Interim Financial Reporting of ING Bank Śląski Group

for the first half 2006

ING

ING BANK ŚLĄSKI

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Interim condensed Financial Statements of ING Bank Śląski S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	I half 2006 period from 01 January 2006 to 30 June 2006	I half 2005 period from 01 January 2005 to 30 June 2005
Interest income	2	*957 143*	*943 354*
Interest expenses	2	*509 511*	*615 944*
Net interest income		**447 632**	**327 410**
Commission income	3	*344 997*	*291 142*
Commission expenses	3	*40 380*	*37 844*
Net commission income		**304 617**	**253 298**
Dividend income	4	1 571	1 603
Net income on instruments at fair value through profit or loss	5	14 252	165 263
Net income on investment financial assets	6	15 133	0
Net incoma from fair value measurement of investing real estate		6 683	-542
Net income on available-for-sale assets and assets held for sale		-3	3 685
Net income from fair value measurement for the purposes of hedge accounting		7 014	5 217
Exchange gains or losses	7	72 980	87 540
Other operating income	8	31 066	16 938
Other operating expenses	9	10 566	17 987
Result on basic activities		**890 379**	**842 425**
General and administrative expenses	10	528 804	485 230
Depreciation and amortisation	11	69 196	62 759
Net income on disposal of assets other than held for sale		4	157
Impairment losses and provisions for off-balance sheet liabilities	12	-93 992	-24 519
Share in net profit (loss) of co-subsidiaries and associated entities recognised under the equity method	13	17 169	10 369
Profit (loss) before tax		**403 544**	**329 481**
Income tax	14	68 281	63 941
Net profit (loss)		**335 263**	**265 540**
- assigned to shareholders of the holding company		332 052	258 248
- assigned to minority shareholders		3 211	7 292

Net profit (loss) assigned to shareholders of the holding company		**332 052**	**258 248**
Weighted average number of ordinary shares		**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)		**25,52**	**19,85**
Diluted weighted average number of ordinary shares		13 010 000	13 010 000
Diluted earnings per ordinary share (PLN)	15	25,52	19,85

CONSOLIDATED BALANCE SHEET	Note	I half 2006 as of 30 June 2006	end of 2005 as of 31 December 2005
ASSETS			
- Cash in hand and balances with the Central Bank	17	1 152 166	1 176 443
- Deposit accounts in other banks as well as loans and advances to other banks	18	11 269 867	12 573 648
- Financial assets at fair value through profit or loss	19	5 836 426	6 155 240
- Investment financial assets	20	12 221 167	10 922 919
- Loans and advances to customers	21	11 243 288	9 902 860
- Investments in controlled entities	23	67 627	75 080
- Property, plant and equipment	25	595 380	600 851
- Investment real estates	26	147 656	140 547
- Intangible assets	27	325 871	318 857
- Property, plant and equipment held for sale	28	1 882	5 969
- Current tax asset		0	36 453
- Deferred tax asset	29	150 046	78 125
- Other assets	30	108 454	139 922
Total assets		**43 119 830**	**42 126 914**
EQUITY AND LIABILITIES			
LIABILITIES			
- Liabilities due to the Central Bank		0	464 000
- Liabilities due to other banks	32	1 944 650	865 301
- Financial liabilities at fair value through profit or loss	33	3 864 491	3 685 789
- Liabilities due to customers	34	33 062 889	32 823 596
- Provisions	35	63 156	80 519
- Current income tax liabilities		49 600	0
- Other liabilities	36	725 549	646 621
Total liabilities		**39 710 335**	**38 565 826**
EQUITY			
- Share capital	38	130 100	130 100
- Supplementary capital - issuance of shares over nominal value		993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	39	-55 564	85 797
- Revaluation reserve from measurement of property, plant and equipment		44 359	38 055
- Retained earnings	40	2 276 963	2 300 937
Equity assigned to shareholders of the holding company		**3 389 608**	**3 548 639**
- Minority equity		**19 887**	**12 449**
Total equity		**3 409 495**	**3 561 088**
TOTAL EQUITY AND LIABILITIES		**43 119 830**	**42 126 914**
Solvency ratio		**16,09%**	**18,60%**
Book value		**3 389 608**	**3 548 639**
Number of shares		**13 010 000**	**13 010 000**
Book value per share (PLN)		**260,54**	**272,76**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

I half 2006
period from 01 January 2006 to 30 June 2006

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings	Minority equity
Opening balance of equity	**130 100**	**993 750**	**85 797**	**38 055**	**2 300 937**	**12 449**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-132 025	-	-	-
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-9 336	-	-	-
- disposal of property, plant and equipment	-	-	-	-30	1 749	-
- remeasurement of property, plant and equipment	-	-	-	6 334	-	4 227
- dividends paid	-	-	-	-	-357 775	-
- net result for the current period	-	-	-	-	335 263	-
- share of minority shareholders in the net financial result	-	-	-	-	-3 211	3 211
Total equity (closing balance)	**130 100**	**993 750**	**-55 564**	**44 359**	**2 276 963**	**19 887**

I half 2005
period from 01 January 2005 to 30 June 2005

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings	Minority equity
Opening balance of equity	**130 100**	**993 750**	**67 992**	**56 759**	**2 015 004**	**6 956**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	66 226	-	-	-
- disposal of property, plant and equipment	-	-	-	-1 182	1 182	-
- remeasurement of property, plant and equipment	-	-	-	305	-	-
- dividends paid	-	-	-	-	-266 705	-
- net result for the current period	-	-	-	-	265 540	-
- share of minority shareholders in the net financial result	-	-	-	-	-7 292	7 292
Total equity (closing balance)	**130 100**	**993 750**	**134 218**	**55 882**	**2 007 729**	**14 248**

CONSOLIDATED CASH FLOW STATEMENT - indirect method	I half 2006 period from 01 January 2006 to 30 June 2006	I half 2005 period from 01 January 2005 to 30 June 2005
OPERATING ACTIVITIES		
Net profit (loss)	**332 052**	**258 248**
Adjustments	**317 287**	**-1 821 923**
- Profits (losses) of minority shareholders included in the financial result	3 211	7 292
- Share in net profit (loss) of controlled entities recognised under the equity method	-17 169	-10 369
- Unrealised exchange gains (losses)	1 972	-729
- Depreciation and amortisation	69 185	62 759
- Interest accrued (from the profit and loss account)	447 632	327 410
- Interest received/paid	-702 470	-652 992
- Dividends received	-1 571	-1 603
- Gains (losses) on investment activities	98	5 401
- Income tax (from the profit and loss account)	68 281	63 941
- Income tax paid	-54 149	-75 160
- Change in provisions	-17 363	41 426
- Change in deposits in other banks and in loans and advances to other banks	1 534 134	-282 761
- Change in financial assets at fair value through profit or loss	313 492	-2 274 686
- Change in investment financial assets	-1 171 995	-2 140 866
- Change in loans and advances to customers	-1 341 052	137 472
- Change in other assets	24 205	-50 479
- Change in liabilities due to other banks	607 846	560 741
- Change in liabilities at fair value through profit or loss	178 702	256 845
- Change in liabilities due to customers	270 748	1 969 609
- Change in other liabilities	103 550	234 826
Net cash flow from operating activities	**649 339**	**-1 563 675**
INVESTMENT ACTIVITIES		
- Purchase of property, plant and equipment	-30 809	-42 629
- Disposal of property, plant and equipment	127	47
- Purchase of intangible assets	-23 933	-12 292
- Disposal of fixed assets/liabilities held for sale	310	5 816
- Dividends received	1 571	24 165
Net cash flow from investment activities	**-52 734**	**-24 893**
FINANCIAL ACTIVITIES		
- Long-term loans repaid	-23 720	-16 826
- Interest on long-term loans repaid	-1 040	-2 178
- Dividends paid	-357 775	0
Net cash flow from financial activities	**-382 535**	**-19 004**
Effect of exchange rate changes on cash and cash equivalents	***24 376***	***159 582***
Net increase/decrease in cash and cash equivalents	**214 070**	**-1 607 572**
Opening balance of cash and cash equivalents	**4 979 567**	**5 404 252**
Closing balance of cash and cash equivalents	**5 193 637**	**3 796 680**

Information on the Bank and the Capital Group

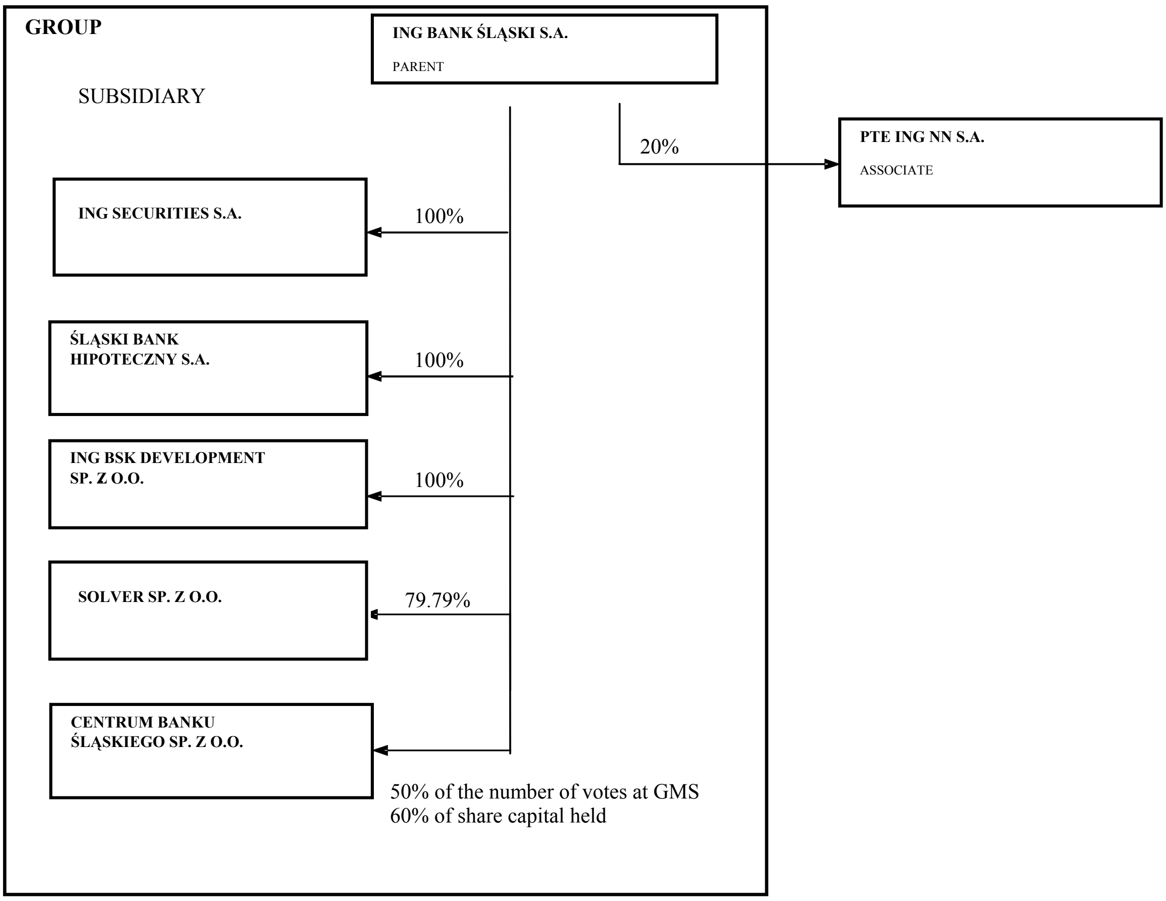
ING Bank Śląski S.A. („Parent company, parent entity, Bank") with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459.

The Parent entity statistic number is REGON 271514909, and the taxation identification number is NIP 634-013-54-75.

The life time of the Parent entity and other group entities are unlimited.

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. Shares of the Bank are quoted on the Warsaw Stock Exchange.

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 2005 comprise the Bank and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

ING Bank Śląski S.A. offers a wide range of banking services to individual and corporate clients. The Bank's operations are denominated in both polish zloty and foreign currencies as well as actively participates in domestic and foreign financial markets. The subsidiary: Śląski Bank Hipoteczny S.A.

runs also the banking activities, including the loans granted pledged on mortgage. Moreover the Group by the subsidiaries runs brokerage services, real estate, leasing of real estate, advisory and acts as financial intermediary as well as provides other financial services.

The financial statements for 2005 were approved by the General Meeting of Shareholders on 27 April 2006.

Selected financial data from the consolidated Financial Statements

Item	PLN thousands		EUR thousands	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005
Interest income	957 143	943 354	245 409	231 186
Commission revenue	344 997	291 142	88 456	71 350
Result on banking activity	890 379	842 425	228 291	206 451
Gross profit (loss)	403 544	329 481	103 468	80 745
Net profit (loss)	332 052	258 248	85 137	63 288
Net cashflow	214 070	-1 607 572	54 887	-393 964
Earnings (loss) per 1 ordinary share (in PLN/EUR)	25,52	19,85	6,54	4,86
Profitability ratio (%)	34,8	27,0	X	X
Return on assets (%)	1,5	1,3	X	X
Return on equity (%)	21,7	16,9	X	X
Cost / Income ratio (%)	65,6	64,7	X	X
Total assets	43 119 830	38 578 430	10 664 250	9 548 880
Equity	3 389 608	3 321 679	838 306	822 177
Initial capital	130 100	130 100	32 176	32 202
Number of shares	13 010 000	13 010 000	x	X
Book value per 1 share (in PLN/EUR)	260,54	255,32	64,44	63,20
Solvency ratio (%)	16,09	17,44	x	X

Profitability ratio – gross profit to total costs.
Cost to Income ratio (C/I) – total overhead costs to the result on banking activity.
Return on assets (ROA) – net profit assigned to shareholders of the holding company to total assets.
Return on equity (ROE) – net profit assigned to shareholders of the holding company to equity.
Solvency ratio – net equity to risk weighted assets and off-balance sheet liabilities.

