



ING Bank Śląski S.A.

**Report supplementing
the auditor's opinion
on the unconsolidated
financial statements
Financial Year ended
31 December 2006**

**KPMG Audyt Sp. z o.o.
The report supplementing the auditor's opinion
contains 11 pages
Report supplementing the auditor's opinion
on the unconsolidated financial statements
for the financial year ended
31 December 2006**

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1 General

1.1 General information about the Bank

1.1.1 Company name

ING Bank Śląski S.A.

1.1.2 Registered office

ul. Sokolska 34
40-086 Katowice

1.1.3 Registration in the National Court Register

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

1.1.4 Tax Office and Provincial Statistical Office registration

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

1.2 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.

1.3 Legal status

1.3.1 Share capital

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

The share capital of the 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%

1.3.2 Related parties

The Bank is a member of the ING Groep N.V. Capital Group.

1.3.3 Management of the Company

The Management Board is responsible for management of the Bank.

At 31 December 2006, the Management Board of the Bank comprised 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.

1.3.4 Scope of activities

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 and underwriting services;
- intermediary services for Open Pension Funds;
- other services as specified in the Bank's Statute.

1.4 Prior period financial statements

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

The unconsolidated financial statements were approved at the General Shareholders' Meeting on 27 April 2006 where it was resolved to allocate the profit for the prior financial year of PLN 506,783,568.90 as follows:

• equity reserves	99,008,568.90 PLN
• general risk fund	50,000,000.00 PLN
• dividend for shareholders	357,775,000.00 PLN

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

The unconsolidated financial statements were submitted to the Registry Court on 28 April 2006 and were published in Monitor Polski B No. 1115 item 6308 on 6 November 2006.

1.5 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 unconsolidated financial statements comprising: the balance sheet as at 31 December 2006 with total assets and total liabilities and equity of PLN 48,351,450 thousand, the profit and loss account for the year then ended with a net profit of PLN 540,557 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 150,785 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 3,082,328 thousand and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The Bank prepares its unconsolidated 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 unconsolidated 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 have conducted the interim audit in the Bank's head office (and branches) during the period from 30 October 2006 to 22 December 2006.



We audited the unconsolidated financial statements in the Bank's head office (and branches) during the period from 3 January 2007 to 28 February 2007.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements, and whether the unconsolidated financial statements are derived from properly maintained accounting records, based on our audit.

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

2.1.1 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	1,027,718	2.13	1,176,436	2.80
Deposits in other banks, loans and advances to other banks	13,560,173	28.05	12,626,500	30.00
Financial assets at fair value through profit and loss	7,056,724	14.59	6,165,686	14.65
Investment financial assets	12,644,728	26.15	10,952,027	26.03
Loans and advances to customers	13,082,578	27.06	10,026,137	23.83
Investments in subsidiaries	126,910	0.26	126,910	0.30
Property, plant, and equipment	408,453	0.84	443,093	1.05
Intangible assets	316,753	0.66	317,800	0.76
Non-current assets held for sale	224	0.00	5,969	0.01
Current tax assets	-	0.00	35,213	0.08
Deferred tax assets	30,209	0.06	71,645	0.17
Other assets	96,980	0.20	136,616	0.32
TOTAL ASSETS	48,351,450	100.00	42,084,032	100.00
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	1.11
Liabilities due to other banks	1,400,239	2.90	877,038	2.08
Financial liabilities at fair value through profit and loss	3,111,213	6.43	3,685,789	8.76
Liabilities to customers	38,626,433	79.89	32,878,020	78.12
Provisions	88,833	0.18	79,490	0.19
Current tax liabilities	65,815	0.14	-	0.00
Other liabilities	746,943	1.54	634,506	1.51
Total liabilities	44,735,476	92.52	38,618,843	91.77
Equity				
Share capital	130,100	0.27	130,100	0.31
Supplementary capital - issuance of shares over nominal value	993,750	2.06	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	40,458	0.08	31,725	0.08
Retained earnings	2,408,836	4.98	2,223,818	5.28
Total equity	3,615,974	7.48	3,465,189	8.23
TOTAL EQUITY AND LIABILITIES	48,351,450	100.00	42,084,032	100.00

