Interim Financial Reporting of ING Bank Śląski Group

for the first half 2005

ING

ING BANK ŚLĄSKI

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Translation of the document originally issued in Polish

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF ING BANK ŚLĄSKI S.A. GROUP FOR THE PERIOD FROM 1 JANUARY 2005 TO 30 JUNE 2005

To the Shareholders of ING Bank Śląski S.A.

We have reviewed the accompanying interim consolidated financial statements of ING Bank Śląski S.A. Group with its registered office in Katowice, Sokolska 34 ("Group") that consist of the consolidated profit and loss account for the period from 1 January 2005 to 30 June 2005 with a net profit of PLN 258,248 thousand, the consolidated balance sheet as at 30 June 2005, with total assets and total liabilities and equity of PLN 38,669,336 thousand, the statement of changes in consolidated equity for the period from 1 January 2005 to 30 June 2005 with an increase in equity of PLN 65,364 thousand, the consolidated cash flow statement for the period from 1 January 2005 to 30 June 2005 with a decrease in cash amounting to PLN 1,607,572 thousand, and explanatory notes to the consolidated financial statements.

Management of ING Bank Śląski S.A. is responsible for the preparation and fair presentation of the accompanying interim consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with respect to matters not regulated by the above standards, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the respective laws and in accordance with the Decree of the Council of Ministers dated 21 March 2005 on current and periodical information provided by issuers of securities (Official Journal from 2005, No. 49, item 463). Our responsibility is to issue a report on these interim consolidated financial statements, based on our review.

We conducted our review of the interim consolidated financial statements in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with Standard No. 4 of the professional standards issued by the National Council of Certified Auditors. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements including Note 48 “Explanation of transition to International Financial Reporting Standards” do not present fairly in all material respects, the financial position of ING Bank Śląski S.A. Group as at 30 June 2005, and of its financial performance and its cash flows for the period from 1 January 2005 to 30 June 2005 in accordance with International Financial Reporting Standards as adopted by the European Union.

signed on the Polish original	*signed on the Polish original*
....	....
Certified Auditor 9941/7390 Bożena Graczyk	On behalf of KPMG Audyt Sp. z o.o. ul. Chłodna 51, 00-867 Warsaw Certified Auditor 9941/7390 Bożena Graczyk, Member of the Board of Directors

Warsaw, 30 September 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	half of the year 2005 the period from 01 Jan 2005 to 30 Jun 2005	half of the year 2004 the period from 01 Jan 2004 to 30 Jun 2004
Interest and similar income		*943 354*	*628 057*
Interest expense and similar charges		*615 944*	*345 061*
Net interest income	*2*	**327 410**	**282 996**
Dividend income	*3*	1 603	10
Commission income		*291 142*	*297 354*
Commission expense		*37 844*	*45 802*
Net commission income	*4*	**253 298**	**251 552**
Net income on instruments at fair value	*5*	165 263	147 543
Net income on investments	*6*	0	1 994
Fair value adjustments in hedge accounting		5 217	0
Exchange rate differences		87 540	128 802
Result on banking activity		**840 331**	**812 897**
Other operating income	*7*	*17 678*	*14 286*
Other operating expenses	*8*	*17 987*	*9 522*
Result on other operating income and expenses		**-309**	**4 764**
General administrative expenses	*9*	486 147	444 826
Depreciation and amortisation	*10*	62 759	63 734
Result on disposals of assets other than held for sale		157	397
Impairment losses and provisions	*11*	-24 154	133 171
Share in net profit (loss) of associated entities recognised under the equity method	*12*	10 369	5 449
Result from non-current assets and disposals groups classified as held for sale		3 685	-337
Net result before tax		**329 481**	**181 439**
Income tax	*13*	63 941	17 582
Net result of current year		265 540	163 857
Minority interest		-7 292	-4 905
Consolidated net result of capital group		**258 248**	**158 952**
Net profit (for 12 months)		**494 062**	**177 969**
Weighted average number of ordinary shares		**13 010 000**	**13 010 000**
Earnings per share	*14*	**37,98**	**13,68**
Weighted average anticipated number of ordinary shares		-	-
Diluted profit (loss) per ordinary share (PLN)		-	-

The consolidated profit and loss account, made for 1st half of the year 2005, including comparable financial data, was drafted with the use of the same accounting principles for each of the periods. Two areas of MSR 39 represent exceptions from the abovementioned rule: evaluation of impairment and evaluation as per the amortised cost with the use of the method of effective interest rate on loans and advances.

CONSOLIDATED BALANCE SHEET	Note	half of the year 2005	end of the year 2004	half of the year 2004
A S S E T S				
- Cash in hand and balances with the Central Bank	*16*	1 062 993	895 332	521 129
- Deposit accounts in other banks as well as loans and advances to other banks	*17, 21, 22*	9 253 632	10 748 766	11 038 907
- Financial assets held for trading	*18*	7 254 078	4 976 205	4 570 771
- Investments	*19*	9 372 008	7 014 258	1 095 227
- Non-current assets held for sale		2 657	8 614	708
- Loans and advances to customers	*20, 21, 22*	10 179 124	10 407 950	11 912 085
- Investments in associates	*23*	58 749	70 944	53 673
- Property, plant and equipment	*24*	756 722	768 719	856 534
- Intangible assets	*25*	313 595	304 249	301 978
- Tax assets	*26*	254 294	286 576	290 178
- Other assets	*27*	161 484	125 704	96 214
T o t a l a s s e t s		**38 669 336**	**35 607 317**	**30 737 404**
L I A B I L I T I E S A N D E Q U I T Y				
LIABILITIES				
- Liabilities due to other banks	*29, 31*	3 099 297	2 493 778	2 399 824
- Financial liabilities held for trading	*18*	1 526 887	1 270 042	1 022 174
- Liabilities to customers	*30, 31*	29 560 190	27 649 522	23 206 914
- Provisions	*32*	107 040	288 208	283 428
- Tax liabilities	*26*	91 588	141 290	100 184
- Other liabilities	*33*	948 407	601 060	850 794
L i a b i l i t i e s t o t a l		**35 333 409**	**32 443 900**	**27 863 318**
EQUITY				
- Initial capital		130 100	130 100	130 100
- Supplementary capital - agio		993 750	993 750	993 750
- Revaluation reserves		176 360	107 148	41 760
- Result of previous year		1 763 221	1 530 107	1 530 107
- Net result of current year		258 248	395 356	158 952
- Minority interest		14 248	6 956	19 417
E q u i t y t o t a l		**3 335 927**	**3 163 417**	**2 874 086**
L i a b i l i t i e s a n d e q u i t y t o t a l		**38 669 336**	**35 607 317**	**30 737 404**
Solvency ratio		**17,44%**	**15,66%**	**14,94%**
Net book value		**3 321 679**	**3 156 461**	**2 854 669**
Number of shares		**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (in PLN)		**255,32**	**242,62**	**219,42**

The consolidated balance sheet, made as of 30.06.2005, including comparable financial data, was drafted with the use of the same accounting principles for each of the periods. Two areas of MSR 39 represent exceptions from the abovementioned rule: evaluation of impairment and evaluation as per the amortised cost with the use of the method of effective interest rate on loans and advances.

CONSOLIDATED OFF-BALANCE SHEET ITEMS		I półrocze 2005	koniec roku 2004	I półrocze 2004
- Contingent liabilities granted	*34*	8 198 838	11 220 722	7 972 368
- Contingent liabilities received		10 940 854	12 082 078	12 456 446
- Off-balance sheet financial instruments	*35*	111 884 113	91 467 953	129 022 341
O f f - b a l a n c e s h e e t i t e m s t o t a l		**131 023 805**	**114 770 753**	**149 451 155**

MOVEMENTS IN CONSOLIDATED OWN EQUITY	half of the year 2005 the period from 01 Jan 2005 to 30 Jun 2005	end of the year 2004 the period from 01 Jan 2004 to 31 Dec 2004	half of the year 2004 the period from 01 Jan 2004 to 30 Jun 2004
EQUITY COMPONENTS			
Initial capital	**130 100**	**130 100**	**130 100**
Supplementary capital - agio	**993 750**	**993 750**	**993 750**
Revaluation reserves	**176 360**	**107 148**	**41 760**
- fair value revaluation reserve on available for sale financial assets	*134 218*	*64 126*	*-10 408*
- tangible assets revaluation reserve	*42 142*	*43 022*	*52 168*
Result of previous years	**1 763 221**	**1 530 107**	**1 530 107**
- supplementary capital	*19 809*	*16 894*	*8 288*
- revaluation reserves	*28 760*	*28 760*	*29 351*
- reserve capital	*1 227 011*	*1 153 299*	*1 153 299*
- general bank risk fund	*430 179*	*400 179*	*400 179*
- retained result from previous years	*57 462*	*-69 025*	*-61 010*
Net result of current year	**258 248**	**395 356**	**158 952**
Minority interest	**14 248**	**6 956**	**19 417**
Equity total	**3 335 927**	**3 163 417**	**2 874 086**

The initial capital is composed of 13,010,000 ordinary shares of the face value of PLN 10.00 each. Each ordinary share provides the shareholder with the right to dividend and one vote at the general meeting of the Bank's shareholders.

SOURCES OF EQUITY CHANGES

half of the year 2005
the period from 01 Jan 2005 to 30 Jun 2005

	Initial capital	Supplementary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	Minority interest	TOTAL
				supplementary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*			
Closing balance (last year)	**130 100**	**993 750**	***107 148***	***16 894***	***28 760***	***1 153 299***	***400 179***	***326 331***	**0**	**6 956**	**3 163 417**
- changes in adopted accounting principles	-	-	*3 865*	-	-	-	-	*103 281*	-	-	**107 146**
Opening balance (current year)	**130 100**	**993 750**	***111 013***	***16 894***	***28 760***	***1 153 299***	***400 179***	***429 612***	**0**	**6 956**	**3 270 563**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	*66 224*	-	-	-	-	-	-	-	**66 224**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-	-	-	-	-	-	-	-	**0**
- liquidation or sale of fixed assets	-	-	*-1 182*	*1 182*	-	-	-	-	-	-	**0**
- revaluation of tangible assets	-	-	*305*	-	-	-	-	-	-	-	**305**
- covering of prior period losses	-	-	-	-	-	-			-	-	**0**
- profit distribution	-	-	-	*1 733*	-	*73 712*	*30 000*	*-372 150*	-	-	**-266 705**
- charges to supplementary capital	-	-	-	*1 733*	-	-	-	*-1 733*	-	-	***0***
- charges to capital reserve	-	-	-	-	-	*73 712*	-	*-73 712*	-	-	***0***
- charges to general bank risk fund	-	-	-	-	-	-	*30 000*	*-30 000*	-	-	***0***
- dividend	-	-	-	-	-	-	-	*-266 705*	-	-	***-266 705***
- net result of current period	-	-	-	-	-	-	-	-	265 540	-	**265 540**
- minority participation in financial result	-	-	-	-	-	-	-	-	-7 292	7 292	**0**
Closing balance (current year)	**130 100**	**993 750**	***176 360***	***19 809***	***28 760***	***1 227 011***	***430 179***	***57 462***	**258 248**	**14 248**	**3 335 927**

end of the year 2004
the period from 01 Jan 2004 to 31 Dec 2004

	Initial capital	Supplementary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	Minority interest	TOTAL
				supplementary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*			
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***4 435***	***29 620***	***1 159 779***	***381 852***	***16 449***	**0**	**-4 511**	**2 704 301**
- changes in adopted accounting principles	-	-	52 169	-	-	-	-	*-51 620*	-	19 023	**19 572**
Opening balance (current year)	**130 100**	**993 750**	**44 996**	***4 435***	***29 620***	***1 159 779***	***381 852***	***-35 171***	**0**	**14 512**	**2 723 873**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	69 864	-	-	-	-	-	-	-	**69 864**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-4 006	-	-	-	-	-	4 006	-	**0**
- liquidation or sale of fixed assets	-	-	-	*860*	*-860*	-	-	-	-	-	**0**
- revaluation of tangible assets	-	-	-9 147	-	-	-	-	-	-	-	**-9 147**
- hedge accounting	-	-	5 441	-	-	-	-	-	-	-	**5 441**
- covering of prior period losses	-	-	-	-	-	*-12 977*	-	*12 977*	-	-	**0**
- sale of subsidiary entity			-	*7 979*	-	-	-	*-7 979*	-	-	**0**
- profit distribution	-	-	-	*3 620*	-	*6 497*	*18 327*	*-38 852*	-	-	**-10 408**
- charges to supplementary capital	-	-	-	*3 620*	-	-	-	*-3 620*	-	-	***0***
- charges to capital reserve	-	-	-	-	-	*6 497*	-	*-6 497*	-	-	***0***
- charges to general bank risk fund	-	-	-	-	-	-	*18 327*	*-18 327*	-	-	***0***
- dividend	-	-	-	-	-	-	-	*-10 408*	-	-	***-10 408***
- net result of current period	-	-	-	-	-	-	-	-	383 794	-	**383 794**
- minority participation in financial result	-	-	-	-	-	-	-	-	7 556	-7 556	**0**
Closing balance (current year)	**130 100**	**993 750**	**107 148**	***16 894***	***28 760***	***1 153 299***	***400 179***	***-69 025***	**395 356**	**6 956**	**3 163 417**

half of the year 2004
the period from 01 Jan 2004 to 30 Jun 2004

	Initial capital	Supplementary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	Minority interest	TOTAL
				supplementary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*			
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***4 435***	***29 620***	***1 159 779***	***381 852***	***16 449***	**0**	**-4 511**	**2 704 301**
- changes in adopted accounting principles	-	-	52 169	-	-	-	-	*-51 620*	-	19 023	**19 572**
Opening balance (current year)	**130 100**	**993 750**	**44 996**	***4 435***	***29 620***	***1 159 779***	***381 852***	***-35 171***	**0**	**14 512**	**2 723 873**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	-2 773	-		-	-	-	-	-	**-2 773**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-1 994	-		-	-	-	1 994	-	**0**
- liquidation or sale of fixed assets	-	-		*269*	-269	-	-	-	-	-	**0**
- hedge accounting	-	-	1 531	-		-	-	-	-	-	**1 531**
- covering of prior period losses	-	-	-	-		*-12 977*	-	*12 977*	-	-	**0**
- profit distribution	-	-	-	*3 584*		*6 497*	*18 327*	*-38 816*	-	-	**-10 408**
- charges to supplementary capital	-	-	-	*3 584*		-	-	*-3 584*	-	-	***0***
- charges to capital reserve	-	-	-	-		*6 497*	-	*-6 497*	-	-	***0***
- charges to general bank risk fund	-	-	-	-		-	*18 327*	*-18 327*	-	-	***0***
- dividend	-	-	-	-		-	-	*-10 408*	-	-	***-10 408***
- net result of current period	-	-	-	-		-	-	-	161 053	-	**161 053**
- minority participation in financial result	-	-	-	-		-	-	-	-4 095	4 905	**810**
Closing balance (current year)	**130 100**	**993 750**	**41 760**	***8 288***	***29 351***	***1 153 299***	***400 179***	***-61 010***	**158 952**	**19 417**	**2 874 086**

CONSOLIDATED CASH FLOW STATEMENT

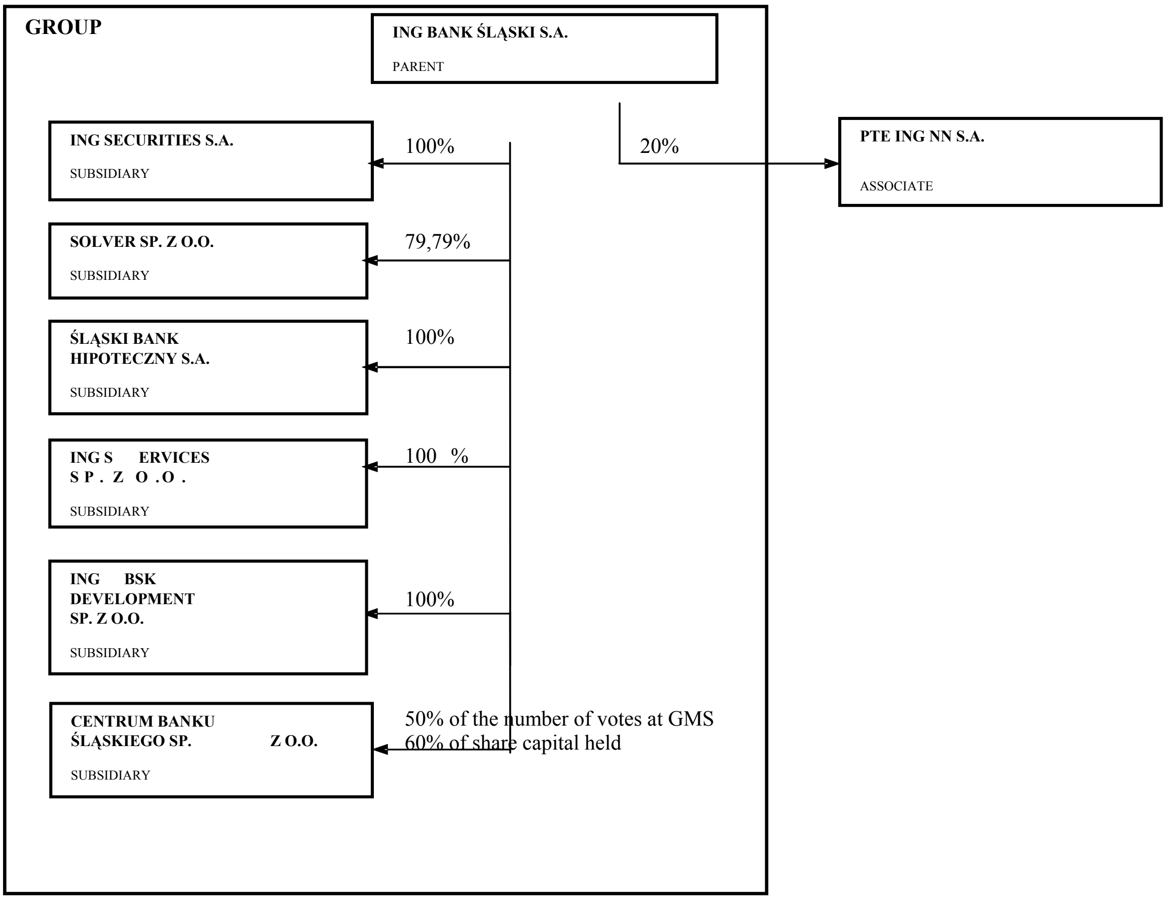
	Note	half of the year 2005 the period from 01 Jan 2005 to 30 Jun 2005	half of the year 2004 the period from 01 Jan 2004 to 30 Jun 2004
OPERATING ACTIVITIES			
Net profit (loss)		**258 248**	**158 952**
Adjustments		**-1 777 422**	**632 069**
- Minority shareholders' profit (loss)		7 292	4 905
- Share in net profit (loss) of associated entities recognised under the equity method		-10 369	-5 449
- Unrealised foreign exchange gains (losses)		-729	-4 472
- Depreciation		62 759	63 734
- Change in provisions		41 426	30 161
- Profit or loss on investment activity		5 401	-349
- Change in financial assets held for trading		-2 277 873	1 012 285
- Change in investments		-2 291 526	90 159
- Change in deposit accounts in other banks and loans and advances to other banks and customers		-315 814	-1 950 542
- Change in other assets		-23 405	-11 889
- Change in financial liabilities held for trading		256 845	-396 173
- Change in liabilities to banks and customers		2 533 742	1 578 125
- Change in other liabilities		234 829	221 574
Cash flow from operating activities		**-1 519 174**	**791 021**
- Change in tax assets / liabilities		-22 514	150 021
Net cash flow from operating activities	*43*	**-1 541 688**	**941 042**
INVESTING ACTIVITIES			
- Acquisition of tangible assets		-42 629	-38 587
- Sale of tangible assets		47	2 603
- Acquisition of intangible assets		-12 292	-4 973
- Sale of intangible assets		-	-
- Acquisition of investments in subordinated entities		-	-
- Sale of investments in subordinated entities		-	-
- Acquisition of non-current assets or liabilities held for sale		-	-
- Sale of non-current assets or liabilities held for sale		5 816	-
- Other cash payments related to investing activities		-	-
- Other cash receipts related to investing activities		-	4 985
Net cash flow from investing activities		**-49 058**	**-35 972**
FINANCING ACTIVITIES			
- Dividends paid		-	-
- Other cash payments related to financing activities		-16 826	-19 617
- Other cash receipts related to financing activities		-	-
Net cash flow from financing activities		**-16 826**	**-19 617**
Effect of exchange rate changes on cash and cash equivalents		***159 582***	***-9 746***
Net increase in cash and cash equivalents		**-1 607 572**	**885 453**
Cash and cash equivalents at the beginning of the period		**5 404 252**	**4 766 281**
Cash and cash equivalents at the end of the period	*41*	**3 796 680**	**5 651 734**
of which: amount of cash and cash equivalents held by the Bank, but not available for use by group		*993 136*	*800 343*

Information on the Bank and the Capital Group

ING Bank Śląski S.A. is a bank domiciled in Poland: 40-086 Katowice, ul. Sokolska 34
NIP 634-013-54-75, REGON 271514909.
Pursuant to the decision of the District Court in Katowice, Business Department, of 9 April 2001, Bank Śląski S.A. in Katowice was entered in the National Court Register under KRS-5459 number.

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 13,010,000 ordinary bearer shares with a par value of PLN 10.00 each.

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group.



ING Bank Śląski S.A. is a subsidiary of ING Bank NV which holds a 75% share in the issued capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders.

The consolidated financial statements of the Bank for the first six months of 2005 comprise the Bank and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The principal activities of the parent entity according to the Polish Classification of Activity 65.12 A. The principal activities of the Group include:

- opening and operating bank accounts
- accepting savings deposits and term deposits
- issuing the Group's own securities, including bonds and certificates and trading in such securities, performing commissioned operations related to issue or financial service of securities, and

performing operations of purchase and sales of securities on the proprietary basis and on account of the order giver
- granting and taking loans and advances, intermediation and cooperation at loan obtaining
- conducting trade in foreign currencies
- conducing financial service of foreign trade
- conducting cash settlements, bills operations and accepting and granting sureties and bank guarantees as well as accepting other liabilities
- performing collection operations
- entering into and performing agreements with enterprises on acquisition of payments to bank accounts and for the purchase of goods and services in Poland
- making payments under interbank agreements and arrangements
- financial and operating participation in international projects and undertakings
- accepting and opening deposits in domestic and foreign banks
- accepting in deposit objects, documents and securities, and granting access to safe deposit boxes
- performing trust operations
- performing on commission of other banks specific banking operations within the scope of activity of commissioning banks
- other cooperation with domestic, foreign and international banks and financial institutions
- conducting operations related to privatisation of State-owned entities on commission of the Ministry of Privatisation
- accepting State Treasury shares for management
- providing lease, factoring, forfeiting, and underwriting services
- conducting brokerage activity, including the operation of securities accounts, and also accepting orders for purchase and redemption of units of trust funds, investment funds and for purchase and buyout of investment certificates
- operating a building society
- issuing payment cards and performing operations with their use
- intermediation in insurance and acquisition operations for the benefit of open-end pension funds
- operations on warrants
- other types of activity stipulated in the memorandum and articles of association of the Bank
- conducting the activity of entities of ING Bank Śląski S.A. Group, including.
    - granting loans secured by mortgages
    - trade in mortgage bonds
    - brokerage activity
    - financial advising and agency
    - creation and management of pension funds
    - financial agency, market research and analysis
    - proprietary real property renting
    - providing IT services, renting and leasing computer hardware
    - real property agency and trade, service provision.

The financial statements for 2004 were approved by the General Meeting of Shareholders on 9 June 2005.

Selected financial data from the Financial Statements

Item	PLN '000		EUR '000	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
Interest received	943,354	628,057	231,186	132,751
Fees and commission received	291,142	297,354	71,350	62,851
Operating profit (loss)	840,331	812,897	205,938	171,820
Profit (loss) before tax	329,481	181,439	80,745	38,350
Profit (loss) for the period	258,248	158,952	63,288	33,597
Net cash flows	-1,607,572	885,453	-,393,964	187,156
Profit (loss) per 1 ordinary share (in PLN/EUR)	37.98	13.68	9.06	2.94
Profitability ratio (in %)	26.4	16.9	x	x
Return on assets (in %)	1.3	1.0	x	x
Return on equity (in %)	16.9	11.8	x	x
Cost/income ratio (in %)	65.2	62.2	x	x
Total assets	38,669,336	30,737,404	9,571,381	6,767,074
Equity	3,321,679	2,854,669	822,177	628,477
Issued capital	130,100	130,100	32,202	28,643
Number of shares	13,010,000	13,010,000	x	x
Book value per 1 share (in PLN/EUR)	255.32	219.42	63.20	48.31
Capital adequacy ratio (in %)	17.44	14.94	x	,x

Profitability ratio – ratio of profit before tax[1]to total expenses.
Cost/income ratio (C/I) – total cost to operating profit (loss) on analytical basis.
Return on assets (ROA) – net profit to total assets.
Return on equity (ROE) – calculated as the ratio of net profit to equity and own funds.
Capital adequacy ratio – reflecting the ratio of net equity and own funds to risk-weighted off-balance sheet assets and liabilities.

