the deposit market, adopted in mid-2004. As part of the abovementioned strategy we initiated a broad spectrum of actions aimed at making the offer more attractive, and in particular at enhancing its price competitiveness. We also pursued comprehensive promotional activities. In the situation of decreasing value of households' deposits in the banking sector we recorded over the year 2004 more than 2-billion increment of funds on bank accounts of retail customers. We also seized the opportunity in the form of an unprecedented growth of funds of corporate customers and significantly improved our position on the market of deposits of corporate customers.

The signals coming from the market, which indicate the improvement of customers' standing, convinced us to initiate comprehensive actions aimed at reactivation of lending. Therefore, we simplified the credit processes concerning the loans for retail customers and improved their availability by offering them via the new sales channels. An important element in this process was the implementation of the new sales organisation and enhanced offer for mortgage loans. We were also working on streamlining the credit process for corporate customers, in particular on optimisation of procedures and shortening of the credit process. We expect that those actions will bring full results in the year 2005, both in the form of a significant improvement of the Bank's position in financing the needs of individual and corporate customers.

Although we did not record any increase of lending in the year 2004, un undisputable success of ING Bank Śląski in the lending area was the considerable improvement of the credit portfolio quality. It was caused not only by the economic recovery and changes in the effective legislation, but mainly by long-term intensive actions concerning the restructuring of the credit portfolio and improving the credit risk management methods. The significant improvement of the credit portfolio quality at the Bank in the year 2004 allowed halving the risk costs compared with the last year.

In the year 2004, the net profit of the Capital Group of ING Bank Śląski was PLN 366.3 million compared with PLN 30.6 million in the last year. The good financial result was determined – besides the economic recovery and improvement of financial standing of our customers – by the satisfactory results in all spheres of our business (retail banking, corporate banking and financial markets) and rational cost management. The result before the risk costs amounted to PLN 643.4 million, an increase by 20-% compared with the last year.

In the year 2004, we were also striving to prepare ING Bank Śląski for the market challenges, i.e. to restructure the Bank and create "The Bank for the Customer". We commenced those actions from deep changes in the organisational structure which aimed at ensuring a clear-cut segregation of powers and focusing on the customers' needs. After that, we divided the branch network into the – mirroring and supporting each other – sales networks for Retail and Corporate. We also reviewed the key remuneration items and built a new incentive system for the year 2005. We were enhancing the Bank's offer on an on-going basis and adjusting it to the market conditions and we intensified our marketing campaigns.

In the year 2005, we will continue the Bank's restructuring which will allow for reinforcing the positive trends in the Bank's activity and creating the solid basis for further expansion and facing the market challenges. We will focus in particular on updating our offer and the principles of service for individual groups of customers, developing the infrastructure (sales network, modern technological support at the Bank branches), improving the qualifications of employees and introducing new incentive systems stimulating people to increase efforts for the realisation of the Bank's strategy.

I would like to thank our Customers for their loyalty and I hope that in the future they will also appreciate our efforts aimed at establishing partner and mutually beneficial relations. Thanking the Shareholders for their trust in ING Bank Śląski, I would like to ensure them that we strive for an on-going growth of the Bank's value.

I would like to express my appreciation for the employees, whose knowledge and skills represent a precious asset of the Bank, for their efforts and contribution to the process of restructuring of ING Bank Śląski.

On behalf of the Management Board, I would like to thank the Supervisory Board for their good and harmonious co-operation and supporting our activities.

Assessment of the Activities of ING Bank Śląski S.A. in the Year 2004 by the Supervisory Board

In the year 2004, ING Bank Śląski S.A. earned net profit of PLN 366.3 million compared with PLN30.6 million in the year 2003. The result stemmed from the significant increase of the effectiveness of the institution's operation – in the year 2004 the return on Bank's assets amounted to 1.0% compared with 0.1% in the previous year. The effectiveness of the core activity of the Bank was considerably improving over the whole year. It is confirmed by the result on banking activity versus the equity compared with the group of peer banks.

The main factors contributing in the year 2004 to the growth of financial result and the improvement of the effectiveness of operation of ING Bank Śląski S.A. – besides the favourable situation in the macroeconomic environment – include:

- expansion on the deposit market; over the year 2004 the deposits at the Bank grew by approx. PLN 5.5 billion,
- rational cost management which was reflected by the significant improvement of cost effectiveness,
- risk costs decreasing from one quarter to another; in the year 2004 they amounted to PLN 202 million compared with PLN 408 million in the last year.

In the year 2004 the level of security of bank's operation was very high. It resulted mainly from the modern methods and procedures of management of individual types of risk, level of provisions being adequate to the portfolio quality and from the level of equity.

The Supervisory Board appreciates the effects of works carried out as part of the restructuring of ING Bank Śląski S.A., in particular the changes related to the customer service rules, which contribute to the improvement of quality of service and the level of customers' satisfaction from the Bank's services, actions pursued in order to improve the effectiveness of the credit process and changes in the incentive system.

It needs to be emphasised that over the year 2004 ING Bank Śląski S.A. remover a major part of the weaknesses which were indicated by the Supervisory Board in its assessment for the year 2003, such as unsatisfactory quality of the credit portfolio, downwards trends of shares in some market areas, the need to improve some elements of the Bank's operating activity.

Formulating its positive appraisal of the operation of ING Bank Śląski S.A. in the year 2004, the Supervisory Board emphasises at the same time the need to develop the lending more dynamically. It is a key for the establishment of more valuable relations with customers, thus creating the basis for further improvement of financial results of the Bank.

In the opinion of the Supervisory Board, ING Bank Śląski S.A. is equipped with a strong basis to participate in the predicted economic growth and the projects initiated in the second half of 2004, which are on schedule, should even increase those opportunities.

Polish Economy in the Years 1997–2004

Specification	1997	1998	1999	2000	2001	2002	2003	2004
(%) GDP growth	6.9	4.8	4.1	4.0	1.1	1.4	3.8	5.4
Budget Deficit (% GDP)	–1.4	–2.4	–2.2	–2.0	–5.3	–5.0	-4.5	-5.6
The Money Supply 3M (in PLN billion)	179.6	223.9	268.9	300.8	328.4	321.6	339.8	367.3
Increase of Industrial Output (%)	10.8	4.8	4.4	7.1	–0.2	1.5	8.7	12.3
Inflation (CPI) measured XII/XII (%)	13.2	8.6	9.8	8.5	3.6	0.8	1.7	4.4
Unemployment Rate (%)	10.3	10.4	13.1	15.1	17.5	18.0	20.0*	19.1*
PLN/USD exchange rate (year-end)	3.5180	3.5040	4.1483	4.1432	3.9863	3.8388	3.7405	2.9904
PLN/EUR exchange rate (year-end)	–	–	4.1689	3.8544	3.5219	4.0202	4.7170	4.0790
3M WIBOR (year-end)	26.28	15.81	19.20	19.45	11.91	6.87	5.60	6.64

*Upon the inclusion of the number of individual farmers pursuant to the results of the *2002 National Census of Population and Households* and *the 2002 General Census of Agriculture*.

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ING Bank Śląski S.A. Abbreviated Information on Financial Result in the years 2000–2004

	31.12.2004	31.12.2003	31.12.2002	31.12.2001	31.12.2000	Dynamic (2004/2003)
Net Total Assets In PLN million	35,043.9	28,953.8	26,937.7	26,365.3	19,051.1	121.0
Liabilities towards the Non-Financial and Budgetary Sector in PLN million	26,132.9	20,775.7	20,024.7	17,901.3	13,620.5	125.8
Securities with Fixed Income in PLN million	10,100.6	5,277.1	2,419.9	2,121.9	2,125.1	191.4
Receivables from the Non-Financial and Budgetary Sector in PLN million	10,387.6	12,119.7	12,876.7	13,768.4	10,849.2	85.7
Off-Balance Liabilities in PLN million	115,020.7	159,725.0	102,166.1	133,668.6	10,175.5	72.0
Bank's own Equity in PLN million	2,769.7	2,678.3	2,576.2	2,500.8	1,516.7	103.4
Wynik na działalności bankowej w mln zł	1,583.5	1,531.8	1,656.7	1,447.1	1,323.0	103.4
Koszty ogólne w mln zł[1]	1,011.3	940.1	1,031.1	922.2	782.1	107.6
Zysk brutto w mln zł	353.1	148.0	216.8	111.5	129.7	238.6
Podatek dochodowy w mln zł	62.8	103.7	71.3	21.9	-12.4	60.6
Zysk netto w mln zł	366.3	30.6	141.0	100.3	138.3	1,197.1
Solvency ratio (%)	14.9	14.4	14.0	12.4	10.7	
Gross profit/Total costs (%)	19.5	6.0	7.5	3.7	4.6	
Net profit/Net total assets (%)	1.0	0.1	0.5	0.4	0.7	
Net profit/proprietary capital and equity (%)	13.2	1.1	5.5	4.0	9.1	
Total costs/result on banking activity (%)	63.9	61.4	62.2	63.7	59.1	
Profit per share 1 in PLN	28.1	2.3	10.8	9.5	14.9	1,221.7
Number of employees	7,073	6,825	7,648	7,782	7,265	103.6
Number of branches	332	331	337	345	320	100.3

[1] Koszty działania z amortyzacją

I. THE POLISH ECONOMY IN THE YEAR 2004

Main Economic Trends

The year 2004 in Poland was mainly dominated by the economic recovery, accession of Poland to the European Union, high unemployment rate and increased inflation as compared with the previous years.

In 2004 Poland was one of the fastest developing states in the European Union. However, in the first half of 2004 the development rate – due to the demand boom related to the accession of Poland to the European Union – was higher than in the second half of 2004. And thus, in 1 quarter the economic growth reached 6.9%, in 2 quarter it amounted to 6.1%, whereas in the following quarters it returned to the steady-growth path and was 4.8% and 4.1%. As a result of these trends, GDP in Poland increased by 5.4% throughout 2004.

Similarly to the previous year, the economic growth was stimulated by export, however its contribution to the development decreased gradually. It is estimated that in the whole 2004 the export in Euro was by 23.8% higher as compared with the level achieved in the previous year, whereas import – by 21.6%[2]. The transfers of EU funds and foreign capital inflow had a positive impact on the external balance level.

In 2004 the contribution of individual consumption to the GDP growth increased. The dynamic of individual demand was the highest in 1 quarter, which was related to fears of an increase of prices due to the accession of Poland to the EU. In the following quarters the demand dynamic weakened slightly and in 2004 the individual consumption increased by 3.2% as compared with the previous year.

In spite of an improved market standing and much better financial results of corporate customers, no considerable recovery in the sphere of investments was reported. Following growth of interest in investments over the last three months of the year, in 2004 the investment expenditures increased by 5.1% after a few years of decreases. The causes of that state of affairs include above all the lack of certainty among companies as to the durability of the market standing, continued high cost of loans and stopping the launches of investment projects by small and mid-sized companies until the time of approving financial aid from the EU funds.

The successes in the field of international co-operation resulted above all from a considerable improvement of the efficiency of activity of Polish companies (in particular an increase of the efficiency level). Within 3 quarters of 2004 73.0% companies generated profits, whereas in the same period last year it was 66%. The level of basic economic and financial ratios also improved. The gross trading profitability ratio amounted to 6.4% (3.2% in the previous year). The liquidity ratio of the 1st degree in excess of 20% was reported by 37.4% companies, as compared with 34.0% in 2003.

[2] Estimate by ING Bank Śląski

One of the problems of Polish economy remained the continued difficult situation in the labour market. At the end of December 2004 the number of unemployed people amounted to 2,999.6 thousand, which means it was by 5.5% lower as compared with the previous year. He unemployment rate amounted to 19.1% (20.0% in December 2003). The high unemployment level limited the pressure on an increase of salaries. In December 2004 an average salary in the corporate sector was by 3.2% higher on nominal basis as compared with the previous year, whereas its purchasing power decreased by 1.2%.

The year 2004 was dominated by the strengthening appreciation of the Polish currency. It resulted from – apart from good results in the foreign trade – an increased inflow of the foreign capital, mainly in regard to the portfolio (interested in depositing funds in highly profitable debt securities). The strengthening of zloty occurred in parallel with the weakening of the dollar in international markets. In the course of 2004 zloty obtained approx. 20% against the dollar and approx. 14% against the euro. The Polish currency rates were as follows:

	31.12.2003	31.12.2004
PLN/USD	3.7405	2.9904
PLN/EUR	4.7170	4.0790

At the end of 2004 the strong zloty became the source of fears for the profitability of export production and possibilities of continued economic growth. However, due to the fact that the Polish companies export mainly to the euro zone and import the natural resources and power, for which they pay above all in dollars, the strong zloty decreased the export activity of Polish companies to a limited degree.

The situation related to the State budget deficit in 2004 was favourable. The lower-than-planned budget deficit resulted from the following factors:

- higher-than-assumed inflows from CIT and corporate customers having increasingly better financial results,
- considerable inflows from privatisation – they amounted to over PLN 10.2 billion and were higher than planned,
- lower costs of the debt service.

At the end of 2004 the public debt amounted to 50.4-50.6% against GDP and was by 1 percentage point lower as compared with the end of the previous year. However, the abovementioned good, on-going financial condition of the State Budget slowed down the rate of works on the system changes and the public finance repair plan.

Monetary Policy

The economic revival in 2004 was accompanied by the strengthening inflation pressure. After 1 quarter, in which the increase of process oscillated around the lower inflation target, in 2 quarter a rapid increase of the inflation level was reported. As a result, in June 2004 the prices were by 4.4% higher as compared with 2003. The significant acceleration of inflation was a consequence of both supply factors in form of more and more expensive food and increased prices of resources around the world, as well as the demand pressure that increased as of April, and which resulted from the expectations of the prices increase after the accession of Poland to the EU.

At the end of April 2004 the Monetary Policy Council changed its approach to the monetary policy from neutral to restrictive. In summer 2004 the Monetary Policy Council increased the basic interest rates 3 times in order to ensure that the increased inflation was of interim character and that that it would come back to the level being consistent with the inflation target (i.e. approx. to the level of 2.5%):

- reference rate – 6.5%,
- rediscount rate – 7.0%,
- lombard rate – 8.0%,
- deposit rate – 5.0%.

In the second half of 2004 – despite the actions taken before – the inflation level was relatively high and at the end of December 2004 the prices were by 4.4% higher than the year before. However, the net inflation amounted to the target inflation level, which indicated a limited demand pressure on the price increase.

The market rates followed the official interest rates. Thus, WIBOR 3M increased from 5.60% in December 2003 to 6.64% at the end of 2004.

Banking Sector

In 2004 the economic recovery reached also the banking sector and resulted in an increased interest in banking services, improvement of the credit portfolio quality and considerable increase of the banks' profits.

At the end of December 2004 the credit receivables of the banking sector amounted to PLN 271.9 billion and were by 2.5% higher as compared with December in the previous year[3]. The said dynamic, apart from a considerable appreciation of zloty, was fuelled by two contradictory trends. On one hands the demand for loans with companies was low, which resulted from the poor investment activity and a good financial condition, which allowed the pre-payment of liabilities. As a consequence, in December 2004 the credit receivables of the banking sector from corporate customers[4] amounted to PLN 156.4 billion and were lower by 4.0% as compared with December 2003. The lower corporate lending was compensated by an intensified household lending. That intensification resulted mainly from a huge demand for housing loans. At the end of 2004 the value of household lending reached PLN 115.4 billion and was by 12.8% higher than in December 2003.

At the end of 2004 the total deposits[5] in the banking sector amounted to PLN 327.9 billion and were by 6.4% higher as compared with December 2003. That increase resulted from the growth of corporate deposits that has not been reported in the recent years. As a consequence of considerable improvement of the financial condition and limited interest in investments, at the end of 2004 the corporate customers deposited funds in the banks of the value of PLN 120.8 billion (i.e. by 22.9% higher as

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[3] Data based on the so-called 'short' information of NBP.
[4] Total for the following entities: enterprises, non-monetary financial institutions, non-commercial institutions operating for households, local government institutions, social securities funds.
[5] Total with deposits over 2 years.

compared with the previous year). On the other hand, a downward trend – that has been observed for several years - with regard to savings deposited in bank accounts continued in terms of households. At the end of 2004 the value of deposits and long-term liabilities amounted to PLN 207.2 billion and was by 1.3% lower as compared with the previous year. In 2004 that decrease particularly resulted from the low increase of salaries, intensified purchases due to the accession of Poland to the European Union, considerable number of new offers and growing attractiveness of investments in the stock exchange.

The quality of the banks' credit portfolios improved considerably, both as a consequence of the improved financial standing of the borrowers, as well as the amendments to the principles of the credit portfolio classification introduced as of 1 January 2004[6]. In the whole banking sector the share of problem loans in credit receivables from the non-financial sector decreased from 20.9% in December 2003 to approx. 14.8% at the end of 2004.

The improved standing of the banking sector had a positive impact on the banks' financial results and was reflected e.g. in an increased revenue from the bank activity. The increases of NBP rates significantly contributed to that increase by limiting the process of the interest margins decrease and also had a positive impact on the level of income from equity.

Simultaneously, the costs of the banks' operations increased, which was related to the generally implemented market expansion (particularly by the small and mid-sized banks), requiring expenditures on the development of technical and IT infrastructure.

The amendments to legal regulations had a positive impact on the final financial results of the banks in 2004. As a result of reduction of CIT income tax and the fact that some banks took into consideration the opportunities given by the EU Guarantee Fund Act, the gross result of the banking sector was not charged with the income tax as it had been to date.

As a result, in 2004 the banking sector generated the highest financial result in the previous five years. According to the initial estimates, it amounted to PLN 7.3 billion against PLN 2.3 billion in the previous year.

In the course of 2004 also certain structural changes occurred in the Polish banking sector. An important event in 2004 was the privatisation of the largest bank in Poland – PKO BP S.A. The subscriptions for shares of that bank resulted in short-term disturbances in the creation of monetary aggregates. The other state-owned bank - BGŻ SA. – was also supplied with capital (by introducing a foreign strategic investor). Simultaneously to the accession of Poland to the European Union the foreign financial institutions started to review the Polish banking market in terms of the possibilities of conducting cross-border activity. By the end of 2004, 45 foreign banks notified the Banking Supervision Commission of their intention to start that activity. Those were mainly the institutions dealing with the service of upscale customers, consumer lending and investment banking.

[6] Pursuant to the Ordinance of the Minister of Finance of 12 December 2003 amending the ordinance on the detailed accounting principles in banks.