In order to determine the basic figures in EUR, the following exchange rates were applied:

- for balance-sheet items – PLN 4,0434 NBP exchange rate of 30.06.2006; 4,0401 NBP exchange rate of 30. 06.2005,
- for income statement items for 30.06.2006 – PLN 3,9002 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1H 2006; 4,0805 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1H 2005.

Significant accounting Policies

(a) Compliance with International Financial Reporting Standards

These financial statements have been prepared under the International Financial Reporting Standards (IFRS), applicable to the mid-annual financial reporting, in a version approved by the European Commission; and the information not covered in those standards has been prepared in accordance with the Accounting Act of 29 September 1994 (Journal of Laws no.2002/76, item 694 as amended) and secondary legislation thereto, as well as in accordance with the Ordinance of Finance Minister of 19 October 2005 on current and interim information submitted by issuers of securities (Journal of Laws of 2005, no. 209, item 1744). The consolidated balance sheet and the profit and loss account as at 30.06.2006 including comparable financial data, have been executed upon the application of the same accounting principles for each period.

These financial statements for 1H 2006 meet the requirements of International Financial Reporting Standards (IFRS), including IAS 34 (International Accounting Standards) in regard to interim financial statements. The consolidated report has been prepared in the full version, and the individual report of the Bank was prepared in the abbreviated version.

These financial statements have been prepared in PLN rounded to one thousand zlotys (unless otherwise noted).

In 2006 the Group included the following amendments to the existing accounting standards and new interpretations:

- amendments to IAS 39 Financial instruments: recognition and measurement. Fair value measurement option;
- amendment to IAS 39 Financial instruments: recognition and measurement. Collateral cash flow accounting policy in relation to the intragroup forecast transactions;
- amendments to IAS 39 Financial instruments: recognition and measurement. Financial guarantee contracts;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- IFRIC 6 Liabilities arising from participating in a specific market – waste electric and electronic equipment.

The application of the above revised accounting standards and new interpretations did not arise in any significant changes in the Group's accounting policy.

The amendments to the IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental, IFRIC 7 Applying the restatement approach in IAS 29 Financial Reporting in Hyperinflationary Economies, changes in IAS 19 Employee benefits published on 16th December 2004 and amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates did not have any impact on the interim consolidated financial statements.

(b) Term and scope of the report

These interim consolidated financial statements of the Capital Group of ING Bank Śląski S.A. ("Group", "Capital Group") cover the period from 1st January 2006 to 30th June 2006 and include the comparatives data:

- for the balance sheet as 31st December 2005 and financial year ending that day,
- for the profit and loss account, movement on equity and cash flow statement for the period from 1st January 2005 till 30th June 2005.

(c) (Earlier) Adoption of Standards which are not in force as at the Balance Sheet Date

The Group has not elected to early adopt any new Standards and Interpretations, which have been published and approved by the European Union, and which will be effective after the balance sheet date. Moreover, as of the balance sheet date the Group has not completed the assessment of the possible impact of the Standards and Interpretations, which will be effective after the balance sheet date, on the Group consolidated financial statements for the period of initial application.

Standards and interpretations	Anticipated change in the accounting	Potential impact on the financial	Date becomes effective for periods

approved by the EU	principles	statements	from and after
IFRS 7 *Financial instruments: Disclosures*	The extent of disclosure requirements in respect of Group financial instruments has been enlarged. The standard shall replace IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and is applicable to all the entities that prepare the financial statements in accordance with IFRS	The Group maintains that additional significant disclosure requirements will relate to the Group's financial risk objectives, policy and management.	1st January 2007
Amendment to IAS 1 Capital Disclosures	As a result of IFRS 7 introduction (see above), the extent of capital disclosures will be enlarged	The Group maintains that additional capital disclosures in respect of the Bank's and the Group's equity will not significantly differ from disclosures made so far.	1st January 2007
IFRIC 8 Scope of IFRS 2	The interpretation states that IFRS 2 Share-based payments applies to transactions where an entity makes share-based payments for inadequately low service or no service instead.	The Group has not yet completed the assessment of the impact of the new interpretation on the Group activities.	1st May 2006

IFRIC 9 Revaluation of embedded derivative financial instruments	The interpretation states that embedded derivative financial instruments are recognized by an entity only when it becomes a party of an agreement and revaluation is not allowed unless amendments to the agreement are made which cause significant movements in cash flows resulting from this agreement.	The Group has not yet completed the assessment of the impact of the new interpretation on the Group activities..	1st June 2006

(d) Basis for preparation of consolidated financial statements

The consolidated financial statements are presented in PLN, and all amounts, unless indicated otherwise, are stated in thousands (PLN '000).

In the consolidated financial statements, the Group has adopted valuation at the fair value for financial assets and liabilities valued at fair value, including derivative instruments, and financial assets classified as available for sale, other than those whose fair value cannot be reliably determined.

Other items of financial assets and liabilities (including loans and receivables) are presented at amortized cost less impairment charges or at purchase price less impairment charges.

Components of tangible fixed assets or non current assets held for sale are recognized at the lower of carrying value and fair value less costs to sell.

(e) Accounting Estimates

The preparation of financial statements in accordance with IFRS requires from the Group the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto.

Type and size of the change in estimation values is disclosed only when the results of the change occur in the current period or in the future periods.

Estimations and assumptions applied to the presentation of value of assets, liabilities, revenues and costs, are made on basis of historical data available and other factors considered to be relevant in given circumstances.

Applied assumptions related to the future and available data sources are the base for making estimations regarding carrying value of assets and liabilities, which cannot be determined explicitly on basis of other sources.

The actual results may differ from those estimates.

The estimations and assumptions are currently reviewed. Adjustments to estimates are recognized in the period when the estimation was changed, provided that the adjustment applies to this period alone, or in the period when the estimation was changed and in the following periods, should the adjustment impact both the current and future periods.

Major accounting estimations adopted by the Group is as follows:

Impairment of loans

For each balance sheet date, the Group assesses, whether there is objective evidence of impairment of a given financial asset or of a group of such assets. Impairment of a financial asset or of a group of financial assets was incurred only if there is objective evidence for the impairment due to one or many events. The occurrence of such event or group of such events affects the estimation of expected cash flows regarding these assets.

The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets

Historical parameters of recoveries are adjusted on the basis of the data coming from current observations, so as to take into consideration the influence of current conditions and to exclude the influencing factors in the historical period, that are not presently valid.

In order to estimate impairment or its recovery, it is necessary to estimate the present value of the expected cash flows. If there is objective evidence that an impairment loss on loans and receivables or carried at amortized 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 effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either by adjusting an carrying amount of the financial asset. The amount of the reversal shall be recognised in profit or loss.

The methodology and the assumptions, on the basis of which the estimated cash flow and their anticipated timing, are regularly reviewed and updated. Moreover, the tests on historical data are carried out in order to compare actual results with estimations of impairment.

Impairment of other non- current assets

For each balance sheet date, the Group assesses the existence of premises indicating impairment of a non-current asset. If such premises exist, the Group performs an estimation of recoverable value. Estimation of value-in-use of a non-current asset requires assumptions to be adopted, regarding, among others, amounts and timing of future cash flows, which the Group may obtain from the given non-current asset (or cash generating unit). Adoption of different measurement assumption could affect the carrying value of some of the non – current assets.

The Group performs an estimation of the fair value less costs to sell on the basis of available market data regarding this subject or estimations made by external bodies, which are also based on estimations.

Measurement of financial instruments that do not have a quoted market price

The fair value of financial instruments not quoted on active markets is measured using valuation models. For non-optional derivatives and debentures available for sale, the Group uses valuation models based on discounted cash flows. Options are valued using option valuation models.

Valuation models used by the Group, are verified by independent bodies before/prior their usage. Where possible, in models the Group uses observable data from active markets. However, the Group also adopts probability assumptions (as credit risk, variables and market correlations). Any change in these assumptions may affect the fair value of some financial instruments.

Retirement and sick pension severance payments provision

Retirement and sick pension severance payments provision is calculated using an actuarial method by an independent actuary as the present value of future liabilities of the Group due to employees according employment and remuneration at the updating date. The estimation of the provision is made on the basis of several assumptions both about macroeconomic environment and employee turnover, mortality risk and other. The estimated provision is updated annually. Additionally, adjustments relating to the balance of the provision are made based on quarterly updated assumptions.

Provision for bonuses granted to directors and key management personnel

The provisions for top executive staff bonuses are estimated by the Management Board of the Group's dominant entity which is estimating the amount of benefits as of the balance-sheet date. The ultimate amount of the abovementioned employee benefits is determined by the decisions of Supervisory Boards of the Group's Companies.

(f) Consolidation policies

(i) Subsidiaries

Subsidiaries are any entities controlled by the Group. The control exists, when the Group has direct or indirect influence on the financial and operating policies of an entity so as to obtain benefits from its activities.

Control is presumed to exist when the parent owns more than half of the voting power of an entity and when there is:

a) power over more than half of the voting rights by virtue of an agreement with other investors;
b) power to govern the financial and operating policies of the entity under a statute or an agreement;
c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which the parent ceases to control the subsidiary, if applicable.

(ii) Purchase method

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 acquisition. Assets acquired and liabilities and contingent liabilities assumed in a 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 identifiable 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 recognized directly in the income statement.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The consolidated financial statements include the Group's share in profits and losses of associates according to its share in net assets of associates, from the date of obtaining significant influence until the date, the significant influence ceases.

Investments in associates are initially accounted at purchase price and then accounted for by using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the profit and loss, whereas its share in changes in other reserves since the date of acquisition – in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition.

When the share of the Group in the losses of an associate becomes equal or greater than the share of the Group in that associate, the Group discontinues the recognition of any further losses or creates provision only to such amount, it has assumed obligations or has settled payments on behalf of the respective associate.

(iv) Transactions eliminated in consolidation process

Intragroup balances and unrealized gains and losses or revenues and costs resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

(g) Foreign currency

(i) The functional currency and the presentation's currency

The items contained in presentations of particular units of the Group are priced in the currency of the basic economic environment in which a given entity operates ("the functional currency"). The consolidated financial report is presented in Polish Zloty, which is the functional currency and the presentation currency of the Group.

(ii) Transactions and balances in foreign currency

Transactions expressed in foreign currency are translated into the functional currency by applying the exchange rate at the date of the transaction. Exchange rate profits and losses due to settlements of these transactions and to the balance sheet valuation of assets and monetary commitments expressed in foreign currency are accounted for in the profit and loss account.

Exchange rate differences due to items, as financial assets designated for fair value valuation through the profit and loss account, are accounted for together with changes in the fair value of the profit and loss account. Exchange rate differences due to items, such as equity instruments classified to financial assets available for sale, are included in the revaluation reserve update.

(iii) Financial statements of investments in a foreign operation

The Group does not have any investments a foreign operation**,**

(h) Finanacial assets and liabilities

(i) Classification

The Group classifies financial instruments to the following categories: financial assets and liabilities valued at fair value through the profit and loss, loans and receivables, investments held to maturity, available for sale financial assets.

(a) Financial assets and liabilities valued at fair value through the profit and loss;

These are financial assets or financial liabilities that meet either of the following conditions.

– Are 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 or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also classified as held for trading (other than those that are designated and effective hedging instruments).
– Upon initial recognition it is designated by the Group as at fair value through profit or loss. Such designation can be made only if (i) the designated financial asset or financial liability is a hybrid instrument containing one or many embedded derivatives, which qualify for separate recognition and embedded derivatives cannot change significantly the cash flows resulting from the host contract or separation of embedded derivative is forbidden; (ii) usage of such classification of financial asset or liability eliminates or decreases significantly the inconsistency of measurement or recognition (so called accounting difference due to various methods of assets and liabilities valuation or various recognition of gains and losses attributable to them); (iii) the group of financial assets and liabilities or both categories is managed properly, and its results are measured using fair value, in accordance with documented risk management principles or the Group's investment strategy.

(b) Investment held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. In case of sale or reclassification of more than an insignificant amount of held-to-maturity investments in relation to the total held-to-maturity investments before maturity all the assets of this category are reclassified to the available sale category.

The Group is not allowed to classify any financial assets as held to maturity during the current financial year or during the two preceding financial years.

(c) Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

– those that the entity intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
– those that the entity upon initial recognition designates as available for sale; or
– those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

His category contains loans and advances granted to other banks and customers, including purchased receivables.

(d) Financial assets available for sale

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.

(e) Other financial liability

A financial liability is a contractual obligation to deliver cash or other financial asset to another entity not valued at fair value through the profit and loss, being a deposit or loan received.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(ii) Recognition

The Group recognizes financial assets or liabilities on the balance sheet when, and only when it becomes a party to the contractual provisions of the instrument. Purchase and sale transactions of financial assets valued at fair value through the profit and loss, held-to-maturity and available for sale are recognized, in accordance with bookkeeping methods applied to all transactions of a certain type, at the settlement date, the date on which the assets is delivered to an entity or by an entity. Loans and receivables are recognized on distribution of the cash to borrower.