For the purposes of determining the basic values in EURO, the following foreign exchange rates have been used:

- for balance sheet items – PLN 4.0401 - NBP rate of 30.06.2005, PLN 4.0790 - NBP rate of 31.12.2004,
- for items of the income statement as of 30.06.2005 – PLN 4.0805 – the foreign exchange rate calculated as the mean of NBP rates in force as of the last day of each of the first six months of 2005, PLN 4.7311 – the rate calculated as the mean of NBP rates in force as of the last day of each of the first six months of 2004.

Significant accounting principles

(a) Statement of compliance

The presented report for the first six months of 2005 meets the requirements of International Financial Reporting Standards (IFRS), including also International Accounting Standard (IAS) 34 applicable to interim financial reporting, and International Financial Reporting Standard (IFRS) 1 defining the requirements with respect to reports prepared for the first time in accordance with IFRS. The consolidated report has been prepared in the full version, and the individual report of the Bank was prepared in the abbreviated version.

The financial statements have been prepared in accordance with the International Financial Reporting Standards in force as at 30.06.2005. The consolidated balance sheet and income statement as of 30.06.2005 together with the comparative financial data have been prepared with

[1] Adjusted by profits (losses) of minority shareholders

the use of the same accounting principles for each period. Exceptions from the above rule are two areas of IAS 39: impairment measurement and measurement at amortised cost with the use of the effective interest rate method for loans and advances.

In these financial statements, the same accounting principles have been applied as would be applied at preparation of the annual financial statements.

An explanation of how the transition to IFRSs has affected the individual items of the financial statements, the financial position of the Group and cash flows is provided in note 48.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards in the version approved by the European Union, and to the extent unregulated by the above standards, in accordance with the requirements of the Accountancy Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 694, as amended) and secondary regulations issued on its basis, and also in accordance with the requirements laid down in the Regulation of the Council of Ministers of 21 March 2005 concerning the ongoing and periodic information transferred by issuers of securities (Dz. U. z 2005 r., Nr 49, item 463).

These consolidated financial statements represent the first full interim report prepared under the IFRS 1. The day of transition to IFRS is the day of opening balance for the earliest of the periods presented, i.e. 1 January 2004. The previously published financial statements of the Bank and of the Group, together with the financial statements for 2004, were prepared in accordance with the Polish Accounting Standards (PAS).

The financial statements are presented in the Polish zlotys rounded to the nearest thousand (unless stipulated otherwise).

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss and financial instruments classified as available-for-sale.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The Bank has used the same accounting principles as those which will be used in the annual statements. The consolidated statements do not contain eliminated intragroup balances and unrealised gains and losses as well as income and expenses arising from intragroup transactions.

The accounting principles specified below were applied in preparation of the financial statements for the first six months of the financial year ending on 30.06.2005 as well for presentation of the comparative data for the financial year ending on 31 December 2004, for the first six months of 2004 ending on 30.06.2004, and also at preparation of the opening balance as of 1 January 2005 (date of the Group's transition to the IFRS).

In accordance with the requirements of the International Financial Reporting Standards/ International Accounting Standards, the financial statements for the first six months of 2004 and for 2004 have been made comparable with the data disclosed in the financial statements for the above periods.

The transformation of comparative data related to:

1. Impairment in goodwill acquired as a result of the acquisition of Wielkopolski Bank Rolniczy S.A. and also as a result of amortisation for 2004 of the goodwill related to the acquisition of the ING Bank NV Branch and WBR,
2. Measurement of financial instruments related to the long-term incentive scheme
3. Real property revaluation to fair value
4. Moreover, in the Bank's statements, the presentation changes related to the measurement of subordinates at acquisition cost.

In connection therewith, the following items were made comparable:

- Investments in subsidiaries,
- Tangible fixed assets,
- Intangible assets,
- Income tax assets,
- Income tax liabilities,
- Other liabilities.

The Group applied the same principles of accounting to prepare the opening balance sheet according to IFRS as of 1 January 2004 and during all presented periods. The applied accounting principles are in compliance with the stipulations of IFRS binding as of 30 June 2005 i.e. the reporting date, with the exceptions permitted by IFRS. All changes of the accounting principles have been introduced retrospectively with the mentioned exceptions permitted by IFRS that the Group decided to apply.

Based on paragraph 36A of IFRS 1 the Group decided to apply the exemption from the obligation to present the comparative data referring to the principles of accounting governed by IAS 39 (evaluation at the depreciated cost taking into account the effective interest rate, impairment loss of financial assets booked at the depreciated cost taking into account the effective interest rate).

The Bank applies the accounting principles consistently with the International Accounting Standards. Data from the Companies are adjusted to the International Accounting Standards through consolidation adjustments.

(c) Use of estimations

The preparation of financial statements in conformity with IFRSs requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and in the explanatory notes.

The estimates and assumptions made for the presentation of the amounts of assets and liabilities as well as income and expenses are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Loan impairment

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event')

and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. The Bank judges whether signs of objective evidence for the impairment as a result of one or several events which occurred after the initial recognition of assets.
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Calculation of the present value of the estimated future cash flows must be estimated. The methodology and assumptions used for estimating the value and the moments of future cash flows are regularly reviewed and updated as necessary. Moreover, testing on historical data is performed to compare the actual values with the estimations of loan impairments.

Impairment of assets available for sale

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement, even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses for an investment in an equity instrument classified as available for sale shall not be reversed through the income statement. If, in the subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Measurement of derivative instruments

The Bank calculates the fair value of derivative instruments which are not quoted in an active market using pricing models which are independently checked before they are used. Where practicable, only observable data is input into the models however in some circumstances management must apply judgement to estimates of uncertainty (such as credit risk, market volatilities and correlations). Changes in assumptions about these factors could impact the fair valuations of some financial instruments.

Provisions for retirement bonus payments

Provisions for retirement bonus payments granted within the framework of benefits arising from the regulations under the Labour Code are estimated on the basis of the actuarial valuation. The provision arising from actuarial valuation is recognised and updated in annual periods. In addition, the provision is adjusted on the basis of the estimations made. The Group adopted the rate of return on assets amounting to 3.83% of the discount rate, because this is the mean premium obtained during the past three years.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates that the special purpose entity is controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is acquired until the date that control ceases.

(ii) Purchase method of accounting

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Assets, liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Investments in subsidiaries are recognised in the Bank’s books at acquisition cost. In the case an impairment is recognised, these sums are disclosed in the income statement as financial expenses or financial income.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Foreign currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities arising from such transactions, denominated in foreign currencies, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Financial statements of foreign operations

The Bank does not have any entities operating abroad.

(f) Hedge accounting and derivative financial instruments

Derivative financial instruments are measured at fair value without any deduction for transactions costs to be incurred on sale or disposal.
The basis for the measurement of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).
The Bank offers to its customers deposit products the interest rate of which is based on a change of a stock exchange index or of a foreign exchange rate. The embedded derivative instruments are in this case identified, separated from the host contract and recognised and accounted for as stock exchange index options or currency options. Derivatives embedded in other financial instruments are separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the host contract is not carried at fair value through profit or loss. Embedded derivatives are measured at fair value with changes recognised in the income statement.
The Bank uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and recognised at fair value.
Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.
The Bank designates certain derivatives as fair value hedges or cash flow hedges.
At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The Bank also documents, at inception and on an ongoing basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

(i) fair value hedges

This is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement.
A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in the income statement; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in the income statement. This principle applies if the hedged item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in the income statement applies if the hedged item is an available-for-sale financial asset.

(ii) cash flow hedges

This is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect the income statement.
A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised directly in equity through the statement of changes in equity and the ineffective portion of the gain or loss on the hedging instrument shall be recognised in the income statement.

(g) Financial assets and financial liabilities

(i) Classification

The Bank classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss; held-to-maturity investments; loans and receivables, and available-for-sale financial assets.

(a) Financial asset or financial liability at fair value through profit or loss

This is a financial asset or liability that meets either of the following conditions:

- Is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; it is part of a portfolio of identified financial instruments that are managed together for the purpose of short-term profit taking. Derivatives are also categorised as held for trading unless the derivative is a designated and effective hedging instrument.
- Upon initial recognition it is designated by the Bank as at fair value through profit or loss.

(b) Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. In the case of a sale or reclassification of more than an insignificant amount of held to maturity investments before maturity, the entire category is reclassified as available for sale. In such a case, for 2 year period the Bank cannot qualify any financial assets to the category of investments held to maturity.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money to a debtor other than those created with the intention of short term profit taking. Loans and receivables comprise loans and advances to banks and customers including purchased receivables.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

(ii) Recognition

A transaction of purchase or sale of a financial asset classified at fair value through profit or loss, financial assets held to maturity and financial assets available for sale is recognised in the balance sheet using trade date accounting. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrower.

The financial asset is derecognised in the balance sheet when the contractual rights to the cash flows from the financial assets expire or when the Bank transfers the contractual rights to receive the cash flows from the financial asset.

(iii) Measurement

When a financial asset or financial liability is recognised initially, it is measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Bank measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for loans and receivables which shall be measured at amortised cost using the effective interest method; held-to-maturity investments which shall be measured at amortised cost using the effective interest method; and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments measured at cost.

After initial recognition, financial liabilities at measured at amortised cost using the effective interest method, except for (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an equity instrument unquoted in an active market, whose fair value cannot be reliably measured, which is measured at cost; (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition from the balance sheet or is accounted for using the continuous involvement approach. If the Bank's liability in the form of a deposit or loan taken is characterised by frequent capitalisation of the interest accrued, and thus has a nature of a short-term liability, then the difference between the amount obtained by measurement with the use of the effective interest rate and the amount of interest calculated on an accrual basis with the use of the agreed rate is immaterial. In such a case, due to immaterial differences in the profit or loss, the Bank may abstain from discounting future cash flows with the use of the effective interest rate for the benefit of recognising in profit or loss the interest calculated on an accrual basis with the use of the agreed interest rate.

Financial assets and financial liabilities that are designated as hedged items are subject to measurement in accordance with hedge accounting principles described in note 38.

(iv) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship are recognised as follows:

a. Gains or losses arising on a financial asset or financial liability classified as at fair value through profit or loss are recognised in profit or loss.

b. Gains or losses arising on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised from the balance sheet, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of investments quoted in active markets are based on current bid prices. If there is no active market for a financial asset and for securities unlisted in an active market, the Bank establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(h) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when there is a legally enforceable right to set off the recognised amounts and when there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Sale and repurchase agreements

The Bank obtains funds through the sale of financial instruments with the promise of their repurchase

in the future at the same price plus the interest amount defined upfront.
Securities sold subject to repurchase agreements ("repos") are not derecognised from the balance sheet as of the balance sheet date. When the transferee has the right by contract or custom to sell or repledge the asset, the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the contract using the effective interest method. Securities lent to counterparties are also retained in the financial statements.
Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(j) Impairment

Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not grant otherwise;
(d) it becoming highly probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - adverse changes in the payment status of borrowers in the group, or
    - national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The loss found reduces directly the carrying amount of the asset. The respective amount of loss is recognised in the income statement.
If the existing objective evidence for impairment of a financial asset or group of assets, evaluated at depreciated cost, indicates that the expected future cashflows, resulting from the abovementioned financial assets, will not occur, than the amount of deduction updating the value of assets equals their balance-sheet value. This is the basis to take actions leading to derecognition of the element of the financial assets from the Bank's balance sheet as the result of the fact that no cashflows from a given element of the financial assets will be possible in the future.

The Bank may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using obtainable market prices. The calculation of the present value of the estimated cash flows related to the collateralised asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. On the other hand, if the Bank determines the existence of objective evidence of impairment for an individually assessed asset and makes the resulting revaluation write-down, then such asset is excluded from the portfolio subjected to collective assessment of impairment.

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data (to reflect the effects of current conditions that did not affect the evaluated period) and adjusted by removing the factors affecting the historical data, that do not exist currently. Estimates of changes in future cash flows reflect and are consistent with the data available in individual periods and related to such values as, for example, unemployment rate, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude. The Bank reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the carrying value of the asset. The amount of the reversal is recognised in the income statement.

Available-for-sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised from the balance sheet. The amount of the cumulative loss that is removed from equity and recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses for an investment in an equity instrument classified as available for sale shall not be reversed through the income statement. If, in the subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the amount of the reversal is recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(k) Investment property

Investment real property is separated from other non-current assets of the entity. They include buildings or land treated as a source of income from rent or kept by the entity in connection with the expected growth in their value (or in connection with both these elements). Moreover, such real property cannot be occupied by the entity or intended for sale in the course of normal business.
The investment real property is disclosed at acquisition cost or manufacturing cost, and its ongoing measurement is conducted on the basis of the fair value model.

(l) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.
Certain items of property, plant and equipment (buildings, structures, land and perpetual usufruct rights) that had been revalued to fair value on 1 January 2004 (day of transition to IAS) are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. These items are recognised at fair value less accumulated depreciation and impairment losses.

(ii) Leased assets

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses

(iii) Subsequent costs

The Bank recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Bank and the acquisition cost or manufacturing cost can be measured reliably. Other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings and structures 50 years
- expenditure for assets permanently linked to real property 10 years
- plant and equipment 3 - 5 years
- fixtures and fittings 5 years

(m) Intangible assets

An intangible asset is an identifiable non-cash asset which does not have a physical form.

(i) Goodwill

Goodwill is stated at acquisition cost less total accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and

bring to use the specific software.
Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

(iii) Other intangible assets

Other intangible assets that are acquired by the Bank are stated at acquisition cost or manufacturing cost less accumulated amortisation and impairment losses.

(iv) Subsequent expenditure

Expenditure incurred after initial recognition of a purchased intangible asset is capitalised only when it increases the future economic benefits embodied in the specific asset. All other expenditure is expensed in the income statement as incurred.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software development costs 3 years
- computer software 3 years

(n) Other balance sheet items

(i) Other trade and other receivables

Trade and other receivables are stated at the amount of payment due less impairment losses.

(ii) Liabilities

Liabilities, other than financial liabilities held for trading, are stated at the amount of payment due.

(o) Impairment of assets other than financial assets

The carrying amounts of the Bank's assets other than deferred tax assets are reviewed at the balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated.
For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.
An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the income statement.
Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.
Goodwill was tested for impairment as of 1 January 2004 (the date of transition to IFRSs), even through no indication of impairment existed.

Calculation of recoverable amount

The recoverable amount is the value in use or net selling price, whichever is greater as of the date of review. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.
In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.
An impairment loss can be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Share capital

(i) Equity

Equity consists of issued capital, supplementary capital, revaluation reserve and other reserve capitals. Equity includes also the amounts of retained earnings and uncovered losses from previous years. All amounts of equity and funds are disclosed at par value.

(ii) Treasury shares

If the entity purchases its own equity instruments, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(iii) Dividends

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

(q) Accruals and deferrals

Prepaid expenses
The Bank recognises as assets accrued (paid) the expenses which correspond to future reporting periods. They are then successively recognised under the profit or loss for the period to which they correspond.

Deferred expenditure
If the Bank receives in the reporting period funds which correspond to future reporting periods, such funds are recognised as liabilities and are recognised under the profit or loss for the periods to which they correspond.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement.

(ii) Short-term service benefits

The Bank's short-term service benefits include wages, bonuses, holiday pay and social insurance payments and are recognised as an expense as incurred.

(iii) Long-term service benefits

The Bank's obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The provisions for retirement bonus payment granted within the framework of benefits granted on the basis of the regulations arising from the Labour Code are estimated on the basis of an actuarial valuation. The provision arising from actuarial valuation is recognised and updated on an annual basis. In addition, the provisions are revalued quarterly on the basis of the estimations made.

(s) Provisions

Provisions, including the provisions for off balance sheet liabilities, are recognised in the balance sheet if the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Disputed claims

The process of recognition of provisions for ongoing litigations is preceded by the assessment of probability of occurrence of the respective event. If in the Bank's assessment the probability of occurrence of the event is greater than the probability of its non-occurrence, the provision is recognised at an adequately estimated amount.

(ii) Restructuring

A provision for restructuring is recognised when the Bank has a detailed and formal restructuring plan defining at least the business or part of the business to which it applies, the basic locations, the places of employment, the functions, and the approximate number of employees eligible to indemnification, the amount of expenditure to be incurred and the dates of implementation. The condition necessary for recognising the provisions is also for the restructuring to have been commenced or announced publicly. The provision for restructuring does not include future operating costs.

(t) Net interest income

Interest income and expenses for all financial instruments is recognised in the income statement. Interest received in respect with financial assets classified as available for sale, loans and advances, and assets held to maturity is recognised in the income statement at amortised cost using the effective interest rate method.
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider potential future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.
Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(u) Fee and commission income and expenses

Fee and commission income arises on financial services provided by the Bank including loan origination, commitment fees, card fees, cash management services, brokerage services and asset management services.
Fees and commissions (both income and expense) directly attributable to the origination of financial assets with specific timetables of repayment are recognised in the income statement as an element of effective interest rate, other fees and commissions integrally related to the origination of assets without specific timetables of repayment are recognised on the straight-line basis over the life of the contract. Payments received during the provision of services are recognised on a one-off basis in the income statement. Commitment fees for loans which will most probably be taken are deferred and recognised as an element of the effective interest rate of the loan.
Other fee and commission income arising on the financial services provided by the Bank including cash management services, brokerage services and asset management services is recognised in the income statement when the corresponding service is provided.

(v) Net income on instruments at fair value

Net income on instruments at fair value includes the gains and losses arising from disposals and changes in the fair value of assets and liabilities held for trading.

(w) Result on investment securities

The result consists of the profits and losses from the sale of the investment securities.

(x) Dividend income

Dividend income is recognised in the income statement on the date that the dividend is declared for payment. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues.

(y) Other revenue and expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Other operational income – others

The Bank classifies the following operational income - not classified to “operational income” category - to the “other operational income” category: income on winding-up, sale of the elements of fixed assets and marketable assets; increase of the value of the elements of tangible and intangible assets; repayment of written-off receivables, prescribed receivables; damages, penalties and fines; received donations.
The following elements constitute – most of all – the other operational income: surplus funds, surplus elements of tangible assets; reimbursement of court costs; reimbursement of vindication costs; income on the sale of receivables as the result of debt restructuring; income on the release of provisions

against the forecast losses being or not being the subject of court proceedings.

(z) Minority interest

Minority interest are this part of profit or loss and net profit or loss on activity as well as net assets of a subsidiary which can be attributed to the interests which do not belong to (directly or indirectly through the subsidiaries) to the parent.

(aa) Income tax

Income tax is recognised as current and deferred tax. The current income tax is recognised in the income statement. Depending on the source of temporary differences, deferred income tax is recognised in the income statement or in equity.
Current tax is the tax liability payable on the taxable income using tax rates as of the balance sheet day, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset or liability is not recognised for the differences which will never reverse or will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation of the carrying amount of assets and liabilities, using tax rates in force as of the balance sheet date.
Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available. Deferred tax assets are recognised only to the extent that it is probable that non-settled tax losses and unused tax allowances will be used.

(bb) Other taxes

The Bank is an active payer of the value-added tax and partially deducts the input tax.

(cc) Non-current assets held for sale and discontinued operations

Immediately before initial classification of an asset (or a disposal group) as held for sale, the Bank determines the carrying value of the asset (or all assets and liabilities in a disposal group) in accordance with the applicable IFRS. Then the entity measures the non-current asset (or the disposal group) classified as held for sale at an amount lower than its balance-sheet value and fair value less costs to sell.
A discontinued operation is a component of the Bank's business that has been disposed of or is classified as held for sale, and also constitutes a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

(dd) Cash and cash equivalents

Cash and cash equivalents – from the point of view of the cash flow statement, cash and cash equivalents include the value of cash (cash on hand and cash in the Central Bank) and its equivalents consisting of balances on current and on-day deposit accounts in other banks.

Notes to the consolidated financial statements

1. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting format of the Group is business segments. This arises from the management structure and internal reporting structure functioning in the Group.

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

The assessment of revenue generating potential of individual segments is conducted with the use of the transfer pricing system. The transfer prices are calculated on the basis of one profitability curve for the given currency, common for active and passive products. The transfer price designated for active and passive products with the same location on the profitability curve is identical. Modifications of the baseline transfer price obtained from valuation of the product on the profitability curve are possible, and the factors correcting the transfer price may be the premium for acquisition of long-term liquidity, matching of the Bank’s positions, the cost of hedging in the case of complicated products and pricing policy. Then profitability curves are built using mathematical equations, on the basis of quotations available in information services.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Bank does not apply the arbitrary system of internal income and costs allocation. The income and costs of particular segments are determined based on the market rates of margins that are allocated to the segment that generates the income and costs calculated based on single transactions. In connection therewith, based on the present MIS, it is not possible to divide income and costs into the internal and external ones.

Business segments

The basic classification used by the Group is business segment classification. The management of the ING Bank Śląski Group is conducted through breaking down the operations into the following business segments:

- retail banking,
- corporate banking,
- investment banking, ALCO.

Within the framework of retail banking, the Bank Group provides services for individual customers (segments of mass customers and wealthy customers) and small enterprises.

This activity is analysed by the following products: credit products (overdraft on the savings and settlement account - ROR, loans related to cards, hire purchase loans, housing loans, mortgage loans), contract loans granted by the Building Society, mortgage loans granted by Śląski Bank Hipoteczny, deposit products (current accounts, term deposits, savings accounts), ING fund units, brokerage services provided by ING Securities SA, and bank cards.

Corporate banking comprises the services for institutional customers consisting of the following segments: strategic customers, large enterprises, and medium-sized enterprises.

For corporate banking, the Group conducts reporting broken down by credit products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), trust services, capital market operations conducted by the parent and by ING Securities, and operations of intermediation in lease services.

Investment banking encompasses operations performed in money and capital markets, conducted both on the proprietary basis as well as for the customers' benefit.

Within the framework of this activity, currency, money and derivative instrument market products and securities operations (Treasury securities, shares and notes) are specified.

ALCO comprises above all investing funds originating from own funds and funding some assets of the Bank. Income on investing own funds (accounting capital) is the main element of the income on basic activities of ALCO. The said income is then adjusted by the interest accrued on the economic capital required by particular business lines (retail segment, wholesale segment, FM). Interest on economic capital is allocated from the ALCO line to particular business lines according to their demand for economic capital.

The basis for separation of the corporate and retail banking segments is the segment breakdown defined in the internal regulations of the Bank. As of 01.01.2005, ING Bank Śląski conducted resegmentation of its customers within the framework of the branch segments separated. In view of the above, 4,606 customers with PLN 159 million worth of deposits were moved from the corporate segment to the retail segment.

Segment reporting – continued

in PLN '000

Item	First six months of 2005					First six months of 2004				
	Segment of retail customers	Segment of corporate customers	Proprietary operations		TOTAL	Segment of retail customers	Segment of corporate customers	Proprietary operations		TOTAL
			Trading	ALCO				Trading	ALCO	
Total income of the segment	**412 323**	**319 004**	**76 211**	**49 703**	**857 241**	**427 456**	**311 129**	**66 578**	**14 703**	**819 865**
Income from core business	396 423	234 361	137 977	85 403	854 164	413 402	228 036	122 433	55 450	819 321
Segment share in profits (losses) of minority shareholders	0	0	0	3 077	3 077	0	0	0	544	544
Sale of FM products	2 789	64 164	-66 953	0	0	2 259	58 222	-60 481	0	0
Profit (loss) on economic capital	13 112	20 479	5 187	-38 777	0	11 795	24 871	4 625	-41 291	0
Total costs of the segment	369 604	162 575	15 870	11 157	559 206	319 568	156 387	12 508	21 697	510 160
Operating expenses	**359 615**	**162 264**	**15 870**	**11 157**	**548 906**	**319 474**	**155 593**	**12 508**	**20 985**	**508 560**
Other operating expenses (operating risk)	9 989	311	0	0	10 300	94	794	0	712	1 600
Profit (loss) of the segment	**42 719**	**156 429**	**60 341**	**38 546**	**298 035**	**107 888**	**154 742**	**54 069**	**-6 994**	**309 705**
Risk costs	-6 036	-18 118	0	0	-24 154	82 600	50 571	0	0	133 171
Profit (loss) of the segment taking into account risk costs	**48 755**	**174 547**	**60 341**	**38 546**	**322 189**	**25 288**	**104 171**	**54 069**	**-6 994**	**176 534**
Tax					63 941					17 582
Profit (loss) for the period					**258 248**					**158 952**

Transformed item	30.06.2005					30.06.2004				
	Business segment				TOTAL	Business segment				TOTAL
	Retail banking	Corporate banking	Financial Markets	ALCO		Retail banking	Corporate banking	Financial Markets	ALCO	
Assets and liabilities										
Assets of the segment	2 602 000	8 175 000	24 849 142	598 000	36 224 142	3 871 216	10 765 256	13 617 567	712 535	28 966 574
Segment investments in subordinates				58 749	58 749				53 673	53 673
Other assets (not allocated to segments)					1 488 752					1 545 612
Total assets					37 771 643					30 565 859
Segment liabilities	18 580 000	9 842 000	4 866 681		33 288 681	12 946 935	9 997 000	3 513 432		26 457 367
Other liabilities (not allocated to segments)					1 147 035					1 234 406
Equity					3 335 927					2 874 086
Total liabilities					37 771 643					30 565 859
Other										
Capital expenditure	38 282	16 839	1 644	1 156	57 920	34 251	17 235	3 599	3 329	58 414
Depreciation	41 480	18 246	1 781	1 252	62 759	37 371	18 805	3 927	3 632	63 734
Other non-monetary cost	-6 036	-18 118	0	0	-24 154	37 467	100 185	0	1 111	138 763

Geographical segments

Geographical segments reflect the organisational structure of the parent, i.e. the breakdown ING Bank Śląski into 13 regions and the Bank's Head Office.