Capital Market

A large number of debuts, record trading and growing indices made the year 2004 one of the best years in the to-date history of the Securities Exchange and the whole capital market.

Within one year 36 new companies had their debut in the Warsaw Stock Exchange and the total number of listed companies increased from 203 in December 2003 to 230 at the end of 2004 (9 companies were withdrawn from trading). It was the first year since 2000, when the State Treasury supplied the Stock Exchange with the shares of new companies. One of them was the bank Powszechna Kasa Oszczędności Bank Polski (PKO BP). It was the largest public tender in the history of the Polish capital market. The shares of PKO BP were extremely popular – approx. 200 thousand individual investors participated in the company privatisation. In 2004 also other foreign companies had their debut in the Warsaw Stock Exchange.

At the end of 2004 most stock market ratios beat their historical records. In the session of 31 December 2004 the value of WIG index reached the level of 26,636.19 points and was the highest one in the Stock Exchange history. All in all, in 2004 WIG increased by 27.9%, and WIG20 by 24.6%. As far as the listed values are concerned, the investments in shares of 151 companies occurred profitable. The increased profitability of the stock Exchange investments was mainly influenced by a considerable improvement of the standing of companies, which generated much better financial results as compared with the previous years.

Following the numerous debuts, as well as the increase of Stock Exchange indices the Stock Exchange capitalisation increased considerably. As of 31 December 2004 the value of listed companies amounted to PLN 291.7 billion and was higher by 74% as compared with the end of December 2003.

The year 2004 was also a year of the highest session trading in shares. It amounted to PLN 109.8 billion and was by 65.2% higher as compared with 2003. Also the value of trading in term contracts increased (by 8.0%), while the value of trading in bonds – as a result of low profitability of investments in the first half of the year – maintained on the previous year's level.

In April 2004 the Government resolved to privatise the Warsaw Stock Exchange. At the end of the year intense works were conducted on the election of a consultant in the Stock Exchange privatisation process. The decision in the above matter is to be taken at the beginning of 2005.

However, the year 2004 was a complex year for investment funds. After a very good 2003, where the funds' assets increased nearly by 50%, the year 2004 brought a decreased interest in the investments in investment funds. At the end of December 2004 – mainly due to the increase reported in the last two months – the net assets of investment funds reached the level of PLN 37.7 billion against 33.2 billion at the end of 2003 (increase by 13.5%). The lower dynamic of assets (as compared with the previous year) resulted from growing interest rates and attractive interest rate of the bank deposits and good standing of the Stock Exchange and a significant number of new offers.

When purchasing the units of investment funds in 2004 one could obtain 7% on average. As a result of the good standing of the Stock Exchange, the highest rate of the return on investments was guaranteed by the Polish shares funds. The customers transferred their savings from the bonds funds to the funds conducting a more aggressive investment policy. As a result also the structure of assets of investment funds changed – the share of investment funds in the total assets of investment funds increased to 50%, whereas in case of Bonds funds it decreased to approx. 33%.

As of 1 July 2004 the new Investment Funds Act became effective. The Act adjusted the regulations being effective in Poland to the European Union directives and allowed the investment companies to extend the offer by new fund types and the asset management services.

II. SIGNIFICANT EVENTS IN ING BANK ŚLĄSKI S.A. IN THE YEAR 2004

The Bank Reconstruction Process

At the end of the first half of 2004, in parallel with the progressing economic recovery, ING Bank Śląski started a complex analysis of the status quo, i.e. evaluation of both the Bank's market position and the development prospects of the Polish banking sector. As a result of the conducted diagnosis, the Bank set itself an objective to actively participate in the forecasted economic growth via the implementation of the "The Bank for the Customer" concept and simultaneous specification of the following tools for the concept implementation:

- changes in the organisational structure creating conditions for the market expansion and improvement of the operation efficiency,
- improvement of the offer to guarantee its high attractiveness and competitiveness,
- strengthening the image and presence of the Bank's brand, e.g. via intensive product campaigns,
- development of the infrastructure, including the Sales Network and IT systems,
- strengthening the sales motivation with employees.

At first the Bank started the implementation of changes in the organisational structures. The key objective of the organisational changes that were started in spring 2004 was to focus on sale and guarantee great efficiency and flexibility of the Bank activity. The reorganisation was conducted in the following stages:

- As of 15 July 2004 the organisational structure of the Bank Head Office in the area of retail and wholesale banking was changed. The said changes mainly aimed at ensuring clear separation of authorities between the Divisions, focus on sale and marketing and arrangement of the support units according to the underlying separation of authorities.
- As of 15 September 2004 certain changes in the Sales Network were implemented, i.e. the Sales Network was divided into the Retail Network and Wholesale Network.

In order to ensure a stable deposit base for the future expansion of the credit market in August 2004 the Bank implemented a new strategy for acquiring deposits. It assumes significant growth of deposits in the Bank accounts, mainly due to the following factors: more attractive offer, particularly in regard to its interest rate, easier access to the Bank products (e.g. via extending the functionality of the distribution channels) and intensified marketing activities.

In the middle of 2004 the Bank also started a number of projects covering various spheres of the Bank activity, which mainly aimed at creating "The Bank for the Customer". They included above all:

- further improvement of the Bank management system, including the organisation of the Regional Operating Centres and creation of the new bonus system,
- expansion in the retail banking market: development of mortgage loans, streamlining the concept of serving customers from the Personal and Private Banking, as well as small business segments, establishment of the sales platforms for retail loans, creation of effective marketing campaigns,
- improvement of the Bank's position in the wholesale banking market: resegmentation of wholesale customers, creation of infrastructure allowing an efficient service of the EU funds, improvement of the credit process and redefinition of the credit policy,
- establishment of the multi-channel distribution system, including the extension of functionality of electronic distribution channels, creation of the network of intermediaries,
- improvement of the management information system.

A part of the above projects was completed in 2004. The Bank e.g. implemented the new organisation of selling mortgage loans, established the central sales platform for mortgage loans, car loans, cash loans and credit cards, carried out the resegmentation of wholesale customers and created the new bonus system for the year 2005, strongly focused on the realisation of commercial tasks. The works on other projects will be continued in 2005.

Acquisition of Deposits

In August 2004 the Bank started to implement the new strategy for acquiring deposits. It aimed mainly at significant strengthening of the position of ING Bank Śląski in the deposit market, above all by the following:

- ensuring simplicity and transparency of the deposit offer,
- significant increase of competitiveness and attractiveness of the offer for a wide range of customers,
- priority character of the Open Savings Account (OKO),
- facilities in the access to deposits, e.g. by making additional distribution channels available,
- modification of the policy on offering deposits and replacement of the offer of term deposits for short terms with the Open Savings Account offer,
- support of the process of acquiring deposits with intensive marketing activities.

The actions of ING Bank Śląski in the deposit market occurred very successful. The Bank considerably increased its deposit base, strengthened its share in the deposit market and consolidated its position of the fourth deposit bank in Poland.

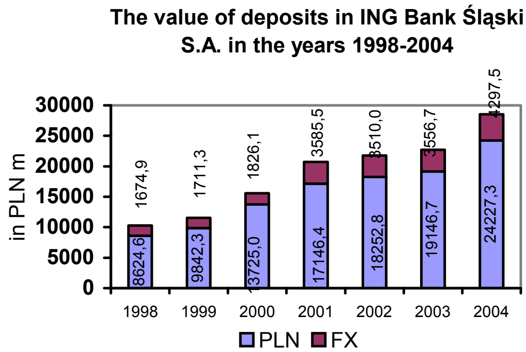
At the end of 2004 the value of the Bank liabilities towards customers from the financial, non-financial and budgetary sectors amounted to PLN 28,524.8 million, which means it increased by 25.6% as compared with the end of December 2003. They constituted 8.1% of the total value of deposits in the banking sector (6.8% at the end of 2003).

The level of households' funds in bank accounts determines stability of the deposit base. In the conditions of the decreasing value of the households' savings deposited in bank accounts in the whole banking sector, the Bank acquired over PLN 2.2 billion funds and considerably strengthened its position in the market of household deposits. As of 31 December 2004 the value of deposits in household accounts in the Bank amounted to PLN 15,046.6 million against PLN 12,757.6 million as of the end of 2003.

Also a considerable increase of funds (faster than in the banking system) in the accounts of corporate customers occurred. At the end of 2004 they reached the level of PLN 13,478.2 million against PLN 9,945.8 million at the end of the previous year.

ING Bank Śląski owed its good standing in the deposit market to the successes in the PLN deposit market. At the end of 2004 they reached the value of PLN 24,227.3 million, which means they increased during the year by 26.5%. They presented 84.9% of the total Bank liabilities towards customers (84.3% in December 2003).

At the end of 2004 the value of FX deposits in PLN in ING Bank Śląski amounted to PLN 4,297.5 million, which means it increased by 20.8% as compared with December in the previous year.



Lending

The value of credit receivables shown in the balance sheet of ING Bank Śląski as of the end of December 2004 was impacted by the following factors:

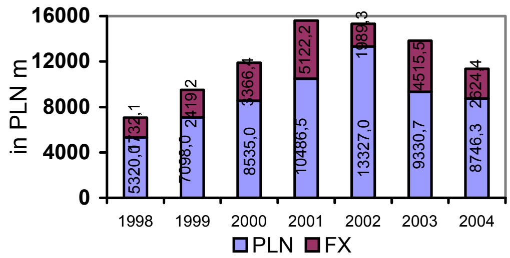
- relatively low demand for loans on part of corporate customers – good financial standing of companies accompanied by limited need for funds for the financing of development and increase of the loan price at the end of the year resulted in the pre-payment of liabilities by a considerable part of companies,
- credit policy being effective in the Bank, assuming the lending for entities from the businesses with the moderate risk level and not allowing any exceptions from the generally adopted principles (e.g. in terms of the limitations of financing entities from difficult sectors of economy),
- credit procedures applied in the Bank, in particular the scope of required documents and collaterals and the length of the credit process,
- amended principles of the banks' accounting, introduced in December 2003, allowing the transfer of 'Loss' loans, for which full provisions were

established[7], to the off-balance registration, the Bank applied the amended regulations several times and as of the end of 2004 the value of loans transferred to the off-balance registration amounted to PLN 1,195.3 million.

As a consequence of the abovementioned factors, at the end of December 2004 the value of credit receivables of ING Bank Śląski S.A. amounted to PLN 11,370.7 million against PLN 13,846.2 million in December 2003 (i.e. it fell by 17.9%), which was 4.3% of the credit receivables of the banking sector.

The loans for corporate customers had the dominant share in the credit portfolio of ING Bank Śląski S.A[8]. As of 31 December 2004 the value of corporate loans amounted to 8,103.3 million against PLN 10,177.2 million at the end of 2003. The share of credit receivables from corporate customers in the total portfolio decreased from 73.5% in December 2003 to 71.3% at the end of 2004.

Credit receivables of ING Bank Śląski S.A. in the years 1998-2004



The Structure of Shareholding

According to the information of ING Bank Śląski, on the day of the Extraordinary General Shareholders Meeting, i.e. on 23 December 2004 the following entities had 5 or more percent of shares and the total number of votes in the Company:

	Number of shares and votes	% of the total number of shares and votes in GSM
ING Bank N.V.	11,418,641	87.77
Commercial Union BPH CU WBK Open Pension Fund	700,000	5.38

In the course of 2004 the capital exposure of the strategic investor – ING Bank N.V. – in ING Bank Śląski remained at the same level. However, the share of Commercial Union BPH CU WBK Open Pension Fund in the total number of shares of ING Bank Śląski. increased slightly – by 0.38 p.p.

[7] The Ordinance of the Minister of Finance of 12 December 2003 amending the Ordinance on the detailed accounting principles in banks.

[8] The figures comprise the Bank liabilities towards the following: enterprises, non-commercial institutions operating for households, non-monetary financial institutions, local government institutions, social security institutions, and also other monetary financial institutions (i.e. banks) and the central budget. That value does not include suspended liabilities or interest.

In 2001, in the course of consolidation of the banking activity in Poland and inclusion of ING Bank N.V. in Warsaw in the structures of Bank Śląski, ING Group pledged to the Banking Supervision Commission to decrease its exposure in ING Bank Śląski to the level of 75%.

On 19 November 2004 the Management Board of ING Bank Śląski was notified of the decision of ING Group as to the manner and date of the operation of decreasing the capital exposure in the Bank. The communication read that ING Group would sell 12.77% of shares of ING Bank Śląski via public tender to be started shortly after the Bank's announcement of the annual results, which is to take place on 17 February 2005. The transaction, the performance of which is determined by market conditions, will cover the tender for 1,661,141 shares of ING Bank Śląski S.A., belonging to ING Bank N.V., which in 100% is owned by ING Group. The tender will be designed for the Polish individual and corporate investors, as well as for international institutions.

The decrease of share of ING Group in ING Bank Śląski will not affect the Bank's on-going activity or its financial results. However, it will increase the liquidity of quotations of the Bank's shares in the Warsaw Stock Exchange.

Observance of Good Practices of the Corporate Governance

On 22 April 2004 the Bank Management Board declared that ING Bank Śląski and its authorities observed the Corporate Governance Principles adopted by themselves, as stipulated in the 'Good Practices in Public Companies in 2002', introduced with the resolution of the Stock Exchange Council no. 58/952/2002 as of 16 October 2002.

In the said declaration the Bank undertook to continue to observe the principles, pursuant to the declaration submitted by the Bank on 30 June 2003. Simultaneously, the Bank declared that it intended to adopt the regulations that would allow applying Principle no. 20, reading that independent members should form at least a half of the Supervisory Board. The Bank also communicated that the Management Board and Supervisory Board would submit the relevant draft of the amended Company Charter in the nearest General Shareholders Meeting.

Following the abovementioned declaration, on 25 May 2004 the General Shareholders Meeting amended the Charter of ING Bank Śląski by introducing a clause, under which at least two members of the Supervisory Board should be independent members, and the clauses, which specify in detail the criteria of independence of the Supervisory Board member.

Simultaneously the General Shareholders Meeting of ING Bank Śląski with a separate resolution established the number of the Supervisory Board members as 5.

On 5 December 2004 the Stock Exchange Management and Stock Exchange Council accepted the document 'Good Practices in Public Companies in 2005'. For the purposes of the best possible observance of the Corporate Governance Principles, the Bank Management Board will also submit the declaration on applying all the principles of the 'Good Practices in public companies in 2005' to be discussed at the

General Shareholders Meeting, which is to summarise the results of ING Bank Śląski for the year 2004.

Changes in the Management Board and Supervisory Board of the Bank

In the year 2004, considerable changes in the composition of the Bank statutory authorities took place.

On 29 March 2004 Mr. Marian Czakański communicated his intention to resign from the function of President of the Bank Management Board. On 2 April 2004 the Supervisory Board accepted the resignation of Mr. M. Czakański from the function of President of the Management Board of ING Bank Śląski as of the date of the General Shareholders Meeting, i.e. as of 25 May 2004.

At the same time the Supervisory Board appointed Mr. Brunon Bartkiewicz the candidate for the function of the President of the Management Board of ING Bank Śląski and authorised the Chairman of the Supervisory Board, Mr. Andrzej Wróblewski to request the Banking Supervision Commission for the consent to appoint Mr. B. Bartkiewicz.

Apart from that, on 2 April 2004 the Supervisory Board took the following actions:

- Dismissed Mr. Cornelis Tuijnman from the function of the Vice-President of the Management Board of ING Bank Śląski as of 31 May 2004 – due to Mr. C. Tuijnman's shift to work in another entity of ING Group.
- Appointed Mr. Maciej Węgrzyński as the Vice-President of the Management Board of ING Bank Śląski as of 1 July 2004.

On 25 May 2004 – due to the lapse of term of the Supervisory Board – the General Shareholders Meeting appointed new members of the Supervisory Board: Erik Dralans, Eli Leenaars, Jerzy Rokita, Lech Węclewski, Andrzej Wróblewski.

In the first meeting of the new Supervisory Board, i.e. on 17 June 2004, the following composition of the Supervisory Board was established:

- Chairman – Andrzej Wróblewski,
- Vice-Chairman – Eli Leenaars,
- Secretary– Jerzy Rokita,
- Member – Erik Dralans,
- Member – Lech Węclewski.

Apart from that, in its first meeting the Supervisory Board took the following actions:

- Following the consent of the Banking Supervision Commission of 9 June 2004 the Supervisory Board appointed Mr. B. Bartkiewicz the President of the Management Board of ING Bank Śląski.
- Accepted the information on two resignations: of the 1st Vice-President of the Bank Management Board, Mr. Frederik van Etten, as of 1 August 2004 and the Vice-President of the Management Board, Mr. Anthonius Roozen, as of 1 September 2004.

- Based on the opinion of the President of the Bank Management Board, the Supervisory Board appointed Mr. Don Koch the Vice-President of the Management Board of ING Bank Śląski as of 1 July 2004 and Mr. Ben van de Vrie the Vice-President of the Management Board of ING Bank Śląski as of 1 August 2004.

In the meeting held on 6 August 2004 the Supervisory Board appointed Mr. Michał Szczurek the Vice-President of ING Bank Śląski as of 1 October 2004.

Ratings

In the year 2004, certain ratings of ING Bank Śląski were changed. While performing these modifications, the rating agencies took into consideration the condition and support by the strategic investor as well as the credibility of the Polish economy, among others.

At the end of 2004 the ratings of financial viability of ING Bank Śląski, issued by the largest rating agencies, were as follows:

Moody's Investors Service Ltd.

Long-term deposits	A2
Short-term deposits	P-1
Bank's financial strength	D
Forecasts of ratings for long- and short-term deposits	Positive

On 21 October 2004 the Moody's Investors Service Ltd. informed the Management Board of ING Bank Śląski about the increase of the financial strength forecast from stable to positive. Other ratings were sustained on the unchanged level. At the same time the agency indicated a positive influence of restructuring processes, undertaken over the recent time, especially in the field of lending and a substantial improvement of the result as well as the quality of Bank's assets reported in the first half of 2004.

Fitch Ratings Ltd.

Long-term liabilities	A
Forecast for maintaining the aforementioned rating	Stable
Short-term liabilities	F1
Individual rating	D
Support rating	1

On 29 April 2004 the Fitch Ratings Ltd. informed the Management Board of ING Bank Śląski about:

- increasing the rating of long-term liabilities from BBB+ to A,
- increasing the rating of short-term liabilities from F2 to F1,
- increasing the support rating from 2 to 1.

The Fitch Agency maintained other ratings for ING Bank Śląski on the unchanged level.