(iii) Derecognition

The Group derecognises a financial asset when, and only when: the contractual rights to the cash flows from the financial asset expire; or the Group transfers the contractual right to receipt of the cash flow from the financial asset.On transfering a financial asset, the Group evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. Accordingly, where the Group:

– transfers substantially all the risks and rewards of ownership of the financial asset, it derecognises the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
– retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset.
– neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case if the Group has retained control, it continues to recognise the financial asset, and if the Group has not retained

control, it derecognises the financial asset to the extent of its continuing involvement in the financial asset.

The Group removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

Particularly, the Group derecognizes loans and receivables or its part from its balance sheet, if rights pertaining to the credit agrement expire, the Group vaives such rights, or sells the loan.

Most often, the Group writes off receivables against impairment charges on financial assets, when the Group considers the receivable to be unrecoverable, by example, under the following situations

- discontinuation of execution proceeding,
- death of borrower,
- conclusion of bankruptcy procedures,
- unconditional cancellation of a part of the loan.

(iv) Measurement

When a financial asset or financial liability is recognised initially, the Group measures it at its 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 Group 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 the following financial assets:

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments are 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, which are measured at cost.

After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method, except for: 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 unquoted equity instrument whose fair value cannot be reliably measured, which are measured at cost.

Granted financial guarantees are estimated at the higher of:

(a) the amount being the most appropriate estimation of the expenditures needed to fulfil the current obligation arising from the financial guarantee, upon consideration of the probability of materialisation thereof;

(b) the amount recognised at the initial entry, adjusted with the settled amount of commission received for granting the guarantee.

(v) Gains and losses resulting from subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised, as follows.

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss;
- A gain or loss on an available-for-sale financial asset is recognized directly in equity;
- Interest calculated using the effective interest method is recognised in profit or loss;
- Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity’s right to receive payment is established;

- Foreign exchange gains and losses arising from a change in the fair value of a non monetary financial asset available for sale denominated in foreign currency are recognized directly in equity;
- Foreign exchange gains and losses arising from monetary financial assets (e.i debt securities) denominated in foreign currency are recognized directly in the profit and loss account.

At the moment of derecognition of financial assets from the balance sheet, cumulated gains and losses recognized previously in equity, are transferred to the profit and loss account. If any any objective evidence that a financial asset or group of financial assets is impaired exists, the Group recognizes impairment in accordance at the point of impairment of financial assets.

The fair value of financial assets quoted on active markets are based on current bid prices. If the market for a financial instrument is not active, the Group estimates its fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, discounted cash flow analysis and option pricing models and other techniques used by market members.

(i) Offsetting financial instruments

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

In order to mitigate credit risk, the Group concludes special master agreements with contracting parties, with whom the Group conclude transactions of significant volume. These special master agreements do not enable the offsetting financial assets and liabilities, because they are generally settled gross.

(j) Sell–buy–back, buy–sell–back transactions

The Group presents financial assets with the repurchase clauses (sell–buy–back transactions) in its balance sheet, by simultaneously recognizing a financial liability with the repurchase clause. This is in order to refelect the risks and benefits arising on this asset that are retained by the Group after the transfer. When the Group purchases securities with a repurchase clause (BSB, SBB), the financial assets are presented as receivables arising from repurchase clause.

Repo and reverse repo transactions are measured at amortized cost, and securities which are the subject of repo/reverse repo transactions are removed from balance sheet and are measured in accordance with principles applicable for particular securities portfolio.

The difference between sale and repurchase price is treated as interest income and cost, respectively and is accrued over the period of the agreement by application of an effective interest rate.

The Group designates sell-buy-back and buy-sell-back transactions to be valued at fair value through the profit and loss. The change in fair value of financial assets and liabilities are recognized in profit and loss account in the caption "Net income on instruments at fair value through profit or loss".

(k) Derivatives instruments

Derivative instruments are valued at fair value without cost of transactions, which are to be incurred at the moment of its sale. The base of initial fair value measurement of derivative instruments is value at cost, e.i. fair value of received or paid amount.

The Group separates and recognizes in the balance sheet derivative instruments being a component of hybrid instruments. A hybrid (combined) instrument includes a non-derivative host contract and derivative instrument, which causes that some or all of the cash flows arising from the host contract is modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable.

The Group separates embedded derivatives from the host contract and accounted for them as a derivative if, and only 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 host contract is not valued at fair value through profit and loss.

An embedded derivative is valued at fair value, and its changes are recognized in profit and loss.

The Group uses derivative instruments in order to hedge against FX and interest rate risk, arising from activity of the Group. Derivative instruments that are not subject to hedge accounting are classified as financial instruments held for trading and are valued at fair value.

(i) Derivative instruments not qualifying as hedging instruments

The changes in fair value of derivative instruments that do not meet hedge accounting criteria are recognized in the profit and loss for the current period.

(ii) Hedge Accounting

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 Group designates certain derivative instruments as fair value hedge or cash flow hedge. The Group uses hedge accounting, if the following conditions are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess 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.
- The hedging instrument and hedged instrument are similar, especially nominal value, maturity date, and volatility for interest rate and foreign exchange changes.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Fair value hedge

Fair value hedge: 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 profit or loss.

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) are recognised in profit or loss; the gain or loss on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognised in profit or loss. This applies if the hedged item is otherwise measured at cost.

Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

The Group does not apply fair value hedge accounting in order to account for a hedge against changes in the fair value of certain real estate arising from foreign exchange changes/risk.

Cash flow hedge

Cash flow hedge: 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 profit or loss.

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 is recognised directly in equity through the statement of changes in equity; and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability,

The associated gains or losses that were recognised directly in equity (effective hedge), at the moment of recognition of a financial asset and liability being a result of planned future transaction, are transferred into profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss.

In case of a hedge of non-financial asset or a non-financial liability, the associated gains and losses recognized directly in equity as an effective hedge, are transfered successively into the profit or loss account in the same period or periods during which the asset acquired or liability assumed affects the profit or loss account (such as in the periods that depreciation expense is recognised); or it is the result of a one-off transfer as an adjustment to the initial purchase price or carrying amount of a hedged item.

The Group does not apply cash flow hedge accounting.

(l) Impairment

Assets valued at amortized cost

The Group 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 above 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 otherwise consider;

d) it becoming 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.

The Group 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. The Group classifies credit receivables by size of engagement, into the individual and group portfolios. If the Group 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. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. In a group portfolio, groups of similar credit risk characteristics are identified, which are then assessed collectively for the impairment.

If there is any objective evidence of impairment ofloans and receivables, or investments held-to-maturity, then the amount of the impairment is the difference between the carrying amount of an asset and the current value of estimated future cash flows, discounted using an original effective interest rate established with the initial recognition of a given financial asset.

If there is any objective evidence of lack of expected future cash flows arising from these financial assets, then the amount of impairment is equal to their carrying amount.

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible 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 period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Group regularly verifies the methodology and assumptions adopted to estimate future cash flows in order to mitigate the differences between estimated and actual losses.

For the purposes of the calculation of the provision against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. Modification of the PD parameter takes into account characteristics of specific products and emerging periods for losses on those products. Such an approach is to facilitate the identification of 1) incurred losses 2) and incurred not reported losses.

The impairment is presented as a reduction of the carrying amount of the asset either through use of an allowance account and the amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is recognised in the profit or loss account.

Financial assets 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 recognized directly in equity are removed from equity and recognised in the profit or loss account even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss 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 profit or loss.

Impairment losses recognised in the profit and loss account for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a 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 profit and loss account, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Financial assets valued at amortized 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.

(m) Investment property

Investment property is property (land or a building—or part of a building—or both) held by the Group (acting as the owner or the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) occupation purposes (use in the production or supply of goods or services or for administrative purposes); or (b) sale in the ordinary course of business. Therefore, an investment property generates cash flows largely independently of the other assets held by the Group.

An investment property is measured initially at its cost (purchase price and any directly attributable expenditure). After the initial entry, investment property assets are measured in accordance with requirements of the fair value model. A gain or loss arising from a change in the fair value of investment property is recognised in the profit and loss account for the period in which it arises. The fair value of investment property reflects market conditions at the balance sheet date.

(n) Tangible fixed assets

(i) Own tangible fixed assets

Tangible fixed assets are the controlled fixed assets and outlays made to build such assets. Tangible fixed assets include fixed assets with an expected period of use above one year, maintained to be used to serve the Group's needs or to be transferred to other entities, based on the lease contract or for administrative purposes.

Tangible fixed assets, with the exception of land and buildings are recorded at historical costs reduced by depreciation/amortization and any impairment write-downs. The historical costs are made up of the purchase price/cost of creation, and costs directly related to the purchase of assets.

Each component part of property, plant and equipment items, whose purchasing price or generation cost is material in comparison with the purchase price or generation cost of the entire item, is depreciated separately. The Group allocates the initial value of the property, plant and equipment into its significant parts.

Lands and buildings are carried in accordance with the revaluation model, after initial recognition at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date

(ii) *Subsequent Costs*

Costs of modernization of property, plant and equipment increase their carrying value or are recognized as a separate item of property, plant and equipment only when it is probable that such expenditures will ensue with an inflow of economic benefits to the Group, and the cost of such expenses can be reliably measured. Costs of repairs and maintenance of property, plant and equipment are charged to the profit and loss account in the reporting period in which they were incurred.

(o) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance**.**

Intangible assets are deemed to include assets which fulfil the following requirements:

- they can be separated from an economic entity and sold, transferred, licensed or granted for use for a fee to third parties, both separately, and together with their accompanying contracts, assets or liabilities, or
- arise from contractual titles or other legal titles, irrespective of whether those are transferable or separable from the business entity or other rights and obligations.

(i) Goodwill

Goodwill on acquisition of a business entity is initially recognized at cost, which is the surplus of the costs of merger of business entities over the share of the acquiring entity in the net fair value of identifiable assets, liabilities, and contingent liabilities. After the initial recognition, goodwill is presented at cost less all accumulated impairment write-offs. The test for impairment is conducted at the balance sheet date.

Impairment is established by estimating residual value of cash generating units, to which goodwill is allocated. If the residual value of the cash generating unit is lower than the carrying value, the impairment is made.

(ii) Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. Expenses attached to the development or maintenance of computer software are expensed when incurred.

(iii) Other intangible assets

Other intangible assets purchased by the Group, are recognized at cost less accumulated amortization and accumulated impairment write – offs.

(iv) Subsequent Costs

Subsequent costs incurred after initial recognition of acquired intangible asset are capitalised when it is probable that such expenditures will ensue with an inflow of economic benefits to the Group. In other cases, costs are charged to the profit and loss in the reporting period in which they were incurred.

(p) Depreciation and amortization charges

The depreciation charge of tangible and intangible fixed assets is applied using the straight line method, using defined depreciation rates throughout the period of their useful lives. The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The useful life, amortization/ depreciation rates and residual values of tangible and intangible assets are reveiwed annually. Conclusions of the review may lead to a change of depreciation periods recognized prospectively from the date of application (the effect of this change is in accordance with IAS 8 charged to profit and loss)

In case of buildings valued at fair value, the accumulated depreciation balance at the revaluation date is removed from the carrying value gross, and the net carrying value adjusted to the revalued value.

Depreciation and amortization charges are recognized in the profit and loss account. At each balance sheet date goodwill and other intangible assets with indefinite useful life are regularly tested for impairment. The depreciation periods are as follows:

• lands and buildings	50 years
• leaseholding improvements	period of the lease, hire purchase
• vehicles and others	3 - 5 years
• equipment	5 years
• costs of development of software	3 years
• software licenses, copyrights	3 years

(q) Leasing contracts

(i) The Group as lessor

The Group is a party to lease contracts, on the basis of which it grants for paid use or benefit of non-current assets or intangible assets for an agreed period of time.

In the case of lease contracts, which result in transferring substantially all the risks and rewards incident to ownership of the asset under lease, the subject of lease is derecognized. A receivable amount is recognized, however, in an amount equal to the present value of minimum lease payments. Lease payments are divided into financial income and reduction of the balance of receivables in such a way as to enable reaching a fixed rate of return from the outstanding receivables.

Lease payments for contracts which do not fulfill qualifications of a finance lease are recognized as income in the profit and loss account, using the straight-line method, throughout the period of the lease.

(ii) *The Group as lessee*

The Group is also a party to lease contracts, under which it takes for paid use or drawing benefits another party's non-current assets or intangible assets for an agreed period.

In the case of lease contracts, under which essentially all risks and rewards incident to ownership of the lease are transferred, the subject of lease is recognized in assets as a non-current asset, and a liability is recognized in the amount equal to the present value of minimum lease payments as of the date of commencement of the lease. Lease payments are divided into financial costs and reduction of the balance of the liability in such way as to enable obtaining a fixed rate of interest on the outstanding liability. Financial costs are recognized directly in the profit and loss account.

Fixed assets which are the basis of the finance lease contract are depreciated in the manner defined for the Group's non-current assets. However, if it is uncertain whether the ownership of the subject of the contract has been transferred, then non-current assets used pursuant to finance lease contracts are depreciated over the shorter of: the expected useful life or the period of lease.

