

ING Bank Śląski S.A.

**Report supplementing
the auditor's opinion
on the financial statements
Financial Year ended
31 December 2007**

**KPMG Audyt Sp. z o.o.
The report supplementing the auditor's opinion
contains 11 pages
Report supplementing the auditor's opinion
on the financial statements
for the financial year ended
31 December 2007**

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

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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

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

1.1.4 Tax Office and Provincial Statistical Office registration

NIP number: 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
Registration number: KRS 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 2007 divided into 13,010,000 ordinary shares with a nominal value of PLN 10 each.

As at 31 December 2007, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal value of shares PLN '000	Percentage of share capital (%)
ING Bank N.V	9,757,500	75.00%	97,575,000	75.00%
Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	696,926	5.36%	6,969,260	5.36%
Others <5%	2,555,574	19.64%	25,555,740	19.64%
	13,010,000	100.00%	130,100,000	100.00%

1.3.2 Related parties

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

1.3.3 Management of the Company

The Management Board is responsible for management of the Bank.

At 31 December 2007, 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
- Ms Maria Elisabeth van Elst - Vice-President of the Management Board
- Mr Oscar Edward Swan - 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

On 20 April 2007, at the meeting of the Supervisory Board of the Bank, Mr Maciej Węgrzyński resigned from a position of Vice-President of the Management Board of ING Bank Śląski S.A. as of the General Shareholders' Meeting i.e. 9 May 2007.

On 28 September 2007 at the meeting of the Supervisory Board of the Bank, Mr Ian B. Clyne informed the Board of his intention to resign from a position of Vice-President of the Management Board of ING Bank Śląski S.A. and at the same time the Supervisory Board of the Bank expressed their intention to appoint Mr Oscar Edward Swan to a position of Vice-President of the Management Board of ING Bank Śląski S.A. On 1 December 2007 Mr Ian B. Clyne resigned from the position of Vice-President of the Management Board and Mr Oscar Swan was appointed to the position of Vice-President of the Management Board.

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 financial statements for the period ended 31 December 2006 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The financial statements were approved at the General Shareholders' Meeting on 9 May 2007 where it was resolved to allocate the profit for the prior financial year of PLN 540,557,108.21 as follows:

• equity reserves	127,578,108.21 PLN
• general risk fund	50,000,000.00 PLN
• dividend for shareholders	362,979,000.00 PLN

The closing balances as at 31 December 2006 have been properly recorded as the opening balances of the audited year.

The financial statements were submitted to the Registry Court on 24 May 2007 and were published in Monitor Polski B No. 1456 item 8418 dated 3 September 2007.

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 financial statements comprising of: the balance sheet as at 31 December 2007 with total assets and total liabilities and equity of PLN 51,826,426 thousand, the profit and loss account for the year then ended with a net profit of PLN 610,153 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 53,480 thousand, the cash flow statement for the year then ended with a decrease in cash of PLN 3,336,808 thousand and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

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

The financial statements have been audited in accordance with the contract dated 12 August 2005, concluded on the basis of the resolution of the 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 during the period from 30 October 2007 to 21 December 2007.

We have conducted the final audit in the Bank's head office during the period from 3 January 2008 to 7 March 2008.

Management Board of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the 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, and whether the 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 financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the 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 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 financial statements