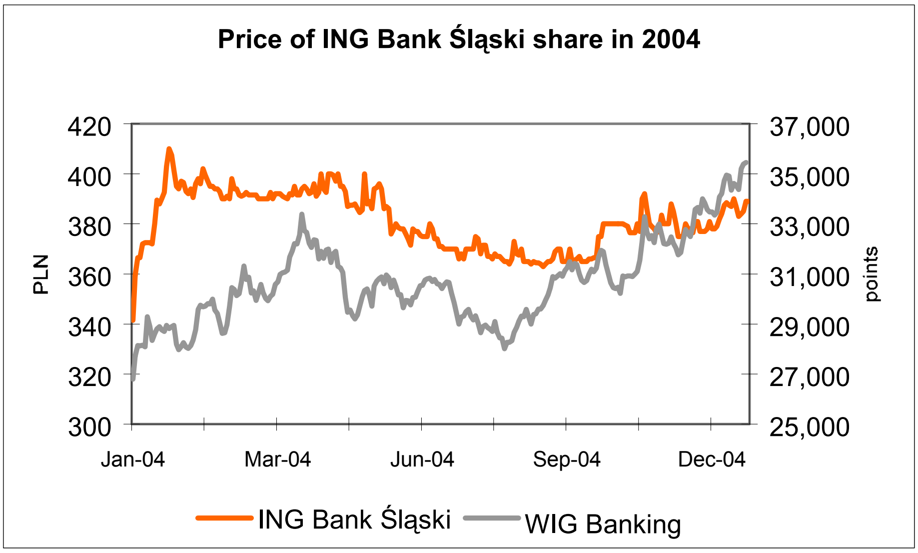
Increase of ratings for the Bank was related to the increase of the rating of Poland in connection with its accession to the European Union. Changes in the long- and short-term ratings also accounted for the potential and ability to obtain support from the main Bank shareholder, i.e. ING Bank N.V.

On 6 May 2004 the Fitch Ratings Ltd. informed the Management Board of ING Bank Śląski about decreasing for the Bank the forecast of the long-term rating from positive into stable. This was caused by the change of the forecast of the sovereign rating of Poland from positive into stable with regard to the long-term rating on the level of BBB+. The said change was the consequence of the advancing political uncertainty, which made the prognosis of the public finances deteriorate. The latter can be conducive to the delay of accession of Poland to the Euro zone. Other ratings were sustained on the unchanged level.

Subsequently, on 25 August 2004, the Fitch Rating Ltd. maintained its former ratings of viability for ING Bank Śląski.

Price of ING Bank Śląski Shares

On 31 December 2003 the price of ING Bank Śląski share was PLN 345, whereas on 31 December 2004 it was PLN 389. Therefore, the rate of return from investing into the shares of ING Bank Śląski was 12.8% in 2004. For comparison, the sub-index for the banking sector was 35.2%.



At the end of 2004 the market value of ING Bank Śląski was PLN 5,061 million, whereas the P/BV ratio was 1.61.

ING Bank Śląski in the Society

Compliance with Standards

The underpinnings of operations of ING Bank Śląski form the rules of social accountability of ING Group, among others. The companies belonging to ING carefully balance the benefits for each group of their stakeholders in all activities pursued, while responding to their wishes and needs. Regardless of the geographical location and relation they bear specific responsibility for each group, i.e.:

- for their clients ING wants be a partner keeping promises, i.e. the one easy to run business with;
- to shareholders ING wants to offer exceptional capital gains;
- for its employees ING wants to be an attractive and stimulating employer;
- for its business partners ING wants to be a respected partner;
- for society ING wants to show its social commitment in an active manner.

The revised in 2004 ING Code of Conduct forms a compilation of the guidelines, which the employees apply in their daily practice. They are based on five fundamental values of ING, i.e. integrity, entrepreneurship, professionalism, responsiveness to customer needs and team integration.

In order to ensure that the activities undertaken by the employees of ING Bank Śląski comply with the binding law regulations, on 15 January 2004 the Compliance Manual was introduced.

The objective of Compliance is to prevent the occurrence of risk of tarnishing the good reputation of ING Bank Śląski, ING Group or any of its entities, which can be the result of non-observance of ethical or legal norms by the employees.

All persons employed by ING Bank Śląski are personally accountable for taking decisions in accordance with the binding law, for applying ethical norms in their daily work as well as for acting in accordance with the letter and spirit of the law governing the operations of the Bank and the internal code of conduct and procedures determined by the Bank and effective in the ING Group.

Activities Supporting the National Culture

As in the previous years, in 2004 ING Bank Śląski continued co-operation with the most prestigious cultural institutions as well as supported major events of cultural life all over the country. The Bank:

- Continued its patronage over classical music. The National Polish Radio Symphony Orchestra in Katowice produced together with the Bank another record of compositions by Mieczysław Weinberg and organised, for the eighteenth time, a special concert promoting it.
- Together with ING Nationale-Nederlanden Bank supported the piano marathon of two excellent pianists Adam Makowicz and Leszek Możdżer, which took place in December 2004 in Katowice. This was the second meeting of both pianists after the marvellous concert given in the New York's Carnegie Hall – the most prestigious concert hall in the world.

- The Bank was also involved in the preparation for the exhibition *Painters of Reality* at the National Museum in Cracow. The exhibition was organised thanks to the joint initiative of the National Museum, Dutch Drents Museum in Assen and ING Art Management, and also ING Bank Śląski and ING Nationale-Nederlanden. Opening of the exhibition was the most significant event accompanying the celebration of the Days of the Netherlands in Cracow, organised by the Embassy of the Kingdom of the Netherlands. It was the first so voluminous exhibition of paintings by modern Dutch artists in Poland. The paintings came from the collections of Drents Museum and ING Group.

ING Bank Śląski is an industrious member of the ING Polish Art Foundation. Its primary objective is to promote the Polish modern art, especially by young artists. The Foundation collects works representing different trends of the modern art and different artistic techniques (painting, drawing, graphics and photography), figurative and abstract art.

In the year 2004, the works by Łukasz Korolkiewicz, Rafał Bujnowski, Paulina Ołowska, Maciej Maciejowski, Marta Deskur and Jadwiga Sawicka were added to the collection.

The Bank Branches also ran an intensive social activity all over the country in 2004. They co-operated, among others, with the Zagłębie Museum in Sosnowiec, the History Museum of Łódź, the Zagłębie Theatre in Sosnowiec, the Modern Theatre in Szczecin, the Silesian Opera in Bytom, the Polish Association of Choirs and Orchestras, the Academy of Music in Katowice and the Polish Theatre in Bielsko-Biała.

Charity

In the year 2004, ING Bank Śląski pursued further the broadly understood charity works via the Foundation of ING Bank Śląski, established for that purpose. The Bank provides financial aid for the health and social care centres and supports the scientific and educational institutions.

ING Bank Śląski also co-operated with other foundations whose statutory objectives were in accordance with social and charity activities of the Bank. The Bank collaborated with for instance:

- *Proventus* Trust, implementing in the Region of Silesia the project addressed to the poorest children *Fair Life*,
- Anna Dymna's Trust *Despite All,* working for the sick and privileged,
- *Common House* Trust in Katowice, supporting talented young people,
- the Polish Committee for Social Aid and
- the Foundation of Children of Silesia.

Health and Social Care

As each year, the health and social care centres received a significant help from the Foundation. Donations were made, among others, for: Clinic of Cardio-surgery at the Silesian Academy of Medicine, Centre of Oncology in Gliwice, Faculty of Internal Diseases, Polish-American Institute of Paediatrics at Collegium Medicum of the Jagiellonian University, Faculty of Paediatrics at the Silesian Academy of Medicine

Clinic of Children Surgery and Traumatology at the Academy of Medicine in Poznań and the Province Hospital in Bytom.

The Bank also co-financed the educational and rehabilitation camps for children from orphanages as well as many other projects and institutions, providing help for children, the sick and the privileged.

Science
Via the charity foundation of ING Bank Śląski the Bank provides support for universities, scientific associations and foundations acting for the benefit of science.

Since 1999 the Bank has been involved in the program under the auspices of President of the Republic of Poland *Internet in schools.* 501 computer rooms were organised thereunder. The 501 room that was opened in 2004 in the Primary School in Kwaśniów Górny (Commune of Klucze) was founded by ING Bank Śląski.

In 2004, the Bank also provided with financial aid the University of Economics in Katowice, the Silesian University in Katowice, the Silesian Academy of Medicine, the Higher School of Management and Marketing in Sosnowiec and the Higher School of Economics and Administration in Bytom.

In addition, ING Bank Śląski supported the final of the nationwide competition *Primus Inter Pares* in Poznań and participated in the Project of Business Education *From Concept to First Earnings* assisted by NBP.

In March 2004 ING Bank Śląski became involved in the social programme of students' activation on the labour market *Land the Job.* Its main objective was to adapt education to market requirements, running of development programmes for students, organising training sessions, internships and practices helping to shape the attitudes of entrepreneurship and responsibility. The program was run together with the Silesian University in Katowice, the University of Economics in Katowice and the City Hall in Katowice.

Integration with the European Union
In the year 2004, ING Bank Śląski also fostered the process of integration with the European Union, by engaging in the events related to accession of Poland thereto. For instance, the Bank held European picnics and conferences in Gdynia, Krosno, Pszczyna, Cracow, Poznań and Oświęcim.

Local entrepreneurship
While recognising the significance of entrepreneurship development, ING Bank Śląski became involved in the local initiatives promoting entrepreneurship. The Bank was the patron of the following events:

- *Gala Fair Play Enterprise* in Katowice,
- Competition for the *Entrepreneur of the Year* in Chorzów, held by the Entrepreneurship Centre and the Town Hall of Chorzów,
- Entrepreneur's Day held by the Turkish Chamber of Commerce in Turek,
- Entrepreneurship and Ecology Fair of the Bieruń and Lędziny District,
- Labour and Entrepreneurship Fairs in Zabrze,

- Programme of activation of business initiatives in the Zachodniopomorskie Province *Passport for Entrepreneurship*,
- Entrepreneur Project in Gdynia.

Sport
The most significant sports event of 2004, the Bank was involved in, was the Ski Jump World Cup in Zakopane. The Bank also supported smaller local sports developments.

Social Commitment of Employees
Additionally, ING Bank Śląski supports social and charity activities of its employees. The most important developments of 2004 were: the action of honourable blood donation run together with the Regional Centre of Blood Donation and Blood Treatment in Katowice, the public collection of stationery and books for the school library at the Complex of Special Schools in Siemianowice and the global action of gathering funds to help tsunami victims in Asia pursued among the employees of ING Group worldwide.

Awards and Distinctions

In 2004 both the activity and products of ING Bank Śląski won common approval and excellent ratings, both in the opinion of clients and experts, which was confirmed by the following awards and distinctions:

- Promotional Emblem *Bank Friendly for Entrepreneurs*, granted by the Warsaw Institute of Banking for perseverance in implementation of state-of-the-art technologies and a high standard of the offer for SME segment (January),
- Main award in the second edition of the Competition by *Gazeta Bankowa* for the *Best Banking IT Project 2003*, in the category *Banking IT Leader* (February).
- Distinction in the ranking of the BANK monthly *50 Top Polish Banks* in the category of *The Most Universal Bank in Poland* (April),
- Award for the Szczecin Branch at 21 Wyzwolenia Av. in the *Golden 100 of Pomerania and Kujawy* ranking (May),
- Second place in the *Best Personal Account* ranking and third place in the *Best Current Account* ranking made by the *Profit* monthly (September 2004),
- Second place (silver medal) for the *PROFIT Account* in the *Current Account* category and second place (silver medal) for the *ProBussiness Package* in the *Package for SME* category won at the tenth competition of the Polish Capital-Financial Forum *Your Money 2004* (October),
- Second place in the general ranking and first place in two extra categories: *Cards for Companies* and *Prepaid Cards* in the *Bank Issuers of Payment Cards* ranking of *Gazeta Bankowa* journal(December),
- Distinction for the Poznań Branch in the sixth edition of the *Bank Friendly for Entrepreneurs* competition (December).

III. RETAIL BANKING

To establish the foundations for the "The Bank for the Customer", during the reorganisation of the Retail Banking Division in 2004, ING Bank Śląski applied a segmentation approach and formed units in charge for all contacts with a given retail market segment, i.e. individual customers, small businesses and Personal and Private Banking customers. Such an organisational structure of the Division will allow the Bank to prepare better to its co-operation with customers (both in terms of its offer, procedures, services, as well as available distribution channels).

Service of Individual Clients

ING Bank Śląski pays a lot of attention to meet main standard needs of individual customers providing them with modern comprehensive product offer. This offer covers personal accounts, clearing, deposit and credit products, bank (debit, charge and credit) cards, as well as products and services of other members of the ING Group, like investment funds, brokerage services.

Products and services offered by the Bank are easily available to customers through well-developed various distribution channels, including Bank branches, telephone banking (automated and operator call centre), Internet and SMS banking system.

The basic element of the offer of ING Bank Śląski for individual customers is a personal Lion Account. It is offered to customers together with a wide range of added services, like overdraft limit, debit and charge cards, standing orders.

To expand the number of Lion Account holders, during 2004, ING Bank Śląski took up many actions aiming at increasing the attractiveness of this account and carried out wide-scale promotion activities.

At the turn of April and May 2004, the Bank introduced attractive changes to its fees and commissions on Lion Account, depending on the number of transactions and account balance. Such convenient changes to the offer were supported with a three-month promotion campaign consisting in offering Lion Account without any account maintenance fees for subsequent three months. The campaign the purpose of which was to attract new customers was run with a message "The account that is worth trying".

In the second half of 2004, the Bank promoted Lion Account still several times. The promotion consisted in temporary relief for new customers from account maintenance fees and from a fee for the first year of use of the first card issued for an account holder.

The Bank's deposit offer comprises rich products, both as regards their terms (from overnight to 36-month deposits), currencies (PLN, EUR, USD), as well as interest rates (fixed, variable, standard and negotiable).

A key product important for successful achievement of the Bank's goals in the deposit market is the Open Savings Account "*OKO*". In July 2004, the Bank significantly increased interest rates on the Open Savings Account, whereas in August it opened new access to *OKO* via the Internet and by phone. The Bank also carried out a nation-wide communication campaign using both mass and direct marketing tools.

In the second half of 2004, ING Bank Śląski increased interest rates on term deposits several times. It especially aimed at ensuring high attractiveness of interest rates on fixed-rate deposits.

The Banks also provides its individual customers with other forms of savings, like ING TFI membership units and Individual Pension Accounts. The Individual Pension Account based on the Open Investment Funds of ING was marketed in September 2004.

Under its credit offer, ING Bank Śląski offers mainly PLN loans to its individual customers. The Bank's offer covers mortgage, housing, car loans, credit limit for personal accounts and wide range of occasional advances.

In 2004, the Bank run wide-scale actions aiming at making its credit offer more attractive and improving the service process, especially by shortening the time required to review credit applications. For that purpose, the Bank established central sales platforms for particular types of loans equipped with relevant IT tools and new standardised and faster lending procedures.

To make its consumer credit offer more attractive, the Bank took up the following actions:

- Car loans – the Bank improved its offer, for example, by introducing competitive interest rates, simplified the procedure for income evidence, carried out repeated promotion actions, and centralised car loan lending procedure.
- Occasional advances – the Bank implemented three new occasional advances (spring, summer and winter advance), it offered preference prices for the Bank's customers consisting in lower commissions, introduced a new lending process through the Platform of Cards and Loans.

The Bank offers its individual customers with debit (Maestro and VISA Electron) cards, charge (VISA Classic and MasterCard Gold) cards, credit (MasterCard, VISA Elektron, VISA Classic and VISA Gold) cards and prepaid Maestro cards (e.g. Gift Card, Household Card, Purchasing Card, Traveller's Card).

Credit cards are strategic products of the retail offer of ING Bank Śląski. After a several-month pilot, at the end of February 2004, the Bank offered a wide range of customers with convex credit cards, like MasterCard and VISA Gold. Another VISA Classic credit card (including a limited series of VISA Classic Olympic cards issued by the end of 2004) was introduced by the Bank at the end of June 2004.

Apart from implementing new types of credit cards, in 2004, the Bank make a number of steps to make its credit offer more attractive, for example by the way of lowering interest rates on credit limits, granting additional gifts to card holders and suspending card issue fees for a definite period of time. The Bank informed its customers about all the changes during numerous communication campaigns.

In 2004, the Bank also introduced important changes to credit card applications and decision-making process concerning credit limits. This was possible thanks to the establishment of the central Credit Card Platform (which was then transformed into the Card and Credit Platform). The Bank also started selling cards via the call centre and Internet (e-applications). At the beginning of 2005, the Bank will make further improvements to the credit card service.

Service of Small Businesses

The segment of small businesses, given its potential demand for bank services, is a key segment to reach long-term, both commercial and financial, goals of ING Bank Śląski.

In 2004, the Bank verified its criteria for segmentation of the small business market. In accordance with principles binding as of the beginning of 2005, the segment of small businesses will cover entities whose yearly net sales is below 800,000 euro.

In 2004, the main product of the Bank for small businesses was still Profit Account. Profit Account is a complex bundle satisfying basic bank needs of small businesses (including clearing services, finance and financial surplus management).

As of 1 May 2004, the Bank made changes to attributes of Profit Account (mainly in terms of fees and commissions) in order to increase its competitiveness, encourage customers to use electronic distribution channels and rationalise account service costs. At the same time, the Profit Account holders were provided with another distribution and service channel: operators at the call centre. The changes were supported with an intensive three-month promotion campaign (combined with Lion Account) with a message: "The account that is worth trying". During the promotion, companies opening Profit Account were relieved from account maintenance fees for subsequent three months.

Under the new deposit acquisition strategy, the biggest sales priority in the segment of small businesses was assigned to the Profit Deposit Account. In August 2004, the Bank introduced significant simplifications thereto (including interest rate on funds starting from the first zloty, liquidation of interest rate thresholds) and offered new interest rates higher than the market average. Customers were also allowed to open accounts via the call centre and Internet. As of 1 September 2004, the Bank completed its offer with the Profit Deposit Account in euro.

At the end of 2004, the Bank carried out intensive work to reconstruct its deposit and clearing offer for small business. The attributes thereof will be adjusted to real needs and expectations of small businesses and they will be close to the present offer for individual customers.

Small business may obtain one of the following credit facilities from the Bank: current account loan, working-capital/operating loan, investment loan, car loan and Standard Credit Line under Profit Account.

In September 2004, the Bank rendered its price parameters for the Standard Credit Line more attractive and adjusted the top credit limit to market conditions, maintaining credit risk control mechanisms at the same time.