The Group recognises the following geographical segments:

- Bielsko-Biała (comprises part of the Śląskie and Małopolskie Voivodships),
- Bytom (comprises part of the Śląskie Voivodship),
- Częstochowa (comprises part of the Śląskie Voivodship),
- Gdańsk (comprises part of the Pomorskie, Warmińsko-Mazurskie and Kujawsko-Pomorskie Voivodships),
- Katowice (comprises part of the Śląskie Voivodship),
- Kielce (comprises part of the Świętokrzyskie, Mazowieckie and Lubelskie Voivodships),
- Kraków (comprises part of the Małopolskie and Podkarpackie Voivodships),
- Łódź (comprises part of the Łódzkie Voivodship)
- Opole (comprises part of the Opolskie Voivodship),
- Poznań (comprises part of the Wielkopolskie Voivodship),
- Szczecin (comprises part of the Zachodnio-Pomorskie Voivodship),
- Warszawa (comprises part of the Mazowieckie and Podlaskie Voivodships),
- Wrocław (comprises part of the Dolnośląskie Voivodship),
- Head Office of the Bank – located in Katowice and in Warsaw.

Geographical segment	Segment income*		Segment assets		Capital expenditure	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004	30.06.2005	30.06.2004
Bielsko-Biała	76,983	44,060	769,910	823,295	1,685	787
Bytom	48,821	25,963	408,865	390,763	1,700	3,177
Częstochowa	69,976	39,611	618,711	723,420	345	1,628
Gdańsk	21,267	8,847	266,980	340,072	147	457
Katowice	80,881	43,424	585,731	663,726	4,185	842
Kielce	19,336	9,206	169,248	204,854	61	446
Kraków	44,927	20,458	450,510	444,509	951	2,045
Łódź	16,833	8,337	292,121	325,507	566	223
Opole	27,185	13,511	378,883	400,065	774	1,014
Poznań	24,528	12,650	591,815	597,326	22	684
Szczecin	9,758	4,359	178,584	176,321	139	140
Warszawa	55,578	27,286	690,392	823,207	111	1,004
Wrocław	26,813	12,498	466,532	410,924	92	270
Head Office	337,914	480,424	31,903,362	24,241,871	47,142	45,697
TOTAL	**860,800**	**750,634**	**37,771,643**	**30,565,859**	**57,920**	**58,414**

* The segment income comprises net interest income presented in management information reports.

The Group operates in Poland. In presenting information on the basis of geographical segments, receivables from customers and public sector as well as liabilities to customers and public sector are allocated on the basis of the location of the Group units.

The Group's exposures by geographical segments - receivables from customers and public sector (gross loans):

PLN '000

Voivodship	30.06.2005	30.06.2004
Dolnośląskie	402,267	430,723
Kujawsko-pomorskie	51,226	87,360
Lubelskie	23,119	38,007
Łódzkie	260,687	331,052
Małopolskie	285,451	523,314
Mazowieckie	412,258	985,618
Opolskie	340,136	415,113
Podkarpackie	88,375	62,931
Podlaskie	104,467	61,393
Pomorskie	156,862	246,329
Śląskie	1,782,497	2,286,266
Świętokrzyskie	123,335	159,033
Warmińsko-mazurskie	898	45,692
Wielkopolskie i Lubuskie	536,068	669,603
Zachodnio-pomorskie	150,783	181,131
Head Office	5,820,828	6,455,872
Total	**10,539,257**	**12,979,437**

The Group's exposures by geographical segments - liabilities to customers and public sector

PLN '000

Voivodship	30.06.2005	30.06.2004
Dolnośląskie	939,172	629,182
Kujawsko-pomorskie	286,898	216,041,
Lubelskie	449,416	66,916,
Łódzkie	828,568	316,286
Małopolskie	1,491,404	1,412,567
Mazowieckie	2,469,567	1,882,573
Opolskie	1,116,019	830,090
Podkarpackie	529,901	196,360
Podlaskie	574,646	72,988
Pomorskie	534,546	174,667
Śląskie	10,226,483	7,954,705
Świętokrzyskie	608,940	553,188
Warmińsko-mazurskie	215	17,427
Wielkopolskie i Lubuskie	898,295	962,759
Zachodnio-pomorskie	335,806	131,101
Head Office	5,406,577	5,925,257
TOTAL	**26,696,453**	**21,342,107**

2. Net interest income

	First half of 2005	First half of 2004
Interest and similar income		
- Loans and advances to banks	207 226	73 486
- Loans and advances to customers	412 007	451 104
- Interest on debt securities held for trading	78 301	81 101
- Interest on available-for-sale debt securities	245 820	22 366
- Interest on held-to-maturity debt securities	-	-
- Reverse repos	-	-
- Other	-	-
	943 354	**628 057**

Out of interest income for the first half of 2005, the amount of PLN 21,803,000 refers to income on financial assets subject to impairment.

	First half of 2005	First half of 2004
Interest expense and similar charges		
- Deposits from banks	-67 663	-42 387
- Deposits from customers	-535 946	-290 355
- Loans and advances	-1 625	-2 286
- Financial liabilities held for trading	-	-
- Reverse repos	-10 710	-10 033
- Other liabilities evidenced by paper	-	-
- Subordinated liabilities	-	-
	-615 944	**-345 061**
Net interest income	**327 410**	**282 996**

3. Dividend income

	First half of 2005	First half of 2004
- Securities held for trading	40	10
- Available-for-sale securities	1 563	-
	1 603	**10**

4. Net commission income

	First half of 2005	First half of 2004
Commission income		
- Brokerage fees	37 659	21 775
- Fiduciary and custodian fees	8 323	5 975
- Foreign commercial business	8 646	6 138
- Commission for transfers, cash payments and other payment transactions	51 500	62 294
- Commission for payment and credit cards	39 960	35 330
- Commission on loans and advances with undeterminable cash flows	41 200	50 125
- Commission and fees for keeping accounts	74 505	84 961
- Commission and fees related to electronic banking systems	5 649	7 334
- Commssion and fees for guarantees, sureties and letters of credit	8 061	8 514
- Commission and fees due to distribution of participation units	9 565	10 212
- Other	6 074	4 696
	291 142	**297 354**
Commission expense		
- Brokerage fees	-11 254	-6 861
- Other	-26 590	-38 941
	-37 844	**-45 802**
Net commission income	**253 298**	**251 552**

5. Net income on instruments at fair value

	First half of 2005	First half of 2004
Net income on financial assets and liabilities held for trading, related to:		
- Equity instruments and related derivatives	164	218
equity instruments	*283*	*93*
derivatives	*-119*	*125*
- Debt instruments and related derivatives	156 004	147 325
debt instruments	*29 268*	*-6 023*
foreign exchange derivatives	*98 655*	*139 147*
interest rate derivatives	*28 195*	*14 201*
derivatives related to debt securities	*-114*	*-*
- Other	-	-
	156 168	**147 543**
Net income on financial assets and liabilities at fair value recognised through the profit and loss account	9 095	-
Net income on instruments at fair value	**165 263**	**147 543**

Net income on equity instruments and related derivatives includes net result on trading equities and derivatives (futures).

Net income on debt instruments and related derivatives includes net income on trading treasury securities, commercial debt instruments, money market instruments (treasury bills) and derivatives (interest rate derivatives – FRA, IRS/CIRS; currency – swap, option, treasury bond futures).

6. Net income on investments

	First half of 2005	First half of 2004
- Equity instruments	-	2 000
- Debt instruments	-	-6
	0	**1 994**

7. Other operating income

	First half of 2005	First half of 2004
- Due to recovered unrecoverable receivables	2 290	469
- Received damages, penalties and fines	102	81
- Refunded court fees	453	1 188
- Grants received	-	-
- Due to rental of investment real properties	7 016	5 568
- Income from sales of other services	3 225	1 229
- Other	4 592	5 751
	17 678	**14 286**

8. Other operating expenses

	First half of 2005	First half of 2004
- Damages, penalties and fines paid	656	712
- Due to court fees paid	786	2 053
- Donations made	1 107	159
- Losses due to operating risk	10 343	1 661
- Other	5 095	4 937
	17 987	**9 522**

9. General administrative expenses

	First half of 2005	First half of 2004
- Personnel expenses:	265 182	230 219
wages and salaries	*219 471*	*191 243*
including retirement benefits	*2 820*	*807*
employee benefits	*45 711*	*38 976*
- General administrative expenses:	220 965	214 607
on property, plant and equipment	*38 981*	*29 518*
taxes and charges (including PFRON)	*3 587*	*4 981*
maintenance and rental of buildings	*64 949*	*68 882*
communication services	*30 573*	*33 483*
leasing services	*4 366*	*3 241*
refurbishment services	*16 150*	*18 722*
licences and patents	*7 672*	*6 979*
other external services	*54 687*	*48 801*
	486 147	**444 826**

10. Depreciation and amortisation

	First half of 2005	First half of 2004
- On property, plant and equipment	49 543	53 682
- On investment real properties	-	-
- On intangible assets	13 216	10 052
	62 759	**63 734**

11. Impairment losses and provisions

Impairment losses on financial assets other than assets at fair value recognised through the profit and loss account

	First half of 2005	First half of 2004
- Impairment losses on available-for-sale financial assets:	0	24
- securities	*0*	*19*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*0*	*5*
- Impairment losses on loans and advances:	253 149	1 676 008
- impairment losses on loans and advances:	*251 542*	*1 674 074*
- collection and process costs related to recovery of receivables due to loans and advances	*1 607*	*1 934*
- Impairment losses / fair value valuation:	4 391	13 448
- property, plant and equipment	*21*	*252*
- investment real properties	*542*	*0*
- other assets	*3 828*	*13 196*
Total impairment losses	**257 540**	**1 689 480**

Reversed impairment losses on financial assets other than assets at fair value recognised through the profit and loss account

	First half of 2005	First half of 2004
- Reversed impairment losses on available-for-sale financial assets:	-15	-306
- securities	*0*	*-306*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-15*	*0*
- Reversed impairment losses on loans and advances:	-285 493	-1 547 295
- reversed impairment losses on loans and advances	*-284 675*	*-1 543 005*
- refunded collection and process costs related to recovery of receivables due to loans and advances	*-818*	*-4 290*
- Reversed impairment losses:	-531	-12 802
- on property, plant and equipment	*-20*	*-37*
- on investment real properties	*0*	*0*
- on other assets	*-511*	*-12 765*
Total reversed impairment losses	**-286 039**	**-1 560 403**

Net impairment losses on financial assets other than assets at fair value recognised through the profit and loss account	**-28 499**	**129 077**
including:		
- losses on loans and advances at risk of impairment	*-17 527*	*123 705*
- IBNR	*-15 606*	*7 364*

Recognised provisions for off-balance sheet commitments	25 221	39 311
Reversed provisions for off-balance sheet commitments	-20 876	-35 217
Net provisions for off-balance sheet commitments	**4 345**	**4 094**
including:		
- on the portfolio at risk of impairment	*1 022*	*4 104*
- IBNR	*3 323*	*-10*

Applied by the Bank in the year 2004 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.

12. Share in net profit (loss) of associated entities recognised under the equity method

	First half of 2005	First half of 2004
ING Nationale Nederlanden Polska PTE S.A.	**10 369**	**5 449**

13. Income tax

	First half of 2005	First half of 2004
Recognised in the profit and loss account		
Current portion		
Current year	140 069	18 356
Adjustment from previous years	-	-
	140 069	**18 356**
Deferred tax		
Recognised and reversed temporary differences	-77 791	18 340
Tax rate decrease	-	-
Benefits resulting from tax loss	-1 025	-
	-78 816	**18 340**
EU Guarantee Fund	2 688	-19 114
Total income tax recognised in the profit and loss account	**63 941**	**17 582**

Effective tax rate calculation

	First half of 2005	First half of 2004
- Profit before tax	**329 481**	**181 439**
- Non-deductible expenses	49 331	34 360
- receivables redeemed	*17 942*	*0*
- provision for expected losses	*3 714*	*1 661*
- PFRON	*2 031*	*1 680*
- provisions/impairment of receivables in a part not covered by deferred tax	*2 636*	*6 848*
- representation and advertising expenses over the statutory limit	*2 257*	*0*
- cost of foreign payments	*2 110*	*0*
- other	*18 641*	*24 171*
- Tax exempt income	-56 428	-22 660
- income exempt due to the entity	*-2 729*	*-1 424*
- dividend income	*-41 506*	*0*
- securities measured by the equity method	*0*	*-20 014*
- other	*-12 193*	*-1 222*
- Income tax based on domestic tax rate	**61 253**	**36 696**
EU Guarantee Fund	2 688	-19 114
	19,41%	**9,69%**

Deferred tax recognised directly under equity

	First half of 2005	First half of 2004
- Adjustment due to measurement of assets and liabilities using effective interest rate	-11 722	-
- Adjustment related to interest income	9 154	-
- Revaluation of available-for-sale securities	14 928	-
- Impairment	8 191	-
- Other	-334	1 364
	20 217	**1 364**

14. Earnings per share

Basic earnings per share

Calculation of basic earnings per share as of 30 June 2005 was based on annualised net profit (for the last 12 months) in the amount of PLN 494,062,000 (30 June 2004: PLN 177,969,000) and weighted average number of ordinary shares in the similar period 13,010,000 (30 June 2004: 13,010,000).

	First half of 2005	First half of 2004
- Profit for 12 months	494 062	177 969
- Weighted average number of ordinary shares	13 010 000	13 010 000
Earnings per share (PLN)	**37,98**	**13,68**

Diluted earnings per share

During the first half of 2005 as well as during 2004, the number of shares making up the share capital of ING Bank Śląski S.A. did not change. During the analysed period, the Bank issued neither convertible bonds nor share options. The whole share capital is divided into ordinary shares (there are not preference shares). Due to the above, diluted earnings per share is the same as basic earnings per share.

15. Dividends paid/proposed

On 9 June 2005, the General Meeting approved payment of dividend for 2004 in the amount of PLN 20.50 gross per share, which sum up to PLN 266,705,000. Dividend was paid on 11 July 2005.

16. Cash in hand and balances with the Central Bank

	First half of 2005	End of 2004	First half of 2004
- Cash in hand	348 235	340 625	305 661
- Balances with the Central Bank	714 758	554 707	215 468
	1 062 993	**895 332**	**521 129**

The aforementioned amounts include funds on account with the National Bank of Poland constituting an obligatory provisions that is not available to the Group for the purposes of its on-going activities, in the amount of:
- as of 30 June 2005: PLN 993,136,000,
- as of 31 December 2004: PLN 910,296,000,
- as of 30 June 2004: PLN 800,343,000.

17. Deposit accounts in other banks as well as loans and advances to other banks

	First half of 2005	End of 2004	First half of 2004
- Nostro accounts	209 537	257 655	192 792
- interbank deposits	8 851 648	10 403 669	10 664 407
- other receivables	178 664	77 840	173 677
- loans and advances	*123 728*	*18 840*	*44 397*
- repo transactions	*18 610*	*12 598*	*112 774*
- other receivables	*36 326*	*46 402*	*16 506*
- accrued interest	14 393	9 602	8 031
Total (gross)	9 254 242	10 748 766	11 038 907
Impairment losses, including:	-610	-	-
- individual impairment losses	*-610*		
- portfolio impairment losses	-		
Total (net)	**9 253 632**	**10 748 766**	**11 038 907**

18. Financial assets and liabilities held for trading

Financial assets held for trading

	First half of 2005	End of 2004	First half of 2004
- Debt instruments			
Bonds and bills issued by:	5 945 003	3 393 070	3 284 882
State Treasury	*3 921 924*	*2 478 840*	*2 077 162*
National Bank of Poland (NBP)	*1 980 110*	*914 230*	*1 202 284*
Other parties	*42 969*	*0*	*5 436*
Deposit certificates and other instruments issued by:	12 248	0	3 059
Other parties	*12 248*	*-*	*3 059*
	5 957 251	**3 393 070**	**3 287 941**
Listed instruments	*5 018 225*	*3 393 070*	*3 279 446*
Unlisted instruments	*214 747*	*145 861*	*8 495*
- Equity instruments	**244**	**1 122**	**1 340**
Listed instruments	*244*	*1 122*	*1 340*
Unlisted instruments	*-*	*-*	*-*
- Derivative financial instruments	**1 296 583**	**1 582 013**	**1 281 490**
	7 254 078	**4 976 205**	**4 570 771**

"Derivative financial instruments" include the value of a forward constituting the hedge of fair value of real property due to currency risk, which amounted to PLN 608,000 as of 30 June 2005.

Financial assets held for trading by maturity

	First half of 2005	End of 2004	First half of 2004
- less than 1 month	2 290 574	1 566 057	1 390 730
- between 1 month and 3 months	268 967	611 716	482 431
- between 3 months and 1 year	1 001 927	954 344	1 219 266
- between 1 year and 5 years	2 130 551	1 746 921	1 403 196
- more than 5 years	1 562 059	97 167	75 148
TOTAL	**7 254 078**	**4 976 205**	**4 570 771**

Financial liabilities held for trading

	First half of 2005	End of 2004	First half of 2004
- Derivative financial instruments	1 526 887	1 270 042	1 022 174
	1 526 887	**1 270 042**	**1 022 174**

Income from debt instruments is recognised under interest income. Income from equity instruments is recognised under dividend income.
Gains and losses on transactions related to derivative financial instruments and due to movements in fair value of other instruments held for trading are recognised under "Net income on financial assets and liabilities held for trading".

19. Investments

Available-for-sale financial assets

	First half of 2005	End of 2004	First half of 2004
- Fixed rate debt instruments	7 151 098	5 194 640	168 833
State Treasury Bonds	*4 094 773*	*3 059 876*	*959*
State Treasury Bills	*3 056 325*	*2 134 764*	*167 874*
- Variable rate debt instruments	1 634 865	1 250 471	505 675
State Treasury Bonds	*1 120 819*	*728 429*	*-*
National Bank of Poland (NBP) Bonds	*513 457*	*522 042*	*505 675*
Other	*589*	*-*	*-*
Debt instruments total	**8 785 963**	**6 445 111**	**674 508**
Listed instruments	*8 785 374*	*6 445 111*	*674 508*
Unlisted instruments	*589*	*0*	*0*
- Equity instruments			
Equity instruments at cost of purchase	*34 309*	*34 208*	*32 730*
Decrease in value	*-14 528*	*-14 543*	*-10 288*
Equity instruments at balance sheet value	**19 781**	**19 665**	**22 442**
Listed instruments	*-*	*-*	*1 992*
Unlisted instruments	*19 781*	*19 665*	*20 450*
	8 805 744	**6 464 776**	**696 950**

Available-for-sale assets constituted collateral of own liabilities:
as of 30 June 2005:
- treasury bills with nominal value of PLN 21,650,000 constituted a collateral of the loan received from BFG
- treasury bills with nominal value of PLN 48,060,000 constituted a collateral to BFG

as of 31 December 2004:
- treasury bills with nominal value of PLN 25,340,000 constituted a collateral of the loan received from BFG
- treasury bills with nominal value of PLN 59,210,000 constituted a collateral to BFG

as of 30 June 2004:
- treasury bills with nominal value of PLN 29,920,000 constituted a collateral of the loan received from BFG
- treasury bills with nominal value of PLN 58,600,000 constituted a collateral to BFG

Movements in available-for-sale assets are presented below:

	First half of 2005	End of 2004	First half of 2004
Opening balance	6 464 776	790 226	790 226
Additions	2 778 493	6 071 668	157 417
- purchase of debt securities	2 457 531	5 804 151	135 940
- increase in value of securities	320 844	263 550	21 191
- purchase of shares	102	3 383	286
- release of provisions for shares	16	584	-
Disposals	-437 525	-397 118	-250 693
- sale of debt securities	-698	-307 293	-188 632
- redemption of debt securities	-239 421	-9 360	-4 550
- decrease in value of securities	-197 406	-50 343	-32 763
- charges to provisions for debt securities	-	-	-13 500
- sale of shares	-	-12 173	-11 243
- charges to provisions for shares	-	-17 949	-5
Closing balance	**8 805 744**	**6 464 776**	**696 950**

Financial instruments at fair value recognised through the profit and loss account

	First half of 2005	End of 2004	First half of 2004
Debt instruments	239 374	220 463	69 258
- Bonds and bills issued by:	239 374	220 463	69 258
Other parties	*239 374*	*220 463*	*69 258*
Repo transactions	*326 890*	*329 019*	*329 019*
	566 264	**549 482**	**398 277**

20. Loans and advances to customers

Loans and advances granted to entities from the financial sector other than banks

	First half of 2005	End of 2004	First half of 2004
- loans and advances	833 944	529 218	570 309
overdrafts in current account	86 785	98 632	53 100
term	747 159	430 586	517 209
- repo transactions	2 081	1 305	5 928
- other receivables	69 839	44 017	45 671
- accrued interest	2 996	4 758	4 776
Total (gross)	908 860	579 298	626 684
Impairment losses, including:	-3 171	-3 585	-2 428
- individual impairment losses	*-1 000*		
- portfolio impairment losses	*-2 171*		
Total (net)	**905 689**	**575 713**	**624 256**

Loans and advances granted to entities from the non-financial sector

	First half of 2005	End of 2004	First half of 2004
- loans and advances granted to corporate customers	6 481 461	6 614 478	7 934 328
overdrafts in current account	2 435 272	2 107 167	2 206 634
term	4 046 189	4 507 311	5 727 694
- loans and advances granted to households	3 206 290	3 385 312	3 730 374
overdrafts in current account	985 292	977 465	1 022 973
term	2 220 998	2 407 847	2 707 401
- repo transactions	-	1 554	-
- other receivables	14 189	13 766	63 279
- accrued interest	41 280	219 327	257 338
Total (gross)	9 743 220	10 234 437	11 985 319
Impairment losses, including:	-797 992	-781 363	-1 100 709
- individual impairment losses	*-424 660*		
- portfolio impairment losses	*-373 332*		
Total (net)	**8 945 228**	**9 453 074**	**10 884 610**

Loans and advances granted government and local government institutions

	First half of 2005	End of 2004	First half of 2004
- loans and advances	361 175	386 396	409 786
overdrafts in current account	6 426	233	11 498
term	354 749	386 163	398 288
- accrued interest	2 944	3 104	3 497
Total (gross)	364 119	389 500	413 283
Impairment losses, including:	-35 912	-10 337	-10 064
- individual impairment losses	*-34 542*		
- portfolio impairment losses	*-1 370*		
Total (net)	**328 207**	**379 163**	**403 219**

Loans and advances to customers - total

	First half of 2005	End of 2004	First half of 2004
- loans and advances	10 882 870	10 915 404	12 644 797
- repo transactions	2 081	2 859	5 928
- other receivables	84 028	57 783	108 950
- accrued interest	47 220	227 189	265 611
Loans and advances to customers - gross, including:	**11 016 199**	**11 203 235**	**13 025 286**
- impaired	*1 036 900*	*1 420 000*	*2 062 441*
- not impaired	*9 979 299*	*9 783 235*	*10 962 845*
Impairment losses, including:	**-837 075**	**-795 285**	**-1 113 201**
- individual impairment losses	*-460 202*		
- portfolio impairment losses	*-376 873*		
Loans and advances to customers - net	**10 179 124**	**10 407 950**	**11 912 085**

In accordance with the credit policy, ING Bank Śląski S.A. accepts collaterals established on accounts of borrowers and collaterals established on the property of the borrowers. As of 30 June 2005, the value of these collaterals equalled PLN 438,986,000 (31 December 2004: PLN 637,945,000; 30 June 2004: PLN 1,097,934,000).

Receivables due to financial leases

As of 30 June 2004, credits and advances granted included, inter alia, the value of receivables due to financial leases. In August 2004, the subsidiary disclosing these receivables was sold. Currently, the Group discloses no such receivables.

