

ING Bank Śląski S.A.
Capital Group
Report supplementing
the auditor's opinion
on the consolidated financial
statements
Financial Year ended
31 December 2006

KPMG Audyt Sp. z o.o.
The report supplementing the auditor's opinion
contains 13 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2006

Contents

1	General	3
1.1	Identification of the Group	3
1.2	Information about companies comprising the Group	3
1.3	Auditor information	4
1.4	Legal status	4
1.5	Prior period consolidated financial statements	5
1.6	Audit scope and responsibilities	6
1.7	Information on audits of the financial statements of the consolidated companies	7
2	Financial analysis of the Group	8
2.1	Summary of the consolidated financial statements	8
2.2	Selected financial ratios	10
2.3	Interpretation of selected financial ratios	10
3	Detailed report	11
3.1	Accounting principles	11
3.2	Basis of preparation of the consolidated financial statements	11
3.3	Method of consolidation	11
3.4	Consolidation of equity and calculation of minority interest	11
3.5	Consolidation eliminations	12
3.6	Compliance with banking regulations	12
3.7	Audit materiality	12
3.8	Notes to the consolidated financial statements	12
3.9	Report of the Management Board of the Parent Company on the Group's activities	12
3.10	Information on the opinion of the independent auditor	13

1 General

1.1 Identification of the Group

1.1.1 Name of the Group

ING Bank Śląski S.A. Capital Group

1.1.2 Registered office of the Parent Bank of the Group

ul. Sokolska 34
40-086 Katowice

1.1.3 Registration of the Parent Bank in the National Court Register

Seat of the court: District Court in Katowice, Commercial Department of the National Court Register
Date: 9th April 2001
Registration number: KRS 0000005459

1.1.4 Registration of the Parent Bank in the Tax Office and Statistical Office

NIP: 634-013-54-75
REGON: 271514909

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2006, the following companies were consolidated by the Group:

Parent Bank:

- ING Bank Śląski S.A.

Subsidiaries consolidated on the full consolidation basis:

- ING Securities S.A.
- Śląski Bank Hipoteczny S.A.
- Centrum Banku Śląskiego Sp. z o.o.
- ING BSK Development Sp. z o.o.
- Solver Sp. z o.o.

1.2.2 Entities excluded from consolidation

As at 31 December 2006 there were no entities of ING Bank Śląski S.A Capital Group, which were not included in the consolidated financial statement.

1.3 Auditor information

Name: KPMG Audyt Sp. z o.o.
Registered office: Warsaw,
Address: ul. Chłodna 51, 00-867 Warsaw
KRS number.: 0000104753
Registration court: District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register;
Share capital: PLN 125,000
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Bank was established for an indefinite period under the terms of its Statute dated 8 October 1991.

The share capital of the Parent Bank amounted to PLN 130,100,000 as at 31 December 2006 divided into 13,010,000 ordinary shares with a nominal value of PLN 10 each.

As at 31 December 2006, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal value of shares (in PLN)	Percentage of share capital (%)
ING BANK N.V.	9,757,500	75.0%	97,575,000	75.0%
Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	850,000	6.5%	8,500,000	6.5%
Others< 5%	2,402,500	18.5%	24,025,000	18.5%
	13,010,000	100.0%	130,100,000	100.0%

1.4.2 Management of the Parent Bank

The Management Board is responsible for management of the Parent Bank.

At 31 December 2006, the Management Board of the Parent Bank was comprised of the following members:

- | | |
|---------------------------|--|
| • Mr Brunon Bartkiewicz | - President of the Management Board |
| • Mr Mirosław Boda | - Vice-president of the Management Board |
| • Mr Ian Clyne | - Vice-president of the Management Board |
| • Ms Marlies van Elst | - Vice-president of the Management Board |
| • Mr Michał Szczurek | - Vice-president of the Management Board |
| • Mr Benjamin van de Vrie | - Vice-president of the Management Board |
| • Mr Maciej Węgrzyński | - Vice-president of the Management Board |

On 5 July 2006 during the Supervisory Board of the Bank, Mr Krzysztof Brejda resigned from a position of Vice-president of the Management Board of ING Bank Śląski S.A. as of 5 July 2006, Mr Grzegorz Cywiński resigned from a position of Vice-president of the Management Board of ING Bank Śląski S.A. as of 1 August 2006 and Mr Don Koch resigned from a position of Vice-president of the Management Board of ING Bank Śląski S.A. as of 1 August 2006. At the same time the Supervisory Board of the Bank appointed Mr Mirosław Boda and Ms Marlies van Elst to positions of Vice-presidents of the Management Board of ING Bank Śląski S.A. as of 1 August 2006.