In autumn 2004, the Bank took up measures to further improve its credit offer for small business, including its sales and service process. Based on the evaluation of preferences of customers coming within the small business segment, the Bank prepared a new comprehensive credit offer to be offered on the grounds of simplified and standardised procedures for risk rating and customer service. The time of waiting for credit decision and fund effecting will be also shortened. The Bank will propose a new credit offer for small business in the first quarter of 2005.

Service of Up-scale Customers

ING Bank Śląski offers products and services meeting high requirements of up-scale customers.

Through dedicated account managers, up-scale customers have got an access to sophisticated services, including term products of the money market and securities, like forwards and NDFs, Buy-Sell-Back transactions based on State Treasury bills and transactions on other debt securities not subject to public offer. A good co-operation of the Bank with ING Securities S.A., ING Investment Management S.A. and ING Towarzystwo Funduszy Inwestycyjnych S.A. also allows it to offer other asset management services.

In the second half of 2004, the Bank commenced the work over establishing a new concept of up-scale customer service. This referred both to segmentation of customers, as well as organisation of specialised and effective sales structure.

As a result of the analysis of preferences of up-scale customers related to the use of bank services, at the end of 2004, ING Bank Śląski approved the following segmentation of the sector of up-scale customers:

- Personal Banking customers – holding assets of from PLN 100,000 to 400,000 and recording monthly account inflows of at least PLN 7,500;
- Private Banking customers – holding assets of above PLN 400,000.

In 2004, the Bank also worked to adjust its product and service offer to high requirements of up-scale customers. This work will contribute to introducing a new basic bundle based on a new personal account, new types of deposit products combined with investment funds and prestigious bank cards in 2005.

The new system for up-scale customer service at ING Bank Śląski will be fully implemented in 2005.

Housing Needs Finance

Lower interest rates and dropping bank margins caused that, in 2004, customers were more and more interested in mortgage loans. Given significant housing needs of the society, the Bank expects further dynamic growth of demand for mortgage loans in the next years.

In 2004, ING Bank Śląski took up intensive actions to participate in the development of the mortgage market and reconstructed both its offer of mortgage loans, as well as mortgage lending and distribution principles.

The Bank's offer of mortgage loans prepared anew is transparent and has got the following parameters:

- attractive interest rates – the Bank provides its customers with mortgage loans bearing relatively low interest rates based on WIBOR 6M and fixed Bank's margin during the whole lending period,
- possible grace period during the lending period (12 months for a mortgage loan and 30 months for a construction and mortgage loan), increasing financial capacity of customers during the construction and furnishing of an apartment;
- relatively long lending period (30 years for mortgage loans and 25 years for construction and mortgage loans),
- possible finance of lending costs.

The Bank offered its new mortgage loans to customers in October 2004. At the same time, to ensure consistent service standards and shorten lending process, the Bank centralised its administrative functions and risk review process. It established the central Mortgage Credit Platform collecting all credit applications, implemented new IT solutions and provided some support for account managers in the form of training and product scripts. These changes contributed to significant shortening of time required by the Bank to make preliminary credit decision.

The Bank also simplified an access to mortgage loans, for example, by the way of expanding the functionality of the Internet banking system with e-applications, establishing a new Internet site presenting its mortgage credit offer and providing loans via the telephone banking system. At the end of 2004, the Bank also offered mortgage loans through insurance and financial representatives of ING Nationale-Nederlanden.

Mortgage loans and construction and mortgage loans were subject to a nation-wide marketing campaign started in the middle of October 2004. The purpose of the campaign was to inform potential customers about the Bank's promotion of mortgage loans consisting in fixed margin of 1% and shorter time required to make credit decisions.

Within the structure of ING Bank Śląski, there is one of three Polish housing savings and loans units. The liquidation of a tax allowance for systematic saving at housing savings and loans units in 2001 slowed down its development. In 2004, only 19 persons signed agreements to save at the housing savings and loans unit all over Poland. The drop of interest rates on mortgage loans caused that interest rates offered by housing savings and loans units were less attractive. Therefore, in 2004, only a half of customers of housing savings and loans units decided to take a loan after the end of saving period[9].

As per the end of 2004, the Housing Savings and Loans Unit of ING Bank Śląski kept 3,522 accounts (793 less than as per the end of 2003). The value of funds collected by the Unit was PLN 91.4 million (i.e. by PLN 16.3 million less than in December last year).

As per the end of 2004, the Housing Savings and Loans Unit served 1,404 loans and its credit receivables amounted to PLN 26.7 million. And for example at the end of 2003, its credit receivables from 1,479 active loan agreements amounted to PLN 34.1 million.

Commercial Results and Market Position of Retail Banking

Deposits

The results generated by ING Bank Śląski in 2004 in the household deposit market fully reflect the efficiency of actions taken to implement the new deposit acquisition strategy.

As per 31 December 2004, household deposits and long-term liabilities at ING Bank Śląski amounted to PLN 15,046.6 million, being higher by 17.9% than at the end of December 2003. To compare, the banking sector recorded the drop of liabilities towards households by 1.3%. In 2004, ING Bank Śląski substantially increased its share in the household deposit market from 6.1% in December 2003 to 7.2% at the end of 2004.

Deposits consisted mainly of funds deposited with the Bank by individuals. As per the end of December 2004, they amounted to PLN 14,224.6 million (94.5% of funds acquired from households). In 2004, they grew by 17.7%.

In the structure of household deposits, zloty deposits amounting to PLN 13,032.0 million prevailed (86.6%). In 2004, they increased by 22.6%, which mainly resulted from a market success of the Open Savings Account.

In December 2004, 974.8 thousand of customers had a personal account with ING Bank Śląski. The Bank had the fifth position in the market in terms of the number of personal accounts (6.4% market share).

In its distribution channels ING Bank Śląski also sells membership units of ING TFI. As at the end of 2004, the assets of ING TFI managed by the Bank amounted to PLN 1,063.7 million (PLN 1,115.0 million at the end of 2003).

Loans

As per the end of December 2004, credit receivables of ING Bank Śląski from households amounted to PLN 3,267.4 million, i.e. 2.9% of credit receivables of the

[9] Source "Unattractive without housing allowances", Rzeczpospolita of January 13, 2005.

banking sector from households. In its off-balance sheet record, the Bank had also booked PLN 307.0 million of fully "provisioned out" lost retail loans.

Under its retail business, the Bank grants loans mainly to individuals. As at the end of December 2004, the receivables of ING Bank Śląski due to loans granted to individuals[10] reached PLN 2,539.3 million, i.e. 77.7% of credit receivables from households. The Bank's year-to-year credit exposure to individuals dropped by PLN 347.8 million, i.e. 12.1%.

At the end of 2004, the value of mortgage loans granted to individuals amounted to PLN 750.7 million and constituted 29.6% of the Bank credit receivables from individuals.

Structure of the household credit portfolio of ING Bank Śląski S.A.

	31.12.2004				31.12.2003			
	Exposure		Specific provisions (PLN million)	Coverage in %	Exposure		Specific provisions (PLN million)	Coverage in %
	PLN million	%			PLN million	%		
Total	**3 267.4**	**100.0**	**329.0**	**10.1**	**3 669.0**	**100.0**	**289.2**	**7.9**
including:								
• performing:	2 868.1	87.8	47.6	1.7	3 175.5	86.6	0.1	*
– standard	2 829.3		47.6	1.7	3 120.8		0.0	0.0
– special mention	38.8		0.0		54.7		0.1	0.2
• classified	399.3	12.2	281.4	70.5	493.5	13.4	288.1	58.4
– substandard	66.9	2.0	11.2	16.8	112.3	3.0	18.4	16.4
– doubtful	28.7	0.9	10.2	35.6	87.6	2.4	34.3	39.2
– loss	303.6	9.3	260.0	85.6	293.6	8.0	236.4	80.5

In 2004, although the Bank maintained rigorous principles for the classification of its credit portfolio consistent with previously binding legal regulations, the quality of the Bank's retail loans improved. At the end of 2004, classified household loans amounted to PLN 399.3 million, constituting 12.2% of the Bank's total credit exposure to households (13.4% in December 2003).

For its household credit portfolio, the Bank established specific provisions of PLN 329.0 million, therefore the coverage of the whole household credit portfolio with specific provisions was 10.1%.

Bank Cards

At the end of 2004, individual customers held 1,238,000 active cards issued by ING Bank Śląski. To compare, at the end of 2003, customers used 1,313,000 cards of the Bank. The drop of the number of active cards issued by ING Bank Śląski mainly resulted from some order made to the customer data base and expiry of some cards, including prepaid cards.

It is worth highlighting that the Bank recorded a dynamic growth of the number of credit cards. To the end of 2004, the Bank issued 46,500 credit cards, whereas at the end of 2003, there were 21,000 of such cards issued.

[10] Figures cover loans granted to individuals, excluding suspended receivables and matured or non-matured interest.

IV. CORPORATE BANKING

In 2004, ING Bank Śląski intensively worked over an effective concept of co-operation with corporate customers, i.e. a concept that would favour long-term relations with the existing customers and allow acquiring a large group of new corporate customers. This work covered:

- customer re-segmentation,
- separation of the Corporate Network from the Bank branch network,
- organisational reconstruction of the Corporate Banking Division and improvement of service process,
- actions to make the offer more attractive and improve effectiveness of lending process.

Market Segmentation and Customer Service

In spring 2004, ING Bank Śląski analysed its corporate customer base both from the point of view of customer preferences concerning bank services, as well as their profitability for the Bank. As a result of this work, the Bank re-segmented customers and decided to move the service of corporate customers recording revenue below EUR 800,000 to the Retail Banking Division as of 1 January 2005.

Parallelly to actions accompanying the customer re-segmentation, the Bank worked to improve the process of corporate customer service and implement a pro-sales service concept. This referred mainly to:

- restructuring the Strategic Customer Department and introducing an internal organisational structure consistent with sector division (concentration of knowledge on individual sectors should allow to achieve the Bank's commercial goals);
- changes in the organisation of the Corporate Banking Centres to transform them in pro-sales units (growth of the number of account managers to provide services of a relevant quality, work over a new incentive system);
- reorganising sales forces at the level of corporate branches, including changes to job descriptions of account managers (Senior Account Managers only in charge of new customer acquisition), separating Front Office from Middle Office, defining needs related to an optimum number of account managers at regions;
- constructing a new incentive system based on key performance indicators (KPI).

To ensure adequate corporate customer service, as of 15 September 2004, the Bank separated its Corporate Sales Network from the Bank branches. As at the end of 2004, the Corporate Sales Network was composed of the Strategic Customer Department, 13 Corporate Banking Centres and 29 corporate branches located all over Poland.

As a result of the work carried out in 2004, the new system for corporate customer service has been binding at the Bank since 1 January 2005:

- Strategic customers, i.e. global and European companies and their agencies, domestic entities of yearly income from sales above PLN 150 million. They are served by highly qualified specialists from the Strategic Customer Department, which apart from its office in Warsaw has also got representation offices in Katowice and Gdynia. Each strategic customer has got its account manager. Most of these customers have a direct access to the dealing room.
- Large companies generating sales from PLN 30 to 150 million, units of local self-governments and universities of budgets exceeding PLN 30 million. They are customers of Corporate Banking Centres, where they are served by dedicated account managers.
- Medium-sized companies generating yearly revenue above EUR 800,000, units of local self-government and universities of yearly budget up to PLN 30 million. The Bank's co-operation with this market segment is based on a standardised offer proposed at Bank's outlets.

In 2005, the work to improve corporate customer service and increase sales network effectiveness will be continued.

Offer Improvement

ING Bank Śląski provides its corporate customers with one of the most modern offer of bank services and products in the Polish market.

The Bank offers a wide range of deposit products for corporate customers, including:
- current accounts in PLN, USD and EUR, including *ProBussiness* bundle, consolidated account, custody account;
- savings products: Profit deposit account, *E-call ProBussiness* in PLN, active *Lok@ta*, call deposit in EUR or USD;
- PLN standard deposits bearing fixed and variable interest rates for various terms (opened for defined minimum amount) and overnight automated deposits;
- non-standard deposits opened for defined minimum amounts for 1 to 365 days or for strictly defined terms in PLN, EUR, USD or other convertible currencies.

The Bank's deposit offer is accompanied with a wide range of clearing services, including cash collection, payment orders, Mass Payment Identification System (SIMP), Business Direct Debit (GOBI). Clearing products offered on the grounds of electronic banking solutions (MultiCash or ING BankOnLine) allow for effective payment management and growth of the company's finance management effectiveness.

The credit offer of ING Bank Śląski for corporate customers covers inter alia current account loan, working-capital/operating loan, cheque loan, investment loan, indexed loan, loan to finance export receivables insured with KUKE S.A., preference loans co-financed by the Agency for Agriculture Restructuring and Modernisation and loans from funds of the European Bank for Reconstruction and Development.

In 2004, the Bank paid a special attention to the preparation of an adequate offer and infrastructure to serve the transfer of funds from the European Union. Together with the European Bank for Reconstruction and Development, the Bank introduced finance for long-term municipal projects at small and medium-sized municipalities. ING Bank Śląski, as one of few banks, received such an offer of co-operation and first signed an agreement with EBRD. This co-operation is beneficial for the Bank since EBRD takes over some risk (grants a surety for up to 35% of each loan value) and provides technical aid in the form of training on financial analysis of municipalities and investment applications.

In autumn 2004, ING Bank Śląski prepared a special credit and clearing offer for companies and units of local self-government based on pre-accession funds and gradually effected structural funds. The offer covers two types of investment loans (bridge loan and loan to finance own contribution), project account and advisory services.

The Bank concluded with Bank Gospodarstwa Krajowego a co-operation agreement concerning sureties and guarantees to be granted from the EU Joint Surety Fund, which will simplify an access to EU funds to entities not having sufficient collateral for loans taken to carry out projects co-financed from EU funds. The BGK's surety or guarantee may cover loans taken both to finance expenditure to be reimbursed from EU funds (up to 80% of credit amount without interest), as well as own contribution (up to 60% of credit amount without interest).

In September and October 2004, the Bank conducted a nation-wide campaign promoting its new credit and clearing offer for companies and units of local self-government concerning the service of aid funds from the European Union. The purpose of this campaign, apart from making customers acquainted with the EU offer, was also to strengthen the Bank's image as a bank for corporate customers, as well. During this nation-wide campaign applying mainly mass marketing tools, the Bank also organised many seminars for entrepreneurs to present both EU programmes as well as the Bank's offer.

In addition, in 2004, the Bank:

- In June 2004, offered a new clearing product: Business-to-Business Direct Debit (GOBI). This is a cashless form of clearing where debt repayment is initiated by a creditor, and not a debtor. Such a form of cashless clearing is attractive for creditors since they have a full control over the settlement of liabilities of their debtors, therefore they may manage their finance better.
- Completed its offer with a prepaid Maestro card for units of local self-governments. The main purpose of this card is to serve family benefits, allowances within the meaning of the family benefit act, and other allowances and payments to be settled by units of local self-governments. Holders of such cards may be all entities paying the said benefits, and their users are persons authorised to obtain such benefits.
- Improved negotiable deposits, FX transactions and terms and conditions for the maintenance of Treasury bill accounts due to the activation of a new sales channel – Autodealing.
- Expanded its offer, under a pilot in the Warsaw Region, with products offered by ING Car Lease.

To enhance the competitiveness of the Bank in the corporate credit market and render its lending business develop dynamically, in the second half of 2004, the Bank commenced the Lending Effectiveness Improvement Project. The goal of this Project was mainly to improve lending process, and especially to shorten time required to review credit applications. Solutions developed thereunder should contribute to significant growth of the share of ING Bank Śląski in the finance of corporate customers' needs. Pursuant to the schedule, the new lending process will be implemented at all corporate branches in the first half of 2005.

Commercial Results and Market Position of Corporate Banking

Deposits

ING Bank Śląski took a full advantage of market opportunity consisting in a significant growth of free funds of companies. As per 31 December 2004, its corporate deposits[11] amounted to PLN 13,478.2 million in comparison to PLN 9,945.8 million as at the end of 2003 (growth by 35.5%). In December 2004, the Bank had a 9.6% share in the market of corporate deposits (8.5% in December 2003).

In the structure of corporate deposits, PLN deposits, which at the end of December 2004 amounted to PLN 11,195.3 million, constituting 83.1% of the total value of funds deposited with the Bank by corporate customers, prevailed.

The main part of the Bank's corporate deposits comprised deposits of companies[12]. Companies deposited with ING Bank Śląski the funds of PLN 8,463.2 million, i.e. 62.8% of total corporate deposits.

Funds acquired from non-monetary financial institutions, i.e. insurance companies and pension funds, mutual funds, leasing companies also had an important share in the liabilities of ING Bank Śląski. They amounted to PLN 1,166.7 million, i.e. 8.7% of total corporate deposits. Deposits of self-government institutions reached PLN 828.8 million (6.2% of total corporate deposits), whereas non-commercial institutions acting to the benefit of households[13] generated the deposits of PLN 617.1 million (4.6%).

Loans

In 2004, ING Bank Śląski ran its credit activity consistently applying its lending policy and aiming at the achievement of generally applied RAROC and EVA standards. As a result, the Bank focused on the finance of projects entailing a moderate risk, which reduced the rate of growth of its lending business.

As at the end of December 2004, credit receivables of ING Bank Śląski from corporate customers as recorded in the balance sheet amounted to PLN 8,103.3

[11] Figures cover Bank's liabilities to companies, non-commercial institutions acting to the benefit of households, non-monetary financial institutions, self-government institutions, social insurance companies, as well as other monetary financial institutions (like banks), and the central budget. This amount does not include suspended liabilities and interest.

[12] The sub-sector of companies comprises the following types of entities: State-owned enterprises and partnerships, private enterprises and partnerships and co-operatives.

[13] According to the sector classification binding since March 2002, these are non-profit entities, including charity institutions, trade unions, scientific associations, political parties and churches.

million in comparison to PLN 10,177.2 million at the end of 2003. At the same time, in its off-balance sheet records, the Bank booked PLN 888.3 million of fully "provisioned out" lost loans granted to corporate customers. As per the end of December 2004, ING Bank Śląski had a 5.3% share in the corporate credit market.

As per the end of December 2004, the main item of the credit portfolio of the Bank comprised PLN loans constituting 74.9% of total corporate loans, but their share in the portfolio grew by 10.0 p.p. in comparison to the end of December of 2003.