21. Movements in impairment losses on receivables due to loans and advances

	First half of 2005	End of 2004	First half of 2004
Opening balance	880 981	1 049 472	1 049 472
Movements in impairment losses:	-43 296	-254 187	63 729
Recognised/reversed during the period	*-43 296*	*124 520*	*125 846*
Written off	-	*-410 667*	*-8 108*
Reclassified	-	*26 597*	*-6 233*
Subsidiary sold	-	*-21 190*	-
Receivables redeemed	-	*-37 807*	*-81 900*
Reclassified from off-balance sheet items	-	*64 360*	-
Re-recognised losses on receivables previously written down	-	-	*34 124*
Closing balance	**837 685**	**795 285**	**1 113 201**
due to:			
- deposit accounts in other banks as well as loans and advances to other banks	*610*	-	-
- loans and advances to customers	*837 075*	*795 285*	*1 113 201*

22. Deposit accounts in other banks as well as loans and advances to other banks and customers by maturity

	First half of 2005	End of 2004	First half of 2004
- Deposit accounts in other banks as well as loans and advances to other banks (gross)	9 254 242	10 748 766	11 038 907
- Loans and advances granted to entities from the financial sector other than banks (gross)	908 860	579 298	626 684
- Loans and advances granted to entities from the non-financial sector (gross)	9 743 220	10 234 437	11 985 319
- Loans and advances granted government and local government institutions (gross)	364 119	389 500	413 283
Deposit accounts in other banks as well as loans and advances to other banks and customers - total	**20 270 441**	**21 952 001**	**24 064 193**
- *of which the accrued interest*	*61 613*	*236 791*	*273 642*

In the amount of accrued interest as of 30 Jun 2005 there is the amount of PLN 25.090 thousand concerning accrued and unpaid interest which relates to impaired loans and which appeared before 01 Jan 2005; the full amount impairment loss was established.

	First half of 2005	End of 2004	First half of 2004
- Deposit accounts in other banks as well as loans and advances to other banks and customers by maturity	20 208 828	21 715 210	23 790 551
- less than 1 month	12 888 025	14 818 382	14 738 745
- between 1 month and 3 months	1 923 752	1 826 699	2 822 326
- between 3 months and 1 year	2 186 703	1 744 788	2 119 365
- between 1 year and 5 years	1 900 298	2 006 448	2 387 152
- more than 5 years	1 310 050	1 318 893	1 722 963
- Accrued interest	61 613	236 791	273 642
TOTAL	**20 270 441**	**21 952 001**	**24 064 193**

23. Investments in controlled entities

The Group has shares in the associated entity ING Nationale Nederlanden Polska PTE S.A.:

	Country	Type of activities	Share in the capital		
			First half of 2005	End of 2004	First half of 2004
ING Nationale Nederlanden Polska PTE S.A.	Poland	establishment and management of the open pension fund	20%	20%	20%

	First half of 2005	End of 2004	First half of 2004
- Opening balance	70 944	53 208	53 208
- Profit share	10 368	22 721	5 450
- Dividend paid	-22 563	-4 985	-4 985
- Other	-	-	-
Closing balance	**58 749**	**70 944**	**53 673**

General financial information on an associated entity:

	Assets	Liabilities	Equity	Income	Profit/(loss)
First half of 2005					
ING Nationale Nederlanden Polska PTE S.A.	382 736	29 463	332 172	129 937	69 291
End of 2004					
ING Nationale Nederlanden Polska PTE S.A.	401 349	10 553	370 383	242 285	125 347
First half of 2004					
ING Nationale Nederlanden Polska PTE S.A.	327 231	7 401	285 877	118 301	44 326

In the financial statements of ING Bank Śląski the following shareholdings in subsidiaries and associated entities are presented:

Name of entity	Nature of connection	Balance sheet value of shareholdings		
		First half of 2005	End of 2004	First half of 2004
ING Securities S.A.	*subsidiary*	30 229	30 229	30 229
Śląski Bank Hipoteczny S.A.	*subsidiary*	49 950	49 950	49 950
ING BSK Development Sp z o.o.	*subsidiary*	50	50	0
ING Services Polska Sp z o.o.	*subsidiary*	13 954	13 954	13 954
Solver Sp. z o.o.	*subsidiary*	6 682	6 682	6 682
Centrum Banku Śląskiego Sp. z o.o.	*subsidiary*	0	0	0
ING BSK Leasing S.A.	*subsidiary*	0	0	45 000
ING Nationale Nederlanden Polska PTE S.A.	*associated entity*	40 000	40 000	40 000
TOTAL		**140 865**	**140 865**	**185 815**

As of 30 Jun 2004, the shares in the company Centrum Banku Śląskiego Sp. z o.o. were held by ING BSK Leasing S.A. (balance sheet value of the shares was PLN 724,000). As of 30 Jun 2005 and as of 31 Dec 2004, the shares in the company Centrum Banku Śląskiego Sp. z o.o. were held by ING BSK Development Sp. z o.o. (balance sheet value of the shares is PLN 2,645,000).

24. Property, plant and equipment

First half of 2005

	Real properties	Computer hardware	Vehicles	Other fixtures and fittings	Investment real properties	TOTAL
a) opening balance of gross value of property, plant and equipment	504 430	305 173	11 720	509 639	199 947	**1 530 909**
b) additions (due to)	16 516	30 022	182	8 651	387	**55 758**
- purchases	8 840	27 009	168	6 554	387	**42 958**
- investments commissioned	4 806	2 288	0	98	0	**7 192**
- fair value valuation	5 522	0	0	0	0	**5 522**
- other	-2 652	725	14	1 999	0	**86**
c) disposals (due to)	-12 609	-13 187	-1 902	-3 484	0	**-31 182**
- sale and liquidation	-5 936	-3 391	-1 801	-136	0	**-11 264**
- fair value valuation	-1 182	0	0	0	0	**-1 182**
- other	-5 491	-9 796	-101	-3 348	0	**-18 736**
a) closing balance of gross value of property, plant and equipment	508 337	322 008	10 000	514 806	200 334	**1 555 485**
e) opening balance of accumulated depreciation	-109 608	-238 339	-8 432	-327 278	-21 471	**-705 128**
f) depreciation for the period (due to)	-5 996	-8 664	867	-22 239	0	**-36 032**
- depreciation charges	-5 996	-16 439	-810	-26 341	0	**-49 586**
- other	0	7 775	1 677	4 102	0	**13 554**
g) closing balance of accumulated depreciation	-115 604	-247 003	-7 565	-349 517	-21 471	**-741 160**
h) opening balance of fair value	0	0	0	0	-57 062	**-57 062**
- increases	0	0	0	0	0	**0**
- decreases	0	0	0	0	-541	**-541**
i) closing balance of fair value	0	0	0	0	-57 603	**-57 603**
j) closing balance of net value of property, plant and equipment	392 733	75 005	2 435	165 289	121 260	**756 722**
including investment outlays:	*344*	*5 522*	*0*	*2 388*	*0*	***8 254***

First half of 2004

	Real properties	Computer hardware	Vehicles	Other fixtures and fittings	Investment real properties	TOTAL
a) opening balance of gross value of property, plant and equipment	481 042	278 161	13 533	565 752	197 445	**1 535 933**
- change in applied accounting principles	30 768	0	0	0	0	**30 768**
b) additions (due to)	35 440	18 582	707	17 814	82	**72 625**
- purchases	312	14 462	613	9 035	82	**24 504**
- investments commissioned	4 883	1 706	0	1 524	0	**8 113**
- other	30 245	2 414	94	7 255	0	**40 008**
c) disposals (due to)	-5 994	-6 787	-597	-56 764	0	**-70 142**
- sale and liquidation	-163	-3 487	-304	-9 629	0	**-13 583**
- other	-5 831	-3 300	-293	-47 135	0	**-56 559**
a) closing balance of gross value of property, plant and equipment	541 256	289 956	13 643	526 802	197 527	**1 569 184**
e) opening balance of accumulated depreciation	-93 708	-221 501	-8 710	-311 995	-21 471	**-657 385**
f) depreciation for the period (due to)	-18 190	-6 220	-514	-7 541	0	**-32 465**
- depreciation charges	-18 220	-6 820	-990	-11 418	0	**-37 448**
- sale and liquidation	30	0	258	13 153	0	**13 441**
- other	0	600	218	-9 276		**-8 458**
g) closing balance of accumulated depreciation	-111 898	-227 721	-9 224	-319 536	-21 471	**-689 850**
h) opening balance of fair value	0	0	0	0	-22 800	**-22 800**
- increases	0	0	0	0	0	**0**
- decreases	0	0	0	0		**0**
i) closing balance of fair value	0	0	0	0	-22 800	**-22 800**
j) closing balance of net value of property, plant and equipment	429 358	62 235	4 419	207 266	153 256	**856 534**
including investment outlays:	*660*	*5 300*	*0*	*1 898*	*0*	***7 858***

On 1 January 2004 (IAS implementation date) the Group made the revaluation of certain proprietary components of fixed property (facilities, buildings, land and perpetual usufruct rights) to their fair value. The revaluation was made with the participation of independent appraisors. To establish the fair value of individual components of fixed property the income approach was applied. The said approach is based on the pricies deriving from the active market or prices, which occurred in the previous transactions conducted according to the market rules.
The revalued positions of the proprietary components of fixed property are represented by their fair value decreased by the value of cumulated depreciation and write-offs due to the value loss.

As of 30-06-2005 the balance sheet value of the real estate excluding revaluation is PLN 357,625,000.

As of 30-06-2005 the valuation update capital presents the recorded amount of PLN 42,142,000 concerning the real estate appraised to the fair value.

Leasing of IT equipment:

The Group uses a part of IT equipment based on financial leases. In accordance with provisions of a part of these leases, the Group is entitled to purchase the equipment used at preferential prices, after the end of term of leases. Property, plant and equipment as well as intangible assets accepted for use based on financial leases are disclosed in the accounting records as non-current assets and depreciated in line with principles adopted for own property, plant and equipment and intangible assets over a shorter of: lease term or expected useful life of the asset. Assets used based on financial leases are also subject to revaluation write-downs.

Investment outlays

"Investment outlays" include, inter alia outlays incurred in relation to branch visualisation (rebranding) project the purpose of which was to unify visual aspects of the Bank's branches by introducing a new external identification and internal design standards in the Bank's branches. Outlays will be settled successively, after completing visualisation of individual units and recognising property, plant and equipment items in appropriate groups, in accounting records. Taking into account useful life of the asset created by aggregating individual outlays incurred in relation to the project, the Bank set the depreciation period for 3 years in case of external elements and 2 years in case of internal elements. Adopted depreciation rates shall be subject to annual review.

25. Intangible assets

First half of 2005

	Goodwill	Software	Outlays for projects	Other intangible assets	TOTAL
a) opening balance of gross value	228 405	116 348	10 911	38 425	**394 089**
b) additions (due to)	0	14 859	7 971	490	**23 320**
- purchases	0	12 292	0	0	**12 292**
- reclassifications and investments	0	0	0	375	**375**
- other	0	2 567	7 971	115	**10 653**
c) disposals (due to)	0	-11	0	-838	**-849**
- sale and liquidation	0	0	0	-79	**-79**
- other	0	-11	0	-759	**-770**
d) closing balance of gross value	228 405	131 196	18 882	38 077	**416 560**
e) opening balance of accumulated amortisation	-160	-72 845	0	-12 251	**-85 256**
f) amortisation for the period (due to)	0	-10 013	0	-3 112	**-13 125**
- amortisation charges	0	-12 598	0	-703	**-13 301**
- sale and liquidation	0	0	0	79	**79**
- other	0	2 585	0	-2 488	**97**
g) closing balance of accumulated amortisation	-160	-82 858	0	-15 363	**-98 381**
h) opening balance of impairment losses	-4 584	0	0	0	**-4 584**
- increases	0	0	0	0	**0**
- decreases	0	0	0	0	**0**
i) closing balance of impairment losses	-4 584	0	0	0	**-4 584**
j) closing balance of net value	223 661	48 338	18 882	22 714	**313 595**

First half of 2004

	Goodwill	Software	Outlays for projects	Other intangible assets	TOTAL
a) opening balance of gross value	316 593	100 837	32 962	11 705	**462 097**
- change in applied accounting principles	-88 188	0	0	0	**-88 188**
b) additions (due to)	0	35 956	3 730	26 934	**66 620**
- purchases	0	4 732	0	241	**4 973**
- reclassifications and investments	0	2 987	0	0	**2 987**
- other	0	28 237	3 730	26 693	**58 660**
c) disposals (due to)	0	-17 083	-31 296	-24	**-48 403**
- sale and liquidation	0	-7 321	0	0	**-7 321**
- other	0	-9 762	-31 296	-24	**-41 082**
d) closing balance of gross value	228 405	119 710	5 396	38 615	**392 126**
e) opening balance of accumulated amortisation	-88 188	-65 380	0	-7 801	**-161 369**
- change in applied accounting principles	88 188	0	0	0	**88 188**
f) amortisation for the period (due to)	-79	-9 272	0	-3 032	**-12 383**
- amortisation charges	0	-9 376	0	-677	**-10 053**
- sale and liquidation	0	0	0	0	**0**
- other	-79	104	0	-2 355	**-2 330**
g) closing balance of accumulated amortisation	-79	-74 652	0	-10 833	**-85 564**
h) opening balance of impairment losses	0	0	0	0	**0**
- change in applied accounting principles	-4 584	0	0	0	**-4 584**
- increases	0	0	0	0	**0**
- decreases	0	0	0	0	**0**
i) closing balance of impairment losses	-4 584	0	0	0	**-4 584**
j) closing balance of net value	223 742	45 058	5 396	27 782	**301 978**

Impairment test of cash generating centres with goodwill

Impairment test was carried out based on forecast expected future cash flows generated in case of continued use. Cash flow forecasts were based on rational assumptions reflecting the most appropriate evaluation of the management regarding overall conditions that would prevail during the remaining period of use of assets. Cash flow forecasts were based on the financial plan adopted in the Bank as well as operating strategy for the period of the next 5 years, and in case of WBR, for the programme duration.
In case of WBR, lack of ability to generate cash flows in the amount covering the accepted loss was identified, which was a reason of recognising 100% impairment.
In case of the branch of ING Bank NV in Warsaw, brought in as a contribution in kind, goodwill reflects future economic benefits assumed by the Bank. No impairment was identified.

26. Deferred tax assets and provisions

Movements in temporary differences during the year

	Balance as of 31 December 2004	Adjustments due to changes in accounting policy	Balance as of 1 January 2005	Changes charged to the financial result	Changes charged to equity	Balance as of 30 June 2005
- Interest accrued (expense)	-21 883	-	-21 883	-492	-	**-22 375**
- Impairment	-157 655	-	-157 655	2 923	8 191	**-146 541**
- Other provisions	-13 663	-243	-13 906	-6 343	-	**-20 249**
- Retirement and holiday benefits	-3 681	-	-3 681	-90	-	**-3 771**
- Accumulated losses settled	-1 519	-	-1 519	1 021	-	**-498**
- Other	-14 645	-11 033	-25 678	-3 448	-9 977	**-33 727**
	-213 046	**-11 276**	**-224 322**	**-6 429**	**-1 786**	**-227 161**

	Balance as of 31 December 2004	Adjustments due to changes in accounting policy	Balance as of 1 January 2005	Changes charged to the financial result	Changes charged to equity	Balance as of 30 June 2005
- Accrued interest (income)	82 843	-	82 843	-74 650	-	**8 193**
- Settlement of the difference between tax and balance sheet depreciation	11 683	-	11 683	2 304	-	**13 987**
- Settlement of prepayments/accruals due to depreciation/amortisation resulting from the investment relief enjoyed	15 029	-	15 029	-696	-	**14 333**
- Other	29 377	2 358	31 735	655	22 003	**54 393**
	138 932	**2 358**	**141 290**	**-72 387**	**22 003**	**90 906**
Deferred tax disclosed in the balance sheet			**-83 032**	**-78 816**		**-136 255**

Recognised deferred tax assets and provisions

Deferred tax assets:

	First half of 2005	End of 2004	First half of 2004
- Interest accrued (expense)	-492	-7 282	-2 156
- Provisions for loans	2 923	24 970	7 386
- Other provisions	-6 343	-10 132	-8 752
- Retirement and holiday benefits	-90	-483	2
- Accumulated losses settled	1 021	1 519	-
- Other	-3 448	4 922	1 626
	-6 429	**13 514**	**-1 894**

Deferred tax provisions:

	First half of 2005	End of 2004	First half of 2004
- Interest accrued (income)	-74 650	3 952	18 845
- Settlement of the difference between tax and balance sheet	2 304	51 807	1 715
- Prepayment/accrual due to depreciation resulting from the investment relief applied	-696	1 226	-622
- Other	655	-2 087	296
	-72 387	**54 898**	**20 234**
Deferred tax for the reporting period	**-78 816**	**68 412**	**18 340**

Unrecognised deferred tax assets

Deferred tax assets, related to the following items, were not recognised:

	First half of 2005	End of 2004
Temporary differences reducing income tax	1 393	-
Tax losses	-	7 389
	1 393	**7 389**

Year of expiration of temporary differences:	difference amount as of 30 June 2005	difference amount as of 31 December 2004
2004	-	-
2005	-	-
2006	-	2 716
2007	-	3 437
2008	-	1 177
2009	-	59
for an indefinite period	1 393	-
TOTAL	**1 393**	**7 389**

27. Other assets

	First half of 2005	End of 2004	First half of 2004
- Prepayments	**45 541**	**33 455**	**41 547**
- prepaid bank operating costs	*2 983*	*761*	*5 670*
- prepayments due to insurance with NN	*1 586*	*1 637*	*1 573*
- prepayments due to development of the company	*1 599*	*2 189*	*2 778*
- materials and goods in the warehouse	*2 598*	*2 276*	*2 422*
- write-down to the Company's Social Benefit Fund (ZFŚS)	*2 824*	*-*	*2 499*
- costs to be settled	*472*	*1 484*	*2 720*
- accrued income	*22 849*	*18 200*	*15 694*
- other	*10 630*	*6 908*	*8 191*
- Other assets	**149 985**	**123 564**	**83 303**
- interbank settlements	*1 960*	*4 654*	*3 739*
- interbranch settlements	*262*	*108*	*530*
- public and legal settlements	*82 814*	*49 299*	*14 040*
- loans from the Company's Social Benefits Fund	*17 834*	*19 848*	*19 844*
- other	*47 115*	*49 655*	*45 150*
Other assets total (gross)	**195 526**	**157 019**	**124 850**
- provision for other assets	*-34 042*	*-31 315*	*-28 636*
Other assets total (net)	**161 484**	**125 704**	**96 214**

28. Employee benefits

ING Bank Śląski participates in the long-term incentive scheme (LTIS), introduced by ING Group. This scheme provides incentives to entities from ING Group employees by connecting their financial results with financial results of the Group. LTIS is addressed to members of the Management Board of the Bank, management and top level experts. Two instruments are offered under the system:

- share option,

- performance shares

Share options have a maturity of 10 years and can be exercised after three years from their issue, provided that the option holder is the Bank's employee (or an employee of another entity from ING Group) or is retired. The option strike price is an initial price determined by Euronext Amsterdam on the particular day, in so-called open period after the General Meeting of Shareholders of ING Groep NV.

Performance shares are assigned on certain conditions. The number of received performance shares depends on results achieved by ING Group at the end of a three-year period. To this end, so-called Total Shareholder Return (TSR) is calculated for every three-year period and compared with the ratio calculated for a group of financial institutions similar to ING. Depending on the position of ING in the ranking, the number of shares to be received can range from 200% in case of first to third position and 0% for ranging from 18th to 20th position.

To operate the aforementioned incentive scheme, the Bank incurs costs of financing options and system administration, which amounted to PLN 0.38 million as of 30 June 2005.

In accordance with IAS 19 *Employee Benefits* , the Bank measures granted share options and performance options at fair value. The value measured for the period from 1 January 2005 to 30 June 2005 equalled PLN 1.8 million and was charged to the financial result of the Bank.

29. Liabilities due to other banks

	First half of 2005	End of 2004	First half of 2004
- Current accounts	151 751	107 140	89 161
- Interbank deposits	2 566 540	1 908 775	1 807 941
- Repo transactions	344 087	434 478	337 622
- Other liabilities	26 730	10 228	139 416
- Accrued interest	10 189	33 157	25 684
TOTAL	**3 099 297**	**2 493 778**	**2 399 824**

In the item 'Repo transactions' the repo transactions and sell-buy-back transactions are presented.

Repos and reverse repos

The Group generates funds by selling financial instruments under repurchase agreements stipulating for their repurchase in the future at the same price plus predetermined interest amount.

Repo transactions are commonly used as a tool for short-term financing of interest asset, depending on the interest rate level.

The following assets were sold under repo transactions:

As of 30 June 2005

	Nominal value	Carrying amount	Repurchase date
Assets held for trading	66 000	65 337	10-12-2007
Assets held for trading	271 000	268 276	02-11-2005
	337 000	**333 613**	

As of 31 December 2004

	Nominal value	Carrying amount	Repurchase date
Assets held for trading	66 000	65 337	10-12-2007
Assets held for trading	271 000	268 276	02-11-2005
	337 000	**333 613**	

As of 30 June 2004

	Nominal value	Carrying amount	Repurchase date
Assets held for trading	66 000	65 337	10-12-2007
Assets held for trading	271 000	268 276	02-11-2005
	337 000	**333 613**	

Total costs of interest due to repo transactions for the first half of 2005 equalled PLN 1,620,000 (end of 2004: PLN 11,028,000; first half of 2004: PLN 13,549,000).

The Group also purchases financial instruments under agreements to repurchase them in the future (reverse repo transactions). The seller undertakes to resale the same or similar instruments on the agreed future date. Reverse repo transactions are used as a tool to obtain funds for customers.
No reverse repo transactions took place in the first half of 2005 and in 2004.

30. Liabilities to customers

Liabilities to entities from the financial sector other than banks

	First half of 2005	End of 2004	First half of 2004
- Deposits	1 166 115	1 037 280	910 007
current accounts	697 950	416 687	571 966
term accounts	468 165	620 593	338 041
- Repo transactions	774 847	450 656	36 433
- Other liabilities	132 802	191 684	206 470
- Accrued interest	633	1 060	955
TOTAL	**2 074 397**	**1 680 680**	**1 153 865**

Liabilities to entities from the non-financial sector

	First half of 2005	End of 2004	First half of 2004
- Deposits of corporate customers	7 252 265	9 076 223	7 444 780
current accounts	4 015 985	4 577 224	3 949 932
term accounts	3 236 280	4 498 999	3 494 848
- Deposits of households	17 953 355	15 100 955	12 680 612
current accounts	2 176 450	2 184 629	2 477 015
saving accounts	10 790 965	5 924 203	5 159 164
term accounts	4 985 940	6 992 123	5 044 433
- Repo transactions	442 389	151 375	335 248
- Other liabilities	351 514	374 598	380 408
- Accrued interest	91 434	61 471	36 364
TOTAL	**26 090 957**	**24 764 622**	**20 877 412**

Liabilities to government and local government institutions

	First half of 2005	End of 2004	First half of 2004
- Deposits	1 392 405	1 195 098	1 172 866
current accounts	694 776	828 779	675 503
term accounts	697 629	366 319	497 363
- Other liabilities	843	7 980	1 157
- Accrued interest	1 588	1 142	1 614
TOTAL	**1 394 836**	**1 204 220**	**1 175 637**

Liabilities to customers - total

	First half of 2005	End of 2004	First half of 2004
- Deposits	27 764 140	26 409 556	22 208 265
- Repo transactions	1 217 236	602 031	371 681
- Other liabilities	485 159	574 262	588 035
- Accrued interest	93 655	63 673	38 933
Liabilities to customers - total	**29 560 190**	**27 649 522**	**23 206 914**

31. Liabilities to banks and customers by maturity

	First half of 2005	End of 2004	First half of 2004
- Liabilities due to other banks	3 099 297	2 493 778	2 399 824
- Liabilities to entities from the financial sector other than banks	2 074 397	1 680 680	1 153 865
- Liabilities to entities from the non-financial sector	26 090 957	24 764 622	20 877 412
- Liabilities to government and local government institutions	1 394 836	1 204 220	1 175 637
Liabilities to banks and customers - total	**32 659 487**	**30 143 300**	**25 606 738**
- *of which the accrued interest*	*103 844*	*96 830*	*64 617*

	First half of 2005	End of 2004	First half of 2004
- Liabilities to banks and customers by maturity	32 555 643	30 046 470	25 542 121
- less than 1 month	26 955 759	23 177 770	20 201 835
- between 1 month and 3 months	2 400 513	3 645 536	2 326 924
- between 3 months and 1 year	2 475 009	2 493 949	2 230 587
- between 1 year and 5 years	627 467	627 495	672 448
- more than 5 years	96 895	101 720	110 327
- Accrued interest	103 844	96 830	64 617
TOTAL	**32 659 487**	**30 143 300**	**25 606 738**

32. Provisions

First half of 2005

	provision for disputes	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*general risk provision*	*other*	*TOTAL*
Closing balance at the end of the previous period	27 963	17 446	8 994	11 211	222 594		**288 208**
Changes in adopted accounting principles	-	46 387	-	-	-222 594		**-176 207**
Opening balance	**27 963**	**63 833**	**8 994**	**11 211**	**0**	**0**	**112 001**
Provisions recognised	10 342	-	820	-	-	-	**11 162**
Provisions applied	-7 344	-	-	-	-	-	**-7 344**
Provisions reversed	-180	-5 130	-	-69	-	-	**-5 379**
Accounting reclassifications	-3 400	-	-	-	-	-	**-3 400**
Closing balance	**27 381**	**58 703**	**9 814**	**11 142**	**0**	**0**	**107 040**

First half of 2004

	provision for disputes	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*general risk provision*	*other*	*TOTAL*
Closing balance at the end of the previous period	**12 157**	**34 720**	**8 882**	**8 858**	**207 268**	**1 859**	**273 744**
Provisions recognised	1 585	39 311	-	-	5 133	72	**46 101**
Provisions applied	-	-	-	-	-	-	**0**
Provisions reversed	-	-35 500	-31	-50	-450	-400	**-36 431**
Accounting reclassifications	-	14	-	-	-	-	**14**
Closing balance	**13 742**	**38 545**	**8 851**	**8 808**	**211 951**	**1 531**	**283 428**

Provision for disputes

ING Bank Śląski keeps a detailed register of court cases and other receivables demonstrating features of legal claims. The Bank creates provisions for cases that according to the lawyer and/or the Bank's management, show a high risk of loss or for which recovering lost assets is impossible. Potential future settlements are charged to recognised provisions.