Lease payments for contracts which do not fulfill qualifications of a finance lease agreement are recognized as costs in the profit and loss account in a straight-line method throughout the period of the lease.

(r) Other balance sheet items

(i) Other trading receivables and other receivables

Trading receivables and other receivables are recognized carried at original invoice amount less an allowance.

(ii) Liabilities

Liabilities, other than financial liabilities held for trading are recognized at original invoice.

(iii) Non current assets held for sale and discountiniued operation

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable, i.e. the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated.

Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets held for sale are priced at the lower of: its carrying value or fair value less cost to sell. Assets classified in this category are not depreciated.

When criteria for classification to non current assets held for sale are not met, the Group ceases to classify the assets as held for sale and reclassify them into appropriate category of assets. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

Discontinued operations is a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The classification to this category takes place at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously.

Operations held for sale, which are to be no longer used, can be also classified as a discontinued operation.

(iv) Cash and cash equivalents

Cash and cash equivalents in the Cash Flow statement include: Cash in hand and cash held at the Central Bank and cash equivalents as balances at current accounts and overnights held in other banks.

(s) *Impairment of other non- financial assets*

For each balance sheet date, the Group assesses the existence of premises indicating impairment of a non-current asset. If such premises exist, the Group performs an estimation of the recoverable value. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

If such premises exist, the Group performs an estimation of recoverable value. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

If there are indications of impairment of common property, i.e. assets which do not generate cash independently from other assets or groups of assets, and the recoverable value of the individual asset included among common property cannot be determined, the Group determines the recoverable value at the level of the cash generating unit, to which the given asset belongs.

An impairment charge is recognized, if the book value of the asset or cash generating unit exceeds its recoverable amount. The impairment charge is recognized in the profit and loss account.

In case of a cash generating unit (group), impairment charges in the first place reduce goodwill attributable to cash generating units, and then reduce proportionally the book value of other assets of this cash generating unit (groups)

Measuring Recoverable Amount

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In order to measure the value in use, estimated future cash flows are discounted to their present value by using a discount rate before taxation, which considers the current market assessment, time value of money and specific risk attributable to the underlying asset.

Reversing of impairment loss

Goodwill impairment loss is not recoverable.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount.

An impairment loss can be reversed only to the amount, where the book value of impaired asset does not exceed its book value, which decreased by depreciation charge, would be established, if any impairment loss would not be recognized.

(t) Equity

Equity is comprised of the share capital, share premium, revaluation reserve and retained earnings.

All balances of capital and funds are recognized at nominal value.

Share capital

Share capital is presented at nominal value, in accordance with the Articles of Association (the Charter) and the entry in the Register of Companies.

(i) Own shares

If the Group acquires its own shares, then the paid amount together with the costs directly attributed to such purchase is recognized as a change in the Equity. Aquired own shares are treated as own shares and disclosed as reduction of the Equity.

(ii) Dividends

Dividends for the financial year which have been approved by the General Shareholders' Meeting, but not approved as of the balance sheet day are disclosed under the „Other Liabilities" in the balance sheet caption.

Dividends for the given year, which have been approved by the General Shareholders Meeting but not distributed at the balance sheet, are disclosed under liabilities payable in the caption "Other liabilities"

Share premium

Share premium is formed from agio obtained obtained from the issue of shares reduced by the the attached direct costs incurred with that issue.

Revaluation reserve

Revaluation reserve is formed as a result of:

– revaluation of financial instruments classified as available for sale,
– revaluation of cash flow hedge financial instruments,
– revaluation of tangible fixed assets carried at fair value,

Value of deferred tax resulting from above mentioned revaluation is included in revaluation reserve. Revaluation reserve is not subjected to profit distribution.

Retained earnings

Retained earnings are created with charges against profit and are allocated for purposes specified in the Articles of Association (the company's Charter) or other legal regulations. Retained earnings comprise of:

– - other supplementary capital,
– - other reserve capital,
– - general banking risk fund,
– - undistributed result from previous years,
– - net result of current year.

Other supplementary capital, other reserve capital and general banking risk fund are created with charges against profit and are allocated for purposes specified in the Articles of Association (the company's Charter) or other legal regulations.

General banking risk fund is created in accordance with the Banking Act dated 29 August 1997 with subsequent amendments, from profit after tax.
The net financial result allocated to the dominant entity represents the gross result under the performance statement for the current year, adjusted with the corporate income tax and the result allocated to the minority shares.

(u) Prepayments and deferred income

Prepayments

Prepayments comprise of particular expenses which will be settled against the profit and loss as being accrued over the future reporting periods. This caption includes the annual fee for perpetual usufruct of land settled in time. Prepayments are presented in the balance sheet in 'Other assets' caption.

Deferred income

This caption comprises mainly fees amortized on a straight-line basis and other types of income collected in advance which will be settled against profit and loss account in future reporting periods. Accruals comprise of provisions for costs resulting from services provided to the Group by counterparties, which will be accrued over future periods and settlements resulting from employee benefits. Accruals and deferred income are presented in 'Other liabilities' balance sheet caption.

(w) Employee benefits

(i) Defined contribution plans

Liabilities resulting from contributions for defined contribution plans are recognized as an expense in the profit and loss account.

(ii) Short-term employee benefits

Short-term employee benefits of the Group (other than termination benefits) comprise of wages, salaries, paid annual leave and social security contributions.

The Group recognizes the anticipated, undiscounted value of short-term employee benefits as an expense of an accounting period when an employee has rendered service (regardless of payment date) in correspondence with other on-balance liabilities.

The amount of short-term employee benefits on the unused holidays to which Group employees are entitled is calculated as the sum of unused holidays to which particular Group employees are entitled.

(iii) Long-term employee benefits

The Group'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 assigned 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.

The ING BSK Group participates in the long-term incentive system, launched by ING Groep NV. ING Group NV has granted option rights on ING Group NV shares and conditional rights on depositary receipts for ING shares to anumber of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board) The purpose of the option and share schemes, apart from promoting a lasting growth of ING Group NV, is to attract, retain and motivate senior executives and staff.

ING Group NV holds directly or indirectly its own shares in order to fulfil the obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As a result the granted option rights were (delta-) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time. Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares. The option rights are valid for a period of five or ten years. Option rights, that are not exercised within this period, lapse.

Option rights granted will remain valid until expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Group NV shares at the date on which the options are granted. The entitlement to the depositary receipts for ING shares is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. Each year, the ING Group NV Executive Board will take a decision as to whether the option and share schemes are to be continued and, if so, to what extent.

(x) Provisions

Provisions, including provisions for off-balance sheet commitments, are recognized in the balance sheet when the Group has a legal or constructive obligation (common law) as a result of past events, as well as when it is probable that an outflow of resources will be required to settle the obligation. If the effect is material, the amount of provision is measured by discounted, expected cash flows using pre-tax rate that reflects current market assessments of the time value of money and those risks specific to the liability. The following rule is also applied for the recognition of provisions for risk-bearing off-balances sheet commitments including guarantees, letters of credit, and irrevocable unused credit lines.

(y) Net interest income

Interest income and expense on all financial instruments are recognized in the profit and loss account. Interest income on financial assets classified as available for sale, loans and advances and financial assets held to maturity are recognized in the profit and loss at amortized cost using the effective interest rate.

Interest income/expense on derivatives classified as trading derivatives is recognized under 'Result on financial instruments at fair value through profit and loss'. Interest income on debt securities classified to trading portfolio or designated as at fair value through profit and loss are recognized inunder the caption 'Interest income'.

The effective interest method is a method of calculating the amortized 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 period. The effective interest rate is the rate that 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, an estimate of cash flows in made considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions paid or received (external) between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income comprises interest and commissions (received or due) included in the calculation of the effective interest rate on: scheduled loans, interbank deposits and securities

In case impairment is recognized for a financial asset or group of similar financial assets, interest income is accrued based on the carrying amount of receivable (this is the value reduced by revaluation charge) with the use of the interest rate according to which future cash flows were discounted for impairment valuation.

(z) Net commission income

Fee and commission income arises on providing financial services by the Group and comprise of fees and commissions on loan granting, pledge to grant a loan, issue of cards, cash management services, brokerage services and asset management services.

Fees and commissions (both income and expense) directly attributed to initial recognition of financial assets with repayment schedule are recognized in profit and loss account as effective interest rate component and are part of interest income. Other attributed to initial recognition of financial assets without repayment schedule are amortized using a straight-line method through the expected life of the financial instrument. Fees and commissions on pledge to grant a loan, which is probable to be drawn, are deferred and since initial recognition of financial assets are amortized as component of effective interest rate or using straight-line method based on above mentioned criteria.

Other fees and commissions resulting from financial services provided by the Group, like cash management services, brokerage services and asset management services are recognized in profit and loss account at the time of performance of the respective services.

(aa) Result on financial instruments at fair value through profit and loss

Result on financial instruments at fair value through profit and loss includes gains and losses arising from disposal and change of fair value of assets and liabilities held for trading and designated at initial recognition at fair value through profit and loss.

Result from accrued interest and settlement of discount or premium on debt securities held for trading or designated at fair value through profit and loss is recognized as interest income.

(bb) Result on investments

Result on financial investments comprises of realized gains and losses arising from disposal of financial assets classified as available for sale.

(cc) Dividend income

Dividend income is recognized in the profit and loss account when the shareholders' right to receive payment is established.

(dd) Other operating income and expense

Other operating income and expense comprise of expense and income not attributed directly with Group's banking and brokerage activity.

In particular, this is a result of sale and liquidation of fixed assets, income from sale of other services, received and paid damages, provision charges for litigations and claims and donations made.

(ee) Net profit attributable to minority shareholders

Net profit attributable to minority shareholders comprises of that part of the profit or loss, net result for the period and net assets of subordinated entity that can be attributed to shares not held by parent company (directly or indirectly through subordinated entities) .

(ff) Income tax

Income tax is recognized as current and deferred tax. Current income tax is recognized in the profit and loss account. Deferred income tax is recognized in profit and loss or equity depending on type of temporary differences.

Current tax is a liability calculated based on taxable income at the binding tax rate at the balance sheet date including adjustments of prior year tax liability.

(gg) Deferred income tax

The Group forms a provision for the temporary difference on account of deferred corporate income tax arising due to the discrepancy between the timing of recognition of income as earned and of costs as incurred according to accounting regulations and according to legal regulations concerning corporate income taxation. A positive net difference is recognized in liabilities as "Provisions for deferred income tax". A negative net difference is recognized under "Deferred income tax assets".

The provision for deferred tax is created by using the balance sheet method for all positive temporary differences as of the balance sheet date arising between tax value of assets and liabilities and their carrying value disclosed in the financial report, except for situations where deferred tax provision arises from:

- initial recognition of goodwill;
- goodwill, which amortization has no taxable expense;
- initial recognition of an asset or liability with a transaction which does not constitute a merger of economic entities and which on its origination has no impact on the net financial profit or taxable income or loss

Deferred income tax assets are recognized with respect to all negative timing differences as of the balance sheet date between the tax value of assets and liabilities and their carrying value disclosed in the financial statement and unused tax losses. Deferred income tax assets are recognized in such amount in which taxable income is likely to be achieved allowing to set off negative timing differences, except for the situations when the component of deferred tax assets arises from the initial recognition of an asset or liability with a transaction which does not constitute a merger of economic entities and on its origination have no impact on the net financial profit or taxable income or loss.

The carrying value of a deferred income tax asset shall be verified for each balance sheet date and reduced if it is no longer likely to achieve taxable income sufficient for a partial or full realization of the deferred income tax component.

Deferred income tax assets and provisions for deferred tax are estimated with the use of the tax rates which are expected to be in force when the asset is realized or provision eliminated, assuming the tax rates (and tax provisions) legally or factually in force as of the balance sheet date.

Income tax pertaining to items directly presented in equity is presented in equity.

Deferred tax assets and provisions are recognized by the Group in balance sheet after offsetting at level of each entity included in consolidation. The Group offsets deferred tax assets and deferred tax provisions, where it has legal title to effect such offsetting, and the deferred assets and provisions pertain to the same taxpayer.

(hh) Other taxes

Incomes, costs, and assets are recognized and reduced by the amount of VAT, tax on civil law acts, and other taxes on sales, except where the tax on sale, paid upon purchase of goods and services, is not recoverable from the tax authorities; in that case, the sales tax is recognized accordingly as a part of the cost of acquisition of an asset, or as part of a cost item.

The net amount of sales tax recoverable from or payable to the tax authorities is recognized on the face of the balance sheet as a part of receivables or liability.

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.

Measurements of internal and external interest income and costs for individual segments are 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 Group's positions, the cost of hedging in the case of complicated products and pricing policy. Profitability curves are then built using mathematical equations, on the basis of quotations available in information services.

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

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,
- financial markets, 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.

Financial markets encompass 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. The item *Financial markets - total segment income* presents the income from proprietary trading. The income from the sale of financial market products for the corporate banking and retail banking segments are disclosed in the income of these segments.

ALCO comprises above all investing funds originating from own funds and funding some assets of the Bank. The main element of core business income ALCO is income from investing proprietary funds (book capital). This income is then adjusted by the interest calculated on the economic capital required by individual business lines (retail banking segment, corporate banking segment, financial markets). Interest on economic capital is allocated from the ALCO line to individual business lines in the manner corresponding 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 parent entity.