The Bank's receivables due to loans granted to companies amounted to PLN 7,275.5 million, constituting 89.8% of the total Bank's corporate credit exposure. Loans granted to non-monetary financial institutions also had a significant share in the Bank's credit portfolio. Credit liabilities of customers from this sector towards the Bank amounted to PLN 563.2 million (6.9% of the Bank's credit corporate receivables).

As per December 31, 2004, ING Bank Śląski granted 5 important loans the value of which constituted 10% or more of the total value of the Bank's equity, including loans of: PLN 401.5 million, PLN 400.4 million, PLN 309.1 million, PLN 307.5 million, PLN 269.3 million. Two entities from this group were related with ING Bank Śląski by capital.

In 2004, while classifying its credit portfolio, the Bank took into account bank guarantees or guarantees of mother companies not accompanied with increased credit risk. Such a partial application of new principles for classification of the credit portfolio, apart from improved financial standing of customers and good Bank's restructuring results, had a beneficial impact on the quality of the Bank's corporate credit portfolio.

As at the end of December 2004, classified receivables of the Bank from corporate customers (without interest matured and not repaid and interest accrued but not matured) amounted to PLN 941.7 million. The share of classified loans in the structure of credit receivables from corporate customers was 11.6%. To compare, at the end of 2003, these figures were respectively: PLN 2 974.8 million and 29.2%.

The provisions established for the corporate credit portfolio amounted to PLN 464.1 million and covered 5.7% of the value of the Bank's credit receivables from corporate customers. In 2004, the coverage of classified debts with the Bank's provisions grew significantly from 22.6% in December 2003 to 48.9% at the end of 2004.

	31.12.2004			31.12.2003		
	Exposure	Specific	Coverage	Exposure	Specific	Coverage

	PLN million	%	provisions (PLN million)	in %	PLN million	%	provisions (PLN million)	in %
Total	**8 103.3**	**100.0**	**464.1**	**5.7**	**10 177.2**	**100.0**	**674.9**	**6.6**
including:								
• performing:	7 161.6	88.4	4.1	0.1	7 202.4	70.8	1.7	*
– standard	6 903.9		0.0	0.0	6 299.1		0.0	0.0
– special mention	257.6		4.1	1.6	903.3		1.7	0.2
• classified	941.7	11.6	460.0	48.9	2 974.8	29.2	673.2	22.6
– substandard	116.5	1.4	12.8	11.0	834.2	8.2	13.7	1.6
– doubtful	397.8	4.9	86.5	21.7	1 448.3	14.2	147.2	10.2
– loss	427.4	5.3	360.7	84.4	692.2	6.8	512.3	74.0

Custody Services

ING Bank Śląski is one of leading custody banks in Poland. As at the end of 2004, the Bank kept 3,370 securities accounts and performed a role of a bank depository for 28 investment funds and 1 employee fund. ING Bank Śląski was also selected to perform this role for 4 newly established investment funds. The Bank also co-operated with 16 Polish brokerage houses and provided custody services to foreign financial institutions, including especially global trustees, international brokers and dealers.

V. MONEY AND CAPITAL MARKETS

In the year 2004 ING Bank Śląski maintained its strong position in the Polish money market. The Bank had a status of the Money Market Dealer, and as of the end of the year it was classified by NBP at the fifth position in respect of the Dealers Activities Index (IAD). The bank fulfilled also a function of the Treasury Securities Dealer.

In the money market, the Bank paid special attention to the development of operations with the customers. Especially the Bank took actions aimed at increasing the scope of the so far customers of the financial markets products by the corporate customers belonging to the segment of large and mid-sized companies and individual up-scale customers.

The Bank introduced the following products to the offer in order to satisfy fully new needs of the customers:

- Credit Linked Notes (CLN) belong to the derivative credit instruments group. It is a simple product adjusted to individual needs that gives the possibility of obtaining significantly higher rates of return as compared to the traditional forms of investment.
- A new group of structural products named Investment Term Deposit. The products of this group join the security of the term deposit with the possibility of achieving profits exceeding interest rates obtained on standard deposit. In case of the first subscription of the Investment Term Deposit the profit depended on the change of the EUR/PLN rate (the lower the EUR/PLN rate the higher profit for the customer). The subscription took place in December 2004 and the customers were interested in it very much.

During the year 2004 the quality of serving the customers making use of the Financial Markets products was maintained at the constantly high level, among others thanks to the following:

- implementation of the new basic version of the IT system serving the Financial Markets together with the new limits management system;
- introduction of the Autodealing application facilitating the co-operation with the branch network, which made it possible – among others – to increase the scale of direct operations with the customers of the network.

On the debt securities market, the Bank concentrates on offering complex financial solutions making use of the issue of debt instruments to the selected entities of the best financial credibility. Besides the service of the cyclical issue of the short- and medium term bonds and bills of exchange used for obtaining funding by the main enterprises operating in Poland, the Bank engages also in the process of restructuring business entities – among others – by way of launching convertible bonds to the market that are used for the financial restructuring of the issuer.

The Bank offers the customers also additional services that are the accompanying ones for the issue of the secured debt instruments. For instance, the Bank commits to represent the interests of the bond-holders in case of the issue of bonds secured with the guarantees of the State Treasury and administration of the assets related collaterals established for the benefit of the bond-holders.

Moreover, the Bank was developing the service of professional investors. In the year 2004, the Bank was consistent in the implementation of the policy that ensured the investors an access to a wide group of issuers and market transactions. The said actions resulted – among others – in new transactions that repacked the risks of the chosen financial instruments and issue of indexed bonds connected with public equity market.

In the short-term debt securities market, ING Bank Śląski was classified - as of the end of 2004 - at the fourth position holding 13.2% share in the value of debt resulting from the issue of the short-term debt securities (10.8% as of the end of 2003).

VI. MANAGEMENT OF MAIN TYPES OF RISKS

Credit Risk

Credit Policy

In the year 2004, ING Bank Śląski maintained the main principles of the credit policy, and especially the sector policy.

The sector policy binding in the Bank assumes funding the business entities belonging to the industry sectors of moderate risk. In the sector pyramid that was developed in the year 2003 and that is a tool for the preliminary selection of the industry sectors that may be credited – in the year 2004 the Bank developed subsequent analyses and updated the prepared earlier sector analyses for the selected industry sectors. The aim of the said analyses is to facilitate developing the credit applications and taking the credit decisions. They define minimal requirements in respect of the desired risk profile and they determine the terms and conditions of crediting, forms of collaterals and recommended types of credits for the customer operating in a given industry sector.

Economic revival, Poland's access to the European Union and inflow of aid funds and the progressing process of convergence resulted in the situation that after the period of applying significant limitations (resulting in the drop of exposure and risk of the portfolio), in 2004 the Bank alleviated slightly the requirements in the field of extending currency loans and FX indexed loans. However, having the foreign currency revenues was still a prerequisite for getting such a loan.

Despite of maintaining the binding in the bank policy of supporting the sale of the products of shorter maturities, the Bank was more willing to extend long-term loans in the year 2004. It resulted mostly from the fact that the Bank started the realisation of the programmes funded from the EU funds.

Referring to the retail customers, in 2004 the Bank constructed central sales platforms for the primary types of loans (i.e. mortgage facilities, banking cards and cash and car loans). They were equipped with, among others, new standardised procedures and enhanced IT tools. The platforms appraise, for instance, the content of the client's credit application, inclusive of the analysis of credit capacity. They check the customer in the available bases of unreliable customers (BIK and BRNK), inspect credit collaterals and develop credit documentation (credit agreements and collateral agreements).

Starting from the fourth quarter 2004 ING Bank Śląski introduced a new policy regarding granting the mortgage loans. Most of all, the Bank standardised the products and changed the acceptance model. Within the new acceptance model, statistical appraisal of the debt repayment risk was introduced (scoring card).

Improvement of the Tools for Risk Measurement and Monitoring

Within the 2003 project aimed at adjusting the Bank to the implementation of organisational and information requirements of the New Capital Agreement, the Bank continued the works regarding the construction of the new models of the credit risk appraisal in which the risk categories are connected with the determined probability of customers' insolvency. The models constructed for the needs of the appraisal of the corporate customer credit risk were than tested. In 2005, the new methods of the corporate customer risk appraisal will be applied to all corporate customers of the Bank.

Within the actions aimed at adjusting the Bank to the implementation of the requirements of the II Basel Accord and International Financial Reporting Standards (IFRS) the Bank did also the following:

- updated the policy of collaterals modifying – among others – classification of legal collaterals (severity rating system) for the needs of calculating the Loss Given Default (LGD);
- adjusted the methods of calculating and updating the reserves for the credit debts to the regulation binding as of the beginning of the year 2005;
- carried out preparatory works in the field of implementation – as of the year 2005 - of the methodology of computing the loss of the assets value and covering the loss caused by that with the reserves;
- in the retail area, ensured the full electronic record of the data indispensable for the construction of the models consistent with the requirements of the second Basel Accord and computing the level of reserves in line with the IAS.

In the year 2004, the Bank introduced a lot of new tools that make it possible to measure and monitor the credit risk better; the Bank especially:

- Developed and implemented a system of recording the non-performing debts of business entities, that make it possible to generate the reports showing the status of the non-performing portfolios and analysing the efficiency of the assumed strategies regarding that group of entities/ debts and the appraisal of the effectiveness of restructuring and vindication processes.
- In the area of retail loans and cash loans, including the account-related ones, the Bank continued the actions aimed at limiting the level of unsecured exposures by way of setting limits for revolving and unsecured exposures. In the first half of 2004 the Bank implemented – among others – the system of central monitoring and vindication that makes it possible to carry out the actions regarding the total debt of the customers.
- The Bank completed modification of the application supporting the process of risk appraisal that broadens its functionality so that it provides full service of the account-related products. It also carried out the works regarding the introduction of new solutions to this application that will ensure a wider service for all types of retail loans, including the mortgage ones.
- Implemented a new score card for the mortgage loans.
- Started the works on the construction of the tools for statistical verification of the risk level regarding the small business segment customers.

Organisation of the Credit Process

The organisational structure regarding the credit risk management that was implemented in the year 2003 was binding for ING Bank Śląski in the year 2004. Its fundamental features are as follows: strict separation of the sales functions from the risk appraisal, administration of the loans and non-performing credit portfolio management and implementation of the principles of the – not only functional, but also hierarchical – subordination of the risk management units in the network to the Risk Management Division in the Head Office.

Credit decisions were taken in the Bank by the Committees at various levels. However, in order to manage the credit risk better, the Regional level was the lowest level where the credit committees functioned. It means that the branches that are subordinate to the Regions were deprived of the credit powers, with the exception of the decisions regarding small credit amounts and standard products for retail customers and small business.

The organisational structure binding in the Bank in respect of the credit risk management although it fulfilled the assumed targets it caused certain slowing down of the credit process, which was a threat for the effective service of corporate customers. In connection with the above, in the second half of the year 2004 a project called "Improvement of the Credit Process Effectiveness" was started in the Bank. Its main target was to facilitate and shorten the credit process for the corporate customers. In the course of the works over the project a new form of the credit application was developed. Moreover, standard credit documentation was prepared, an application for developing and monitoring the agreements was developed, and the possibility of electronic transfer of documents was ensured. As of the end of November 2004 a pilot of the new credit process was started in the Częstochowa Region. In 2005, the works regarding the project "Improvement of the Credit Process Effectiveness" will be continued.

In the retail area, the Bank worked on standardisation of the credit process and transferring taking decisions and service after granting a loan to the Head Office units. In order to support the activities of the said units the Bank developed also risk management analytical units at the central level. This process will be completed in the first quarter 2005. After the introduction of the said changes the regional risk units will concentrate on the service of corporate credits only.

Quality of the Credit Portfolio and the Status of Specific Provisions

In the year 2004, ING Bank Śląski took partly advantage of the possibility given by the Ordinance of the Minister of Finance dated 10 December 2003 regarding the principles of creating the provisions against the risk connected with the bank's activities. The Bank classified to that category Normal Debts with the following guarantees:

- unconditional, irrevocable guarantee extended by the bank from the ING Group, covering 100% of the exposure,
- unconditional, irrevocable guarantee covering 100% of the exposure extended by the dominant entity classified to the Normal category.

The above principle was applied by the Bank only to the companies belonging to the strategic customers segment.

Whereas, ING Bank Śląski a few times made use of the amendments to the accounting of the banks that were introduced in December 2003. The said amendments made it possible to transfer the loss loans for which full provisions are established into the off-balance sheet records[14]. As of the end of December 2004 the value of loans moved to the off-balance sheet items amounted in the Bank to PLN 1,195.3 million.

Transferring the loss loans to the off-balance sheet records does not mean that the Bank stopped the restructuring actions regarding this portfolio. As the result of restructuring activities carried out in respect of loss loans moved to the off-balance sheet records the Bank obtained in the year 2004 the income at the level of PLN 64.1 million.

Partial application of new principles of classification of the quality of the credit portfolio in the Bank contributed to the drop of the Bank's credit exposure classified as sub-standard and doubtful loans, which – together with the completion of the process of restructuring of the credit portfolio and prudent credit policy in respect of granting new loans – resulted in the situation that as of the end of 2004 the share of the non-performing debts in the credit portfolio of ING Bank Śląski dropped to the level of 11.8% (as compared to 25.1% as of the end of 2003).

The structure of the credit portfolio of ING Bank Śląski S.A. (as of 31 December 2004)

	31.12.2004			31.12.2003		
	Exposure in PLN million	Structure in %	Specific provisions in PLN million	Exposure in PLN million	Structure in %	Specific provisions in PLN million
Total, of which:	**11,370.7**	**100.00**	**1,015.7**	**13 846.2**	**100.00**	**1 257.7**
GRR and CRR*			**222.6**			**293.5**
-regular:	**10,029.7**	**88.21**	**51.6**	**10 377.9**	**74.95**	**1.9**
normal	9,733.3		47.6	9 419.9		0.0
special mention	296.4		4.0	958.0		1.8
-non-performing	**1,341.0**	**11.79**	**741.5**	**3 468.3**	**25.05**	**962.3**
sub-standard	183.4	1.61	24.1	946.6	6.84	32.1
doubtful	426.5	3.75	96.7	1 535.9	11.09	181.5
loss loans	731.1	6.43	620.7	985.8	7.12	748.7

* RRO – General Risk Reserve, RRK – General Credit Risk Reserve

Due to the existing market possibilities of cashing the collaterals, ING Bank Śląski applies also stricter than stipulated in the binding legal regulations methods of evaluation of the collaterals decreasing the basis for provisioning. The Bank excluded collaterals of certain type, for others the Bank assumed significantly lower than permitted by binding regulations value for decreasing the basis of provisioning.

In the year 2004 the Capital Group of ING Bank Śląski established provisions for the credit portfolio against P/L in the amount of PLN 201.8 million as compared to PLN 407.8 million in the same period last year. The value of the actually created provisions

[14] *Ordinance of the Minister of Finance dated 12 December 2003 changing the ordinance regarding the detailed principles of bank accounting.*

was close to the level of expected loss due to the non-service of the debt, that was estimated in the Bank at the level of PLN 180-220 million annually.

As of the end of 2004 ING Bank Śląski had the provisions for the credit portfolio in the amount of PLN 1,015.7 million. The degree of covering the credit portfolio with the provisions was at the level of 8.9% (as compared to 9.1% as of 31.12.2003).

Market Risk Management

The basic target of the effective market risk management in ING Bank Śląski is to maximise profit with simultaneous limiting the potential losses that may be an effect of undesirable changes of interest rates, FX rates, and other market parameters and customer behaviour.

Process of market risk management in the Bank covers the following elements:

- market risk identification;
- risk measurement (covering back-testing in order to ensure adequacy of the applied models);
- current monitoring of the market risk within the awarded limits;
- limiting or acceptance of the risk limit based on the risk analyses in relation to the rate of return.

Principles of the market risk management and the methods of measurements applied by ING Bank Śląski are in compliance with the methodology used by ING Group and European standards in this area.

For the measurement of the market risk – besides the liquidity risk - ING Bank Śląski applies mainly the Value-at-Risk (VaR) methodology. It makes it possible to calculate the potential loss resulting from accepted proposals and changeability of prices, interest rates, market FX rates (and changeability in case of FX options), as well as mutual dependencies among the mentioned parameters. In order to appraise the adequacy of the applied models, the risk level set with VaR is subject to the back-testing process i.e. comparing the actual result and the hypothetical one (set only based on the positions maintained as of the end of the day) with VaR.

Moreover, the Bank measures Emergency Value at Risk (EVaR) that determines the value of potential loss that may appear on a given market position in case of extreme changes of market parameters. EVaR is determined based on a group of macroeconomic scenarios (selecting the worst of them) assuming that the more extreme changes of market parameters than the ones presented in the scenarios should not happen more often than once each 10 years.

The risk measurement methods that are applied differ depending on the area of activities and on the degree of complexity of the instruments offered by the Bank. In connection with that, measurement and monitoring of VaR and EVaR takes place in three areas:

- FX spot,
- FX options,
- interest rate.

The interest rate area covers in total all the interest rate transactions i.e. simple instruments like deposits and term deposits as well as derivative transactions – FRA, IRS and securities. All interest rate items resulting from the concluded FX term transactions such as FX Forward or FX Swap – after being discounted to the spot value date – are transferred with internal transaction to the interest rate area.

Besides applying the VaR methodology, ING Bank Śląski monitor also other types of limits e.g. amount limits that limit the position in the securities maintained in the Bank portfolio and time limits connected with maintaining the above positions. Vulnerability parameters such as Basis Point Value (BPV) showing vulnerability of the interest rate to the changes of the market interest rates are under permanent observation.

Control of the market risk area is connected also with additional determination of a list of available instruments offered to the customers by the Bank. Depending on the type of the risk generated, only these products that were formally approved by appropriate Bank units may be in the portfolio.

The process of market risk management refers both to the trading portfolio as well as to the bank portfolio. However, in case of the bank portfolio, from the point of view of the market risk management, limiting the risk to the minimum is of fundamental significance. This task is realised in two ways: by way of direct funding system and by way of transfer pricing system. Transfer pricing system makes it possible – via the internal transactions – moving the market risk appearing as the result of concluding transactions by the business divisions (Corporate, Retail) to the Financial Markets area. VaR calculated on a monthly basis for the bank portfolio controls the correctness of functioning of both the direct funding process and transfer pricing system. The level of VaR cannot exceed the limit set specially for that area of the limit.

The process of liquidity monitoring and management is one of important elements of the market risk management process in ING Bank Śląski. The said process covers measuring the liquidity ratios and monitoring and reporting the liquidity risk. In the Bank the following types of liquidity are differentiated: current liquidity, short-term liquidity and medium-term liquidity.