Provision for retirement benefits

Provisions for retirement benefits granted as a part of benefits required by the Labour Code are estimated based on actuarial valuation. The provision resulting from actuarial valuation is recognised and remeasured on an annual basis. Additionally, the provision is adjusted on a quarterly basis based on estimations performed. As of 30 June 2005, the value of future liabilities due to retirement benefits equalled PLN 9,814,000 (PLN 8,994,000 as of 31 December 2004; PLN 8,851,000 as of 30 June 2004).

Provision for unused holidays

As of 30 June 2005, the value of the provision for unused holidays equalled PLN 11,142,000 (PLN 11,211,000 as of 31 December 2004; PLN 8,808,000 as of 30 June 2004).

Restructuring

A provision for restructuring is recognised when the Bank has a detailed and formal restructuring plan defining at least the business or part of the business to which it applies, the basic locations, the places of employment, the functions, and the approximate number of employees eligible to indemnification, the amount of expenditure to be incurred and the dates of implementation. The condition necessary for recognising the provisions is also for the restructuring to have been commenced or announced publicly. The provision for restructuring does not include future operating costs.
As of 30 Jun 2005 the provision for restructuring did not occur.

33. Other liabilities

	First half of 2005	End of 2004	First half of 2004
- to employees	**27 459**	**24 854**	**28 836**
- due to leases	**32 920**	**50 184**	**62 480**
- accruals	**96 284**	**251 287**	**287 418**
- due to operating expenses	*5 507*	*2 810*	*5 556*
- due to employee benefits	*32 754*	*28 901*	*23 661*
- due to loans granted	*10 675*	*13 066*	*21 150*
- due to commission	*41 906*	*3 494*	*2 595*
- suspense interest	*-*	*197 330*	*230 097*
- other	*5 442*	*5 686*	*4 359*
- other liabilities	**791 744**	**274 735**	**472 060**
- interbank settlements	*361 383*	*139 606*	*349 893*
- interbranch settlements	*11 396*	*11 157*	*23 278*
- public and legal settlements	*110 758*	*81 659*	*38 528*
- settlements with shareholders due to dividend	*266 705*	*-*	*10 408*
- other	*41 502*	*42 313*	*49 953*
	948 407	**601 060**	**850 794**

34. Contingent liabilities

The Group discloses obligations to grant loans. These obligations include approved loans, credit card limits and limits of overdraft in current accounts.
The Group issues guarantees and letters of credits securing fulfilment of obligations of the Group's customers to third parties.
The Group charges commissions for contingent liabilities granted, which are settled in line with the characteristic of the particular instrument.

Values of contractual contingent liabilities by category are presented in the table below. Values of guarantees and letters of credit disclosed below reflect maximum loss that can be incurred, which would be disclosed as at the balance sheet date if customers do not fully fulfil their obligations.

	First half of 2005	End of 2004	First half of 2004
Liability value			
- Credit card limits	214 377	130 485	15 919
- Undrawn credit facilities	4 840 238	4 308 352	4 531 505
- Undrawn overdrafts in current account	2 018 722	1 340 786	1 094 307
- Guarantees and letters of credit	1 068 901	982 442	1 200 537
- Other liabilities	56 600	4 458 657	1 130 100
	8 198 838	**11 220 722**	**7 972 368**

Provisions are established for the conditional liabilities concerning the finance, encumbered with the risk of impairment loss. If as per the balance sheet date there is the objective evidence for impairment with reference to the conditional liabilities, the Bank establishes the provision equal the difference between the statistically estimated part of the off-balance sheet exposure (the balance sheet equivalent for current off balance sheet items) and current value of the estimated future cash flows. For the off balance sheet form of a conditional liability the value of calculated provision does lower the balance sheet value of assets and is included in the Bank's balance sheet as well as in the income statement. Provisions for the off balance sheet liabilities are included in the Group's balance sheet under item "Provisions" and in the explanatory note no 32".

35. Off-balance sheet financial instruments

As of 30 June 2005

	Nominal value of instruments with the period remaining to maturity				Fair value measurement	
	less than 3 months	more than 3 months and less than 1 year	more than 1 year	Total	Assets	Equity and liabilities
Interest rate derivatives						
Forward rate agreements (FRA)	2 200 000	40 544 603	1 600 000	44 344 603	40 363	37 080
Interest rate swaps (IRS)	8 263 008	15 509 133	13 632 450	37 404 591	119 881	78 351
Total	**10 463 008**	**56 053 736**	**15 232 450**	**81 749 194**	**160 244**	**115 431**
FX derivatives						
FX contracts (swap, forward)	13 395 474	4 840 219	1 502 490	19 738 183	36 829	347 832
Currency options (purchased)	904 400	642 268	1 395	1 548 063	34 615	11 002
Currency options (sold)	811 422	757 862	2 098	1 571 382	16 205	45 511
Total	**15 111 296**	**6 240 349**	**1 505 983**	**22 857 628**	**87 649**	**404 345**
Current off-balance sheet transactions						
FX operations	3 902 613	-	-	3 902 613	1 110	1 119
Securities operations	3 374 678	-	-	3 374 678	938	15 191
Total	**7 277 291**	**0**	**0**	**7 277 291**	**2 048**	**16 310**
Total	**32 851 595**	**62 294 085**	**16 738 433**	**111 884 113**	**249 941**	**536 086**

As of 31 December 2004

	Nominal value of instruments with the period remaining to maturity				Fair value measurement	
	less than 3 months	more than 3 months and less than 1 year	more than 1 year	Total	Assets	Equity and liabilities
Interest rate derivatives						
Forward rate agreements (FRA)	900 000	26 126 000	200 000	27 226 000	4 990	10 007
Interest rate swaps (IRS)	3 673 828	12 835 006	14 667 138	31 175 972	118 411	38 078
Total	**4 573 828**	**38 961 006**	**14 867 138**	**58 401 972**	**123 401**	**48 085**
FX derivatives						
FX contracts (swap, forward)	21 921 343	3 433 096	1 556 469	26 910 908	219 831	31 516
Currency options (purchased)	1 502 774	701 268	1 500	2 205 542	70 940	13 951
Currency options (sold)	1 673 292	777 596	25 313	2 476 201	22 474	83 064
Total	**25 097 409**	**4 911 960**	**1 583 282**	**31 592 651**	**313 245**	**128 531**
Current off-balance sheet transactions						
FX operations	1 071 411	-	-	1 071 411	469	2 977
Securities operations	401 919	-	-	401 919	263	5 385
Total	**1 473 330**	**0**	**0**	**1 473 330**	**732**	**8 362**
Total	**31 144 567**	**43 872 966**	**16 450 420**	**91 467 953**	**437 378**	**184 978**

As of 30 June 2004

	Nominal value of instruments with the period remaining to maturity				Fair value measurement	
	less than 3 months	more than 3 months and less than 1 year	more than 1 year	Total	Assets	Equity and liabilities
Interest rate derivatives						
Forward rate agreements (FRA)	1 500 000	49 096 990	6 850 000	57 446 990	1 450	565
Interest rate swaps (IRS)	4 596 290	15 313 410	14 715 654	34 625 354	136 118	43 732
Total	**6 096 290**	**64 410 400**	**21 565 654**	**92 072 344**	**137 568**	**44 297**
FX derivatives						
FX contracts (swap, forward)	21 854 313	6 007 378	1 255 403	29 117 094	193 117	25 503
Currency options (purchased)	1 591 171	914 334	-	2 505 505	61 799	24 517
Currency options (sold)	1 571 148	934 548	-	2 505 696	29 046	66 419
Total	**25 016 632**	**7 856 260**	**1 255 403**	**34 128 295**	**283 962**	**116 439**
Current off-balance sheet transactions						
FX operations	2 213 693	-	-	2 213 693	2 736	2 559
Securities operations	608 009	-	-	608 009	125	23 900
Total	**2 821 702**	**0**	**0**	**2 821 702**	**2 861**	**26 459**
Total	**33 934 624**	**72 266 660**	**22 821 057**	**129 022 341**	**424 391**	**187 195**

Currency contracts

The table below summarises contractual values of currency forwards, swaps and options by currency, as well as details of the period remaining to maturity of the particular contract. Values in foreign currency are converted at exchange rates valid as at the balance sheet date.

	Nominal value		
	First half of 2005	End of 2004	First half of 2004
EUR			
Less than 3 months	2 317 520	3 762 034	3 943 439
More than 3 months and less than 1 year	1 791 366	1 593 937	2 107 689
More than 1 year	1 156 382	1 343 622	1 115 881
USD			
Less than 3 months	3 387 304	6 165 308	5 886 382
More than 3 months and less than 1 year	1 621 536	1 411 838	2 699 392
More than 1 year	161 110	31 404	14 988
GBP			
Less than 3 months	14 235	2 112	3 790
More than 3 months and less than 1 year	-	-	10 162
More than 1 year	-	-	-
Other currencies			
Less than 3 months	323 643	331 857	222 350
More than 3 months and less than 1 year	52 144	26 421	-
More than 1 year	-	-	-

36. Hedge accounting

Fair value hedge accounting

In the financial statements as of 30 June 2005, the Group uses fair value hedge accounting.

The risk hedged is the change in fair value of the real property (building of a subsidiary - Centrum Banku Śląskiego Sp. z o.o., which the Head Office of ING Bank Śląski in Katowice is located) as a result of a change in the spot EUR/PLN exchange rate, and the hedging instrument is the forward type foreign currency transaction. Notional amount of the hedging transaction is updated in line with updated value of the building estimated by an independent surveyor.

As of 30 June 2005, the gain due to measurement of the hedged item in the amount of PLN 5,217,000 less deferred income tax of PLN 991,000 increased the Group's financial result.

Cash flow hedge accounting

In the financial statements as of 30 June 2005, the Group did not use cash flow hedge accounting.

37. Fair value

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in a direct transaction, other than compulsory sale or winding-up. Fair value is in the best way reflected by the market price if available.

Summary of carrying values and fair values for each group of assets and liabilities not disclosed in the Group's balance sheet at fair value is presented below. Purchase and sale prices were used respectively to estimate fair values of assets and liabilities. In accordance with Paragraph 36A IFRS 1, the Group used exemption from disclosure of comparative information in respect to fair value. In case of short-term financial assets and liabilities, it is assumed that carrying amount of these instruments approximates their fair value.

	First half of 2005	
	Carrying amount	Carrying amount
Assets		
Deposit accounts in other banks as well as loans and advances to other banks	9 287 633	9 287 633
Loans and advances to customers	10 643 443	10 659 164
Equity and liabilities		
Liabilities due to other banks	2 796 461	2 796 461
Liabilities to customers	29 988 120	29 962 386

Fair value determination
Main methods and assumptions used in estimating fair values of financial instruments from the table above are summarised below.

Loans and advances to customers: They are carried at net value less impairment losses due to provisions. Fair value is calculated as discounted expected future payments of principal and interest. It is assumed that loans and advances would be repaid on dates set in agreements. In case of credits without defined repayment dates and credits at risk of earlier repayment, payments were estimated based on historical data for previous periods, during which interest rate levels were similar to the current one, adjusted for expectations regarding their level in the future. Credit risk and any grounds indicating impairment of credits were taken into account when estimating expected future cash flows. Expected future cash flow related to uniform loan and advance categories, e.g. mortgage loans to natural persons, were estimated based on the credit portfolio and discounted using the current interest rate used for loans from the similar category offered to new customers with similar credit profile. Market prices of instruments hedged by similar types of loans and advances adjusted for differences resulting from different types of loans and advances are also used to estimate fair values. Estimated fair value of loans and advances reflects movements in interest rates in case of credits with fixed interest rate.

Deposit accounts in other banks as well as loans and advances to other banks: Fair value of deposits with floating interest and overnight deposits is their carrying amount. Fair value of deposits bearing fixed interest rate is estimated based on cash flows discounted using current interest rate of the monetary market for receivables with similar credit risk and number of days to maturity.

Investments in controlled entities: In case of financial assets being investments in controlled entities, equity method was applied for their measurement.

Liabilities due to other banks and customers: In case of deposits paid at request and deposits without predefined maturity, the amount that would be paid at request as at the balance sheet date is accepted as fair value. Fair value of deposits with predetermined maturity was estimated based on cash flows discounted by current interest rate for deposits with similar maturities. Importance of long-term cooperation with depositaries is not taken into account in the process of estimating fair value of these instruments.

38. Hedging assets

On 18 June 2002, the Bank obtained from the Bank Guarantee Fund a loan in the amount of PLN 30,000,000 related to acquisition of Wielkopolski Bank Rolniczy S.A. The loan was granted for a period of 5 years. The first instalment of the loan was repaid in June 2004, the second one – in December 2004 and the third one – in June 2005. As of 30 June 2005, the debt level amounted to PLN 17,145,000. The loan is secured by a pledge on MF treasury bills with nominal value of PLN 21,650,000.

The Agreement between 12 banks on providing a support to restructuring of Wschodni Bank Cukrownictwa S.A. in Lublin was concluded on 22 June 2002. Under the Agreement, on 05 June 2003, ING Bank Śląski obtained from the Bank Guarantee Fund a loan in the amount of
PLN 13,955,600 fully allocated for payment for new issue shares in Wschodni Bank Cukrownictwa S.A. The loan was granted for a period of 8 years. The loan is secured with blank promissory note issued by ING Bank Śląski.

Assets constitute hedge of the following liabilities:

	First half of 2005	End of 2004	First half of 2004
Liabilities			
Liabilities to the financial sector	17 145	21 430	25 715
	17 145	**21 430**	**25 715**

Carrying amounts of hedging assets:

	First half of 2005	End of 2004	First half of 2004
Hedging assets			
Available-for-sale financial assets	20 978	24 939	28 571
	20 978	**24 939**	**28 571**

39. Custody activities

As of 30 June 2005, ING Bank Śląski S.A. kept 3,043 securities accounts, on which securities were deposited for the Bank's customers. In the first half of 2005, ING Bank Śląski acted as a depositary bank for 31 investment funds and 1 employee fund.
ING Bank Śląski S.A. was also selected to perform this function for three newly created investment funds. In the period from 01 January 2005 to 30 June 2005, ING Bank Śląski S.A. cooperated with 16 Polish brokerage houses.

40. Operating leases

ING Bank Śląski cooperates with ING Car Lease in respect to car leasing and fleet management. In the first half of 2005, payments due to this tile amounted to PLN 2,648,000 (in 2004 – PLN 1,836,000).

41. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash disclosed in the balance sheet as well as current accounts and overnight deposits in other banks.

	First half of 2005	End of 2004	First half of 2004
- Cash in hand and balances with the Central Bank	1 062 993	895 332	521 129
- Accounts with other banks	2 733 687	4 508 920	5 130 605
	3 796 680	**5 404 252**	**5 651 734**

42. Explanation of the classification of Bank's activities into operating, investment and financial activities in the cash flow statement

Operating activities include core activities of the Bank, not classified as investment and financial activities.

Investment activities consist in purchasing and selling shares in controlled entities, shares in other entities as well as other securities and financial assets, as well as intangible assets, property, plant and equipment, and investments in real property and intangible assets.

Financial activities refer to long-term (over 1 year) financial operations with financial entities. Inflows from financial activities indicate sources of financing of the Bank, including e.g. long-term loans and advances from other banks, as well as financial entities other than banks. Outflows from financial activities refer mainly to repayment of long-term liabilities (e.g. received loans) by the Bank and payment of dividends to the owners and other outflows due to profit distribution.

43. Reasons of differences between changes in some balance sheet items and changes in these items disclosed in the cash flow statement

Movements in investment securities

Movements do not include a part of available-for-sale assets charged to equity (revaluation reserve on available-for-sale assets).

Movements in loans and advances and deposits in other banks

This item does not include a part of receivables due to operations with the NBP and other banks, which was disclosed under "Total net cash flows" (movements in cash).

Movements in liabilities due to other banks and customers

This item does not include liabilities due to incurred/repaid long-term (over one year) loans and advances received from other banks and financial institutions, disclosed in a section regarding financial activities. Movements in liabilities to the financial sector resulting from exchange rate changes also are excluded from this item. They are disclosed under item A.II.2 "Gains/losses due to exchange differences".

Movements in provisions
Movements in other liabilities
Movements in income tax receivables/liabilities

Movements result from changes introduced into the balance sheet as a result of implementation of the International Financial Reporting Standards as of 01 January 2005.

44. Related parties

The Group concludes related party transactions with subsidiaries, associated entities, holding company and entities from ING Group.
Several banking transactions are concluded with related entities as a part of normal business activities. They mainly include granting loans, accepting deposits, granting guarantees and credit facilities and concluding off-balance sheet transactions (FX transactions, forward transactions, IRS, CIRS, FRA, options). The value of related party transactions as well as expenses and income for the first half of 2005 are presented in the table below.

As of 30 June 2005

	Holding company	Other entities from ING Group	Subsidiaries	Associated companies
Receivables and liabilities				
Deposits	2 334 135	186 714	-	-
Loans	-	336 434	411 514	-
Deposits	374 449	55 524	170 539	49 566
Securities	-	-	42 603	-
Other receivables	-	11 539	37	-
Other liabilities	6 438	32 303	12	-
Off-balance sheet valuation of financial instruments	-34 438	58 249	-	-
Off-balance sheet operations				
Guarantees granted	22 249	6 583	-	-
Guarantees received	801 303	191 134	-	-
Credit facilities granted	335 322	94 468	300 006	-
FX transactions	2 478 065	62 618	-	-
Forward transactions	12 583	-	-	-
IRS/CIRS	19 400 302	1 083 520	-	-
FRA	1 469 603	-	-	-
Options	-	11 972	-	-
Income and expenses				
Income	77 478	55 021	9 199	87
Expenses	52 805	14 467	20 303	2 037

All transactions between entities from the Group are measured on arm’s length basis.

Related party transactions over EUR 500.000

The following transactions with total value over EUR 500,000 were concluded in the first half of 2005:

- Based on the agreement of 1 February 2005 on settlement of improvements, concluded between Centrum Banku Śląskiego Sp. z o.o., ING Lease (Polska) Spółka z o.o. and ING Bank Śląski S.A. transactions aimed at settling the liability for the total amount of PLN 8.5 million (net) were concluded. The purpose of the aforementioned agreement was the settlement of improvements with the owner of the building of the Bank's Head Office in Katowice, ul. Sokolska 34.

- ING Bank Śląski paid a rent in the amount of PLN 9.0 million (gross) in monthly instalments for rental of office space in the building belonging to CBS. Additionally, the Bank paid PLN 0.4 million for adaptation works.

- ING Services Polska provides to ING Bank Śląski services related to rental of computer resources. The cost of services equalled PLN 5.3 million (gross).

- Remuneration for services related to financial advisory resulting from implementation of the cooperation agreement of 31 January 1997 between ING Bank Śląski S.A. and ING Bank NV, equalled PLN 18.7 million (net). The expected amount of remuneration for advisory services for 2005 equals EUR 6.75 million (PLN 27.9 million).

- An annex to the credit agreement, as a result of which the credit facility to ING Lease amounts to PLN 375 million, was signed on 25 March 2005. The agreement assumes interest rate equal Wibor + Bank's margin.

- ING Bank Śląski concluded with ING Lease the transaction related to sub-rental of usable space with total value of PLN 7.9 million (gross).

Cooperation agreement between ING Bank NV, ING GROEP NV and ING Bank Śląski

ING Bank Śląski is a subsidiary of ING Bank NV since July 1996. Close cooperation between the Bank and ING Group dates back to that time. To formalise this cooperation, the cooperation agreement regulating its principles was signed in January 1997.
Over the last 8 years, when the agreement from 1997 was valid, principles and scope of cooperation was changing, especially after 2001, when Bank Śląski merged with ING Bank NV Warsaw Branch. In the first half of 2005, the Bank's Supervisory Board made a decision to amend the cooperation agreement. A new cooperation agreement, replacing the agreement from 1997, was signed in July 2005 as a result of activities undertaken. This agreement, in particular regulates principles for benefiting from experience and knowledge of ING Group, which could be useful and valuable to the Bank in order to improve service standard, competitiveness and minimise risk of banking activities, as well as to develop uniform methodology structure within ING Group. Financial advisory services refer to the following areas of the Bank's activities:

1. business support and project methodology, inter alia consultations regarding management of contacts with international customers of ING BSK and ING Group, direct support of international transactions concluded by the Bank, using the global system for strategic customers of ING Group, consultations regarding methodology and standards of projects, providing access to the knowledge base of ING Group in Intranet;

2. brand and image management, inter alia support to activities aimed at creation of the Bank's image and brand, using visualisation standard for the Bank's branches;

3. human resources as well as management development (so-called Talent Management), including training courses, inter alia employee development programme support;

4. methodology and development of risk management models, inter alia support in defining standards, policy and procedures for monitoring risks of banking activities, support in the implementation and improvement of models providing a basis for evaluation and analyses of banking activity risks, support in the implementation of procedures, policies and standards regarding risk analysis and mitigation, use of ING models in market, operational and credit risk management;

5. taxes on joint undertakings as well as controlling and finance, including planning and budgeting processes, inter alia support in adjusting activities of the Bank related to finance and accounting to new regulations (ECB regulations), application of ING solutions in respect to applied accounting principles and implementation of IFRS/IAS, application of SOX 404 methodology to limit operational risk of the Bank, in particular to ensure accuracy of financial data;

6. methodology of construction and operations of the internal audit, inter alia using solutions of ING Group to monitor post-control recommendations, consultations regarding evaluation of effectiveness of implemented procedures, regulations and instructions;

7. IT architecture, development of the IT infrastructure and management of IT system risk, inter alia applying standards for IT system safety and data encryption, consultations regarding IT system architecture and standardisation;

8. legal issues regarding operations of the Bank in ING Group, external law, corporate governance and compliance principles, inter alia using solutions of ING Group regarding compliance;

9. optimisation of the purchase process, inter alia advisory on outsourcing process optimisation;

10. financial markets, inter alia advisory on FM product market risk evaluation and using ING global limits;

11. support in respect to solutions applied in back-office operations.

Additionally, in the second half of 2005, ING BSK plans to sign the outsourcing agreement on services including processing and analysis of financial information of corporate customers of the Bank that would be used to:

- assign credit rating to customers in accordance with interpretation of requirements of the Capital Accord applied by ING;

- monitor the process of analysis of credit application and the procedure for credit decision making;
automatic generation and update of historical databases including customer ratings as well as changes in their exposures and collaterals;

- current monitoring of total credit exposures to legally and economically related entities being customers of ING BSK;

- current monitoring of the customer risk resulting from credit exposures and exposures in financial market instruments, as well as established limits;

- current calculation of the amount of collateral of some exposures in financial market instruments, generation of management and obligatory reports in accordance with the interpretation of the Capital Accord and IAS 39 applied by ING;

- estimation of specific risk provisions for exposures individually material in accordance with IAS 39.

Expected remuneration due to the aforementioned service agreement for 2005 equals EUR 1.4 million.

Transactions with management and employees

Employees of ING Bank Śląski S.A. Group obtain loans on the same terms as other customers of the Bank (there are no preferential loans for employees). Loans to employees are disclosed under loans to customers and as of 30 June 2005 amounted to PLN 41,927 thousand.
Granting a loan, advance, bank guarantee or surety to members of the Bank's management is governed by a separate procedure and is subject to monitoring, in accordance with Order of the President of ING Banku Śląskiego S.A.
Financial statements for the first half of 2005 disclose loans, advances, bank guarantees and sureties granted to members of the Bank's management (within the meaning of Article 79 of the Banking Law) in the amount of PLN 7,228,000.
Employees can also use different forms of social support under Company's Social Benefits Funds created by entities from the Group. As of 30 June 2005, the balance of loans granted from Company's Social Benefits Funds equalled PLN 17,834,000.

Remuneration paid to members of the Management Board of ING Bank Śląski S.A. in the first half of 2005

Wages and salaries	5 780
Other short-term benefits	666
Retirement benefits	-
Other long-term benefits	501
Benefits due to employment termination	-
Payments in form of treasury shares	-
TOTAL	**6 947**

Remuneration paid to members of the Management Board of ING Bank Śląski S.A. in the year 2005 amounted to PLN 15,465 thousand.