2.1.1 Balance sheet

ASSETS	31.12.2007 PLN '000	% of total	31.12.2006 PLN '000	% of total
Cash in hand and balances with the Central Bank	1,841,720	3.55	1,147,891	2.37
Deposit accounts in other banks as well as loans and advances to other banks	15,238,778	29.40	13,560,173	28.04
Financial assets measured at fair value through profit and loss	7,869,034	15.18	7,066,031	14.61
Investment financial assets	9,418,393	18.17	12,644,728	26.15
Hedging derivatives	4,572	0.01	-	-
Loans and advances to customers	16,049,702	30.97	12,962,405	26.82
Investments in controlled entities	210,569	0.41	126,910	0.26
Investment property	144,713	0.28	-	-
Tangible assets	521,243	1.01	408,453	0.84
Intangible assets	317,801	0.61	316,753	0.65
Property, plant and equipment held for sale	241	-	224	-
Current tax assets	25,256	0.05	-	-
Deferred tax assets	45,001	0.09	30,209	0.06
Other assets	139,403	0.27	96,980	0.20
TOTAL ASSETS	51,826,426	100.00	48,360,757	100.00
EQUITY AND LIABILITIES	31.12.2007 PLN '000	% of total	31.12.2006 PLN '000	% of total
Liabilities				
Liabilities due to the Central Bank	-	-	696,000	1.44
Liabilities due to other banks	1,812,283	3.50	1,400,239	2.90
Financial liabilities measured at fair value through profit and loss	1,214,981	2.34	3,120,520	6.45
Liabilities due to customers	44,502,189	85.87	38,626,433	79.87
Provisions	70,904	0.14	88,833	0.18
Current tax liabilities	-	-	65,815	0.14
Deferred tax liabilities	-	-	-	-
Other liabilities	556,615	1.07	746,943	1.55
Total liabilities	48,156,972	92.92	44,744,783	92.53
Equity				
Share capital	130,100	0.25	130,100	0.27
Supplementary capital - issuance of shares over nominal value	993,750	1.92	993,750	2.05
Revaluation reserve from financial assets available for sale	-149,591	-0.29	42,830	0.09
Revaluation reserve from fixed assets	37,154	0.07	40,458	0.08
Retained earnings	2,658,041	5.13	2,408,836	4.98
Total equity	3,669,454	7.08	3,615,974	7.47
TOTAL LIABILITIES AND EQUITY	51,826,426	100.00	48,360,757	100.00

2.1.2 Profit and loss account

	1.01.2007 - 31.12.2007 PLN '000	1.01.2006 - 31.12.2006 PLN '000
Interest income	2,484,082	2,007,792
Interest expenses	1,443,386	1,075,139
Net interest income	1,040,696	932,653
Fee and commission income	928,247	706,903
Fee and commission expenses	99,343	62,533
Net fee and commission income	828,904	644,370
Net income on investment financial assets	117,256	77,638
Net income on instruments measured at fair value through profit and loss and revaluation	-3,811	56,755
Other operating income and expenses	7,412	14,573
Result on basic activities	1,990,457	1,725,989
General and administrative expenses	1,339,596	1,195,646
Other expenses	9,611	9,676
Impairment losses and provisions for off-balance sheet liabilities	-103,936	-162,391
Profit (loss) before tax	745,186	683,058
Income tax	135,033	142,501
Net profit (loss)	610,153	540,557
Earnings per ordinary share (PLN)	46.90	41.55

2.2 Selected financial ratios

	2007	2006
Total assets (PLN'000)	51,826,426	48,360,757
Gross profit (PLN'000)	745,186	683,058
Net profit (PLN'000)	610,153	540,557
Shareholders' equity (PLN'000)*	3,059,301	3,075,417
Return on equity	19.94%	17.58%
Capital adequacy ratio	12.03%	15.09%
Receivables to total assets	60.37%	54.84%
Income generating assets to total assets	93.73%	95.60%
Interest bearing liabilities to total liabilities	91.71%	90.66%

* 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 analysed below:

The total balance sheet increased by PLN 3,465,669 thousand during the year, i.e. 7.17%. The main growth in total liabilities was an increase in due to customers. Loans and advances to customers and deposits with other banks accounted for the main increase in total assets.

Gross profit before tax for the year ended 31 December 2007 amounted to PLN 745,186 thousand and was higher in comparison to the previous year by PLN 62,128 thousand i.e. 9.10%. The main reason for the increase in gross profit was higher result from net interest income and net commissions and fees income, compensated by the higher general expenses

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 of the Bank, 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 adjusted 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 verification of assets and liabilities and in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

Count differences have been recorded in the period covered by the 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 norms relating to 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 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 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 financial statements.

3.7 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 2007, 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, 27 March 2008