The system of liquidity risk monitoring covers standard measurements of liquidity defined as:

- measurement of mismatch of maturity dates of assets and liabilities up to 3 months taking into account the contingent off-balance sheet liabilities;
- making use of the division of the balance sheet into the liquid and non-liquid assets and volatile and stabile liabilities, determining the ratio of the net liquid assets up to 3 months (calculation of the ratio for the net liquid assets up to 3 months shows the degree of covering a part of volatile liabilities of the Bank with the liquid assets);
- calculation of the ratio of liquidity risk up to 1 month, defined as a degree of covering the up to 1 month matured assets, of the volatile part of the deposit portfolio.

At the same time, the Bank carries out the analysis of the deposit base on a current basis using statistical methods taking into account the diversification of the financial means.

Bank's liquidity risk measures are monitored on a daily and monthly bases. For each liquidity ratio allowable limit is determined that is subject to constant monitoring.

Market risk management is a dynamic process that must be adjusted all the time to the needs of developing organisation. In order to integrate the functions connected with the market risk management, in the third quarter of 2004 the Bank established the Market Risk Management Department that is directly subordinate to the President of the Management Board. Moreover, as of the end of the year a lot of works were initiated in the field of improvement of the market risk management. The said works were aimed – among others – at the following:

- increasing the quality of the ING Bank Śląski capital group management by way of taking into account the impact of the activities of subsidiaries in the market risk management process in a better manner;
- development of methodology of identification and measurement of non-standard types of risk in the bank books and extension of their catalogue;
- improvement of the mechanisms ensuring the transfer of risk to the Financial Markets area at the market prices;
- improvement of the process of liquidity risk measurement and management taking into account the actual liquidity gaps;
- application of new techniques of investing the funds.

Capital Adequacy

In 2004, ING Bank Śląski fulfilled the binding prudence norms in the field of capital adequacy. As of the end of 2004 the capital adequacy ratio amounted to 14.9% which means that the Bank had enough equity to cover particular credit and financial risks.

Operational Risk

Operational risk is understood in ING Bank Śląski as the risk of bearing direct or indirect material loss or as the loss of reputation resulting from not adjusting or faulty functioning of the internal processes, people or technical systems, and also as the result of external events.

The Bank manages operational risk based on the Recommendation of the National Bank of Poland that takes into account the directives of the Basel Committee regarding the operational risk management and standards binding in the ING Group.

Operational risk management covers the operations in the field of identification, measurement, monitoring of the said risk as well as taking appropriate actions aimed at limiting it. All organisational units of the Bank and Bank subsidiaries are engaged in the realisation of the tasks connected with the operational risk management. The works regarding the operational risk management are co-ordinated in the Bank by the

Committee for the Operational Risk, whereas the Management Board and Supervisory Board of the Bank supervise these activities on a permanent basis.

In the field of the operational risk management the Bank concentrates on the following issues:

- implementation of mechanisms of estimating the level of operational risk and limiting it in particular areas of the Bank activities;
- collecting information, analysing it, and reporting the events connected with the operational risk;
- determining the ratios of important risk and monitoring them;
- limiting the losses by way of improving the system of controlling the Bank operations;
- improving the audit process as the result of the implementation of the integrated system of recording and monitoring the realisation of recommendations and post-control recommendations;
- allocation of the economic capital adequate to the risk level;
- testing business continuity plans for critical and important business processes;
- improvement of physical securities of the Bank, paying special attention to integrated system of monitoring the security of the branches and ensuring immediate help in case of emergency;
- organisation of awareness programmes and training in the field of operational risk management;

In the year 2004, the operational risk management process was improved in ING Bank Śląski by way of the following:

- creation of the Operational Risk Management Department subordinate directly to the President of the Management Board of the Bank; the task of the Department is to implement, co-ordinate and monitor the processes connected with the operational, IT, business processes risks management, and security of personnel and resources;
- development and acceptance of the entire and coherent Operational Risk Management Policy.

VII. DEVELOPMENT OF ORGANISATION AND INFRASTRUCTURE

Changes in the Bank organisation

Economic revival and assumed significant increase of demand for bank services had an impact on the change of the philosophy of operations of ING Bank Śląski S.A. The Bank decided that it had to achieve significant market expansion, among others by way of effective sale of bank products and services maintaining at the same time a high level of customer service. Realisation of the concept of the "The Bank for the Customer" resulted in the necessity of making a lot of organisational changes in the Head Office and in the sales network.

The Bank started the changes in the organisational structure from the reorganisation of the Head Office. In the course of the said changes, the Bank concentrated mostly on the commercial area. The introduced organisational changes were mostly to ensure great efficiency and flexibility of the Bank's operations, among others, by the following:
- clear division of powers between the corporate banking division and retail banking division;
- concentration on the sale and marketing;
- liquidation of artificial divisions regarding the scope of responsibilities for the sale and product development;
- clear division into the market segments;
- organisation of the support units according to the main power-related division;
- consolidation of the risk management and administration function.

Since 15 July 2004 the Head Office units of ING Bank Śląski have operated within 8 organisational Divisions, i.e.:
- Corporate Banking Division,
- Treasury and Financial Markets Division,
- Retail Banking Division,
- Banking Marketing and Advisory Division,
- Finance Division,
- Operations Division,
- IT Division,
- Services Division.

The units directly subordinate to the Bank Management Board constitute a separate group, i.e.: Management Board Bureau, Internal Audit Department, Legal Department, Human Resources Management Department, Organisation Department, Market Risk Management Department, Operational Risk Management Department, Retail Credit Risk Management Department, Corporate Credit Risk Management Department.

In connection with the assumed market expansion of ING Bank Śląski new organisational units were established in the structure of the Bank Head Office, for example:

- In the Corporate Banking Division Corporate Products Development Department was established that is responsible for the implementation of new or improved products to the offer, and Business Management Department whose role is to plan and realise business projects in the wholesale area.
- In the Retail Banking Division Individual Banking Department was established that is responsible for all the relations with individual customers from mass market segment, and Small Business Department that manages the development of the offer and distribution channels for small business.

Significant changes refer also to the risk management area. The Bank established separate departments that are responsible for the management of particular risk types (market, operational, retail credit, corporate credit risks). They are directly subordinate to the Bank Management Board.

At the next stage of organisational changes, the Bank separated the Retail Network and Wholesale Network from the so far Bank branches. Separation of the network is a direct consequence of various approach to serving an individual customer, small business and corporate customer. In case of individual customers and small business – standard offer is the basis for the co-operation with the Bank. Whereas in case of corporate customers the Bank assumes tailored approach to the customer, especially referring to the customers from the strategic customers and large corporate segment. Division of the network into the Retail and Corporate Network took effect on 15 September 2004.

The development of Operations, Services and Technology as strategic assets to ING Bank Śląski

During 2004, ING Bank Śląski invested in people, skills and solutions to establish what the bank believes to be the foundations for its further evolution in the Polish marketplace.

The organization of a new centralized department of Services Administration, coupled with the existing Operations and Technology units has created a focussed support organization to the segmented business units of Corporate and Retail Banking groups. Further business alignment within these three areas has occurred during the final quarter of 2004 to refresh the business operation for its challenges in 2005 and beyond.

Evolution of the Business Application Set and Infrastructure Foundations

A refurbishment programme of the core banking solutions utilized by the bank in the previous 2 years nears completion , with the final components either completed in the fourth quarter or in process of finalization.

Of primary focus for the organization during the period were the following:

- efficiency measures in our sales, credit and operational areas,
- functional enhancements to the product systems,

- changes to our centralized management and financial reporting systems to sustain the ever evolving regulatory environment,
- upgraded technology infrastructure components and
- the improvements to electronic banking solutions and channels.

In the area of efficiency, the Bank commenced a full review and re-design of its corporate credit processes and is currently in process of evaluating the business results with clients in a large programme in the south of Poland. This initiative has demonstrated a more responsive organization for our clients in the process, leading to faster business solutions being made available.

In the area of functional enhancements, the Bank continues to evolve its product features with further solutions at our client's request. Operational and technology support was provided to the prominent product launches of OKO, Credit Cards and Mortgages in the third and fourth quarters of 2004.

In the area of infrastructure, the preparation and subsequent implementation of a new 'desktop environment' based on latest technology solutions was commenced in the second quarter and has finalized in quarter four. The project is at present in a roll-out phase with projected completion during 2005 for the Sales Network. The project provides the basis for further evolution of the sales functionality in our network.

As a part of technology service integration activities, a project of computer system consolidation for the ING Group entities in Poland and Central Europe was commenced. ING Services Polska Sp. z o.o., commenced the centralization activity with the completion of the primary business computers for two group entities within Poland. Further consolidation activity is planned during 2005 and beyond, within Poland and into Central Europe, which will lead to opportunities for further skill enhancement and employment.

Development of Electronic Distribution Channels

The Bank continues to provide for a 'client access and availability strategy' model, whereby, wherever and whenever our clients wish to access us, they will have the ability – this is a model developed and known within the broader ING Group as the click-call-face. Reach us by internet, by telephone or in one of our branch outlets and we will be providing the required services.

In the area of functional enhancements, the bank continues to evolve its electronic banking channels with further features at our client's request. ING Bank Śląski S.A. has fully-fledged electronic distribution channels, comprising of:

- a direct channel (ING BankOnLine),
- a telephone banking channel (HaloŚląski),
- a SMS-banking system, and
- electronic banking systems (HomeCash, TransDysk, MultiCash).

In 2004, the Bank commenced a programme aimed at actively evolving its infrastructure of electronic distribution channels at its disposal into a multi-channel sales, distribution and service platform.

The Bank formulated a new strategy to evolve its Call Centre into a Contact Centre focussed on Sales and Servicing. The strategy provides for its development and transformation into an active sales channel. The first steps undertaken by the bank has been to engage the necessary partners in an implementation plan. The tactical plans invested in and underway, include the following items for completion in early to mid 2005:

- feature enriching a Contact Centre to conduct outbound marketing activities;
- extension of functionality of acquisition and servicing of retail products for the Contact Centre functionality;
- the extension of the HaloŚląski Service with the functionality of acquisition and servicing of retail products;
- providing a base for pro-active marketing efforts in the future.

The Bank also enlarged the scope of services offered to corporate clients via the internet banking system (ING Bank-OnLine), pre-dominantly at our clients request in the area of transaction services. For retail clients the Bank provided an ability to commence to apply for banking products on-line through e-applications for certain products in the portfolio, including Open Savings Accounts and credit cards, via the internet channel.

At the beginning of 2005 a new functionality of ING BankOnLine will expand considerably as a result of:

- making available the information and transactional capability surrounding credit and prepaid cards,
- providing international transfers for corporate clients, and
- integrating Internet with its automated Financial Markets business solution for Corporate clients.

In the year 2004, the number of clients making use of electronic distribution channels increased. The number of users of internet banking system ING BankOnLine and telephone banking system HaloŚląski rose by 21.2% and 22.6% respectively.

Number of clients:	31.12.2003	31.12.2004
HaloŚląski	462 874	560 788
ING BankOnLine	124 672	152 832
MultiCash	9 362	9 323

As at the end of December 2004 the Bank had a network of 560 ATMs. Thanks to the agreement signed with a prominent partner in the Polish market, we have been able to offer to the holders of payment cards issued by the Bank additional ATM's locations on preferential terms. For clients it means that the number of ING Bank Śląski ATMs doubled.

The increase of the number of electronic distribution system users and further automation of the operational area allowed direct electronic payments to form almost 89% of all payment transactions in the Bank.

Branch Network

As of the end of 2004, ING Bank Śląski had 332 branches. The process of reconstruction of organisational structures of the Bank (including the sales network) that was carried out in the course of the year 2004 maintaining the cost discipline were not good for the development of the bank branches network. During the year the Bank started 1 branch and 2 Teams for Off-site Customer Service and closed 1 branch.

In the year 2004, the Bank prepared and accepted a new standard in respect of the branch visualisation. A uniform image of the branches that stirs positive reactions of the customers is an important element for the construction of the overall image of the Bank. In some branches the introduction of the new visualisation will be preceded with the repair and modernisation, which will improve the comfort of serving the customers significantly.

Human Resources Management

Status of Employment

As of the end of December 2004 the Capital Group of ING Bank Śląski employed 7,388 FTEs, of which 7,073 persons were employed by ING Bank Śląski. In the course of the year 2004 the employment in the Group increased 4,4%, where the increase in the Bank itself was at the level of 3.6%.

The increase of employment was connected most of all with the Bank reconstruction process and creation of the bases for the future market expansion, and especially it was connected with the following:

- Call Centre functionality,
- creation of central sales platforms in the Retail Banking Division,
- reconstruction of the Wholesale Banking Division.

As of the end of 2004 young people (below the age of 35) dominated in the employment structure of ING Bank Śląski – 58%. Graduates of universities and employees with the secondary education constituted almost 89% of all the employees, of which 58% were the graduates from universities. Management personnel constituted 16% of all the employed. The Bank has got a young management staff – the average age is 39.

Training

The standpoint of ING Bank Śląski is that all the employees should have a wide access to various forms of training and they should be supported in their personal development as it contributes to a great extent to the realisation of the business targets of the Bank as well as satisfying the ambitions of the employees themselves. Thus, in the training policy the Bank applies the following principles:

- development of each employee should be of permanent nature; its superior target is to improve constantly the results of the employees within their business duties;

- each employee should be personally engaged in his/her process of development and education.

In the course of 2004, 10.5 thousand employees participated in all forms of training, which in statistical terms means that there was 1.5 training per each Bank employee, and that each Bank employee will spend 3.5 days a year on training.

In the year 2004, the training in ING Bank Śląski S.A. concentrated on four areas:

- active sale, principles of customer service, and knowledge of new products, such as: increasing the sales skills of the employees of the branch network and creation of the customer-friendly approach – training carried out in co-operation with the external company; Intensive banking Programme for the employees of the wholesale banking division – organised by ING Business School; training for the employees serving the strategic customers of the Bank – organised by the ING Wholesale Training Department, and external product training;
- managerial training, where the management staff of the Bank obtained knowledge in the field of change management, negotiation techniques, effective communication and leadership;
- credit risk, that covered both the employees of the sales network in respect of the credit applications analysis as well as the employees of the re-organised risk management structure;
- for the newly hired employees within the uniform procedure, that makes it possible to acquire comparable, base knowledge and skills, that will finally be translated into efficient customer service.

The majority of the carried out training was of internal character. The training courses were organised in training centres in Bielsko-Biała and Katowice and directly in the branches. They were mainly carried out by the specialists employed with the Bank. More than 60% of all employees covered with training participated in internal training.

In the year 2004, ING Bank Śląski S.A. participated also in the activities of the newly established unit called Talent Management whose task is to improve the most gifted persons working in the companies of the ING Group.

New Incentive System

In the year 2004, the main assumptions of the incentive system binding in previous years were maintained. The aim of the said system was to motivate the employees to increase the sale on the most profitable bank products.

In the second half of 2004 within the activities regarding the construction of the “The Bank for the Customer”, the Bank started to create a new incentive system. The assumption of the new system was most of all to concentrate on the realisation of the commercial tasks maintaining – at the same time – simplicity and transparency of the system. The tasks determined for each Bank employee are the backbone of the new system, where majority of the said tasks are of measurable nature. The new incentive system has been introduced in the Bank as of the beginning of the year 2005.

VIII. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI CAPITAL GROUP COMPANIES

Changes in the Composition of the Capital Group

As of 31 December 2004 the Capital Group of ING Bank Śląski comprised the following companies:

- ING Securities S.A.,
- Śląski Bank Hipoteczny S.A.,
- ING BSK Development Sp. z o.o.,
- ING Nationale-Nederlanden Polska PTE S.A.,
- Solver Sp. z o.o.,
- ING Services Polska Sp. z o.o.,
- Centrum Banku Śląskiego Sp. z o.o.

The Capital Group of ING Bank Śląski consists of the entities whose business is convergent with the basic activities of the Bank. Their business is strictly co-ordinated, and capital interconnections are often strengthened with the trade relationships and contracts concluded. Being the dominant business unit of the Capital Group ING, Bank Śląski by way of fulfilling the control functions in the supervisory authorities of the subsidiaries determines the policy and approves the key decisions referring to both the operation and the financial matters of the Group members.

In the year 2004, the structure of the Bank Capital Group changed, which was the consequence of consolidation of leasing operations under the ING Group in Poland, by way of merging two entities:

- ING Lease (Polska) Sp. z o.o., in 100% owned by ING Lease Holding N.V. with the registered seat in Amsterdam; this company specialised in lease transactions of high value for the companies from the sector of large and mid-sized enterprises (the so-called "big-ticket" transactions),
- ING BSK Leasing S.A., in 100% owned by ING Bank Śląski S.A. and focused on rendering service for mid-sized companies.

In the course of consolidation activities, on 3 August 2004 ING Bank Śląski purchased from ING BSK Leasing 100% of shares in BSK Leasing 2 Sp. z o.o. On 20 August 2004 the shares of Centrum Banku Śląskiego Sp. z o.o. were transferred from BSK Leasing S.A. to BSK Leasing 2 Sp. z o.o. On the same day a sales transaction of ING BSK Leasing S.A. shares by ING Bank Śląski to ING Lease (Polska) Sp. z o.o. was concluded.

Consolidation of the leasing activity pursued by ING Group in Poland led to the appearance of one of the largest lease companies on the Polish market. The said company would be able to compete more effectively on the market and employ the benefits deriving from the business expansion, in terms of back-office cost containment, among others. In the year 2004, ING Lease (Polska) Sp. z o.o. leased the property valued at approximately PLN 835 million, i.e. approximately 7% of the aggregated value of lease contracts. ING Bank Śląski intends to co-operate with ING Lease (Polska) Sp. z o.o. as to distribution of lease products.

On 27 August 2004 the name of BSK Leasing 2 Sp. z o.o. was changed into ING BSK Development Sp. z o.o.

On 30 November 2004 ING Bank Śląski obtained a license of the Stock Exchange and Securities Commission to run broking operations. Pursuant thereto the Bank renders clients direct access to the stock exchange in its branches. For this purpose it uses a completely new model of co-operation with the brokerage office of ING Securities S.A. – a member of the Capital Group of the Bank.

ING Securities S.A.

ING Securities S.A. in Warsaw was established in December 2001 as a result of consolidation of two entities: Brokerage House of Bank Śląski in Katowice and ING Baring Securities (Poland) S.A.