2.1.2 Profit and loss account

	1.01.2006 - 31.12.2006 PLN thousand	1.01.2005 - 31.12.2005 PLN thousand
Interest income	2,007,792	1,870,269
Interest expense	(1,075,139)	(1,155,628)
Net interest income	932,653	714,641
Fee and commission income	620,296	524,701
Fee and commission expense	(62,533)	(55,510)
Net fee and commission expense	557,763	469,191
Dividend income	57,621	41,611
Net income on financial instruments at fair value through profit and loss	104	211,766
Net income on investment financial assets	20,017	3,674
Result on sale of subsidiaries	0	1,838
Result on sale of assets held for sale	(127)	3,632
FX result	146,697	160,121
Other operating income	28,770	20,094
Other operating expenses	(31,735)	(30,153)
Result on operating activity	1,711,763	1,596,415
General administrative expenses	(1,061,986)	(959,529)
Depreciation and amortisation	(137,268)	(120,430)
Net income and disposals of assets other than held for sale	(998)	120
Impairment losses and provisions	171,547	120,207
Profit / (Loss) before tax	683,058	636,783
Income tax	(142,501)	(129,999)
Net profit (loss)	540,557	506,784
Earnings per ordinary share (PLN)	41.55	38.95

2.2 Selected financial ratios

	2006 PLN thousand	2005 PLN thousand
Total assets	48,351,450	42,084,032
Gross profit	683,058	636,783
Net profit	540,557	506,784
Shareholder's equity *	3,075,417	2,958,405
Return on equity	17.58%	17.13%
Capital adequacy ratio	15.08%	17.96%
Receivables to total assets	55.10%	53.83%
Income generating assets to total assets	95.85%	94.50%
Interest bearing liabilities to total liabilities	90.66%	90.07%

* excluding current year net profit

2.3 Interpretation of selected financial ratios

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

The total balance sheet grew by PLN 6,267,418 thousand during the year, i.e. 14.89%. The main growth in total liabilities was an increase in due to customers. Investment financial assets and loans and advances to customers accounted for the main increase in total assets.

Gross profit before tax for the year ended 31 December 2006 amounted to PLN 683,058 thousand and was higher in comparison to the previous year by PLN 46,275 thousand (i.e. by 7.27%). The main reason for the increase in gross profit was higher result from interest income and commissions and fees, as well as lower charges to impairment provisions.

3 Detailed report

3.1 Proper operation of the accounting system

The Bank maintains current documentation describing the applied accounting principles, adopted by the Management Board, to the extent required by Art. 10 of the Accounting Act.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system. Our assessment covered in particular:

- appropriateness and consistency of the accounting principles used,
- correctness of the documentation of business transactions,
- fairness, accuracy and verifiability of the books of account, including the matching of accounting entries with supporting documentation and the financial statements,
- compliance of the adopted policies relating to safeguarding of accounting records, books of account and the financial statements with the Accounting Act.

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

3.2 Verification of assets and liabilities

The Bank performed a verification of assets and liabilities and in accordance with the requirements and time frame specified in Art. No. 26 of the Accounting Act.

Cash count differences have been recorded in the period covered by the unconsolidated financial statements.

3.3 Compliance with banking regulations

Based on our audit we have not identified any significant deviations in the bank's compliance with the banking regulatory norm pertaining among other to loan concentration, obligatory reserve and capital adequacy ratio.

3.4 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 unconsolidated financial statements taken as a whole are free of material misstatements.

3.5 Notes to the financial statements

All information included in the notes to the unconsolidated 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 financial statements taken as a whole.

3.6 Report on the Bank's activities

The Report on the Bank's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 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 unconsolidated financial statements.

3.7 Information on the opinion of the independent auditor

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

Signed on the Polish original

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

Signed on the Polish original

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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

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

Warsaw, 20 April 2007