Segment reporting – continued

PLN thousand	30.06.2006					30.06.2005				
	Retail customers segment	Corporate customers segment	Proprietary trading	ALCO	TOTAL	Retail customers segment	Corporate customers segment	Proprietary trading	ALCO	TOTAL
Revenue total	**478 003**	**308 747**	**69 915**	**42 387**	**899 052**	**405 678**	**314 329**	**77 039**	**66 204**	**863 251**
Core business	467 618	292 486	64 153	74 795	899 052	390 471	289 711	71 024	112 045	863 251
Income on lending	114 966	79 393			194 359	108 430	83 012			191 442
Interest income external	*141 849*	*205 940*				*157 281*	*257 227*			
Interest cost internal	*-54 204*	*-154 130*				*-71 458*	*-200 368*			
Income on fees/ other income	*27 320*	*27 583*				*22 607*	*26 154*			
Income on deposits	278 848	109 563			388 411	259 220	117 250			376 470
Interest costs external	*-289 141*	*-172 372*				*-331 477*	*-221 579*			
Interest income internal	*459 092*	*227 393*				*487 830*	*282 418*			
Income on fees/ other income	*108 897*	*54 541*				*102 868*	*56 410*			
Income on mutual funds	34 221	507			34 728	10 233	97			10 330
Income on brokerage and custody	19 417	35 801			55 218	11 449	25 597			37 045
Other income on core business	-525	-745	136 443	57 626	192 799	-12 466	-409	137 977	101 676	226 778
FM products sales	4 323	67 967	-72 290		0	2 789	64 164	-66 953		0
Income on Pension Funds shares	16 369				16 369	10 816				10 816
Share in profits (losses) of minority shareholders				17 169	17 169				10 369	10 369
Result on economic capital	10 385	16 261	5 762	-32 408	0	15 207	24 618	6 016	-45 840	0
Expenses total	**379 608**	**186 740**	**19 012**	**4 140**	**589 500**	**354 918**	**161 393**	**15 812**	**26 166**	**558 289**
Operational costs	388 108	186 740	19 012	4 140	598 000	346 302	161 393	15 812	24 481	547 989
including depreciation	*54 589*	*11 286*	*3 321*		*69 196*	*49 511*	*10 236*	*3 012*		*62 759*
Other operational costs (operational risk)	-8 500	0	0	0	-8 500	8 615	0	0	1 685	10 300
Result before risk	**98 394**	**122 008**	**50 903**	**38 247**	**309 552**	**50 760**	**152 936**	**61 228**	**40 038**	**304 962**
Risk cost	-12 738	-81 254	0	0	-93 992	-1 297	-23 222	0	0	-24 519
Result before tax	**111 132**	**203 262**	**50 903**	**38 247**	**403 544**	**52 058**	**176 158**	**61 228**	**40 038**	**329 481**
CIT					68 281					63 941
Result after tax					**335 263**					**265 540**
- assigned to shareholders of the holding company					**332 052**					**258 248**
- assigned to minority shareholders					3 211					7 292

Transformed item	30.06.2006					30.06.2005				
	Business segment				TOTAL	Business segment				TOTAL
	Retail customers segment	Corporate customers segment	Proprietary trading	ALCO		Retail customers segment	Corporate customers segment	Proprietary trading	ALCO	
Assets and liabilities										
Assets of the segment	2 891 000	8 528 000	29 674 489	629 425	41 722 914	2 602 000	8 175 000	25 706 933	637 902	37 121 835
Segment investments in subordinates	67 627			0	67 627	58 749			0	58 749
Other assets (not allocated to segments)					1 329 289					1 397 846
Total assets					**43 119 830**					**38 578 430**
Segment liabilities	21 593 000	11 305 000	5 974 030		38 872 030	18 580 000	9 842 000	5 764 374		34 186 374
Other liabilities (not allocated to segments)					858 192					1 070 377
Equity					3 389 608					3 321 679
Total liabilities					**43 119 830**					**38 578 430**
Other										
Capital expenditure	47 025	23 133	2 355	513	73 026	41 353	18 805	1 842	3 049	65 049
Depreciation	54 589	11 286	3 321		69 196	49 511	10 236	3 012		62 759
Net cash flow from operating activity	1 806 866	1 200 978	-625 577	21 078	2 403 345	2 908 546	-1 407 512	-4 094 467	29 669	-2 563 764
Net cash flow from investing activity	-6 742	-20 898	-12 480	17 315	-22 805	-6 994	-30 783	-2 270	15 154	-24 893
Net cash flow from financial activity	-4 480	-20 280	0	-357 775	-382 535	-4 663	-14 341	0	0	-19 004

Geographical segments

The business activities of the Capital Group are performed on the territory of the Republic of Poland.

2. Net interest income

	I half 2006	I half 2005
Interest and similar income		
- Loans and advances to banks	246 584	207 226
- Loans and advances to customers	338 447	412 007
- Interest on debt securities held for trading	61 035	78 301
- Interest on available-for-sale debt securities	308 079	245 820
- Interest on held-to-maturity debt securities	-	-
- Reverse repos	2 998	-
- Other	-	-
	957 143	**943 354**

In regard to interest revenue for I half of 2006 , the amount of PLN 23,207,000 represents revenue from financial assets for which impairment loss was recognised. In I half of 2005 the amount reached PLN 21,803,000.Interest income in respect of financial assets is calculated using the net exposure amounts; i.e. the amounts including effective impairment losses.

	I half 2006	I half 2005
Interest expense and similar charges		
- Deposits from banks	-27 868	-67 663
- Deposits from customers	-462 225	-535 946
- Loans and advances	-5 521	-1 625
- Financial liabilities held for trading	-	-
- Reverse repos	-13 897	-10 710
- Other liabilities evidenced by paper	-	-
- Subordinated liabilities	-	-
	-509 511	**-615 944**
Net interest income	**447 632**	**327 410**

3. Net commission income

	I half 2006	I half 2005
Commission income		
- Brokerage fees	52 293	37 659
- Fiduciary and custodian fees	11 297	8 323
- Foreign commercial business	9 572	8 646
- Commission for transfers, cash payments and other payment transactions	51 097	51 500
- Commission and fees for payment and credit cards	55 132	39 960
- Commission for loans and advances	37 810	41 200
- Commission and fees related to keeping accounts	73 236	74 505
- Commission and fees related to electronic banking systems	5 574	5 649
- Commission and fees for guarantees, sureties and letters of credit	8 675	8 061
- Commission and fees due to distribution of participation units	33 943	9 565
- Other	6 368	6 074
	344 997	**291 142**
Commission expense		
- Brokerage fees	-12 419	-11 254
- Other commission, including:	-27 961	-26 590
- costs of the Bank Guarantee Fund (BFG)	*-1 741*	*-1 705*
- costs of the National Clearing House (KIR)	*-1 345*	*-2 222*
- commission paid related to securities trading	*-1 705*	*-2 872*
- commission paid on the VISA card system	*-12 065*	*-11 003*
	-40 380	**-37 844**
Net commission income	**304 617**	**253 298**

4. Dividend income

	I half 2006	I half 2005
- Securities held for trading	8	40
- Available-for-sale securities	1 563	1 563
	1 571	**1 603**

5. Net income on instruments at fair value through profit or loss

	I half 2006	I half 2005
Net income on financial assets and liabilities held for trading	10 916	156 168
- Net income on equity instruments	294	164
- Net income on debt instruments	-6 680	29 268
- Net income on derivatives	17 302	126 736
Currency derivatives	*-2 336*	*98 655*
Exchange rate derivatives	*18 616*	*28 195*
Securities derivatives	*1 022*	*-114*
Net income on financial assets and liabilities at fair value upon initial recognition	3 336	9 095
debt instruments	3 336	9 095
Net income on instruments at fair value through profit or loss	**14 252**	**165 263**

Net income on equity instruments includes net result on trading equities.

Net income on debt instruments includes net income on trading treasury securities, commercial debt instruments, money market instruments (treasury bills).
Net income on derivatives includes net income on interest rate derivatives – FRA, IRS/CIRS, foreign exchange derivatives – swap, options and stock exchange index options.
Interest net income on debt securities is presented in interest margin.

6. Net income on investment securities

	I half 2006	I half 2005
- Equity instruments	5 805	-
- Debt instruments	9 328	-
	15 133	**0**

7. Exchange gains or losses

	I half 2006	I half 2005
Exchange gains or losses		
- result on revaluation derivatives (fair value is recognised in exchange gains or losses)	-16 532	-99 879
- result on other financial instruments at fair value through profit or loss according to IAS 39	-	-
- result on other instruments	89 512	187 419
Exchange gains or loss total	**72 980**	**87 540**

8. Other operating income

	I half 2006	I half 2005
- Due to recovered unrecoverable receivables	543	1 550
- Received damages, penalties and fines	8 391	102
- Refunded court fees	-	453
- Due to rental of an investment real estate	6 477	7 016
- Income from sales of other services	2 962	3 225
- Other	12 693	4 592
	31 066	**16 938**

Item "Income from sales of other services" covers mainly the sales of services at recreation centres of one of the subsidiairies of ING Bank Śląski S.A.

9. Other operating expenses

	I half 2006	I half 2005
- Damages, penalties and fines paid	165	656
- Due to court fees paid	36	786
- Donations made	1 133	1 107
- Other operating expenses due to disputed claims	147	10 343
- Other	9 085	5 095
	10 566	**17 987**

Other operating expenses due to disputed claims include expenses concerning disputes related to the improper performance of agreements, cases of criminal nature and cases pertaining to claims made by former employees.

10. General and administrative expenses

	I half 2006	I half 2005
- Personnel expenses:	279 234	265 182
wages and salaries	*233 173*	*219 471*
employee benefits, including:	*46 061*	*45 711*
retirement benefits	*985*	*2 820*
training expenses	*4 449*	*4 605*
- General and administrative expenses:	249 570	220 048
on property, plant and equipment	*39 850*	*38 981*
taxes and charges (including PFRON)	*4 432*	*3 587*
maintenance and rental of buildings	*67 438*	*64 949*
communication services	*31 868*	*30 573*
leasing services	*5 229*	*4 366*
refurbishment services	*16 257*	*16 150*
licences and patents	*7 902*	*7 672*
other external services	*76 594*	*53 770*
	528 804	**485 230**

11. Depreciation and amortisation

	I half 2006	I half 2005
- On property, plant and equipment	50 755	49 543
- On intangible assets	18 441	13 216
	69 196	**62 759**

12. Impairment losses and provisions for off-balance sheet liabilities

	I half 2006	I half 2005
- Impairment losses on loans and advances	159 982	254 066
- Reversed impairment losses on loans and advances	-252 031	-286 775
Net impairment losses on loans and advances	**-92 049**	**-32 709**
including:		
- losses on loans and advances at risk of impairment	*-65 336*	*-17 527*
- IBNR	*-22 044*	*-15 606*
- Impairment losses on available-for-sale financial assets:	0	0
- securities		
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests		
- Reversed impairment losses on available-for-sale financial assets:	-79	-15
- securities		
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-79*	*-15*
Net impairment losses on available-for-sale financial assets:	**-79**	**-15**
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-79*	*-15*
- Impairment losses on property, plant and equipment	*312*	*21*
- Impairment losses on other assets	*1 095*	*4 370*
- Reversed impairment losses on property, plant and equipment	*-837*	*-20*
- Reversed impairment losses on other assets	*-479*	*-511*
Net impairment losses on other assets and property, plant and equipment:	**91**	**3 860**
- property, plant and equipment	*-525*	*1*
- other assets	*616*	*3 859*
- Recognised provisions for off-balance sheet liabilities	11 038	25 221
- Reversed provision for off-balance sheet liabilities	-12 993	-20 876
Net provisions for off-balance sheet liabilities recognised	**-1 955**	**4 345**
including:		
- on the portfolio at risk of impairment	*-5 634*	*1 022*
- IBNR	*3 679*	*3 323*
Total impairment losses	**172 427**	**283 678**
Total reversed impairment losses	**-266 419**	**-308 197**
Net impairment losses and provisions for off-balance sheet liabilities	**-93 992**	**-24 519**

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

	I half 2006	I half 2005
ING Nationale-Nederlanden Polska PTE S.A.	17 169	10 369
	17 169	**10 369**

14. Income tax

	I half 2006	I half 2005
Recognised in the profit and loss account		
- Current portion		
Current year	105 938	140 069
Adjustment of last-year tax settlement	-179	-5 126
	105 759	**134 943**
- Deferred tax		
Recognised and reversed temporary differences	-37 940	-72 669
Benefits resulting from tax loss	-4	-1 021
	-37 944	**-73 690**
- Increases/decreases of the receivables due to 8% relief related to provisions for receivables	466	2 688
Total income tax recognised in the profit and loss account	**68 281**	**63 941**

	I half 2006	I half 2005
Effective tax rate calculation		
- Profit before tax	**403 544**	**329 481**
- 19% income tax	**76 673**	**62 601**
- Increases – non-deductible expenses	**3 243**	**8 652**
- provision for expected losses	*86*	*1 965*
- PFRON	*437*	*388*
- impairment in a part not covered by deferred tax	*0*	*289*
- representation and advertising expenses over the statutory limit	*321*	*429*
- expenses due to foreign payments	*97*	*401*
- expenses due to loan and non-loan receivables written off	*636*	*4 042*
- other	*1 666*	*1 138*
- Decreases – tax exempt income	**-12 101**	**-10 000**
- income exempt due to the entity	*-290*	*-519*
- dividend income	*-297*	*-4 591*
- provisions/impairment in a part not covered by deferred tax	*-312*	*-1 259*
- depreciation on real estate	*-2 860*	*0*
- impairment losses on investment property	*-992*	*-506*
- impairment losses and provisions for off-balance sheet liabilities	*-3 262*	*0*
- share in net profit (loss) of co-subsidiaries and associated entities recognised under the equity method	*-496*	*-555*
- other	*-3 592*	*-2 570*
- 19% income tax /+/ increases /-/ decreases	**67 815**	**61 253**
- Increases/decreases of the receivable due to 8% relief related to provisions for receivables	466	2 688
Income tax from profit and loss account	**68 281**	**63 941**
Effective tax rate	**16,92%**	**19,41%**

Deferred tax recognised directly under equity

- Measurement of available-for-sale securities	33 977	16 144
- Measurement of property, plant and equipment	0	-1 034
	33 977	**15 110**

15. Earnings per share

Basic earnings per share

Calculation of basic earnings per share as of 30 June 2006 was based on annualised net profit in the amount of PLN 332,052,000 (30 June 2005: PLN 258,248,000) and weighted average number of ordinary shares in the similar period equal 13,010,000 (30 June 2005: 13,010,000).