Consolidation of two brokerage houses made it possible to combine the experience and know-how obtained in various market segments and to create a state-of-the-art offer addressed both to individual and institutional customers in the secondary and primary market.

ING Securities S.A. is one of the largest brokerage houses in Poland. In the year 2004, the company had the following shares in the transactions of the Warsaw Stock Exchange:

- stock market – 10.0%,
- bond market – 2.2%,
- future market – 5.0%,
- option market – 7.8%.

The Brokerage House of ING Bank Śląski provides investors with all-inclusive services, using the latest technologies, including Internet. The offer comprises all products of the capital market, which are available for individual investors in Poland, i.e. brokerage in stock exchange transactions, off-stock exchange transactions and in foreign markets, investment loans, securities lending, analytical service, investment recommendations, assets management and sales of participation units of the investment funds.

ING Securities S.A. pays special attention to serving affluent clients, active investors, for whom it offers individual service of the broker and tailor-made bundles of products and services (VIP and Prestige).

In the year 2004, the offer of the Brokerage House in the secondary market was enhanced by the following:

- lending offer prepared together with ING Bank Śląski for the clients purchasing shares of GTC in public offering,

- brokerage in transactions in foreign markets for retail clients on the new European stock markets (Euronext, Amsterdam) and America (Nasdaq, AMEX and NYSE),
- as the first and only brokerage house it offered clients guarantees of instruction execution in Internet within 5 seconds at maximum or reimbursement of the fee; in April 2004 that time was reduced to 4 seconds and in December 2004 further to 3 seconds,
- it launched together with ING Bank Śląski a lending offer for the clients purchasing the shares of PKO BP in the initial public offering (more than 3 thousand credit agreements were signed totalling above PLN 1 billion),
- large clients were rendered the possibility of purchasing shares in the primary market in other brokerage houses, pursuant to the authorisation granted to ING Securities S.A.

On 31 December 2004, ING Securities S.A. maintained 43.7 thousand investment accounts, including 3.4 thousand Internet ones.

In June 2004, ING Securities S.A. concluded an agreement with the POLONIA NET S.A. Brokerage House, pursuant whereto the existing clients of the latter were proposed to transfer accounts to the former on favourable terms and conditions. A similar agreement on brokerage in accepting and forwarding to the Stock Exchange of the instructions placed by the clients whose accounts are run by ING Securities S.A. was signed with the Nordea Bank Polska S.A. Brokerage House. This entirely new on the Polish market form of co-operation could be commenced thanks to the revision of the Public Trading in Securities Law Act, among others.

As far as the capital acquisition is concerned, ING Securities S.A. offers its services to mid-sized companies and, first of all, to the clients of ING Bank Śląski. The Brokerage House renders services not only in the field of issues on public and over-the-counter markets, but also others (such as: maintenance of the deposit of private companies and acting as the Issue Sponsor). It also offers financial consulting and legal services in that respect.

In the year 2004, ING Securities S.A. fully utilised the revival of the capital market and realised for example such projects as:

- it participated – together with CDM Pekao S.A. – in the offering of shares of Globe Trade Centre S.A. as the Main Co-manager (the share of ING Securities in the retail tranche was 23%),
- it took part in the privatisation of PKO BP – the share of the House in the offer addressed to individual investors exceeded 7% (clients of ING Securities placed more than 7 thousand purchase instructions totalling approximately PLN 1.5 billion and bought PKO BP shares valued at PLN 145 million),
- it serviced the subscription call for the shares of Huta Ferrum S.A. [*Steelworks Company*] and brokered the call for sale of proprietary shares of the Jupiter NFI Company,
- it was a member of consortia offering the shares of FC Dwory, WSiP, PEKAES and a Hungarian Borsodchem Company,
- it serviced the takeover of the WPRD S.A. Company by Hydrobudowa–6 (a subsidiary of Bilfingerberger AG),

- it placed on the secondary market the shares of:
  - PKN Orlen totalling PLN 220 million,
  - Polimex Mostostal Siedlce totalling PLN 120 million,
  - GTC totalling PLN 109 million.

While striving for enhancement of service quality, the Brokerage House improved IT infrastructure and organisational structures. In particular, it:

- implemented a standard version of the Sidoma transactional system, allowing for starting work in one database and servicing all Front and Back Office operations of both retail and institutional clients,
- developed the functionality of the SidomaOnLine Internet application with the following options: possibility of placing an instruction based on the up-to-date recommendations and upon fulfilling predefined parameters,
- expanded tele-informatics infrastructure of the Call Centre of ING Securities S.A. in Katowice (the project implemented together with ING Bank Śląski),
- launched a separate info line for the clients of Internet Customer Service Centre [Polish POK],
- adapted the structure of the IT and Telecommunications Department to the assumptions of the TIP Project (Trusted Internal Party Project) to increase the safety of IT systems,
- established an Investment-Financial Consulting Department.

In the year 2004, ING Securities S.A. took advantage of all opportunities generated by the bull market of the Warsaw Stock Exchange. The House generated the net result of PLN 21.6 million as compared to PLN 7.1 million in the previous year.

Śląski Bank Hipoteczny S.A.

Being a specialist entity in the Capital Group of ING Bank Śląski, the primary objective of Śląski Bank Hipoteczny S.A. is to grant mortgage loans and fund them with covered letters.

In the first half of 2004, ŚBH S.A. undertook actions aimed at broadening the lending offer with long-term mortgage loans designated for commercial real estates such as: office buildings, warehouses, distribution centres, shopping malls and housing premises constructed for sale. The Bank also prepared and later adopted the policy for funding commercial real estates and created a Commercial Loans Team.

In the second half of 2004, Śląski Bank Hipoteczny S.A. was designing a new development strategy, which was finally approved by the Supervisory Board on 26 November 2004. Pursuant thereto, ŚBH S.A. functions as an Excellence Centre for Commercial Real Estate Funding in the Capital Group of ING Bank Śląski. Hence the service of retail clients in terms of mortgage loans was concentrated in ING Bank Śląski.

In the course of preparation for new functions, at the 2004 yearend ŚBH S.A. introduced certain organisational changes and commenced the construction of a nationwide sales network of commercial loans. In addition, works started to determine the policy of financing self-governmental units.

"Extinguishing" co-operation with the Branches of ING Bank Śląski as to extension of loans to retail clients and concentration on preparations for provision of services to the sector of commercial realties led to generating lower sales results and a slight growth of lending portfolio of ŚBH S.A. At the end of December 2004 the value of credit receivables of Śląski Bank Hipoteczny S.A. was PLN 186 million versus PLN 184 million in December of the previous year.

The issue of covered letters, being the most important source of funding the bank's lending is the essence of the operation of the mortgage bank. On 4 March 2002 the Extraordinary General Shareholders' Meeting of SBH S.A. took a decision on launching the first Programme of Mortgage Bonds' Issue. The nominal value of covered letters was determined at the level of PLN 150 million or the equivalent in foreign currency (mostly EUR or USD), whereas the duration of the programme was determined for 3 years. The programme assumes private issues and dematerialised form of covered letters.

On 24 January 2003 the first issue of mortgage bonds of SBH S.A. took place. It was valued at EUR 3 million. In November 2004, ŚBH S.A. issued another tranche of covered letters of the nominal value of PLN 30 million. The entire tranche was purchased by ING Bank Śląski with the possibility of resale.

Due to the situation in the mortgage loans market (including long terms of establishing mortgages), mostly construction-mortgage loans are extended. The said loans cannot constitute a basis for the issue of covered letters. Further possibilities of the issue of mortgage bonds within the determined programme depend on the pace of growth of the portfolio of loans with valid in law mortgages and entered into the register of collaterals.

In the year 2004, Śląski Bank Hipoteczny S.A. incurred a net loss of PLN 1.6 million, whereas in the previous year the loss amounted to PLN 3.2 million.

Centrum Banku Śląskiego Sp. z o.o.

Centrum Banku Śląskiego Spółka z o.o. deals with the administration of the buildings owned by the Company at 34 Sokolska Street and 50 Chorzowska Street in Katowice and with the lease of the space in the said buildings. In total the Company administers almost 35 thousand square meters of the office and commercial area.

In the year 2004, operations of the Company aimed at, primarily:

- maximisation of the leased area owned by the Company,
- further containment of exploitation costs.

Centrum Banku Śląskiego undertook several actions aimed at obtaining new tenants. These comprised preparation of offices ready for occupation, take-over of costs of room arrangement and application of flexible terms of payment. Consequently, in December 2004, the share of the leased area in the total space owned by the Company increased to 91% (80% at the 2003 yearend).

In the year 2004, the Company continued the Costs Containment Programme that had been started in the year 2002. As part thereof the organisational structure of the Company was streamlined.

Centrum Banku Śląskiego closed the 2004 year books with the net profit of PLN 33.7 million versus the loss of PLN 94.7 million reported in 2003. This significant improvement of the results was affected not only by the Company operations as to increase of lease revenues or cost containment, but also by a substantial appreciation of the Polish zloty, which exerted a positive influence on the revaluation of a loan in Euro, with which the main company assets are financed.

ING Services Polska Sp. z o.o.

ING Services Sp. z o.o. is a significant player in the commenced process of consolidation of IT support functions of ING Group members in Poland. The objective of the established in November 2003 Company is to render – via the Computer Centre in Katowice – IT services to all ING Group members in Poland and Central Europe.

In December 2003, ING Services Polska signed an IT service agreement with ING Bank Śląski, S.A. being the main Polish recipient of its services. Later on, in March 2004, the company concluded an IT service agreement with ING Securities S.A. For the benefit of the Brokerage House ING Services Polska renders, first of all, the following services: provision of a wide area network for data transfer, maintenance of equipment in Computer Centres and rendering available the access node to Internet.

In June 2004, the Company started another phase of consolidation of IT operations of the ING Group in Poland, by signing a service agreement with ING Nationale-Nederlanden Polska S.A. This agreement was in force as of 1 July 2004 and pertained, first of all, to maintenance of ING NNP applications on the machine platforms located in the Company Computer Centres.

In the year 2004, the net result of ING Services Polska Sp. z o.o. was PLN 1.7 million.

ING Nationale-Nederlanden Polska Pension Fund Company (PTE S.A.)

ING Nationale-Nederlanden Polska Pension Fund Company manages ING Nationale-Nederlanden Polska Open Pension Fund that was established pursuant to the licence of the Supervision Office over the Pension Funds dated 26 January 1999.

2004 was another good year for ING Nationale-Nederlanden Polska Open Pension Fund Company, in terms of both increase of members and investment results.

In 2004, ING NNP OFE acquired the largest number of new members from all open pension funds operating on the market. It opened more than 170 thousand accounts during that year. The figure includes more than 34 thousand accounts following the transfer of members from other open pension funds and almost 18 thousand being the consequence of the drawing procedure held by the Social Security for the persons who had not chosen any pension fund themselves. To compare, in 2003, ING NNP OFE issued 156 thousand agreements.

The good results generated in the field of acquisition made the number of Nationale-Nederlanden Polska OFE members reach the level of PLN 2,105 thousand persons at the end of 2004. As far as the number of members is concerned, the Fund occupied the second place on the market, servicing 17.6% of all members of pension funds (17.2% at the end of 2003).

Throughout the year 2004 the value of net assets of the Funds grew by above PLN 4 billion and at the end of December 2004 amounted to PLN 14,079 million. With a 22.5%-share in the value of net assets of open pension funds (0.1 p.p. more than in the previous year) ING Nationale-Nederlanden Polska OFE was on the second place on the market in terms of asset growth.

Increase of the Fund's assets was the consequence of the sound and consistent investment policy pursued by the team of experts, relatively high average commitment paid by its members and one of the highest shares in the market of the members paying contributions.

Operations of ING Nationale-Nederlanden Polska Pension Fund was appreciated by the market, which was confirmed by the following awards and distinctions granted in 2004:

- the best pension fund in Central Europe – the title granted by a recognised Investment & Pensions Europe monthly magazine in December 2004,
- the first award in the Corporate Governance category among the European funds in the ranking prepared on the basis of opinions of independent financial market advisers,
- the first place in the ranking of *Rzeczpospolita* journal published on 14 October 2004 from the viewpoint of result stability.

In the Profit and Loss Account for 2004 ING Bank Śląski accounted for its share in the profit of Nationale-Nederlanden Polska Pension Fund amounting to PLN 22.6 million.

Solver Sp. z o.o.

Organisation of the 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 the year 2004, the net result of Solver Sp. z o.o. was PLN 5 thousand, whereas in the previous year it was PLN 60 thousand.

ING BSK Development Sp. z o.o.

The business of ING BSK Development Sp. z o.o. covers consulting in the field of business running and management, lease of proprietary real estates, mediation in trading in real estates and commissioned real estate administration.

The Company started operations in August 2004 by taking over from ING BSK Leasing 55,075 shares in the initial capital of Centrum Banku Śląskiego Sp. z o.o., representing the right to 50% at the GSM.

At the end of 2004, ING BSK Development was preparing for takeover of lease and administration of the space of Head Office of ING Bank Śląski in Katowice.

IX. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. IN THE YEAR 2004

Balance Sheet Structure

As per 31 December 2004, the net balance sheet total of ING Bank Śląski S.A. amounted to PLN 35,043.9 million and was PLN 6,090.1 million, i.e. 21.0%, higher than the one generated as at the end of December 2002. The main source of increase of the balance sheet and financing of development of activity of ING Bank Śląski was an increase of liabilities towards customers and the budget sector.

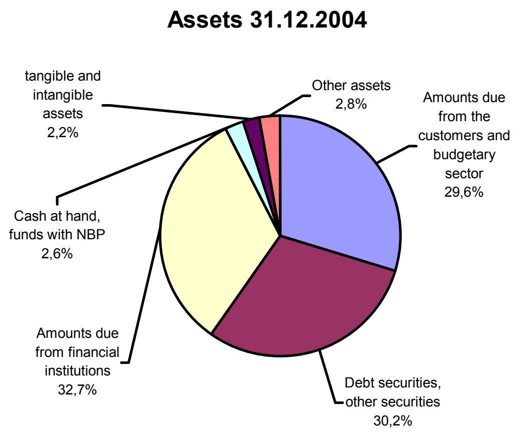
Assets

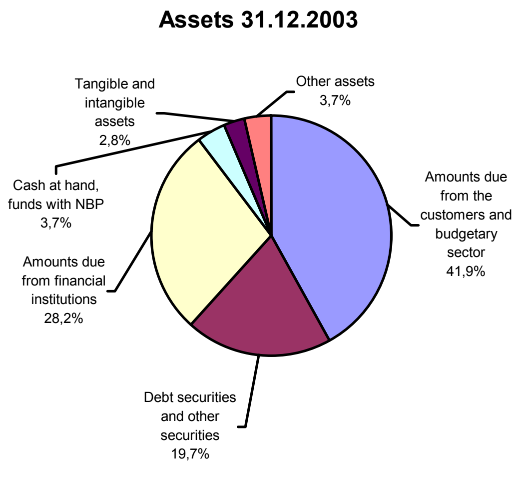
In the course of 2004, significant changes occurred in the structure of assets of ING Bank Śląski; i.e. there was a significant drop of the credit amounts due from the customers that were replaced with the amounts due of the financial sector, debt securities and other securities. The said change resulted most of all from the low credit expansion of the Bank and transferring a part of loss loans to the off-balance sheet records.

As at 31 December 2004, the amounts due from the customers and budgetary sector were PLN 10,387.6 million as compared to PLN 12,119.7 million as of the end of December 2003. They had a 29.6%-share in the assets, whereas in the same period last year their share was at the level of 41.9%.

As of the end of December 2004, the value of debt securities and other securities achieved the level of PLN 10,571.6 million as compared to PLN 5,709.3 million in the year 2003. Their share in the balance sheet total was at the level of 30.2% and it increased as compared to 31.12.2003 by 10.5 percentage points.

The amounts due from financial institutions amounted to PLN 11,446.9 million as of the end of December 2004 as compared to PLN 8,155.3 million in the same period last year. The share of the amounts due from financial institutions in the assets rose from 28.2% as of the end of 2003 to 32.7% as of 31 December 2004.

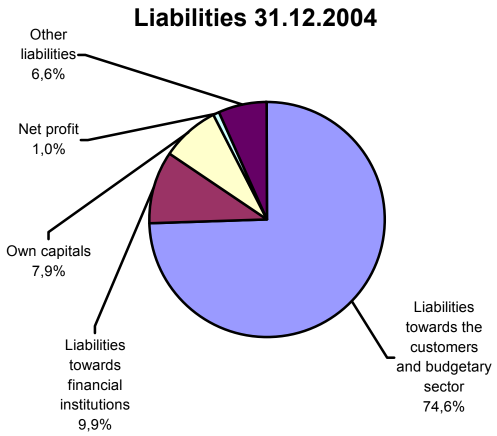


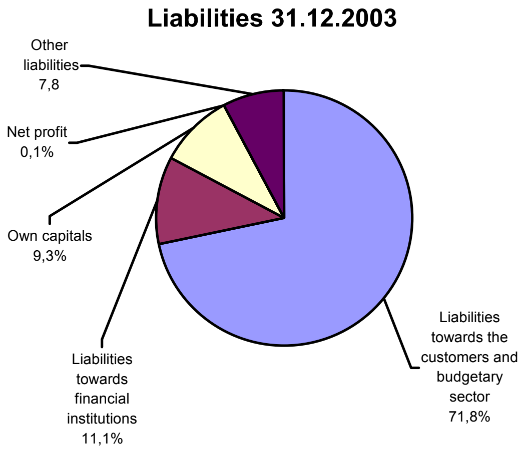


Net value of tangible assets and intangible assets of the Capital Group of ING Bank Śląski as of the end of December 2004 amounted to PLN 757.6 million as compared to PLN 812.1 million as of the end of 2003.

As per 31 December 2004, amounts owed to the customers, financial institutions and other entities constituted 89.8% of the source of covering the assets, and own funds of the Capital Group of ING Bank Śląski constituted 10.2 %. In the same period last year the said relationship was 89.6% and 10.4% respectively.

Liabilities
Value of liabilities towards the customers and budgetary sector increased from PLN 20,775.7 million as of the end of December 2003 to PLN 26,132.9 million as of the end of 2004, i.e. by 25.8%. In December 2004, they constituted 74.6% of the value of liabilities as compared to 71.8% in a comparable period of the year 2003.





Liabilities towards the financial institutions as of the end of December 2004 amounted to PLN 3,470.6 million as compared to PLN 3,221.3 million in a similar period of the previous year. The funds obtained from financial institutions constituted 9.9% of the value of liabilities, whereas in December 2003 the said share amounted to 11.1%.