1.4.3 Scope of activities

The business activities listed in the Parent 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 domestic and foreign banks;
- custodian services;
- providing leasing, factoring, underwriting services;
- intermediary services for Open Pension Funds;
- other services as specified in the Bank's Statute

The business activities of subsidiaries of the Group, include the following:

- granting mortgage loans;
- trading mortgage-backed securities;
- brokerage services;
- financial consulting and intermediary;
- financial intermediary, market research and analysis;
- real estate rental services;
- real estate agency and related services

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2005 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion

The consolidated financial statements were approved at the General Shareholders' Meeting on 27 April 2006.

The closing balances as at 31 December 2005 have been properly recorded as the opening balances of the audited year.

The consolidated financial statements were submitted to the Registry Court on 28 April 2006 and were published in Monitor Polski B No. 1115 item 6309 on 6 November 2006.

1.6 Audit scope and responsibilities

This report was prepared for the General Shareholders' Meeting of ING Bank Śląski S.A. seated in Katowice, ul. Sokolska 34, and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2006, with total assets and total liabilities and equity of PLN 48,466,705 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 597,951 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 217,306 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 3,061,523 thousand, and the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The Bank prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the resolution of the General Shareholders' Meeting dated 23 December 2004.

The consolidated financial statements have been audited in accordance with the contract dated 12 August 2005, concluded on the basis of the resolution of Supervisory Board of ING Bank Śląski S.A. dated 29 April 2005 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Bank's head office during the period from 3 January 2007 to 28 February 2007.

Management of the Parent Bank is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Our responsibility is to express an opinion, and to prepare a supplementing report, on the financial statements.

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

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

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. 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.

1.7 Information on audits of the financial statements of the consolidated companies

1.7.1 Parent Bank

The financial statements of the Parent Bank for the year ended 31 December 2006 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
ING Securities S.A.	KPMG Audyt Sp. z o.o.	31 December 2006	Unqualified opinion
Śląski Bank Hipoteczny S.A.	KPMG Audyt Sp. z o.o.	31 December 2006	Unqualified opinion
Centrum Banku Śląskiego Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2006	Unqualified opinion

The financial statements of other entities in the Group were not required to be audited for the financial year ended 31 December 2006.

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

ASSETS	31.12.2006 PLN thousand	% of total	31.12.2005 PLN thousand	% of total
Cash in hand and balances with the Central Bank	1,027,727	2.12	1,176,443	2.79
Deposits in other banks, loans and advances to other banks	13,513,898	27.87	12,573,648	29.85
Financial assets at fair value through profit and loss	7,061,444	14.55	6,155,240	14.61
Investment financial assets	12,614,914	26.02	10,922,919	25.92
Loans and advances to customers	12,988,247	26.78	9,902,860	23.51
Investments in subsidiaries	90,309	0.19	75,080	0.18
Property, plant, and equipment	571,065	1.18	600,851	1.43
Investments properties	145,970	0.30	140,547	0.33
Intangible assets	317,661	0.66	318,857	0.76
Non-current assets held for sale	224	0.00	5,969	0.01
Current tax assets	-	0.00	36,453	0.09
Deferred tax assets	38,132	0.08	78,125	0.19
Other assets	97,114	0.25	139,922	0.33
TOTAL ASSETS	48,466,705	100.0 0	42,126,914	100.0 0
EQUITY AND LIABILITIES	31.12.2006 PLN thousand	% of total	31.12.2005 PLN thousand	% of total
Liabilities				
Liabilities due to the Central Bank	696,000	1.44	464,000	1.10
Liabilities due to other banks	1,401,149	2.89	865,301	2.05
Financial liabilities at fair value through profit and loss	3,111,213	6.42	3,685,789	8.75
Liabilities to customers	38,561,423	79.55	32,823,596	77.92
Provisions	90,324	0.19	80,519	0.19
Current income tax liabilities	67,532	0.14	-	0.00
Other liabilities	760,671	1.57	646,622	1.54
Total liabilities	44,688,312	92.20	38,565,827	91.55
Equity				
Share capital	130,100	0.27	130,100	0.31
Supplementary capital - issuance of shares over nominal value	993,750	2.05	993,750	2.36
Revaluation reserve from financial assets available for sale	42,830	0.09	85,796	0.20
Revaluation reserve from fixed assets	52,263	0.11	38,055	0.09
Retained earnings	2,536,751	5.23	2,300,937	5.46
Total equity attributable to equity holders of the parent	3,755,694	7.75	3,548,638	8.42
Minority capital	22,699	0.05	12,449	0.03
Total equity	3,778,393	7.80	3,561,087	8.45
TOTAL EQUITY AND LIABILITIES	48,466,705	100.0 0	42,126,914	100.0 0