	I half 2006	I half 2005
- Profit for 12 months	332 052	258 248
- Weighted average number of ordinary shares	13 010 000	13 010 000
Earnings per share (PLN)	**25,52**	**19,85**

Diluted earnings per share

During I half of 2006 as well as during 2005, 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 no preference shares). Due to the above, diluted earnings per share is the same as basic earnings per share.

16. Dividends paid/proposed

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

General Meeting of the Stakeholders accepted the dividend payment for the 2005 on 27 April 2006. The ammount of dividend is 27,50 PLN per share which accumulated to 357.775.000 PLN. The divident was paid on 5 of June 2006

17. Cash in hand and balances with the Central Bank

	I half 2006	end of 2005
- Cash in hand	349 145	313 836
- Balances with the Central Bank	803 021	862 607
	1 152 166	**1 176 443**

The Bank maintains obligatory provisions with the National Bank of Poland accounting for 3.5% of deposits obtained by the Bank. The amount of the provision accrued is reduced by an equivalent of EUR 500,000 as for the 31.05.2006. For the period of 30.06.2006 - 30.07.2006 the avarage provision was equal to 1.150.941.000 PLN For the respective period of the previous year the avarage was 993.136.000 PLN. The arithmetic mean of obligatory provision for the period from 30 November 2005 to 01 January 2006 equalled PLN 1,070,549,000. The mean for the similar period of the previous year was PLN 861,841,000.

The Group may utilise the debt limit with the National Bank of Poland for the amount of PLN 10,878,722,000 i.e. 0.8 of the face value of Treasury papers pledged.

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

	I half 2006	end of 2005
- Nostro accounts	51 165	156 026
- interbank deposits	11 006 604	12 332 697
- other receivables	177 286	58 160
- loans and advances	*123 362*	*30 981*
- other receivables	*53 924*	*27 179*
- accrued interest	35 058	27 064
Total (gross)	**11 270 113**	**12 573 947**
Impairment losses, including:	-246	-299
- portfolio impairment losses	*-246*	*-299*
Total (net)	**11 269 867**	**12 573 648**

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

- Maturing:	11 235 055	12 546 883
- up to 1 month	6 022 081	12 135 548
- over 1 month and up to 3 months	4 998 709	5 275
- over 3 months and up to 1 year	205 357	394 645
- over 1 year and up to 5 years	8 908	11 415
- over 5 years	-	-
- after maturity	-	-
- Accrued interest	35 058	27 064
TOTAL	**11 270 113**	**12 573 947**

19. Financial assets at fair value through profit or loss

	I half 2006	end of 2005
- Financial assets held for trading	5 517 113	5 910 339
- Financial assets designated as at fair value upon initial recognition	319 313	244 901
Total	**5 836 426**	**6 155 240**

Financial assets held for trading

	I half 2006	end of 2005
- Debt instruments		
Bonds and bills issued by:	4 603 151	4 951 262
State Treasury	*4 552 026*	*3 949 452*
NATIONAL BANK OF POLAND (NBP)	*-*	*1 001 714*
Non financial sector	*51 125*	*96*
	4 603 151	**4 951 262**
Listed instruments	*4 552 026*	*3 751 869*
Unlisted instruments	*51 125*	*1 199 393*
- Equity instruments	**300**	**1 282**
Listed instruments	*300*	*1 282*
- Derivative financial instruments	**913 662**	**957 795**
	5 517 113	**5 910 339**

Financial assets designated as at fair value upon initial recognition

	I half 2006	end of 2005
Debt instruments	149 090	147 852
- Bonds and bills issued by:	149 090	147 852
Non financial sector	*149 090*	*147 852*
Repo transactions	*170 223*	*97 049*
	319 313	**244 901**

The Group designated the following components of financial assets and liabilities for fair value measurement based on the profit and loss statement: debt securities in the form of bonds issued by one of non-financial entity and all buy-sell-back and sell-buy-back transactions.
Designation of above mentioned bonds for fair value measurement based on the profit and loss statement allows to obtain more useful information due to the elimination of „accounting mismatch". "Mismatch" would involve inconsistencies in regard to the recognition of the effects of measurement of an investment item in the form of above bonds and IRS transactions, measured as fair value through the financial result, securing the interest rate risk from the transaction.
The group of sell-buy-back and buy-sell-back transactions was designated for fair value measurement on the basis of the profit and loss statement due to their classification to the portfolio managed by Financial Markets. According to the principles of risk management and the investment strategy in force at the Bank, the items of financial assets and liabilities as part of this portfolio are measured and managed on the basis of fair value. The measurement of financial liabilities designated for fair value measurement on the basis of the profit and loss statement, as of the balance sheet date, did not include the value of liabilities to be attributed to the changes of credit risk the source of which is the Bank as borrower. In the opinion of the Bank, the whole amount of the change of value of financial liabilities results from the changes of market conditions giving rise to market risk.

Financial assets at fair value through profit or loss by maturity

	I half 2006	end of 2005
- up to 1 month	105 475	1 172 978
- over 1 month and up to 3 months	247 708	129 363
- over 3 months and up to 1 year	1 846 082	610 137
- over 1 year and up to 5 years	1 507 370	2 095 201
- over 5 years	2 129 791	2 147 561
TOTAL	**5 836 426**	**6 155 240**

Movements in financial assets at fair value through profit or loss

	I half 2006	end of 2005
Opening balance	6 155 240	5 122 066
Increases	445 796 047	643 238 299
- purchase of debt securities	445 571 593	642 454 501
- purchase shares in other parties	82 258	581 047
- increase in the value of securities	69 021	186 051
- measurement of off-balance sheet derivative instruments	73 175	16 700
Decreases	-446 114 861	-642 205 125
- sales of debt securities	-426 856 217	-580 851 791
- repurchase of debt securities	-19 033 435	-59 953 595
- sales of shares in other parties	-83 254	-580 882
- drop in the value of securities	-97 826	-177 940
- measurement of off-balance sheet derivative instruments	-44 129	-640 917
Closing balance	**5 836 426**	**6 155 240**

Interest 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 instruments at fair value through profit or loss".

As of 30 June 2006, the nominal value of securities subject to repo transactions amounted to PLN 2,813,088,000. Adjustment due to measurement of these transaction at fair value equalled PLN 81,000.

20. Investment financial assets

Available-for-sale financial assets

	I half 2006	end of 2005
- Fixed rate debt instruments	10 589 637	9 276 797
Treasury bonds	*10 358 039*	*8 216 147*
Treasury bills	*231 598*	*1 060 650*
Other	-	-
- Floating rate debt instruments	1 623 001	1 643 904
Treasury bonds	*1 117 972*	*1 118 041*
NBP bonds	*504 624*	*525 367*
Other	*405*	*496*
Total debt instruments	**12 212 638**	**10 920 701**
Listed instruments	*12 212 233*	*9 334 188*
Unlisted instruments	*405*	*1 586 513*
- Equity instruments		
Equity instruments at cost	*4 780*	*5 812*
Market value evaluation	*6 292*	-
Impairment	*-2 543*	*-3 594*
Equity instruments – carrying value	**8 529**	**2 218**
Listed instruments	*6 293*	-
Unlisted instruments	*2 236*	*2 218*
	12 221 167	**10 922 919**

Available-for-sale assets constituted collateral of own liabilities:
as of 30 June 2006:
- treasury bills with nominal value of PLN 13,110,000 constituted a collateral of the loan received from BFG
- treasury bills with nominal value of PLN 65,800,000 constituted a collateral to BFG

as of 31 December 2005:
- treasury bills with nominal value of PLN 17,190,000 constituted a collateral of the loan received from BFG
- treasury bills with nominal value of PLN 60,900,000 constituted a collateral to BFG

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

Movements in investment financial assets

	I half 2006	end of 2005
Opening balance	10 922 919	6 539 378
Increases	3 452 968	7 175 282
- purchase of debt securities	3 311 668	6 622 170
- increase in the value of securities	140 241	545 609
- purchase of shares	9	4 598
- reversed provision for shares	1 050	2 905
Decreases	-2 154 720	-2 791 741
- sales of debt securities	-780 956	-595 844
- repurchase of debt securities	-1 009 320	-1 858 991
- drop in the value of securities	-363 392	-234 071
- sales of shares	-1 052	-24 940
- reclassification to loans and advances to customers	-	-77 895
Closing balance	**12 221 167**	**10 922 919**

In I half of 2006, the Group sold shares and stakes in 1 company which value in the books totalled PLN 191,000.
In 2005, the Group sold shares and stakes in 4 companies whose value in the books totalled PLN 24,940,000.
This amount consists of:
- Wschodni Bank Cukrownictwa S.A.,
- Huta Lucchini Sp. z o.o.,
- Izostal S.A.,
- Górnośląskie Towarzystwo Lotnicze S.A.

21. Loans and advances to customers

	I half 2006	end of 2005
- loans and advances	11 656 753	10 419 971
- other receivables	313 629	250 094
- accrued interest	38 496	37 872
Loans and advances to customers – gross	**12 008 878**	**10 707 937**
Impairment losses	-765 590	-805 077
Loans and advances to customers – net	**11 243 288**	**9 902 860**

Quality of portfolio of loans and advances to customers

	I half 2006	end of 2005
Loans and advances to customers (gross)	**12 008 878**	**10 707 937**
- impaired	790 447	881 586
- unimpaired	11 218 431	9 826 351
Impairment losses	**-765 590**	**-805 077**
- related to impaired portfolio	-665 759	-684 761
- related to unimpaired portfolio	-99 831	-120 316
Loans and advances to customers (net)	**11 243 288**	**9 902 860**

Loans and advances to clients broken idown according to impairment estimation methods

	I half 2006	end of 2005
Loans and advances to customers (gross)	**12 008 878**	**10 707 937**
- measured individually	368 378	443 921
- measured as the portfolio	11 640 500	10 264 016
Impairment losses	**-765 590**	**-805 077**
- impairment loss pertaining to loans measured individually	-364 485	-378 786
- impairment loss pertaining to loans measured as the portfolio	-401 105	-426 291
Loans and advances to customers (net)	**11 243 288**	**9 902 860**

Loans and advances to customers by maturity

	I half 2006	end of 2005
- Maturing:	11 970 382	10 670 065
- up to 1 month	5 356 057	4 730 310
- over 1 month and up to 3 months	1 427 232	1 101 281
- over 3 months and up to 1 year	1 358 271	1 600 339
- over 1 year and up to 5 years	2 439 141	2 195 308
- over 5 years	1 389 681	1 042 827
- Accrued interest	38 496	37 872
TOTAL	**12 008 878**	**10 707 937**

Interest accrued as of 30 June 2006 includes the amount of PLN 26,233,000 related to accrued interest unpaid at risk of impairment and recognised before 01 January 2005, fully written off.

Average effective interest rate for loans and advances in %

	1H 2006	2005 year-end
Average effective interest rate for loans and advances in PLN	7,01	8,32
Average effective interest rate for loans and advances in foreign currencies	4,14	3,95

In line with the credit policy, ING Bank Śląski S.A. accepts collateral for repayment of the loans extended in the form of blocked borrower's account funds and the borrower's assets.
As at 30.06.2006, this collateral was valued at PLN 459,511,000. (31.12.2005: PLN 581,175,000; 30.06.2005: PLN 438,986,000).

Receivables due to financial leases
The Group discloses no such receivables.

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

	I half 2006	end of 2005
Opening balance after changes in accounting principles	**805 376**	**918 831**
Movements in impairment losses:	-39 540	-113 455
Recognised during the period	*160 502*	*379 275*
Reversed during the period	*-252 395*	*-489 736*
Deductions written off	*-2 237*	*-57 664*
Amounts recovered from loans previously written off	*53 601*	*54 670*
Accounting balance	*989*	*0*
Closing balance	**765 836**	**805 376**
due to:		
- deposit accounts in other banks as well as loans and advances to other banks	*246*	*299*
- loans and advances to customers	*765 590*	*805 077*

The losses applied comprise of the redemption / write-off of receivables against the created charge or movement from / to other provision category.