The share of equity in the liabilities of the ING Bank Śląski Group as of the end of 2004 amounted to 7.9% as compared to 9.3% in the year 2003.

Profit and Loss Account

Gross and Net Profit
In the year 2004, ING Bank Śląski obtained the gross financial result at the level of PLN 353.1 million as compared to PLN 148.0 million a year ago.

Whereas, the net result of the Bank reached the level of PLN 366.3 million as compared to PLN 30.6 million in 2003.

The following factors had an impact on the improvement of the financial results of ING Bank Śląski in the year 2004 as compared to 2003:

- significant growth of the result on banking activities resulting from the increase of the result on financial operations and result on FX positions,
- significant drop of the costs of risk caused by the completion of the credit portfolio "cleaning" process,
- one time, positive adjustment of the income tax (based on the Law on the EU Warranty Fund).

Basic consolidated values of the profit and loss account (in PLN million)

	2004	2003
Interest result	821.7	871.0
Commission related result	483.9	494.7
Revenues on shares, participation shares and other securities as well as other property rights	1.3	1.5
Result on financial operations	74.6	58.8
Result on FX position	202.0	105.8
Result on banking activities	1,583.5	1 531.8
Result on the other operational activities	-15.7	-38.8
Costs of operation incl. depreciation	-1,011.3	-940.1
Operational profit	556.5	552.9
Balance of provisions	-203.6	-405.2
Result on extraordinary operations	0.2	0.2
Gross profit (loss)	353.1	148.0
Income tax	62.8	103.7
Other mandatory decrease of profit	1.3	0.0
Participation in the profits (losses) of the entities evaluated with the ownership rights method	77.3	-13.7
Net profit (loss)	366.3	30.6

Interest Result

Net interest income achieved by the Bank in the year 2004 amounted to PLN 821.7 million (including the income on internal deposit swaps that were treated in the Bank as interest revenues) as compared to PLN 871.0 million last year.

Lowering the interest income as compared to the previous year resulted mostly from significant change of the Bank balance sheet structure i.e. the drop of the share of income generating credit activities and replacing it with secure but generating smaller income debt securities. In the year 2004 the Capital Group of ING Bank Śląski realised interest margin (including income on swap operations) at the level of 2.79% as compared to 3.48% in the year 2003. In the 2H 2004 the Bank started actions aimed at developing new techniques of investing funds allowing for effective management of the deposits obtained from the market.

Income Other than Interest Rates

Fees and commissions income constituted a significant part of the income other than interest rates one. It amounted to PLN 483.9 million in the year 2004 as compared to PLN 494.7 million in the year 2003.

The commission for services connected with current accounts, granting loans and operations made using payment cards had the largest share in the structure of the commission related income.

In the year 2004 the result on the FX position (without taking into account internal deposit swaps) together with the result on financial operations amounted in total to PLN 276.6 million, whereas a year earlier it was at the level of PLN 164.6 million.

Costs of Operation
In the year 2004 overhead costs of ING Bank Śląski (costs of operation together with the depreciation of fixed assets and intangible assets) amounted to PLN 1,011.3 million as compared to PLN 940.1 million a year ago, i.e. they grew by 7.6%.

In the situation of the drop of the value of depreciation, the Bank observed the increase of material costs mostly due to intensification of marketing activities and increase of the cost of consulting connected with the creation of the new strategy of the Bank. Personnel costs also went up, which was mainly caused by the regulation of salaries and growth of performance bonuses paid in relation with the execution of sales tasks, as well as the increase of employment rate reported in the fourth quarter of 2004. The latter was the consequence of implementation of new business solutions.

Balance of Provisions and Revaluation
In 2004, ING Bank Śląski completed the process of cleaning the old credit portfolio. Balance of provisions burdening the profit and loss account amounted to PLN 203.6 million in the year 2004 as compared to PLN 405.2 million a year ago.

Encumbrance with the Income Tax
The 2004 profit amount includes a one-off positive adjustment of the income tax under the EU Guarantee Fund. ING Bank Śląski took advantage of the opportunities offered by the EU Guarantee Fund Act i.e. clauses that allow the banks to decrease their income tax in the years 2007 – 2009 by 8% of the amount of specific provisions against doubtful and loss loans that as of 31 December 2002 did not constituted tax-related costs. The total amount of the future decrease of income tax due to the above is PLN 25.7 million. Discounted amount due resulting from the Law on the EU Warranty Fund – at the level of PLN 17.2 million – was included to the financial result of ING Bank Śląski for the year 2004.

Profitability

Results obtained by the Capital Group of ING Bank Śląski in the year 2004 caused a major improvement of the basic efficiency ratios.

Basic efficiency ratios (in %)

	2004	2003
Profitability ratio	19.5	6.0
Costs to income ratio	63.9	61.4
Return on assets ratio	1.0	0.1
Return on equity ratio	13.2	1.1
Interest margin ratio	2.79	3.48
Solvency ratio	14.9	14.4

Profitability ratio – relation of the gross result [15]to total costs.
Cost to income ratio (C/I) – relation of overhead costs (costs of the Bank operation together with depreciation of fixed assets and intangible assets) to the results on banking activities.
Return on assets ratio (ROA) – relation of the net profit to the balance of assets.
Return on equity ratio (ROE) – calculated as the relation of net profit to own capitals and funds.
Interest margin ratio – relation of the net interest income to the average income generating assets of the Bank[16] (covering the amounts due from the financial and non-financial entities, fixed and variable income generating securities and participation shares).
Solvency ratio – expressing the relation between own net capitals and funds and off-balance sheet assets and liabilities taking into account the risk weights.

The Influence of IAS on Financial Situation of ING Bank Śląski

The Bank drafts its financial report in accordance with the Polish Accounting Standards (PAS). There are some differences between the accounting principles adopted for the purpose of drafting the said financial report as of 31.12.2004 and the International Accounting Standards (IAS) in the part adopted by the European Commission. Those differences are shown in the below reconciliation:

PLN thousand

	Financial result	Net assets
Polish Accounting Standards	**366,255**	**3,135,958**
(1) Valuation according to the depreciated cost considering the effective interest rate	7,555	-61,098
(2) Difference between the total of specific provisions, General Risk Reserve and contingent interest and the adjusting write-offs due to the impairment of financial assets		*120 160*
(3) Revaluation of proprietary real estate		- 7,015
(4) Valuation of financial instruments connected with long-term incentive system	-967	- 967
(5) Goodwill	29,983	25,399
(6) Deferred tax	-1,435	5,962
International Accounting Standards	**401,561**	**3,218,399**

[15] After adjusting by the participation in the net profits (losses) of subsidiaries evaluated with the equity method and profits (losses) of minority.
[16] Net interest income was increased by the income regarding "internal deposit swaps". Average assets are calculated based on the data from three periods: 31 December 2002, 30 June 2003 and 31 December 2003.

1. In accordance with PAS, interest is included in the P&L Account on an accrual basis and commissions on an accrual or cash basis depending on the commission type. In line with IAS the valuation according to the depreciated cost considering the effective yield of a given financial instrument was applied, whereas the effective yield was calculated considering all fees and payments made and received.
   Due to the estimation of the credit impairment in accordance with IAS for the first time as of 01.01.2005, the adjustment did not take into consideration the changed method of charging interest on the current asset value. Therefore, in this regard the reconciled financial result will not be fully comparable with the result established in accordance with IAS in a continuous manner in the year 2005.

2. In accordance with IAS 39, there was reconciled an adjusting write-off of financial assets listed at the depreciated purchase price as the differential between the balance sheet value of the asset and the current value of expected future cash flows, discounted using the effective interest rate. In line with PAS, the dominant entity determines the value of specific provisions pursuant to the effective regulation on establishing reserves for the risk related to banks' operations issued by the Minister of Finance.

Under IFRS, provisions established up to date for the estimated (forecast) loss and for the risk of loss in the future are replaced by the write-off up-dating the value of assets in which the loss of value was found and by the provisions for losses incurred but not reported yet.
The amount of the up-dating write-off is calculated as a difference between the sum of forecast future cash flow discounted with the effective rate and the current value of liabilities (or equivalent of liabilities).

Calculation of IBNR (Incurred but not reported), i.e. the provisions for losses incurred but not reported, is made with the use of statistical models based on the amount of exposure in which no loss of value was found based on PD (probability of default), the estimated period of time between occurrence of circumstances causing the loss (e.g. loss of capability to pay debts) and the Bank being informed of such situation, and LGD (loss given default).

IFRS does not allow for keeping general reserves. This results in the need to dissolve General Risk Reserve which will be partly used for creating of IBNR in corporate area.

Partial decrease of provisions in the retail area is a result of the fact that the calculated LGD is lower than provisions obtained according to the up to date standard. The amounts of provisions for increased risk exposure which do not fulfil the test of the loss of value appeared insufficient to create IBNR provision for the retail.

PAS	**31.12.2004** PLN million	**IFRS**	**01.01.2005** PLN million	**Change** PLN million
Specific provisions – corporations and small firms	541 *impaired 508* *not imp. 33*	Corporate impairment	568	**+ 102**
		Corporate IBNR	75	
Specific provisions – individual customers and selected SME lines	252 *impaired 186* *not imp. 66*	Retail Impairment	184	**+ 1**
		Retail IBNR	69	
General Risk reserve	223 allocation corp. 167 allocation retail 56	General Risk Reserve must not appear	0	**-223**
	1 016		**896**	**-120**

The general outline of the conversion of provisions kept at the Bank as of 1 January 2005, presented in the table above, shows that the Bank will be forced to transfer approx. PLN 120 million from reserves to equity.

Due to the fact that those reserves were created in the previous periods from profits and taking into consideration the high level of the Bank's solvency ratio, the Management Board proposes to increase the dividend for the year 2004 by the amount of predicted adjustment of reserves.

3. As of 1.01.2005, the Bank revalued the real estates used for banking activity to the fair value, reduced with the depreciation write-offs. It is dictated, first of all, by the intention to present the value of the real estate in real terms in the financial reports of the Bank. So far, the real estates were presented at the historical value of purchase or manufacturing, which in the opinion of the Bank did not show the fair picture of fixed assets. Real estates will be evaluated by the Bank periodically at least every 3-5 years.

4. Implementation of IAS involves introduction of valuation of derivative instruments connected with the long-term incentive system.

5. Implementation of IAS also involves changing the valuation of goodwill, which is subject to test for impairment, under IAS. In its books, the Bank recognises goodwill related to the take-over of ING Warsaw Branch, for which no impairment was recorded, and goodwill due to the take-over of Wielkopolski Bank Rolniczy. In case of the latter, the Bank does not generate the assumed profit level, therefore an impairment was recognised of 100% of the goodwill.

6. Deferred tax applies to the above described items.

Under §18, section 2, item 5 of the Ordinance of the Minister of Finance specifying conditions to be met by the Prospectus and by the abbreviated Prospectus (Journal of Laws of 2004 No. 186 item 1921 of 27.08.2004), the Bank hereby gives notice that the above differences between its financial report under the Polish Accounting Standards and the one under the IAS were quantified only and exclusively according to the balance as of 31.12.2004 and 1.01.2005, but not as of 31.12.2003.

The Bank Management Board emphasizes the fact that International Accounting Standards do not allow for the establishment of general reserves and provisions for potential future occurrences and thus the result is more volatile upon the influence of changes in the economic situation or individual occurrences related to the Bank's portfolio.

The estimates presented in the above note are of a preliminary nature and they were not audited, thus they may change.

The Proposal of Distribution of Profit for 2004

The Management Board of ING Bank Śląski S.A. proposes to pay the dividend for the year 2004 in the amount of PLN 20,50 per 1 share. Since all shares of ING Bank Śląski are ordinary shares, there are no liabilities due to cumulated dividends to be paid for preferred shares.

In the year 2004, ING Bank Śląski accomplished much better financial results than in the previous years – net profit amounted to PLN 366.3 million, i.e. at the level of PLN 28.15 per 1 Bank's share.

The Bank Management Board will submit to the General Shareholders Meeting the proposal to allocate the profit as follows:

1.Dividend:	**PLN 20.50 per 1 share, i.e. PLN 266.7 million**
a) 40% net profit	PLN 11.30 per 1 share, i.e. PLN 147.0 million
b) one-off payment connected with the introduction of IAS and expected transfer of some provisions to equity	PLN 9.20 per 1 share, i.e. PLN 119.7 million
2. General Risk Fund	**PLN 30.0 million**
3. Reserve Capital	**PLN 69.6 million**

The Bank Management Board will propose to pay the dividend at the General Shareholders Meeting to be convened in May 2005.

Due to the significant improvement of the profitability of ING Bank Śląski in the year 2004 and the high solvency ratio (15.4%), being the proof of an adequate level of Bank's equity for future market expansion, the Management Board is proposing the dividend for the year 2004 of 40% of the net profit earned, i.e. PLN 11.30 per 1 share.

The analyses concerning the consequences of the Bank's conversion into the international accounting standards also show that in the 2005 opening balance sheet the amount of approx. PLN 120 million will be shifted from provisions to the Bank's equity. The principles of establishment of provisions stipulated in the international accounting standards are based on the concept of the incurred loss which results among others in the need to dissolve the general reserves held by the Bank (mainly General Risk Reserves). The reserves dissolved for that reason will be used by the Bank partly to establish provisions for losses incurred but not reported (IBNR), and partly they will increase the Bank's equity.

According to the preliminary estimates, the amount of capital increase following the implementation of IAS 39 and 37 in regard to establishment of write-offs revaluating the off-balance-sheet receivables and liabilities will be approximately PLN 120 million. Bearing in mind the fact that the provisions shifted to the capital were established by the Bank over former periods at the cost of profits and since the solvency ratio of the Bank is high, the Management Board considers rational to render the entire amount of the foreseen capital increase, caused by the change of provisioning rules, to the shareholders as a higher dividend. This means that the Bank will pay a one-off dividend of PLN 9.20 per 1 share; i.e. in the amount of PLN 119.7 million.

The total dividend from the profit generated by ING Bank Śląski for the year 2004 is PLN 20.50 per 1 share.

Change of accounting standards will also affect the equity of the Bank. Decrease of the Bank's equity resulting from the introduction of effective interest rate is one of the major consequences thereof. It is estimated that the said operation will reduce the Bank's equity by PLN 61.1 million approximately. As the said amount will be settled in future in the form of increased Bank's revenues over future periods, the Management Board did not take account of the impact of that factor while determining the proposal of dividend payment.

The Management Board of ING Bank Śląski emphasizes the fact that as a result of the changed accounting standards we have to expect a larger volatility of the Bank's results. Over the year 2005, the Bank will analyse alternative solutions aimed at developing a stable and transparent dividend policy.

X. STRATEGY OF ING BANK ŚLĄSKI

On 26 September 2003, the Supervisory Board of the Bank accepted the "Strategy of ING Bank Śląski for the years 2003 – 2007". It determines long-term objectives for ING Bank Śląski as well as the instruments of their realisation on the banking services market that will become more and more competitive after Poland's accession to the European Union.

The mission of ING Bank Śląski is to become one of the main players on the banking market by way of providing high quality customer-oriented services, including the services of other companies of ING Group in Poland.

The main strategic objectives of the Bank for the coming years are as follows:

- strengthening the market position by way of organic growth;
- increasing the company's value by way of improving the efficiency of the Bank's functioning.

Implementation of the strategic objectives by the Bank will depend, apart from acquisition of clients, on establishing long-term and valuable relationships with the existing ones (cross-selling and deep-selling). The Bank will improve the binding customer segmentations, and then, it will tailor the product offer, the prices of products and services, distribution channels and principles of service to the preferences of particular customer groups. Offering the products of other members of the ING Group will be an important element of increasing the cross-selling degree (offering participation units of the investment funds, pension funds, insurance services, brokerage services, mortgage loans and leasing).

The Bank will continue the present strategy in the field of development of the network of Bank Branches i.e. it intends to become a nation-wide bank by way of development of the branch network in the Polish regions, which are most prospective in terms of banking operations. At the same time, the Bank will foster transferring of routine transactions to electronic distribution channels. Whereas, in the Bank Branches it will strive for offering, most of all, the services of high value and requiring direct contact with the Bank employee, including the ones based on consulting.

In the second quarter of 2004, the statutory authorities of the Bank were changed significantly. The new Bank Management Board made an in-depth analysis of the operations of ING Bank Śląski, its market position as well as strengths and weaknesses. The present and predicted trends in the macroeconomic environment were analysed as well.

The analyses conducted proved that the main lines of development pursued by ING Bank Śląski were appropriate. The economic revival observed in the first half of 2004 and favourable development prospects of the Polish economy provide opportunities for a dynamic expansion of ING Bank Śląski and a substantial improvement of the efficacy of its operations. The Management Board expressed intention that the Bank would accomplish the growth rate characterising the entire banking sector, whereas in the areas of top priority it would even exceed it. A significant improvement of efficacy of Bank's operations was assumed as of the beginning of 2005.

In the first half of 2004, ING Bank Śląski also specified the core instruments for accomplishment of long-term objectives. First of all, the Bank focused on modifying the organisational structure so as to establish the customer-oriented sales, i.e. establishing the "Bank for customer'. Both the Head Office and the Sales Network were changed.

In August 2004, a new strategy of deposit acquisition was launched in ING Bank Śląski. The main objective thereof was a significant improvement of the Bank's position on the deposit market by way of, among others, making the deposit offer more attractive, guaranteeing its simplicity and transparency as well as facilitating access to Bank products via new channels (ING BankOnLine and HaloŚląski) and also undertaking intensive activities in the field of marketing communications. Reinforcing the position of ING Bank Śląski on the deposit market will provide for opportunity for effective acquisition of funds and foster creation of a good base for cross-selling of other Bank products and services.

In addition, the Bank commenced works aimed at fostering lending via, for instance, undertaking activities to streamline the credit process and guaranteeing adequate support of IT systems and qualifications of employees therefor. A new – binding as of October 2004 – offer and organisation of sales of mortgage loans will be another factor conducive to reactivation of lending. The said reactivation will be accompanied by the Bank's strive for sustenance of high safety standards of credit risk management.

ING Bank Śląski expects that the business actions taken should prove conducive to levelling its deposit and credit activity (i.e. the assets and the liabilities parts of the balance sheet) in a better manner over the period of 3 years.

In the second half of 2004, as part of reorganisation works, ING Bank Śląski started realising several projects, covering various areas of activity. Their effective implementation should make the Bank fully utilise the opportunities related to the dynamic economic growth and contribute to accomplishment of long-term objectives by ING Bank Śląski on a more and more competitive market.