Remuneration paid to members of the Supervisory Board of ING Bank Śląski S.A. in the first half of 2005

Wages and salaries	513
Other short-term benefits	-
Retirement benefits	-
Other long-term benefits	-
Benefits due to employment termination	-
Payments in form of treasury shares	-
TOTAL	**513**

Remuneration paid to members of the Supervisory Board of ING Bank Śląski S.A. in the year 2005 amounted to PLN 1,000 thousand.

Members of the Management Board and other persons who are employees of ING Bank Śląski S.A. do not receive remuneration and rewards for functions performed in authorities of subsidiaries and associated entities in ING Bank Śląski S.A. Group.

45. Events after the balance sheet date

None occurred.

46. Acquisitions

In the first six months of 2005, the Group did not make any acquisitions.

47. Risk management disclosures

An integral part of banking activity is bearing risk which to minimise its negative effects must be appropriately monitored and managed. The basic types of banking risk are credit risk, market risk (liquidity risk, interest rate risk, foreign exchange risk) and operational risk. All objectives, tasks, obligations, and key procedures related to risk management are contained in internal regulations of the Bank.

This section below provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, operational risk and market risk. Market risk includes interest rate risk, liquidity risk and exchange rate risk.

Derivative financial instruments

The purpose of this section is to provide information to enhance understanding of the significance of financial instruments to the Group's financial position, performance and cash flows, and assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments.

The Group enters into a variety of derivative financial instruments for trading and risk management purposes. Details of the nature and terms of derivative instruments outstanding at the balance sheet date are set out in notes 3 and 29.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices, commodity prices or price indices. Derivatives are either standardised contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts. A description of the main types of derivative instruments used by the Group is set out below.

(i) Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Group are interest rate and cross-currency interest rate swaps ("CIRS swaps"). Under interest rate swaps, the Group agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The CIRS swap usually requires an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from the respective counterparties' failure to perform. Market risk arises from the possibility of unfavourable movements in interest rates relative to the contractual rates of the contract.

(ii) Futures and forwards

Futures and forwards are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts whereas forwards are individually-traded over-the-counter contracts. Hedging payments for futures are made in cash or other instruments, and changes in the future contract values are settled daily. Therefore credit risk is limited to the changes in the contract value for a single day. Futures contracts have little credit risk because the counterparties are futures market makers. Futures and forward contracts both result in exposure to market risk based on changes in market prices relative to contracted amounts.

(iii) Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying commodities at a specified price on a specified date (in the case of European options) or before a specified date (in the case of American options). The Group enters into interest rate options, foreign exchange options, equity and index options. Interest rate options, including caps and floors, are used as hedges against the rise or fall, respectively, of interest rates. They provide protection against changes in interest rates on financial instruments above or below a specified level. Foreign currency options provide protection against rising or falling currency rates. The Group as a buyer of over-the-counter options is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Group exercises the option. As the writer of over-the-counter options, the Group is subject to market risk only since it is obliged to make payments if the option is exercised.

Financial risk management and hedging activities

Fair value hedges

In the financial statements as of 30.06.2005, the Group uses fair value hedge accounting. The risk hedged is the change in fair value of the real property as a result of a change in the spot EUR/PLN exchange rate, and the hedging instrument is the forward type foreign currency transaction. See note 36 for more details of hedge accounting.

Cash flow hedges

In the financial statements as of 30.06.2005, the Group did not use cash flow hedge accounting.

Hedges of net investment in a foreign entity

In the financial statements as of 30.06.2005, the Group did not use hedge accounting related to net investment in a foreign entity.

Trading activities

The main sources of the Bank's risk in this area are counterparty risk related mainly to the financial condition of the Bank's counterparties in operations in financial markets and market risks related to the significant variability of prices of trading financial instruments, which are mainly related to changes in foreign exchange rates, interest rates, and thus debt instrument prices.

Counterparty credit risk

Counterparty risk is managed by establishing limits for individual counterparties. On request of the relevant organisational units of the Bank, the final decision is made by the unit at the appropriate level of credit competencies. The following limit categories are used: settlement limit (for spot foreign exchange transactions, partly for foreign exchange swaps), pre-settlement (for foreign exchange swap transactions, forward fx, FRAs, repo, reverse repo, debt instrument purchase/sale), lending (mainly depositary operations).

The use of the risk control methodology developed by the strategic shareholder of the Bank, ING Bank NV, ensures efficient and effective risk control, which ensures high security of the business conducted.

Market risk

The main objective of effective management of market risk in ING Bank Śląski S.A. Group is to maximise profit with the concurrent mitigation of potential losses which may result from negative changes in interest rates, foreign exchange rates and other market parameters as well as customers' behaviours. The market risk management process includes the following elements:

- market risk identification,
- market risk measurement (including back testing to ensure the adequacy of the models used),
- ongoing market risk monitoring against the limits,
- mitigating or accepting the risk level on the basis of analyses of the risk as related to the rate of return.

The rules of managing market risk and the measurement methods applied by the ING Bank Śląski S.A. Group are consistent with the methodology applied by the ING Group and generally accepted by the banking sector.

To measure market risk, except for liquidity risk, ING Bank Śląski S.A. uses mainly the VaR (value at risk) methodology which makes it possible to calculate the potential loss arising from the positions assumed and from variability of prices, interest rates, market rates (and variability for foreign currency options) and also interrelations between the above-mentioned parameters. The purpose of the assessment of adequacy of the models used, the level of risk determined with the use of VaR measurement is subject to the process of back testing consisting in the comparison of the real result as well as of the hypothetical result (determined only on the basis of the positions held at the end of the day) with the VaR measurement.

Moreover, the Bank measures EVaR (emergency value at risk) which is the potential loss which may be incurred by the Bank on the given market position in the case of extreme changes in market parameters. EVaR is determined on the basis of a group of macroeconomic scenarios (by selecting the worse of them) under the assumption that more extreme changes in market parameters than those presented in the scenarios should not occur more often than once in 10 years. The risk measurement methods used differ depending on the area of activity and the extent of complexity of the instruments offered by the Bank. Therefore, the measurement and monitoring of VaR and EVaR take place in three areas:

- FX spot,
- foreign currency options,
- interest rate.

The table below presents the economic currency position of the Bank as of the end of June 2005.

Currency	Item in '000
EUR	-30,344
USD	-72
CHF	-76
GBP	-9
Other currencies (sum in EUR)	290

The interest rate area encompasses all interest rate transactions – both simple instruments such as a deposit as well as derivative transactions – FRA, IRS and securities. All interest rate positions arising from foreign exchange forward transactions such as FX forward or FX Swap – after their discounting to the spot value date – are transferred through internal transactions to the interest rate area.

Apart from the use of the VaR methodology, ING Bank Śląski S.A. monitors also other types of limits, e.g. volume limits limiting the position in securities held in the Bank's portfolio and time limits related with the maintenance of the above positions. Also sensitivity parameters such as Greek parameters for foreign currency options and "BPV" (Basis Point Value) showing the sensitivity of the interest rate position to market interest rate changes are subjected to continued observation.

The control of the market risk area is also associated with precise determination of the list of the available financial instruments offered to the customers by the Bank. The portfolios, depending on the type of risk generated, may contain only the products which have been formally approved by the respective units of the Bank.

The market risk management process relates both to the trading as well as to the banking book. Nevertheless, in the case of the banking book, the main objective from the point of view of market risk management is its limitation to the minimum. This task is performed by two methods: through a direct financing system as well as through a transfer price system. The transfer price system – through internal transactions – makes it possible to transfer the market risk arising as a result of entering by business divisions (the corporate and the retail one) into transactions to the area of Financial Markets. The control of correctness of operation of both the direct financing process as well as the transfer pricing system is ensured by the monthly calculated VaR for the banking book, the level of which cannot exceed the limit established especially for this area.

To manage and monitor the market risk related to the trading book and the banking book, the Bank establishes VAR-type limits for individual risks: foreign exchange risk and interest rate risk. The use of VAR-type limits for the trading book is monitored daily, and the use of VAR-type limits for the banking book is monitored monthly. The table below presents the average values of measurement of interest rate risk and foreign exchange risk for individual first six months of 2005 for the trading book.

PLN '000

Month	VAR for interest rate risk	VAR for foreign exchange risk
	monthly average	monthly average
January	1,325	983
February	1,320	990
March	2,160	776
April	2,508	832
May	1,926	365
Une	1,855	614

For interest rate risk, VAR were at a level of PLN 746,000 – 3,020,000, and VAR for foreign exchange risk were at a level of PLN 146,000 – 1,707,000.

The table below presents the average values of measurement of interest rate risk for individual first six months of 2005 for the banking book.

PLN '000

Data	VAR for interest rate risk
31.01.2005	71
29.02.2005	48
31.03.2005	74
30.04.2005	74
31.05.2005	23
30.06.2005	15

The tables below illustrate interest rate gaps broken down by the area of Financial Markets and the remaining part of the Bank. They take into account the following elements: a) internal transactions transferring the interest rate positions to Financial Markets and b) for positions without contractual dates of interest rate changes (current accounts, “overdrafts”, savings accounts, equity, non-current assets, etc.), the Bank’s own model determining the characteristics of interest rate changes.

Interest rate gaps for the Financial Markets area
(Present values as of the end of June 2005 – in millions)

Time interval	PLN	USD	EUR
1M	570.42	-77.59	-144.51
3M	2,211.13	-160.63	-54.03
6M	-348.20	-86.09	242.38
1Y	367.04	3.14	37.34
2Y	140.26	-15.96	-11.34
3Y	289.36	8.39	-1.97
4Y	211.75	-8.43	-3.94
5Y	-75.26	2.53	2.53
7Y	-24.52	0.00	0.24
10Y	8.91	0.00	0.68
15Y	0.93	0.00	0.00

Interest rate gaps outside the Financial Markets area
(Present values as of the end of June 2005 – in millions)

Time interval	PLN	USD	EUR
1M	-90.66	4.64	2.82
3M	89.79	-1.05	-12.50
6M	-29.01	0.21	3.03
1Y	6.50	-0.32	1.83
2Y	-1.77	-0.30	-0.09
3Y	8.78	0.00	-0.02
4Y	-5.87	0.00	0.00
5Y	-0.24	-0.03	-0.01

An important element of the market risk management process is the process of liquidity monitoring and management. The Bank’s liquidity risk management policy is based on maintenance of the Bank’s liquidity positions so as to ensure that the Bank’s cash liabilities can be always met with the use with cash on hand, receipts from transactions with the given maturity date and/or through the sale of disposable assets.

The process of liquidity monitoring and management in ING Bank Śląski encompasses liquidity risk measurement, risk and ratio monitoring, and liquidity risk reporting. The process of the Bank’s liquidity monitoring and management is consistent with the *Policy of ING Bank Śląski related to the liquidity risk and financing.*

The above policy is implemented via the following processes:

- Preparation and review of the monthly report on liquidity gaps,
- Preparation and review of the daily liquidity ratio,
- Preparation and review of the monthly report concerning the structure of financing,
- Preparation and review of the monthly report on information ratios,
- Activities ensuring the correct delivery of bank notes to the branches, and

- Activation – in certain specified circumstances – of the contingency liquidity maintenance plan.

The rules of allocation of balance sheet and off-balance sheet items to the respective time intervals in the monthly report on the liquidity gap, aiming at showing conservatively the liquidity position of the Bank, take into account the adjustment to actual values of the liquidity characteristics of selected positions of the Bank. The components of the daily liquidity ratio take into account the assumptions of risk to the Bank's liquidity status.

The measures of the liquidity risk of the Bank are monitored daily and monthly. For each liquidity ratio, the permissible limit which is subject to constant monitoring is defined.

As of the end of June 2005, the net 3-month liquid assets ratio was at a level of - 164%; the deposit base was characterised by substantial stability at a level of 96%

The table below presents the liquidity gaps for the Bank broken down by individual products, as of the end of June 2005. Some positions are subjected to conservative adjustment to actual values consistently with the Bank's liquidity policy in force.

DATE: 30.06.2005

BALANCE SHEET *currencies (in PLN million) : PLN + FC (USD, EUR, CHF)*

ASSETS	TOTAL	1 M	2 M	3 M	4 M	5 M	6 M	7 M	8 M	9 M	10 M	11 M	12 M	2 lata	3 lata	powyżej 3 lat
SECURITIES IN BANKING BOOK	874,0	47,1	0,0	9,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	78,8	738,2
SECURITIES IN TRADING BOOK	4 565,7	4 173,3	19,4	9,4	0,0	263,4	0,0	0,0	0,0	0,0	5,0	22,0	0,0	12,1	61,2	0,0
SECURITIES IN REPLICATING BOOK	7 325,6	7 325,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
INTERBANK DEPOSITS	8 634,6	7 594,0	167,3	561,9	0,0	9,0	202,0	0,0	0,0	0,0	0,0	0,0	100,4	0,0	0,0	0,0
LOANS TO WHOLESALE CUSTOMERS	5 829,7	571,4	120,8	145,7	106,0	108,7	169,0	56,8	66,5	105,1	77,0	85,1	82,9	344,8	223,4	3 566,3
LOANS TO STRATEGIC CUSTOMERS	2 872,0	759,7	316,7	237,9	80,2	30,9	46,9	46,6	11,6	15,4	46,0	23,4	39,0	160,8	128,5	928,5
LOANS TO RETAIL CUSTOMERS	2 686,1	1 159,0	30,8	29,9	29,4	27,9	29,4	28,0	25,5	25,9	24,3	22,1	20,4	168,3	106,2	958,9
NBP ACCOUNT	734,8	0,0														734,8
NOSTRO ACCOUNTS	52,0	52,0														
CASH	344,8	344,8														
TOTAL ASSETS	**33 919,2**	**22 026,8**	**655,0**	**994,7**	**215,7**	**440,0**	**447,2**	**131,4**	**103,6**	**146,4**	**152,3**	**152,6**	**242,7**	**686,0**	**598,2**	**6 926,6**

LIABILITIES	RAZEM	1 M	2 M	3 M	4 M	5 M	6 M	7 M	8 M	9 M	10 M	11 M	12 M	2 LATA	3 LATA	powyżej 3 lat
INTERBANK DEPOSITS	2 718,97	1 809,9	370,0	60,4	25,0	278,3	100,0	0,0	10,0	0,0	0,0	0,0	0,0	0,0	65,3	0,0
DEPOSITS FROM WHOLESALE CUSTOMERS	2 359,63	1 987,6	107,2	59,9	12,7	9,4	13,0	8,8	23,6	49,8	23,5	24,5	5,4	19,2	0,6	14,4
DEPOSITS FROM STRATEGIC CUSTOMERS	4 398,24	4 240,7	68,9	56,2	0,7	9,2	3,6	5,8	0,0	2,3	10,6	0,0	0,0	0,3	0,0	0,0
RECEIVED LOANS	81,87	0,0	0,0	0,0	1,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	80,8	0,0	0,0
DEPOSITS FROM RETAIL CUSTOMERS	4 790,67	980,0	844,3	702,5	390,1	419,0	412,0	97,9	73,5	96,0	65,8	68,6	99,7	453,7	2,9	84,6
CURRENT ACCOUNTS OF WHOLESALE CUSTOME	2 543,61	508,7	406,7	325,5	260,4	208,4	166,7	133,4	106,7	85,4	68,3	54,6	43,7	162,3	11,7	0,9
CURRENT ACCOUNTS OF STRATEGIC CUSTOMER	1 029,35	205,9	164,6	131,7	105,4	84,3	67,5	54,0	43,2	34,5	27,6	22,1	17,7	65,7	4,8	0,4
CURRENT ACCOUNTS OF RETAIL CUSTOMERS	2 245,27	449,1	189,0	247,4	209,3	177,1	149,8	126,8	107,3	90,7	76,8	65,0	55,0	259,9	36,3	5,9
SAVINGS ACCOUNTS OF RETAIL CUSTOMERS	11 170,72	2 234,1	0,0	937,8	842,8	754,0	674,5	603,5	539,9	483,0	432,1	386,6	345,8	2 145,0	578,3	213,4
REFINANCING AND COLLATERAL LOAN	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
LORO ACCOUNTS	106,3	106,3														
IMPAIRMENT AND PROVISIONS	874,4															874,4
TOTAL LIABILITIES	**32 319,1**	**12 522,3**	**2 150,8**	**2 521,5**	**1 847,5**	**1 939,6**	**1 587,1**	**1 030,1**	**904,2**	**841,8**	**704,7**	**621,4**	**567,3**	**3 186,8**	**699,9**	**1 194,1**

OFF BALANCE SHEET ITEMS

ASSETS	RAZEM	1 M	2 M	3 M	4 M	5 M	6 M	7 M	8 M	9 M	10 M	11 M	12 M	2 LATA	3 LATA	powyżej 3 lat
FOREIGN EXCHANGE SWAPS	18 815,1	10 560,4	1 939,7	1 646,3	1 307,2	523,1	825,3	122,8	175,3	353,8	44,9	198,5	283,7	261,2	204,2	368,6
CC-IRS	553,3	0,8	0,8	0,8	0,8	0,8	6,5	0,6	0,6	0,6	0,6	0,6	6,3	127,7	129,9	276,2
MONEY MARKET	256,6	236,6	0,0	0,0	0,0	0,0	0,0	20,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
DEPOSITS FROM STRATEGIC CUSTOMERS	67,8	67,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
GUARANTEES (30%)	382,8	81,8	25,2	24,5	11,8	8,2	12,6	6,5	4,5	7,0	7,8	6,2	7,3	31,2	22,6	125,5
LETTERS OF CREDIT (90%)	94,5	13,6	1,6	12,5	2,1	0,7	1,0	1,1	0,4	0,9	1,4	0,7	0,9	7,1	5,7	44,8
Unused credit facilities - WHOLESALE (75%/25%)	1 041,2	13,0	4,8	3,3	1,7	1,5	2,3	1,0	0,8	1,2	1,1	1,1	1,2	4,6	2,9	1 000,7
Unused credit facilities - RETAIL (50%/25%)	402,4	396,4	0,2	0,2	0,2	0,1	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,8	0,5	3,2
TOTAL	**21 613,8**	**11 370,5**	**1 972,2**	**1 687,5**	**1 323,7**	**534,4**	**847,8**	**152,1**	**181,8**	**363,7**	**56,0**	**207,2**	**299,5**	**432,6**	**365,9**	**1 818,9**

LIABILITIES	RAZEM	1 M	2 M	3 M	4 M	5 M	6 M	7 M	8 M	9 M	10 M	11 M	12 M	2 LATA	3 LATA	powyżej 3 lat
FOREIGN EXCHANGE SWAPS	19 155,8	10 612,4	1 956,5	1 701,0	1 316,3	517,3	818,7	127,8	177,5	356,3	47,8	204,8	286,9	305,0	253,4	474,0
CC-IRS	515,5	0,9	0,9	0,9	0,9	0,9	6,0	0,8	0,8	0,8	0,8	0,8	5,8	120,6	119,6	254,8
MONEY MARKET	256,6	56,6	200,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
DEPOSITS FROM STRATEGIC CUSTOMERS	67,8	67,8	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
REVERSE REPO OPERATIONS	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
GUARANTEES (30%)	382,8	382,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
LETTERS OF CREDIT (90%)	94,5	94,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Unused credit facilities - WHOLESALE (75%/25%)	1 041,2	1 041,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Unused credit facilities - RETAIL (50%/25%)	402,4	402,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	**21 916,8**	**12 658,7**	**2 157,4**	**1 701,9**	**1 317,3**	**518,2**	**824,7**	**128,6**	**178,3**	**357,1**	**48,6**	**205,6**	**292,8**	**425,6**	**373,0**	**728,8**

GAP		**8 216,3**	**-1 681,1**	**-1 541,2**	**-1 625,4**	**-1 483,4**	**-1 116,8**	**-875,2**	**-797,1**	**-688,8**	**-545,1**	**-467,2**	**-317,9**	**-2 493,8**	**-108,8**	**6 822,7**
ACCUMULATED GAP		**8 216,3**	**6 535,2**	**4 994,0**	**3 368,6**	**1 885,2**	**768,4**	**-106,8**	**-903,9**	**-1 592,7**	**-2 137,8**	**-2 605,0**	**-2 922,9**	**-5 416,7**	**-5 525,5**	**1 297,2**

Market risk management is a dynamic process which requires constant adjustment to the developing organisation. The functions associated with risk management in ING Bank Śląski S.A. are performed by the Market Risk Management Department. In the first six months of 2005, the Department focused on a change in the liquidity and financing risk management policy. The liquidity risk reports were corrected so as to take into account customers' and market behaviours. Moreover, steps were undertaken to verify the correctness of measurement, management, and limitation of market risk at the consolidated level. In particular, market risk is monitored in the Bank's subsidiaries and at the consolidated level.

Credit risk

Credit risk is defined as a risk of incurring financial losses as a result of the customer's inability to perform his financial obligations towards the Bank.

The basic tools for the management of credit risk in the Bank are sectoral analyses, establishing sectoral limits, creditworthiness assessment criteria and risk migration analysis. With respect to a retail banking customer, the main tool which supports risk assessment is an automatic and centralised application based on a scoring card.

An inherent part of the credit risk is the credit concentration issue. The regulations of the Banking Law in force in Poland allow on one hand increasing the level of credit exposure to one customer (to 25% of the Bank's own funds), but on the other hand impose the requirements of monitoring large concentrations on an ongoing basis.

On the basis of the regulations in force, the Bank has introduced procedures for the management of risk related to large concentrations. So-called large exposures, i.e. total receivables, shares, supplementary payments and other types of the Bank's interest in enterprises/groups of enterprises which are bound by capital or organisationally, in the case of which the value exceeds 10% of net own funds, are monitored on an ongoing basis. Pursuant to Article 71 of the Banking Law, the maximum permissible coefficient is 800% of the Bank's own funds. As of the end of June 2005, the concentration coefficient was not exceeded.

The greatest balance sheet and off-balance exposures as of 30.06.2005 were as follows:

PLN '000

Customer	Balance sheet exposure	Off-balance sheet exposure	Total
1 (Customer)	339,009	201,185	540,194
2 (Group)	242,727	167,695	410,422
3 (Customer)	366,292	41,545	407,837
4 (Customer)	92,404	207,700	300,104
5 (Group)	145,345	149,317	294,662
6 (Customer)	254,323	18,093	272,416
7 (Customer)	152,406	48,808	201,214
8 (Group)	141,167	51,890	193,057
9 (Customer)	162,875	22,745	185,620
10 (Customer)	113,291	66,210	179,501
TOTAL	**2,009,839**	**975,188**	**2,985,027**

To mitigate the risk related to credit portfolio concentration, the Bank diversifies its portfolio by increasing its exposure to small and medium-sized enterprises, and also develops its retail banking business. Apart from that, the Bank uses exposure limiting procedures in the case of increased-risk customers and economy sectors.

The table below presents the Group's exposure in national economy branches and sectors (taking into account the balance sheet and off-balance sheet exposure in business entities):

National economy branches and sectors (by classes of Classification of Economic Activities in the European Community	Total exposure in PLN '000		Structure %	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
Agriculture, hunting and forestry	250,809	279,291	1.63	1.67
Mining of coal and lignite	4,800	10,732	0.03	0.06
Extraction of crude petroleum and natural gas	99,471	123,720	0.65	0.74
Other mining and quarrying	112,956	36,804	0.74	0.22
Manufacture of food products and beverages	1,016,895	1,148,757	6.63	6.89
Manufacture of tobacco products	357,030	318,054	2.33	1.91
Manufacture of textiles	36,525	42,755	0.24	0.26
Manufacture of clothes and leather products	44,474	78,647	0.29	0.47
Manufacture of wood and wood products and manufacture of pulp, paper and paper products	230,471	253,913	1.50	1.52
Publishing	164,900	190,364	1.07	1.14
Fuel industry	261,173	246,519	1.70	1.48
Chemical industry	421,265	422,594	2.74	2.53
Rubber industry	152,368	148,927	0.99	0.89
Manufacture of other non-metallic products	370,600	351,022	2.41	2.10
Manufacture of metals	181,692	344,361	1.18	2.06
Manufacture of fabricated metal products	282,209	317,153	1.84	1.90
Manufacture of machinery and equipment	577,917	474,414	3.77	2.84
Manufacture of electronic products	340,394	576,656	2.22	3.46
Manufacture of precision instruments	113,032	109,808	0.74	0.66
Manufacture of transport equipment	281,727	491,870	1.84	2.95
Manufacture of furniture	112,418	113,122	0.73	0.68
Manufacture of furniture	16,145	9,342	0.11	0.06
Production and distribution of electricity	711,942	708,250	4.64	4.25
Collection, purification and distribution of water	61,081	74,594	0.40	0.45
Construction	561,754	567,382	3.66	3.40
Sale, maintenance and repair of motor vehicles	385,435	381,343	2.51	2.29
Trade	2,975,038	3,189,304	19.38	19.12
Hotels and restaurants	63,375	87,540	0.41	0.52
Transport	264,658	689,654	1.73	4.14
Post and telecommunications	434,761	372,253	2.83	2.23

Financial intermediation, insurance and pension funding	2,394,075	2,230,770	15.60	13.38
Real estate activities, renting of machinery and equipment	879,254	878,526	5.73	5.27
Computer and related activities	44,897	48,848	0.29	0.29
Research and development	5,678	11,464	0.04	0.07
Other business activities	330,783	438,054	2.16	2.63
Public administration and defence	406,965	430,995	2.65	2.58
Education	37,421	54,924	0.24	0.33
Health and social work	24,843	28,117	0.16	0.17
Other community, social and personal service activities	9,862	7,644	0.06	0.05
Recreational and sporting activities	115,428	142,363	0.75	0.85
Other	212,839	248,203	1.38	1.49
Total	**15,349,360**	**16,679,053**	**100.00**	**100.00**

The Group's exposure by geographical segments (receivables from customers and public sector – gross loans) is as follows:

PLN '000

Voivodship	**30.06.2005**	**30.06.2004**
Dolnośląskie	402,267	430,723
Kujawsko-Pomorskie	51,226	87,360
Lubelskie	23,119	38,007
Łódzkie	260,687	331,052
Małopolskie	285,451	523,314
Mazowieckie	412,258	985,618
Opolskie	340,136	415,113
Podkarpackie	88,375	62,931
Podlaskie	104,467	61,393
Pomorskie	156,862	246,329
Śląskie	1,782,497	2,286,266
Świętokrzyskie	123,335	159,033
Warmińsko-Mazurskie	898	45,692
Wielkopolskie i Lubuskie	536,068	669,603
Zachodnio-Pomorskie	150,783	181,131
Head Office	5,820,828	6,455,872
Total	**10,539,257**	**12,979,437**

Operational risk

ING Bank Śląski has implemented the rules of managing operational risk, abiding by the Recommendation of the National Bank of Poland based on the respective guidelines of the Basel Committee and consistently with the standards developed by the ING Group. Consistently with these regulations, the Operational Risk Management Policy specifying the consistent methodology and practice in this area has been adopted and implemented in the Bank.
The Bank considers operational risk the risk of direct or indirect tangible loss or loss of reputation as a result of inadequate or failed internal governance, human resources, technical systems or external events.