2.1.2 Consolidated profit and loss account

	1.01.2006 - 31.12.2006 PLN thousand	1.01.2005 - 31.12.2005 PLN thousand
Interest income	2,003,220	1,868,398
Interest expense	(1,066,916)	(1,147,177)
Net interest income	936,304	721,221
Fee and commission income	738,581	604,076
Fee and commission expense	(89,905)	(76,398)
Net fee and commission expense	648,676	527,678
Dividend income	2,561	1,711
Result on financial instruments at fair value through profit and loss	552	212,137
Net income on investment financial assets	20,017	3,684
Result on sale of subsidiaries	-	289
Result on investment properties at fair value	3,652	17,429
Result on sale of assets held for sale	(127)	3,632
Result from adjustments of fair value in hedge accounting	(1,260)	(1,995)
FX result	148,539	176,442
Other operating income	54,773	40,076
Other operating expenses	39,057	31,856
Result on operating activity	1,774,630	1,670,448
General administrative expenses	(1,092,446)	(981,118)
Depreciation and amortisation	(141,625)	(128,269)
Net income and disposals of assets other than held for sale	(998)	122
Impairment losses and provisions	173,920	117,957
Share in net profit in associated entities	39,850	26,700
Profit / (Loss) before tax	753,331	705,840
Income tax	155,380	139,394
Net profit (loss)	597,951	566,446
Attributable to:		
Equity holders of the parent	591,355	549,462
Minority interest	6,596	16,984
Earnings per share (PLN)	45.45	42.23

2.2 Selected financial ratios

	2006 PLN thousand	2005 PLN thousand
Total assets	48,466,705	42,126,914
Gross profit	753,331	705,840
Net profit	597,951	566,446
Shareholder's equity *	3,180,442	2,994,641
Return on equity	18.80%	18.92%
Capital adequacy ratio	15.74%	18.60%
Receivables to total assets	54.66%	53.35%
Income generating assets to total assets	95.24%	93.89%
Interest bearing liabilities to total liabilities	90.27%	89.82%

* excluding current year net profit

2.3 Interpretation of selected financial ratios

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

The total consolidated balance sheet increased by PLN 6,339,791 thousand, i.e. 15.05% during 2006. The main growth in total liabilities was an increase in due to customers. Investment financial assets and loans and advances to customers are accounted for the main increase in total assets.

Gross consolidated profit before tax for the year ended 31 December 2006 amounted to PLN 753,331 thousand. It was higher than in the previous year by PLN 47,491 thousand (i.e. by 6.73%). The main reason for the increase in gross profit was higher result from interest income and from commissions and fees, as well as lower charges to impairment provisions.

3 Detailed report

3.1 Accounting principles

The Parent Bank maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Bank.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Bank, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Bank.

The financial statements of the entities included in the consolidated financial statements were prepared at the same balance sheet date as the financial statements of the Parent Bank.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the ING Bank Śląski S.A. Capital Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 12 December 2001 regarding the consolidated financial statements of banks and consolidated financial statements of financial holding companies (Official Journal from 2001, No 152, item 1728).

3.3 Method of consolidation

The method of consolidation is described in point (f) of significant accounting policies in the notes to the consolidated financial statements.

3.4 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Bank.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Bank's share in the subsidiaries' equity as at the balance sheet date to the corresponding positions of the equity of the Parent Bank.

Only equity of subsidiaries arising after the Parent Bank obtained control of the subsidiary is included in the equity of the Group.

Minority interests in subsidiaries included in the consolidated financial statements were determined based on the minority shareholders' share in the subsidiaries' equity as at the balance sheet date.

3.5 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of ING Bank Śląski S.A. and subsidiary entities and agreed with information received from the subsidiaries.

3.6 Compliance with banking regulations

Base on our audit we have not identified any significant deviations in the ING Bank Śląski S.A. Capital Group compliance with the banking regulatory norm pertaining among other to loan concentration, obligatory reserve and capital adequacy ratio.

3.7 Audit materiality

We have planned and applied an appropriate level of precision in conducting our audit procedures in order to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free of material misstatements.

3.8 Notes to the consolidated financial statements

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

3.9 Report of the Management Board of the Parent Bank on the Group's activities

The Report of the Management Board of the Parent Bank on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the consolidated financial statements.

3.10 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2006, we have issued an unqualified opinion.

Signed on the Polish original

.....
Certified Auditor No. 796/1670
Bogdan Dębicki,
Member of the Management Board

Signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 796/1670
Bogdan Dębicki,
Member of the Management Board

Signed on the Polish original

.....
For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Robert J. Widdowson
Partner

Warsaw, 20 April 2007