23. Investments in controlled entities

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

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

	I half 2006	end of 2005
- Opening balance	75 080	70 944
- Profit share	17 169	26 699
- Dividend paid	-24 622	-22 563
Closing balance	**67 627**	**75 080**

General financial information on an associated entity:

	Assets	Liabilities	Net assets	Revenues	Profit/(loss)
I half 2006					
ING Nationale Nederlanden Polska PTE S.A.	412 975	17 574	361 504	176 596	92 445
end of 2005					
ING Nationale Nederlanden Polska PTE S.A.	464 794	39 782	397 056	279 300	136 789
I half 2005					
ING Nationale Nederlanden Polska PTE S.A.	382 736	29 463	332 172	129 937	69 291

In the individual financial statements, the Bank discloses shares in the following subsidiaries and associated.

Name of entity	Type of capital relation	Carrying value of shares I half 2006	Carrying value of shares end of 2005
ING Securities S.A.	*subsidiary*	30 228	30 228
Śląski Bank Hipoteczny S.A.	*subsidiary*	49 950	49 950
ING BSK Development Sp z o.o.	*subsidiary*	50	50
Solver Sp. z o.o.	*subsidiary*	6 682	6 682
Centrum Banku Śląskiego Sp. z o.o.	*subsidiary*	0	0
ING Nationale Nederlanden Polska PTE S.A.	*associated company*	40 000	40 000
TOTAL		**126 910**	**126 910**

Shares in Centrum Banku Śląskiego Sp. z o.o. are held by ING BSK Development Sp. z o.o. (carrying value of these shares equals PLN 2,645,000).

24. Sale of the subsidiaries

2005	selling price	net assests	cost of sale	result on sale
sale of ING Services Polska Sp. z o.o.	16 000	15 499	212	289

Throughout 1H 2006, the Bank did not sell any shares or participations in the subsidiaries.

On 15 November 2005, ING Bank Śląski S.A. and Alegron Belegging B.V. Company signed an agreement on sale of all ING Services Polska Sp. z o.o. shares by the Bank. The subject-matter thereof was 27,899 Company shares of the total face value of PLN 13,949,500. The purchase price of shares was agreed upon at PLN 16,000,000. Alegron Belegging B.V. is a subsidiary of ING Bank N.V.

25. Property, plant and equipment

	I half 2006	end of 2005
- Real estate and investments in third-party non-current assets	423 864	419 942
- Computer hardware	70 954	78 709
- Vehicles	1 290	1 827
- Other fixtures and fittings	80 957	86 492
- Constructions in progress	18 315	13 881
Property, plant and equipment – total	**595 380**	**600 851**

I half 2006

	Real estate and investments in third-party non-current	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) gross value of fixed assets at the begining of the period	665 532	307 171	6 231	335 185	13 881	1 328 000
b) additions (due to)	3 738	11 718	3	10 026	16 783	42 268
- purchases	342	11 636	2	2 785	16 044	30 809
- investment take-overs	2 830	82	0	7 240	0	10 152
- others	566	0	1	3	739	1 309
c) disposals (due to)	-3 484	-17 361	-201	-2 580	-12 349	-35 975
- sale and liquidation	-244	-16 917	-201	-2 498	0	-19 860
- investment take-overs	0	0	0	-92	-10 400	-10 492
- other, including:	-3 240	-444	0	10	-1 949	-5 623
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*-444*	*0*	*-92*	*0*	*-536*
- reclassified to real estate held for sale	*-2 958*	*0*	*0*	*0*	*-74*	*-3 032*
d) transfers	2 087	-988	0	-1 099	0	0
e) gross value of fixed assets at the end of the period	667 873	300 540	6 033	341 532	18 315	1 334 293
f) accumulated depreciction at the begining of the period	-238 503	-228 464	-4 404	-248 693	0	-720 064
g) depreciation at the end of the period	-16 947	-1 122	-339	-11 882	0	-30 290
- depreciation sign offs	-15 448	-18 744	-524	-16 028	0	-50 744
- sale and liquidation	218	16 868	186	2 427	0	19 699
- transfers	-1 154	310	0	-317	0	-1 161
- other, including:	-563	444	-1	2 036	0	1 916
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*444*	*0*	*9*	*0*	*453*
- reclassified to real estate held for sale	*1 190*	*0*	*0*	*74*	*0*	*1 264*
h) accumulated depreciction at the end of the period	-255 450	-229 586	-4 743	-260 575	0	-750 354
i) evaluation at the fair value at the begining of the period	-7 087	0	0	0	0	-7 087
- increases	18 528	0	0	0	0	18 528
- decreases, including:	0	0	0	0	0	0
- reclassified to real estate held for sale	0	0	0	0	0	0
j) evaluation at the fair value at the end of the period	11 441	0	0	0	0	11 441
k) net value of the assets at the end of the period	423 864	70 954	1 290	80 957	18 315	595 380

I half 2005

	Real estate and investments in third-party non-current	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) gross value of fixed assets at the begining of the period	697 498	322 219	11 720	289 889	9 757	1 331 083
b) additions (due to)	31 750	27 962	238	5 661	12 684	78 295
- purchases	8 483	22 300	168	1 515	12 185	44 651
- investment take-overs	1 594	3 636	0	2 112	0	7 342
- others	21 673	2 026	70	2 034	499	26 302
c) disposals (due to)	-117 979	-9 093	-1 965	-973	-8 267	-138 277
- sale and liquidation	-3 423	-6 501	-1 921	-492	0	-12 337
- investment take-overs	0	0	-44	0	-8 267	-8 311
- other, including:	-114 556	-2 592	0	-481	0	-117 629
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*-1 238*	*0*	*9*	*0*	*-1 229*
- reclassified to real estate held for sale	*0*	*0*	*0*	*0*	*0*	*0*
d) transfers	0	0	0	0	-5 897	-5 897
e) gross value of fixed assets at the end of the period	611 269	341 088	9 993	294 577	8 277	1 265 204
f) accumulated depreciction at the begining of the period	-217 488	-250 571	-8 432	-212 934	0	-689 425
g) depreciation at the end of the period	46 078	-9 803	875	-13 474	0	23 676
- depreciation sign offs	-14 451	-17 645	-810	-13 254	0	-46 160
- sale and liquidation	1 110	6 473	1 683	-293	0	8 973
- other, including:	59 419	1 369	2	73	0	60 863
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*1 238*	*0*	*9*	*0*	*1 247*
- reclassified to real estate held for sale	*0*	*0*	*0*	*0*	*0*	*0*
h) accumulated depreciction at the end of the period	-171 410	-260 374	-7 557	-226 408	0	-665 749
i) evaluation at the fair value at the begining of the period	-6 217	0	0	0	0	-6 217
- increases	36 327	0	0	0	0	36 327
- decreases, including:	0	0	0	0	0	0
- reclassified to real estate held for sale	0	0	0	0	0	0
j) evaluation at the fair value at the end of the period	30 110	0	0	0	0	30 110
k) net value of the assets at the end of the period	469 969	80 714	2 436	68 169	8 277	629 565

The item "real estate and investments in third-party non-current assets" comprises, among others, the land whose value considering the fair value measurement as at 30.06.2006 was PLN 5,022,000 as compared to (PLN 4,831,000) as at 31.12.2005.

As of 31 June 2006, revaluation reserve includes the amount of PLN 51,801,000 related to real estates measured at fair value.

As of 30 June 2006, the value of fully depreciated property, plant and equipment equalled PLN 260,175,000

There are no legal limitations on property, plant and equipment. There are no contractual obligations incurred in relation to purchase of property, plant and equipment.

Constructions in progress

“Constructions in progress” include, inter alia outlays incurred in relation to the branch visualisation 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 are 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 the case of external elements and 2 years in the case of internal elements.

26. Investment real estate

	I half 2006	end of 2005
a) Gross value of fixed assets at the begining of the period	180 181	178 477
b) additions (due to)	476	1 704
- purchase	476	1 704
- other	0	0
c) disposals (due to)	-50	0
- sale and liquidation	0	0
- other	-50	0
d) transfers	0	0
e) Gross value of fixed assets at the end of the period	180 607	180 181
f) accumulated depreciction at the begining of the period	0	0
g) amortisation for the period (due to)	0	0
- amortisation charges	0	0
- sale and liquidation	0	0
- other	0	0
h) accumulated depreciction at the end of the period	0	0
i) evaluation at the fair value at the begining of the period	-39 634	-57 062
- increases	6 683	17 428
- decreases	-	-
j) evaluation at the fair value at the end of the period	-32 951	-39 634
k) Gross value of fixed assets at the end of the period	147 656	140 547

The Group has an investment real estate measured at fair value. Fair value was determined based on the valuation prepared by an independent expert. The method applied for valuation was the income method of discounted cash flows for the period of 10 years. The market parameters generally adopted for similar investments were used for valuation, upon considering the occupancy rate of the building space.
Investment property is measured in EUR (the real property value as at 30.06.2006 totalled EUR 37,000,000 compared with EUR 29,768,000 as at 30.06.2005), hence exchange differences affect the value of investment property.

	I half 2006 (thousand PLN)	I half 2005 (thousand PLN)
Income from the lease of the real estate on the group level	6.840	6.560
Operational cost of the lease activity	747	893

There are no legal limitations on the investment real estate. There are no contractual obligations incurred in relation to purchase of the investment real estate.

27. Intangible assets

	I half 2006	end of 2005
- Goodwill	223 821	223 821
- Software	52 855	58 121
- Outlays for projects	24 724	27 179
- Other intangible assets	356	977
- Outlays for intangible assets	24 115	8 759
Intangible assets – total	**325 871**	**318 857**

I half 2006

	Goodwill	Software	Outlays for projects	Other intangible assets	Outlays for intangible assets	TOTAL
a) opening balance of gross value	223 821	162 996	27 179	8 500	9 098	431 594
b) additions (due to)	0	13 451	5 995	16	15 393	34 855
- purchases	0	2 589	5 995	16	15 393	23 993
- investment take-overs	0	7 596	0	0	0	7 596
- other	0	3 266	0	0	0	3 266
c) disposals (due to)	0	-280	-8 450	-915	-376	-10 021
- sale and liquidation	0	-280	0	0	0	-280
- investment take-overs	0	0	-7 220	0	-376	-7 596
- other	0	0	-1 230	-915	0	-2 145
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*0*	*0*	*0*	*0*	*0*
- reclassified to real estate held for sale	*0*	*0*	*0*	*0*	*0*	*0*
d) transfers	0	0	0	0	0	0
e) gross value of fixed assets at the end of the period	223 821	176 167	24 724	7 601	24 115	456 428
f) accumulated depreciction at the begining of the period	0	-104 875	0	-7 523	0	-112 398
g) amortisation for the period (due to)	0	-18 437	0	278	0	-18 159
- amortisation charges	0	-18 103	0	-338	0	-18 441
- sale and liquidation	0	277	0	0	0	277
- transfers	0	2	0	616	0	618
- other	0	-613	0	0	0	-613
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*0*	*0*	*0*	*0*	*0*
- reclassified to real estate held for sale	*0*	*0*	*0*	*0*	*0*	*0*
h) accumulated depreciction at the end of the period	0	-123 312	0	-7 245	0	-130 557
i) evaluation at the fair value at the begining of the period	0	0	0	0	0	0
- increases	0	0	0	0	0	0
- decreases	0	0	0	0	0	0
- reclassified to real estate held for sale	0	0	0	0	0	0
j) evaluation at the fair value at the end of the period	0	0	0	0	0	0
k) closing balance of net value	223 821	52 855	24 724	356	24 115	325 871

I half 2005

	Goodwill	Software	Outlays for projects	Other intangible assets	Outlays for intangible assets	TOTAL
a) opening balance of gross value	223 661	117 096	10 911	37 527	139	389 334
b) additions (due to)	0	14 101	7 971	375	0	22 447
- purchases	0	14	0	0	0	14
- investment take-overs	0	12 280	0	375	0	12 655
- other	0	1 807	7 971	0	0	9 778
c) disposals (due to)	0	0	0	-79	0	-79
- sale and liquidation	0	0	0	-79	0	-79
- investment take-overs	0	0	0	0	0	0
- other	0	0	0	0	0	0
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*0*	*0*	*0*	*0*	*0*
- reclassified to real estate held for sale	*0*	*0*	*0*	*0*	*0*	*0*
d) transfers	0	0	0	114	0	114
e) gross value of fixed assets at the end of the period	223 661	131 197	18 882	37 937	139	411 816
f) accumulated depreciction at the begining of the period	0	-73 426	0	-11 659	0	-85 085
g) amortisation for the period (due to)	0	-9 435	0	-3 703	0	-13 138
- amortisation charges	0	-12 599	0	-618	0	-13 217
- sale and liquidation	0	0	0	79	0	79
- transfers	0	3 164	0	-3 164	0	0
- other	0	0	0	0	0	0
- termination of a lease	*0*	*0*	*0*	*0*	*0*	*0*
- grants	*0*	*0*	*0*	*0*	*0*	*0*
- reclassified to real estate held for sale	*0*	*0*	*0*	*0*	*0*	*0*
h) accumulated depreciction at the end of the period	0	-82 861	0	-15 362	0	-98 223
i) evaluation at the fair value at the begining of the period	0	0	0	0	0	0
- increases	0	0	0	0	0	0
- decreases	0	0	0	0	0	0
- reclassified to real estate held for sale	0	0	0	0	0	0
j) evaluation at the fair value at the end of the period	0	0	0	0	0	0
k) closing balance of net value	223 661	48 336	18 882	22 575	139	313 593

As of 30 June 2006, the value of fully depreciated intangible assets equalled PLN 41,117,000 vs. PLN 40,982,000 as of 31 December 2005.