Operational risk management, applicable to all the Bank's organisational units and subsidiaries, involves identification, measurement and monitoring of this risk, and undertaking actions with a view to mitigate it. The Supervisory Board and the Management Board of the Bank systematically supervise the operational risk management-related operations, and the Operational Risk Committee coordinates the respective work. The Operational Risk Management Department has been established within the Bank's organisational structures, which has been entrusted with the execution of tasks related to the implementation, coordination, and monitoring of processes related to operational risk as well as to the IT risk, business process risk, and security of human and other resources.

Within the framework of operational risk management, the Bank focuses on the following issues:

- implementation of mechanisms of estimation of the operational risk level and its mitigation in individual areas of the Bank's business,
- collecting information, analysis and reporting of operational risk-related events,
- determination of significant risk ratios and their monitoring,
- limitation of losses by improving the system of control of the Bank's business,
- improving the audit process through implementation of an integrated recording systems and monitoring the implementation of post-audit recommendations,
- economic capital allocation adequate to the risk level,
- testing continuity-of-business plans for critical and important business processes,
- improvement of physical protections in the Bank, with particular consideration of the integrated system of monitoring security in the Branches and ensuring immediate help in emergency situations,
- arranging educational programmes and training related to operational risk management.

The Group's capital adequacy

Pursuant to the Resolution No. 4/2004 of the Banking Supervisory Commission of 8 September 2004, concerning the scope and specific principles of setting out the capital requirements due to individual types of risk and the scope of application of statistical methods and conditions the fulfilment of which makes it possible to obtain permission to apply them, the method and detailed principles of calculation of the bank's solvency ratio, the scope and method of including the bank's operations in holdings, calculation of the capital and the solvency ratio and determination of additional items of the balance sheet reported together with the equity in the capital adequacy calculation and the scope, method and conditions of the setting out thereof, the capital adequacy of the Group as of 30 June 2005 was 17.44% - minimum is 8%. The Group was involved in a significant trading activity, thus it was subject to the full requirement of calculation of capital requirements due to individual types of risks.
The total capital requirement as of the end of June 2005 was PLN 1,315,791,000, including 84.7% of the requirement related to the credit risk and 15,3% covering financial risk of the trading portfolios. The capital requirement due to FX risk was PLN 34,751,000 and the requirement due to specific risk of debt instruments was PLN 75,365,000, the requirement due to general risk of interest rates was PLN 59,964,000, the requirement due to the risk of settlement-delivery and the counterparty risk was PLN 30,574,000, and the requirement due to overrun of the exposure concentration risk was PLN 981,000.

CALCULATION OF SOLVENCY RATIO

	IH 2005	2 004	IH 2004
Own funds:			
- Initial capital	130 100	130 100	130 100
- Supplementary capital	1 013 559	1 010 644	1 002 038
- Revaluation reserve	205 120	135 908	71 111
- Other reserve capital	1 657 190	1 553 478	1 553 478
- Decrease of capital in respect of intangible assets	-282 135	-284 410	-281 158
- Retained profit or uncovered loss from prior years	57 462	-69 025	-61 010
- Minority interest	14 248	6 956	19 417
- Short-term capital	72 221	119 274	60 163
I. Total own funds	**2 867 765**	**2 602 925**	**2 494 139**
Risk weighted assets:			
- risk weighted assets with risk rate 20%	1 995 315	2 358 956	2 380 614
- risk weighted assets with risk rate 50%	61 838	439 372	463 117
- risk weighted assets with risk rate 100%	9 965 209	9 085 476	10 438 133
II. Total risk weighted assets	**12 022 362**	**11 883 804**	**13 281 864**
Risk weighted contingent liabilities granted:			
- risk weighted contingent liabilities granted with risk rate 10%	1 295	609	722
- risk weighted contingent liabilities granted with risk rate 20%	646 702	1 074 413	364 959
- risk weighted contingent liabilities granted with risk rate 50%	233 073	376 277	335 593
- risk weighted contingent liabilities granted with risk rate 100%	1 023 505	940 001	1 216 760
III. Total risk weighted contingent liabilities granted	**1 904 575**	**2 391 300**	**1 918 034**
IV. Total risk weighted assets and contingent liabilities granted (II + III)	**13 926 937**	**14 275 104**	**15 199 898**
V. Credit risk (IV*8%)	**1 114 155**	**1 142 008**	**1 215 992**
VI. Market risk	**201 635**	**187 346**	**119 197**
VII. Total capital requirement (V + VI)	**1 315 790**	**1 329 354**	**1 335 189**
VIII. Solvency ratio (%)	**17,44%**	**15,66%**	**14,94%**

48. Explanation of transition to IFRSs

These financial statements are the first financial statements prepared consistently with the regulations of IFRS.

The accounting principles specified in note 1 have been applied at preparation of the financial statements for the first six months of the financial year ending on 30.06.2005 as well as at presentation of comparative data for the financial year ending on 31 December 2004, for the first six months of 2004 ending on 30.06.2004, and also at preparation of the opening balance as of 1 January 2005 (date of the Group's transition to the IFRS) consistently with the IFRS provisions.

In accordance with the requirements of the International Financial Reporting Standards/ International Accounting Standards, the financial statements for the first six months of 2004 and for 2004 have been made comparable with the data disclosed in the financial statements for the above periods.

The transformation to comparative data related to:

1. Impairment in goodwill acquired as a result of the acquisition of Wielkopolski Bank Rolniczy S.A. and also as a result of amortisation for 2004 of the goodwill related to the acquisition of the ING Bank NV Branch and WBR,
2. Measurement of financial instruments related to the long-term incentive scheme
3. Real property revaluation to fair value
4. Moreover, in the Bank's statements, the presentation changes related to the measurement of subordinates at acquisition cost.

When preparing the consolidated financial statements consistently with the provisions of IFRS 1, the Group used the following exemptions from the retrospective use of IFRS.

Exemption from the requirement to fully retrospectively apply IFRS

The Group has not used this exemption.

Exemption from the transformation of comparative data

Pursuant to paragraph 36A of IFRS 1, the Group decided to use the exemption from the requirement to restate comparative information for IAS 39 (measurement at amortised cost using the effective interest method, impairment losses on financial assets carried at amortised cost using the effective interest method).

Exemption from the retrospective introduction of other IFRS provisions

The Group has not used this exemption.

Transformation of capital to comparative data

At preparation of the opening balance consistently with IFRS, the Group adjusted the values disclosed in the prior financial statements which had been prepared consistently with the accounting standards applied earlier.

The table below presents the transformation to comparative data related to equity and net profit or loss as of 01.01.2004, 30.06.2004 and 31.12.2004 (data in PLN '000). The changes were made in the following areas:

(1) Impairment in goodwill acquired as a result of the acquisition of Wielkopolski Bank

Rolniczy S.A. and also as a result of amortisation for 2004 of the goodwill related to the acquisition of the ING Bank NV Branch,

(2) Measurement of financial instruments related to the long-term incentive scheme,

(3) Real property revaluation to fair value,

(4) Measurement of subordinates at acquisition cost.

TRANSFORMATION OF CONSOLIDATED EQUITY TO COMPARABLE DATA **PLN '000**

	Financial profit (loss)	Retained earnings	Equity Revaluation reserve	Minority interest	Other	TOTAL
PAS 01.01.2004	-	16 448	22 447	-4 511	2 669 917	2 704 301
Impairment and amortisation of goodwill		-4 584				-4 584
Revaluation of real property to fair value	0	-47 036	52 169	19 023	0	24 156
IFRS/IAS 01.01.2004	**-**	**-35 172**	**74 616**	**14 512**	**2 669 917**	**2 723 873**
PAS 30.06.2004	144 039	-9 390	18 942	394	2 685 616	2 839 601
Impairment and amortisation of goodwill	14 913	-4 584				10 329
Revaluation of real property to fair value	0	-47 036	52 169	19 023	0	24 156
IFRS/IAS 30.06.2004	**158 952**	**-61 010**	**71 111**	**19 417**	**2 685 616**	**2 874 086**
PAS 31.12.2004	366 255	-17 405	92 886	-5 969	2 694 222	3 129 989
Impairment and amortisation of goodwill	29 825	-4 584				25 241
Valuation of financial instruments (options in incentive scheme)	-724					-724
Revaluation of real property to fair value	0	-47 036	43 022	12 925	0	8 911
IFRS/IAS 31.12.2004	**395 356**	**-69 025**	**135 908**	**6 956**	**2 694 222**	**3 163 417**
PAS 01.01.2005		348 850	92 886	-5 969	2 694 222	3 129 989
Impairment and amortisation of goodwill		25 241				25 241
Valuation of financial instruments (options in incentive scheme)		-724				-724
Revaluation of real property to fair value		-47 036	43 022	12 925	0	8 911
Impairment of financial assets		161 360				161 360
Valuation at amortised cost		-57 855	3 865			-53 990
IFRS/IAS 01.01.2005	**0**	**429 836**	**139 773**	**6 956**	**2 694 222**	**3 270 787**

TRANSFORMATION OF EQUITY TO COMPARABLE DATA **PLN '000**

	Equity				
	Financial profit (loss)	**Retained earnings**	**Revaluation reserve**	**Other**	**TOTAL**
PAS 01.01.2004	-	22 253	22 447	2 664 112	2 708 812
Impairment and amortisation of goodwill		-4 584			-4 584
Revaluation of real property to fair value		-47 036	23 634		-23 402
(4)		-2 102	-321		-2 423
IFRS/IAS 01.01.2004	**-**	**-31 469**	**45 760**	**2 664 112**	**2 678 403**
PAS 30.06.2004	144 039	6 486	18 942	2 669 740	2 839 207
Impairment and amortisation of goodwill	14 913	-4 584			10 329
Revaluation of real property to fair value		-47 036	23 634		-23 402
Accounting for subsidiaries by the equity method	-16 712	-2 102	-210		-19 024
IFRS/IAS 30.06.2004	**142 240**	**-47 236**	**42 366**	**2 669 740**	**2 807 109**
PAS 31.12.2004	366 255	6 486	92 886	2 670 331	3 135 958
Impairment and amortisation of goodwill	29 825	-4 584			25 241
Valuation of financial instruments (options in the incentive scheme)	-724				-724
Revaluation of real property to fair value		-47 036	23 634		-23 402
Accounting for subsidiaries by the equity method	-63 079	-2 102	0		-65 182
IFRS/IAS 31.12.2004	**332 277**	**-47 236**	**116 520**	**2 670 331**	**3 071 891**
PAS 01.01.2005		372 741	92 886	2 670 331	3 135 958
Impairment and amortisation of goodwill		25 241			25 241
Valuation of financial instruments (options in the incentive scheme)		-724			-724
Revaluation of real property to fair value		-47 036	23 634		-23 402
Accounting for subsidiaries by the equity method		-65 182	0		-65 182
Impairment of financial assets		165 889			165 889
Valuation at amortised cost		-56 099	3 865		-52 234
IFRS/IAS 01.01.2005	**0**	**394 830**	**120 385**	**2 670 331**	**3 185 546**

The description and the effects of transformations related to the introduction of IFRS/IAS on the financial statements of the ING Bank Śląski S.A. Group are presented below

Impairment and amortisation of goodwill

IAS implementation is associated with a change in measurement of goodwill which consistently with IAS is subject to testing for impairment. In its books, the Group holds goodwill related to the acquisition of ING Warsaw Branch for which no impairment has been found and Wielkopolski Bank Rolniczy in the case of which the Group does not obtain the profits assumed and thus an impairment occurred at the level of 100% of the recorded goodwill (PLN 4,584,000 was charged to the profit or loss for previous years). Moreover, the Group derecognised amortisation related to goodwill for 2004 at an amount of PLN 29,825,000.
This adjustment was presented retrospectively in the comparative data as of 30.06.2004 and 31.12.2004.

Measurement of financial instruments (options in the incentive scheme)

IFRS implementation is related with the introduction of measurement of derivative instruments related to the long-term incentive scheme. Therefore, the Group disclosed in its books the measurement of such instruments amounting to PLN – 724,000,000 (including the deferred tax) as the charge to the profit or loss for 2004.
This adjustment was presented retrospectively in the comparative data as of 31.12.2004.

Remeasurement of real property to fair value

The Group has introduced a change in measurement of real property used for conducting banking activity to fair value reduced by depreciation. This is dictated by the willing to present in the Group's financial statements the actual value of the real property. So far the real property was disclosed at the historical acquisition cost or manufacturing cost reduced by depreciation, which did not give a reliable picture of the non-current asset in the Group's opinion. Real estate will be measured periodically, not less frequently than once in every 3 – 5 years. The effects of real property measurement (taking into account deferred tax) had an effect on the profit or loss for the previous years at an amount of PLN 47,036,000 and on the revaluation reserve at an amount of PLN 43,022,000 and on minority capital at an amount of PLN 12,925,000.
This adjustment was presented retrospectively in the comparative data as of 30.06.2004 and 31.12.2004.

Revaluation of financial assets

As required by IAS 39, the Group has performed revaluation of financial assets accounted for at amortised acquisition cost as the difference between the carrying value of the asset and the present value of expected future cash flows discounted at the effective interest rate. The provisions recognised for the expected (estimated) loss and for the risk of future loss recognised so far consistently with PAS have been replaced by the revaluation of assets with respect of which impairment was found and the provision for incurred but not reported (IBNR) losses.

The following operations have been performed by the Group to calculate the amount of impairment as of 01.01.2005:

- Contractual accrued and unpaid interest that has been so far booked as reserved income has been transferred to the result from previous years (it increased the result from previous years); at the same time, the full amount impairment loss was established for the amount of accrued unpaid interest at risk of impairment that appeared before 01 January 2005,
- Specific provisions and general risk provisions recognised consistently with PAS have been transferred to the profit or loss for previous years (increased the profit or loss for previous years),
- The impairment amount was calculated as a difference between the sum of expected future cash

flows discounted at the effective interest rate and the present value of receivables (or liability equivalent). The calculation of IBNR (incurred but not reported) losses, i.e. the provision for the incurred but not reported losses, was performed with the use of statistical models for exposures with respect to which no impairment was found on the basis of PD (probability of default) in the estimated period between the occurrence of circumstances determining the loss (e.g. loss of liability repayment ability) and getting to know on such situation by the Bank and LGD (loss given default).

As a result, the amount of PLN 161,360,000, taking also deferred tax into account, increased the profit or loss for previous years. Pursuant to the exemption arising from paragraph 36A IFRS 1, this correction was not applied to comparative data.

Measurement at amortised cost

Consistently with PAS, interest was disclosed in the income statement on an accrual basis, and fees and commissions were disclosed in the income statement on an accrual basis or cash basis, depending on the type of the commission or fee. Consistently with IFRS, measurement at amortised cost taking into account the effective profitability obtained on the financial instrument was used, while the effective profitability is calculated taking into account all fees and payments made and received.
Due to the estimation of impairment of financial assets consistently with IFRS for the first time as of 01.01.2005, the adjustment based on the effective interest rate dose not take into account the change in the method of calculating interest on the present value of assets, due to which the transformed financial profit or loss will not be fully comparable with the profit or loss defined consistently with IAS in a continuous manner in 2005.
As a result, the amount of PLN – 57,855,000, taking also into account deferred tax, reduced the profit or loss for previous years, and the amount of PLN 3,865,000, taking also into account deferred tax, increased the revaluation reserve.
Pursuant to the exemption arising from paragraph 36A IFRS 1, this adjustment has not been used for comparative data.

Booking the subsidiaries at their purchase price (unit statement)

In line with PAS the Bank evaluated its subsidiaries at their purchase price.
According to IFRS the mentioned above units should be booked in the Bank's unit balance sheet at their purchase price. In connection therewith the Bank reversed the book entry regarding the previous evaluation shown under the "share in the results of subsidiaries" (as well as operations connected with consolidation adjustments that were taken into account in the evaluation according to the method of own rights – for example: specific provisions) and booked the dividend income including the changes in the deferred income tax. As the result thereof, the amount of PLN 65 182 thousand - that takes into account also the deferred tax - decreased the result of previous years.
The said adjustment was presented retrospectively in comparative data as of 30 June 2004 and 31 December 2004.

The comparable balance sheet for 31.12.2004, the balance sheet and income statement for 30.06.2004 for the statements of the Group and of the Bank, and also the transformation of the opening balance of the Group and of the Bank as of 01.01.2005 are as follows:

COMPARABLE CONSOLIDATED BALANCE SHEET as at 31 Dec 2004	*Note*	31 Dec 2004 acc to PAS	Goodwill	Recognition of option	Revaluation of building to fair value	31 Dec 2004 acc to IFRS
A S S E T S						
- Cash and cash balances with Central Bank		895 332				895 332
- Loans and advances to banks		10 748 766				10 748 766
- Financial assets held for trade		4 976 205				4 976 205
- Investments		7 014 258				7 014 258
- Non-current assets held for sale		8 614				8 614
- Loans and advances to customers		10 407 950				10 407 950
- Investments in associates		70 944				70 944
- Property and equipment		758 590			10 129	768 719
- Intangibles		279 008	25 241			304 249
- Tax assets		275 300		243	11 033	286 576
- Other assets		125 704				125 704
T o t a l a s s e t s		**35 560 671**	**25 241**	**243**	**21 162**	**35 607 317**
L I A B I L I T I E S A N D E Q U I T Y						
LIABILITIES						
- Deposits from banks		2 493 778				2 493 778
- Financial liabilities held for trading		1 270 042				1 270 042
- Deposits from customers		27 649 522				27 649 522
- provisions		288 208				288 208
- Tax liabilities		129 039			12 251	141 290
- Other liabilities		600 093		967		601 060
L i a b i l i t i e s t o t a l		**32 430 682**	**0**	**967**	**12 251**	**32 443 900**
EQUITY						
- Issued capital		130 100				130 100
- Supplementary capital		1 010 644				1 010 644
- Revaluation reserve		92 886			43 022	135 908
- Other capital reserve		1 553 478				1 553 478
- Result of previous year		-17 405	-4 584		-47 036	-69 025
- Net result of current year		366 255	29 825	-724		395 356
- Minority interest		-5 969			12 925	6 956
E q u i t y t o t a l		**3 129 989**	**25 241**	**-724**	**8 911**	**3 163 417**
L i a b i l i t i e s a n d e q u i t y t o t a l		**35 560 671**	**25 241**	**243**	**21 162**	**35 607 317**

COMPARABLE CONSOLIDATED BALANCE SHEET as at 30 June 2004	*Nota*	**30 June 2004 acc to PAS**	**Goodwill**	**Revaluation of building to fair value**	**30 June 2004 acc to IFRS**
A S S E T S					
- Cash and cash balances with Central Bank		521 129			521 129
- Loans and advances to banks		11 038 907			11 038 907
- Financial assets held for trade		4 570 771			4 570 771
- Investments		1 095 227			1 095 227
- Non-current assets held for sale		708			708
- Loans and advances to customers		11 912 085			11 912 085
- Investments in associates		53 673			53 673
- Property and equipment		825 766		30 768	856 534
- Intangibles		291 649	10 329		301 978
- Tax assets		279 145		11 033	290 178
- Other assets		96 214			96 214
T o t a l a s s e t s		**30 685 274**	**10 329**	**41 801**	**30 737 404**
L I A B I L I T I E S A N D E Q U I T Y					
LIABILITIES					
- Deposits from banks		2 399 824			2 399 824
- Financial liabilities held for trading		1 022 174			1 022 174
- Deposits from customers		23 206 914			23 206 914
- provisions		283 428			283 428
- Tax liabilities		82 539		17 645	100 184
- Other liabilities		850 794			850 794
L i a b i l i t i e s t o t a l		**27 845 673**	**0**	**17 645**	**27 863 318**
EQUITY					
- Issued capital		130 100			130 100
- Supplementary capital		1 002 038			1 002 038
- Revaluation reserve		18 942		52 169	71 111
- Other capital reserve		1 553 478			1 553 478
- Result of previous year		-9 390	-4 584	-47 036	-61 010
- Net result of current year		144 039	14 913		158 952
- Minority interest		394		19 023	19 417
E q u i t y t o t a l		**2 839 601**	**10 329**	**24 156**	**2 874 086**
L i a b i l i t i e s a n d e q u i t y t o t a l		**30 685 274**	**10 329**	**41 801**	**30 737 404**

COMPARABLE CONSOLIDATED PROFIT AND LOSS ACCOUNT as at 30 June 2004	half 2004 acc to PAS half of the year 2005 the period form 01 Jan 2004 to 30 June 2004	Goodwill	half 2004 acc to IFRS half of the year 2005 the period form 01 Jan 2004 to 30 June 2004
Interest income	*628 057*		*628 057*
Interest cost	*345 061*		*345 061*
Interest result	**282 996**	**0**	**282 996**
Dividend income	**10**		**10**
Fees and commission income	*297 354*		*297 354*
Fees and commission expense	*45 802*		*45 802*
Fees and commission result	**251 552**	**0**	**251 552**
Result on financial instruments at fair value through profit and loss account	147 543		147 543
Result on investments	1 994		1 994
Exchange rate differences	128 802		128 802
Result on banking activity	**812 897**	**0**	**812 897**
Other operating income	*14 286*		*14 286*
Other operating expenses	*24 435*	-14 913	*9 522*
Result on other operating income and expenses	**-10 149**	**14 913**	**4 764**
General expenses	444 826		444 826
Depreciation	63 734		63 734
result on disposal of assets other than held for sale	397		397
Impairment and provisions	133 171		133 171
Participation in net profit (loss) of subordinated entities valueted on equity basis	5 449		5 449
Result from non-current assets and disposals groups classified as held for sale	-337		-337
Net result before tax	**166 526**	**14 913**	**181 439**
Income tax	17 582		17 582
Net result of current year	148 944	14 913	163 857
Minority interest	-4 905		-4 905
Consolidated net result of capital group	**144 039**	**14 913**	**158 952**

COMPARABLE BALANCE SHEET as at 31 Dec 2004	Note	31 Dec 2004 acc to PAS	Goodwill	Recognition of option	Revaluation of building to fair value	Measurement of subsidiares at cost value	31 Dec 2004 acc to IFRS
A S S E T S							
- Cash and cash balances with Central Bank		895 324					895 324
- Loans and advances to banks		10 826 586					10 826 586
- Financial assets held for trade		4 987 466					4 987 466
- Investments		7 040 087					7 040 087
- Non-current assets held for sale		8 614					8 614
- Loans and advances to customers		10 519 540					10 519 540
- Investments in associates		211 928				-71 063	140 865
- Property and equipment		485 863			-26 198		459 665
- Intangibles		275 498	25 241				300 739
- Tax assets		262 210		243	11 033		273 486
- Other assets		123 782					123 782
T o t a l a s s e t s		**35 636 898**	**25 241**	**243**	**-15 165**	**-71 063**	**35 576 154**
L I A B I L I T I E S A N D E Q U I T Y							
LIABILITIES							
- Deposits from banks		2 512 824					2 512 824
- Financial liabilities held for trading		1 270 042					1 270 042
- Deposits from customers		27 676 402					27 676 402
- provisions		321 588					321 588
- Tax liabilities		127 555			8 237	-5 881	129 911
- Other liabilities		592 529		967			593 496
L i a b i l i t i e s t o t a l		**32 500 940**	**0**	**967**	**8 237**	**-5 881**	**32 504 263**
EQUITY							
- Issued capital		130 100					130 100
- Supplementary capital		1 003 152					1 003 152
- Revaluation reserve		92 886			23 634		116 520
- Other capital reserve		1 537 079					1 537 079
- Result of previous year		6 486	-4 584		-47 036	-2 104	-47 238
- Net result of current year		366 255	29 825	-724		-63 078	332 278
E q u i t y t o t a l		**3 135 958**	**25 241**	**-724**	**-23 402**	**-65 182**	**3 071 891**
L i a b i l i t i e s a n d e q u i t y t o t a l		**35 636 898**	**25 241**	**243**	**-15 165**	**-71 063**	**35 576 154**

COMPARABLE BALANCE SHEET as at 30 June 2004	*Note*	**3o June 2004 acc to PAS**	**Goodwill**	**Revaluation of building to fair value**	**Measurement of subsidiares at cost value**	**30 June 2004 acc to IFRS**
A S S E T S						
- Cash and cash balances with Central Bank		521 094				521 094
- Loans and advances to banks		11 179 593				11 179 593
- Financial assets held for trade		4 583 202				4 583 202
- Investments		1 089 819				1 089 819
- Non-current assets held for sale		509				509
- Loans and advances to customers		11 947 461			14 939	11 962 400
- Investments in associates		222 376			-36 561	185 815
- Property and equipment		516 418		-26 198		490 220
- Intangibles		288 410	10 329			298 739
- Tax assets		262 422		11 033		273 455
- Other assets		90 179				90 179
T o t a l a s s e t s		**30 701 483**	**10 329**	**-15 165**	**-21 622**	**30 675 025**
L I A B I L I T I E S A N D E Q U I T Y						
LIABILITIES						
- Deposits from banks		2 399 302				2 399 302
- Financial liabilities held for trading		1 022 174				1 022 174
- Deposits from customers		23 240 485				23 240 485
- provisions		278 121				278 121
- Tax liabilities		79 044		8 237	-2 599	84 682
- Other liabilities		843 150				843 150
L i a b i l i t i e s t o t a l		**27 862 276**	**0**	**8 237**	**-2 599**	**27 867 914**
EQUITY						
- Issued capital		130 100				130 100
- Supplementary capital		1 002 561				1 002 561
- Revaluation reserve		18 942		23 634	-210	42 366
- Other capital reserve		1 537 079				1 537 079
- Result of previous year		6 486	-4 584	-47 036	-2 102	-47 236
- Net result of current year		144 039	14 913		-16 711	142 241
E q u i t y t o t a l		**2 839 207**	**10 329**	**-23 402**	**-19 023**	**2 807 111**
L i a b i l i t i e s a n d e q u i t y t o t a l		**30 701 483**	**10 329**	**-15 165**	**-21 622**	**30 675 025**

COMPARABLE PROFIT AND LOSS ACCOUNT as at 30 June 2004	half 2004 acc to PAS half of the year 2005 the period form 01 Jan 2004 to 30 June 2004	Goodwill	Measurement of subsidiares at cost value	half 2004 acc to IFRS half of the year 2005 the period form 01 Jan 2004 to 30 June 2004
Interest income	*620 335*			*620 335*
Interest cost	*346 800*			*346 800*
Interest result	**273 535**	**0**	**0**	**273 535**
Dividend income	**0**		**4 985**	**4 985**
Fees and commission income	*274 571*			*274 571*
Fees and commission expense	*38 869*			*38 869*
Fees and commission result	**235 702**	**0**	**0**	**235 702**
Result on financial instruments at fair value through profit and loss account	147 325			147 325
Result on investments	949			949
Exchange rate differences	114 965			114 965
Result on banking activity	**772 476**	**0**	**4 985**	**777 461**
Other operating income	*8 014*			*8 014*
Other operating expenses	*23 957*	-14 913		*9 044*
Result on other operating income and expenses	**-15 943**	**14 913**	**0**	**-1 030**
General expenses	436 687			436 687
Depreciation	58 131			58 131
result on disposal of assets other than held for sale	397			397
Impairment and provisions	133 070		-4 888	128 182
Participation in net profit (loss) of subordinated entities valueted on equity basis	26 673		-26 673	0
Result from non-current assets and disposals groups classified as held for sale	-337			-337
Net result before tax	**155 378**	**14 913**	**-16 800**	**153 491**
Income tax	11 339		-89	11 250
Net result	**144 039**	**14 913**	**-16 711**	**142 241**

TRANSFORMATION OF OPENING BALANCE OF CONSOLIDATED BALANCE SHEET as at 01 Jan 2005	*Note*	**01 Jan 2005 acc to PAS**	**Loan impairment**	**Amortised cost**	**Goodwill**	**Recognition of option**	**Revaluation of building to fair value**	**01 Jan 2005 acc to IFRS**
A S S E T S								
- Cash and cash balances with Central Bank		895 332						895 332
- Loans and advances to banks		10 748 766						10 748 766
- Financial assets held for trade		4 976 205						4 976 205
- Investments		7 014 258						7 014 258
- Non-current assets held for sale		8 614						8 614
- Loans and advances to customers		10 407 950	-190 024	-27 906				10 190 020
- Investments in associates		70 944						70 944
- Property and equipment		758 590					10 129	768 719
- Intangibles		279 008			25 241	243		304 492
- Tax assets		275 300	1 296	12 336			11 033	299 965
- Other assets		125 704						125 704
T o t a l a s s e t s		**35 560 671**	**-188 728**	**-15 570**	**25 241**	**243**	**21 162**	**35 403 019**
L I A B I L I T I E S A N D E Q U I T Y								
LIABILITIES								
- Deposits from banks		2 493 778		-442				2 493 336
- Financial liabilities held for trading		1 270 042						1 270 042
- Deposits from customers		27 649 522						27 649 522
- provisions		288 208	-176 207					112 001
- Tax liabilities		129 039	18 642	84			12 251	160 016
- Other liabilities		600 093	-192 523	38 778		967		447 315
L i a b i l i t i e s t o t a l		**32 430 682**	**-350 088**	**38 420**	**0**	**967**	**12 251**	**32 132 232**
EQUITY								
- Issued capital		130 100						130 100
- Supplementary capital		1 010 644						1 010 644
- Revaluation reserve		92 886		3 865			43 022	139 773
- Other capital reserve		1 553 478						1 553 478
- Result of previous year		-17 405	161 360	-57 855	-4 584		-47 036	34 480
- Net result of current year		366 255			29 825	-724		395 356
- Minority interest		-5 969					12 925	6 956
E q u i t y t o t a l		**3 129 989**	**161 360**	**-53 990**	**25 241**	**-724**	**8 911**	**3 270 787**
L i a b i l i t i e s a n d e q u i t y t o t a l		**35 560 671**	**-188 728**	**-15 570**	**25 241**	**243**	**21 162**	**35 403 019**

TRANSFORMATION OF OPENING BALANCE OF BALANCE SHEET as at 01 Jan 2005	*Note*	**01 Jan 2005 acc to PAS**	**Loan impairment**	**Amortised cost**	**Goodwill**	**Recognition of option**	**Revaluation of building to fair value**	**Measurement of subsidiares at cost value**	**01 Jan 2005 acc to IFRS**
A S S E T S									
- Cash and cash balances with Central Bank		895 324							895 324
- Loans and advances to banks		10 826 586							10 826 586
- Financial assets held for trade		5 467 948							5 467 948
- Investments		7 040 087							7 040 087
- Non-current assets held for sale		8 614							8 614
- Loans and advances to customers		10 519 540	-185 401	-26 150					10 307 989
- Investments in associates		211 928						-71 061	140 867
- Property and equipment		485 863					-26 198		459 665
- Intangibles		275 498			25 241	243			300 982
- Tax assets		262 210	1 296	12 336			11 033		286 875
- Other assets		123 782							123 782
T o t a l a s s e t s		**36 117 380**	**-184 105**	**-13 814**	**25 241**	**243**	**-15 165**	**-71 061**	**35 858 719**
L I A B I L I T I E S A N D E Q U I T Y									
LIABILITIES									
- Deposits from banks		2 512 824		-442					2 512 382
- Financial liabilities held for trading		1 827 084							1 827 084
- Deposits from customers		27 599 842							27 599 842
- provisions		321 588	-176 180						145 408
- Tax liabilities		127 555	18 642	84			8 237	-5 881	148 637
- Other liabilities		592 529	-192 456	38 778		967			439 818
L i a b i l i t i e s t o t a l		**32 981 422**	**-349 994**	**38 420**	**0**	**967**	**8 237**		**32 673 171**
EQUITY									
- Issued capital		130 100							130 100
- Supplementary capital		1 003 152							1 003 152
- Revaluation reserve		92 886		3 865			23 634		120 385
- Other capital reserve		1 537 079							1 537 079
- Result of previous year		6 486	165 889	-56 099	-4 584		-47 036	-2 102	62 554
- Net result of current year		366 255			29 825	-724		-63 078	332 278
E q u i t y t o t a l		**3 135 958**	**165 889**	**-52 234**	**25 241**	**-724**	**-23 402**	**-65 180**	**3 185 548**
L i a b i l i t i e s a n d e q u i t y t o t a l		**36 117 380**	**-184 105**	**-13 814**	**25 241**	**243**	**-15 165**	**-65 180**	**35 858 719**

Hyperinflation

Consistently with IAS 29, the Group retrospectively recalculated its equity (except for revaluation reserve and financial profits or losses and retained earnings) for 1991 -1996, i.e. in the period from transformation of the parent into a joint-stock company (spółka akcyjna) until the end of the hyperinflation period. The capitals have been recalculated with the use of the accumulated price increase index in the hyperinflation period.
Such recalculation of capitals would result in an increase in the issued capital by PLN 460,500,000, and by a decrease of the retained earnings in the same period.

Below the status of capitals as of 30 June 2005, 31 December 2004 and 30 June 2004 is presented:

PLN '000

	30.06.2005	**31.12.2004**	**30.06.2004**
Initial capital	130,100	130,100	130,100
Supplementary capital	1,013,559	1,010,644	1,002,038
Revaluation reserves	205,120	135,908	71,111
Other capital reserve	1,657,190	1,553,478	1,553,478
Result of previous year	57,462	-69,025	-61,010
Net result of current year	258,248	395,356	158,952
Minority interest	14,248	6,956	19,417

Translation of the document originally issued in Polish

INDEPENDENT AUDITORS' REVIEW REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS OF ING BANK ŚLĄSKI S.A. FOR THE PERIOD FROM 1 JANUARY 2005 TO 30 JUNE 2005

To the Shareholders of ING Bank Śląski S.A.

We have reviewed the accompanying condensed interim financial statements of ING Bank Śląski S.A. with its registered office in Katowice, that consist of the condensed profit and loss account for the period from 1 January 2005 to 30 June 2005 with a net profit of PLN 263,487 thousand, the condensed balance sheet as at 30 June 2005, with total assets and total liabilities and equity of PLN 38,631,334 thousand, the condensed statement of changes in equity for the period from 1 January 2005 to 30 June 2005 with an increase in equity of PLN 63,308 thousand, the condensed cash flow statement for the period from 1 January 2005 to 30 June 2005 with a decrease in cash amounting to PLN 1,606,493 thousand and explanatory notes.

Management of the Bank is responsible for the preparation and presentation of the accompanying condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* and with respect to matters not regulated by the above standard, in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the respective laws and in accordance with the Decree of the Council of Ministers dated 21 March 2005 on current and periodical information provided by issuers of securities (Official Journal from 2005, No. 49, item 463). Our responsibility is to issue a report on these condensed interim financial statements, based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with Standard No. 4 of the professional standards issued by the National Council of Certified Auditors. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

signed on the Polish original
....
Certified Auditor 9941/7390
Bożena Graczyk

signed on the Polish original
....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor 9941/7390
Bożena Graczyk,
Member of the Board of Directors

Warsaw, 30 September 2005

PROFIT AND LOSS ACCOUNT	half of the year 2005 the period from 01 Jan 2005 to 30 Jun 2005	half of the year 2004 the period from 01 Jan 2004 to 30 Jun 2004
Interest and similar income	*944 445*	*620 335*
Interest expense and similar charges	*620 254*	*346 800*
Net interest income	**324 191**	**273 535**
Dividend income	**41 506**	**4 985**
Commission income	*253 285*	*274 571*
Commission expense	*26 588*	*38 869*
Net commission income	**226 697**	**235 702**
Net income on instruments at fair value	165 099	147 325
Net income on investments	0	949
Exchange rate differences	84 512	114 965
Result on banking activity	**842 005**	**777 461**
Other operating income	*7 748*	*8 014*
Other operating expenses	*17 311*	*9 044*
Result on other operating income and expenses	**-9 563**	**-1 030**
General administrative expenses	477 445	436 687
Depreciation and amortisation	56 444	58 131
Result on disposals of assets other than held for sale	154	397
Impairment losses and provisions	-24 008	128 182
Result from non-current assets and disposals groups classified as held for sale	3 685	-337
Net result before tax	**326 400**	**153 491**
Income tax	62 913	11 250
Net result of current year	**263 487**	**142 241**

Net profit (for 12 months)	**516 012**	**161 250**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**
Earnings per share	**39,66**	**12,39**
Weighted average anticipated number of ordinary shares	-	-
Diluted profit (loss) per ordinary share (PLN)	-	-

The profit and loss account, made for 1st half of the year 2005, including comparable financial data, was drafted with the use of the same accounting principles for each of the periods. Two areas of MSR 39 represent exceptions from the abovementioned rule: evaluation of impairment and evaluation as per the amortised cost with the use of the method of effective interest rate on loans and advances.

BALANCE SHEET

	half of the year 2005	end of the year 2004	half of the year 2004
A S S E T S			
- Cash in hand and balances with the Central Bank	1 062 987	895 324	521 094
- Deposit accounts in other banks as well as loans and advances to other banks	9 338 745	10 826 586	11 179 593
- Financial assets held for trading	7 266 106	4 987 466	4 583 202
- Investments	9 397 594	7 040 087	1 089 819
- Non-current assets held for sale	2 657	8 614	509
- Loans and advances to customers	10 274 518	10 519 540	11 962 400
- Investments in associates	140 865	140 865	185 815
- Property, plant and equipment	438 337	459 665	490 220
- Intangible assets	309 636	300 739	298 739
- Tax assets	239 684	273 486	273 455
- Other assets	160 205	123 782	90 179
T o t a l a s s e t s	**38 631 334**	**35 576 154**	**30 675 025**
L I A B I L I T I E S A N D E Q U I T Y			
LIABILITIES			
- Liabilities due to other banks	3 117 830	2 512 824	2 399 302
- Financial liabilities held for trading	1 526 887	1 270 042	1 022 174
- Liabilities to customers	29 577 500	27 676 402	23 240 485
- Provisions	140 791	321 588	278 121
- Tax liabilities	81 561	129 911	84 682
- Other liabilities	937 910	593 496	843 150
L i a b i l i t i e s t o t a l	**35 382 479**	**32 504 263**	**27 867 914**
EQUITY			
- Initial capital	130 100	130 100	130 100
- Supplementary capital - agio	993 750	993 750	993 750
- Revaluation reserves	156 969	87 760	13 015
- Result of previous year	1 704 549	1 528 003	1 528 005
- Net result of current year	263 487	332 278	142 241
E q u i t y t o t a l	**3 248 855**	**3 071 891**	**2 807 111**
L i a b i l i t i e s a n d e q u i t y t o t a l	**38 631 334**	**35 576 154**	**30 675 025**
Solvency ratio	**17,00%**	**15,24%**	**14,36%**
Net book value	**3 248 855**	**3 071 891**	**2 807 111**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (in PLN)	**249,72**	**236,12**	**215,77**

The balance sheet, made as of 30.06.2005, including comparable financial data, was drafted with the use of the same accounting principles for each of the periods. Two areas of MSR 39 represent exceptions from the abovementioned rule: evaluation of impairment and evaluation as per the amortised cost with the use of the method of effective interest rate on loans and advances.

OFF-BALANCE SHEET ITEMS

	I półrocze 2005	koniec roku 2004	I półrocze 2004
- Contingent liabilities granted	8 496 670	11 503 688	8 097 742
- Contingent liabilities received	10 940 854	12 082 078	12 466 446
- Off-balance sheet financial instruments	111 859 521	91 434 947	128 974 394
O f f - b a l a n c e s h e e t i t e m s t o t a l	**131 297 045**	**115 020 713**	**149 538 582**

# MOVEMENTS IN OWN EQUITY	half of the year 2005 the period from 01 Jan 2005 to 30 Jun 2005	end of the year 2004 the period from 01 Jan 2004 to 31 Dec 2004	half of the year 2004 the period from 01 Jan 2004 to 30 Jun 2004
EQUITY COMPONENTS			
Initial capital	**130 100**	**130 100**	**130 100**
Supplementary capital - agio	**993 750**	**993 750**	**993 750**
Revaluation reserves	**156 969**	**87 760**	**13 015**
- fair value revaluation reserve on available for sale financial assets	*134 213*	*64 127*	*-10 618*
- tangible assets revaluation reserve	*22 756*	*23 633*	*23 633*
Result of previous years	**1 704 549**	**1 528 003**	**1 528 005**
- supplementary capital	*10 584*	*9 402*	*8 811*
- revaluation reserves	*28 760*	*28 760*	*29 351*
- reserve capital	*1 206 477*	*1 136 927*	*1 136 927*
- general bank risk fund	*430 152*	*400 152*	*400 152*
- retained result from previous years	*28 576*	*-47 238*	*-47 236*
Net result of current year	**263 487**	**332 278**	**142 241**
E q u i t y t o t a l	**3 248 855**	**3 071 891**	**2 807 111**

The initial capital is composed of 13,010,000 ordinary shares of the face value of PLN 10.00 each. Each ordinary share provides the shareholder with the right to dividend and one vote at the general meeting of the Bank's shareholders.

SOURCES OF EQUITY CHANGES

half of the year 2005
the period from 01 Jan 2005 to 30 Jun 2005

	Initial capital	Supplemen-tary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	TOTAL
				supplemen-tary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*		
Closing balance (last year)	**130 100**	**993 750**	**87 760**	***9 402***	***28 760***	***1 136 927***	***400 152***	***285 040***	**0**	**3 071 891**
- changes in adopted accounting principles	-	-	3 865	-	-	-	-	*109 791*	-	**113 656**
Opening balance (current year)	**130 100**	**993 750**	**91 625**	***9 402***	***28 760***	***1 136 927***	***400 152***	***394 831***	**0**	**3 185 547**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	66 221	-	-	-	-	-	-	**66 221**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-	-	-	-	-	-	-	**0**
- liquidation or sale of fixed assets	-	-	-1 182	*1 182*	-	-	-	-	-	**0**
- revaluation of tangible assets	-	-	305	-	-	-	-	-	-	**305**
- profit distribution	-	-	-	-	-	*69 550*	*30 000*	*-366 255*	-	**-266 705**
- charges to capital reserve	-	-	-	-	-	*69 550*	-	*-69 550*	-	***0***
- charges to general bank risk fund	-	-	-	-	-	-	*30 000*	*-30 000*	-	***0***
- dividend	-	-	-	-	-	-	-	*-266 705*	-	***-266 705***
- net result of current period	-	-	-	-	-	-	-	-	263 487	**263 487**
Closing balance (current year)	**130 100**	**993 750**	**156 969**	***10 584***	***28 760***	***1 206 477***	***430 152***	***28 576***	**263 487**	**3 248 855**

end of the year 2004
the period from 01 Jan 2004 to 31 Dec 2004

	Initial capital	Supplemen-tary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	TOTAL
				supplemen-tary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*		
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***8 542***	***29 620***	***1 149 895***	***381 825***	***22 251***	**0**	**2 708 810**
- changes in adopted accounting principles	-	-	23 313	-	-	-	-	*-53 722*	-	**-30 409**
Opening balance (current year)	**130 100**	**993 750**	**16 140**	***8 542***	***29 620***	***1 149 895***	***381 825***	***-31 471***	**0**	**2 678 401**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	70 185	-		-	-	-	-	**70 185**
- liquidation or sale of fixed assets	-	-	-4 006	-		-	-	-	4 006	**0**
- liquidation or sale of fixed assets	-	-		*860*	*-860*	-	-	-	-	**0**
- hedge accounting	-	-	5 441	-		-	-	-	-	**5 441**
- covering of prior period losses	-	-	-	-		*-12 968*	-	*12 968*	-	**0**
- profit distribution	-	-	-	-			*18 327*	*-28 735*	-	**-10 408**
- charges to general bank risk fund	-	-	-	-		-	*18 327*	*-18 327*	-	***0***
- dividend	-	-	-	-		-	-	*-10 408*	-	***-10 408***
- net result of current period	-	-	-	-		-	-	-	328 272	**328 272**
Closing balance (current year)	**130 100**	**993 750**	**87 760**	***9 402***	***28 760***	***1 136 927***	***400 152***	***-47 238***	**332 278**	**3 071 891**

half of the year 2004
the period from 01 Jan 2004 to 30 Jun 2004

	Initial capital	Supplemen-tary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	TOTAL
				supplemen-tary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*		
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***8 542***	***29 620***	***1 149 895***	***381 825***	***22 253***	**0**	**2 708 812**
- changes in adopted accounting principles	-	-	23 313	-	-	-	-	*-53 722*	-	**-30 409**
Opening balance (current year)	**130 100**	**993 750**	**16 140**	***8 542***	***29 620***	***1 149 895***	***381 825***	***-31 469***	**0**	**2 678 403**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-2 662	-	-	-	-	-	-	**-2 662**
- liquidation or sale of fixed assets	-	-	-1 994	-	-	-	-	-	1 994	**0**
- liquidation or sale of fixed assets	-	-	-	*269*	*-269*	-	-	-	-	**0**
- hedge accounting	-	-	1 531	-	-	-	-	-	-	**1 531**
- covering of prior period losses	-	-	-	-	-	*-12 968*	-	*12 968*	-	**0**
- profit distribution	-	-	-	-	-	-	*18 327*	*-28 735*	-	**-10 408**
- charges to general bank risk fund	-	-	-	-	-	-	*18 327*	*-18 327*	-	***0***
- dividend	-	-	-	-	-	-	-	*-10 408*	-	***-10 408***
- net result of current period	-	-	-	-	-	-	-	-	140 247	**140 247**
Closing balance (current year)	**130 100**	**993 750**	**13 015**	***8 811***	***29 351***	***1 136 927***	***400 152***	***-47 236***	**142 241**	**2 807 111**

CASH FLOW STATEMENT	half of the year 2005 the period from 01 Jan 2005 to 30 Jun 2005	half of the year 2004 the period from 01 Jan 2004 to 30 Jun 2004
OPERATING ACTIVITIES		
Net profit (loss)	**263 487**	**142 241**
Adjustments	**-1 793 527**	**666 703**
- Minority shareholders' profit (loss)	-	-
- Share in net profit (loss) of associated entities recognised under the equity method	-	-
- Unrealised foreign exchange gains (losses)	-729	-4 472
- Depreciation	56 444	58 131
- Change in provisions	41 770	29 672
- Profit or loss on investment activity	101	-396
- Change in financial assets held for trading	-2 278 640	1 010 442
- Change in investments	-2 291 286	90 859
- Change in deposit accounts in other banks and loans and advances to other banks and customers	-299 231	-1 912 654
- Change in other assets	-34 289	-12 997
- Change in financial liabilities held for trading	256 845	-396 173
- Change in liabilities to banks and customers	2 523 659	1 569 065
- Change in other liabilities	231 829	235 226
Cash flow from operating activities	**-1 530 040**	**808 944**
- Change in tax assets / liabilities	-19 641	140 334
Net cash flow from operating activities	**-1 549 681**	**949 278**
INVESTING ACTIVITIES		
- Acquisition of tangible assets	-33 570	-26 705
- Sale of tangible assets	47	2 603
- Acquisition of intangible assets	-12 279	-4 070
- Sale of intangible assets	-	-
- Acquisition of investments in subordinated entities	-	-13 900
- Sale of investments in subordinated entities	-	-
- Acquisition of non-current assets or liabilities held for sale	-	-
- Sale of non-current assets or liabilities held for sale	5 816	-
- Other cash payments related to investing activities	-	-
- Other cash receipts related to investing activities	-	4 985
Net cash flow from investing activities	**-39 986**	**-37 087**
FINANCING ACTIVITIES		
- Dividends paid	-	-
- Other cash payments related to financing activities	-16 826	-19 617
- Other cash receipts related to financing activities	-	-
Net cash flow from financing activities	**-16 826**	**-19 617**
Effect of exchange rate changes on cash and cash equivalents	***159 582***	***-9 746***
Net increase in cash and cash equivalents	**-1 606 493**	**892 574**
Cash and cash equivalents at the beginning of the period	**5 387 362**	**4 755 946**
Cash and cash equivalents at the end of the period	**3 780 869**	**5 648 520**
of which: amount of cash and cash equivalents held by the Bank, but not available for use by group	*993 136*	*800 343*