Impairment test of cash generating centres with goodwill

Taking into account goodwill, the impairment test is carried out at least once a year, irrespective of detecting any objective evidence of impairment.
The impairment test carried out by the Bank included goodwill obtained as a result of bringing in a branch of ING Bank NV as a contribution in kind. The individual cash generated centre was identified, to which goodwill of PLN 285,119,000 was assigned. No other additional intangible assets with indefinite useful life were identified that might have been assigned to the identified cash generating centre.

The recoverable amount was estimated based on estimating value in use of the asset, taking into account forecast expected future cash flows generated in the 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. Reliability of accepted assumptions is subject to periodical verification and inconsistencies between estimated future and actual cash flows are analysed.

WIBOR 1y was used to discount cash flows.

28. Property, plant and equipment held for sale

	I półrocze 2006	koniec roku 2005
a) Gross value of fixed assets at the begining of the period	6 403	0
b) additions (due to)	2 587	15 090
- purchase	0	0
- other	2 587	15 090
- reclassified of tangible fixed assets into fixed assets held for sale	*2 587*	*12 481*
c) disposals (due to)	-6 622	-8 687
- sale and liquidation	-6 998	-8 687
- other	376	0
d) transfers	0	0
e) Gross value of fixed assets at the end of the period	2 368	6 403
f) accumulated depreciction at the begining of the period	-9	0
g) amortisation for the period (due to)	9	-514
- sale and liquidation	713	1 697
- other	-704	-2 211
- reclassified of tangible fixed assets into fixed assets held for sale	*-1 190*	*-2 125*
h) accumulated depreciction at the end of the period	0	-514
i) evaluation at the fair value at the begining of the period	0	0
b) additions (due to)	0	80
- reclassified of tangible fixed assets into fixed assets held for sale	*0*	*80*
c) disposals (due to)	-486	0
- reclassified of tangible fixed assets into fixed assets held for sale	*-486*	*0*
j) evaluation at the fair value at the end of the period	-486	80
k) Gross value of fixed assets at the end of the period	1 882	5 969

29. Deferred tax assets and provisions

Movements in temporary differences during the year

Deferred tax assets

	Balance as of 31 December 2005	Changes charged to the financial result	Changes charged to equity	Balance as of 30 June 2006
- Interest accrued (expense)	-14 412	-4 915		**-19 327**
- Provisions for receivables due to loans	-120 620	152		**-120 468**
- Other provisions	-13 375	-4 543		**-17 918**
- Retirement and holiday benefits	-3 920	79		**-3 841**
- Accumulated losses settled	-498	-256		**-754**
- Other	-34 892	611	-15 603	**-49 884**
	-187 717	**-8 872**	**-15 603**	**-212 192**

Provisions for deferred tax

	Balance as of 31 December 2005	Changes charged to the financial result	Changes charged to equity	Balance as of 30 June 2006
- Interest accrued (income)	48 412	-27 213		**21 199**
- Settlement of the difference between tax and balance sheet depreciation	15 234	583		**15 817**
- Settlement of prepayments/accruals due to depreciation/amortisation resulting from the investment relief enjoyed	13 641	-2 201		**11 440**
- Other	32 305	-241	-18 374	**13 690**
	109 592	**-29 072**	**-18 374**	**62 146**
Deferred tax disclosed in the balance sheet	**-78 125**	**-37 944**	**-33 977**	**-150 046**

Recognised deferred tax assets and provisions related to a given reporting period

Deferred tax assets

	I half 2006	end of 2005
- Interest accrued (expense)	-4 915	7 484
- Provisions for loans	152	22 146
- Other provisions	-4 543	905
- Retirement and holiday benefits	79	-127
- Accumulated losses settled	-256	1 021
- Other	611	2 769
	-8 872	**34 198**

Provisions for deferred tax

	I half 2006	end of 2005
- Interest accrued (income)	-27 213	-34 386
- Settlement of the difference between tax and balance sheet	583	3 498
- Prepayment/accrual due to depreciation resulting from the investment relief applied	-2 201	-1 388
- Other	-241	-294
	-29 072	**-32 570**
Deferred tax for the reporting period	**-37 944**	**1 628**

Unrecognised deferred tax assets

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

	I half 2006	end of 2005
- Specific provisions whose recoverability will not be proved	1 204	1 236
- Tax losses	6 960	6 728
	8 164	**7 964**

Year of expiration of temporary differences:	difference amount I half 2006	difference amount end of 2005
2006	1 399	3 291
2007	4 634	3 437
2008	1 370	1 177
2009	761	59
TOTAL	**8 164**	**7 964**

Temporary differences concerning the measurement of shares in an affiliated company

The Bank did not establish any deferred tax on the measurement of the share in affiliated company, ING Nationale Nederlanden Polska PTE S.A. Total amount of temporary differences relating to investments in the affiliated company, for which provisions due to deferred tax were not established, is PLN 3,262,000.

30. Other assets

	I half 2006	end of 2005
- Prepayments	**35 565**	**28 838**
- prepaid bank operating expenses	*2 682*	*1 972*
- prepayments due to insurance with NN	*1 539*	*1 594*
- materials and goods in the warehouse	*3 662*	*2 629*
- expenses to be settled	*2 803*	*862*
- settlements due to securitisation	*0*	*2 109*
- accrued income	*17 714*	*14 066*
- other	*7 165*	*5 606*
- Other assets	**76 642**	**116 497**
- interbank settlements	*1 126*	*1 762*
- interbranch settlements	*716*	*270*
- public and legal settlements	*16 350*	*61 647*
- loans from the Company's Social Benefits Fund	*18 106*	*20 439*
- other	*40 344*	*32 379*
Total other assets (gross)	**112 207**	**145 335**
- provision for other assets	-3 753	-5 413
Total other assets (net)	**108 454**	**139 922**

31. Employee benefits

ING Bank Śląski participates in the long-term incentive scheme (LTIS), introduced by ING Group. This scheme provides incentives to employees at entities from ING Group 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 exercise price is the difference between the original price and the option exercise price determined by Euronext Amsterdam on the day of realisation in the so-called open period after the General Meeting of Shareholders of ING Group 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, the 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 the case of first to third position and 0% for ranging from 18th to 20th position. The exercise price is set according to the same principles as for share options.
To operate the aforementioned incentive scheme, the Bank incurs costs of financing options and system administration, which amounted to PLN 1,2 mln compared with PLN 0,4 mln in I half of 2005.
The Bank measures granted share options and performance options at fair value. The value measured for the period from 1 January 2006 to 30 June 2006 equalled PLN 2.6 million and was charged to the financial result of the Bank.(in I half of 2005 wartość wyceny reached PLN 1,9 mln.).

32. Liabilities due to other banks

	I half 2006	end of 2005
- Current accounts	135 646	178 903
- Interbank deposits	1 633 450	599 713
- Repo transactions	125 210	65 337
- Other liabilities	48 738	15 040
- Accrued interest	1 606	6 308
TOTAL	**1 944 650**	**865 301**

Repo transactions are disclosed under "Repo transaction" item.

Liabilities due to other banks by maturity

	I half 2006	end of 2005
- Maturing:	1 943 044	858 993
- up to 1 month	1 867 116	650 426
- over 1 month and up to 3 months	10 456	77 920
- over 3 months and up to 1 year	135	130 452
- over 1 year and up to 5 years	65 337	195
- over 5 years	-	-
- Accrued interest	1 606	6 308
TOTAL	**1 944 650**	**865 301**

The following assets were sold under repo transactions concluded with banks:

as of 30 June 2006:

	Repurchase date	Nominal value	Carrying amount	interest
Assets held for trading	06-07-2006	8 136	7 399	19
Assets held for trading	14-07-2006	20 410	19 696	101
Assets held for trading	17-07-2006	33 709	32 778	26
Assets held for trading	10-12-2007	66 000	65 337	1 072
		128 255	**125 210**	**1 218**

as of 31 December 2005:

	Repurchase date	Nominal value	Carrying amount	interest
Assets held for trading	10-12-2007	66 000	65 337	2 801
		66 000	**65 337**	**2 801**

as of 30 June 2005:

	Repurchase date	Nominal value	Carrying amount	interest
Assets held for trading	10-12-2007	66 000	65 337	1 620
Assets held for trading	02-11-2005	271 000	268 276	
		337 000	**333 613**	**1 620**

33. Financial liabilities at fair value

	I half 2006	end of 2005
- Financial liabilities held for trading	1 068 539	1 095 899
- Financial liabilities designated as at fair value upon initial recognition	2 795 952	2 589 890
Total financial liabilities at fair value	**3 864 491**	**3 685 789**

Financial liabilities held for trading

	I half 2006	end of 2005
- Derivative financial instruments	1 068 539	1 095 899
	1 068 539	**1 095 899**

Under the item "Derivative Financial Instruments" the valuation of the forward instrument hedging against a change in the fair value of the estate due to FX risk was recognised; as at 30.06.2006, it was PLN 2,111,000. As of 31 December 2005 this position was PLN 251,31.

Financial liabilities designated as at fair value upon initial recognition

	I half 2006	end of 2005
- Repo transactions	2 795 952	2 589 890
	2 795 952	**2 589 890**

The Group designated the following components of financial assets and liabilities for fair value measurement based on the profit and loss statement: debt securities in the form of bonds issued by one of non-financial entity and all buy-sell-back and sell-buy-back transactions.
The group of sell-buy-back and buy-sell-back transactions was designated for fair value measurement on the basis of the profit and loss statement due to their classification to the portfolio managed by Financial Markets. According to the principles of risk management and the investment strategy in force at the Bank, the items of financial assets and liabilities as part of this portfolio are measured and managed on the basis of fair value. The measurement of financial liabilities designated for fair value measurement on the basis of the profit and loss statement, as of the balance sheet date, did not include the value of liabilities to be attributed to the changes of credit risk the source of which is the Bank as borrower. In the opinion of the Bank, the whole amount of the change of value of financial liabilities results from the changes of market conditions giving rise to market risk.

As of 30 June 2006, the nominal value of securities subject to repo transactions amounted to PLN 2,813,088,000.
Adjustment due to measurement of these transaction at fair value equalled PLN 81,000.

34. Liabilities due to customers

	I half 2006	end of 2005
- Deposits	32 285 851	30 673 052
- Repo transactions	139 491	1 448 912
- Other liabilities	569 076	644 975
- Accrued interest	68 471	56 657
Liabilities due to customers – total	**33 062 889**	**32 823 596**

Repo transactions are disclosed under “Repo transaction” item.

Liabilities due to customers by maturity

	I half 2006	end of 2005
- Maturing:	32 994 418	32 766 939
- up to 1 month	28 577 581	28 564 161
- over 1 month and up to 3 months	1 978 531	1 387 598
- over 3 months and up to 1 year	2 120 098	2 405 414
- over 1 year and up to 5 years	314 747	330 535
- over 5 years	3 461	79 231
- Accrued interest	68 471	56 657
TOTAL	**33 062 889**	**32 823 596**

The following assets were sold under repo transactions concluded with customers:

as of 30 June 2006:

	Repurchase date	Nominal value	Carrying amount	interest
Assets held for trading	04-07-2006	8 480	8 192	3
Assets held for trading	05-07-2006	10 420	10 118	79
Assets held for trading	06-07-2006	15 000	14 683	2
Assets held for trading	10-07-2006	10 200	10 002	4
Assets held for trading	26-07-2006	6 780	6 549	4
Assets held for trading	28-07-2006	2 206	2 130	1
Assets held for trading	31-07-2006	19 940	19 363	3
Assets held for trading	09-08-2006	26 700	24 239	119
Assets held for trading	28-08-2006	5 080	4 907	3
Assets held for trading	06-09-2006	11 100	10 099	27
Assets held for trading	30-10-2006	4 150	4 007	1
Assets held for trading	12-12-2006	26 102	25 202	5
		146 158	**139 491**	**251**

as of 31 December 2005:

	Repurchase date	Nominal value	Carrying amount	interest
Assets held for trading	2006-01-02	217 000	212 149	406
Assets held for trading	2006-01-03	389 454	364 813	396
Assets held for trading	2006-01-04	317 500	303 951	384
Assets held for trading	2006-01-05	4 000	3 940	5
Assets held for trading	2006-01-12	203 000	199 880	482
Assets held for trading	2006-01-13	353 000	346 271	770
Assets held for trading	2006-02-07	9 660	9 498	29
Assets held for trading	2006-02-20	8 570	8 410	12
		1 502 184	**1 448 912**	**2 484**

In 1H 2006, the average effective interest rate for the PLN deposits was 2.80% versus 3.66% and 4.10% in the year 2005 and in 1H 2005 respectively; for FX deposits it was 1.43% on the average, versus 1.12% and 1.01% in 2005 and 1H 2005 respectively.

35. Provisions

	I half 2006	end of 2005
- provision for disputes	13 597	19 340
- provision for off-balance sheet liabilities	27 683	29 638
- provision for retirement benefits	10 668	11 063
- provision for unused holidays	9 786	9 824
- provision for employment restructuring	1 422	10 654
TOTAL	**63 156**	**80 519**

I half 2006

	provision for disputes	provision for off-balance sheet liabilities	provision for retirement benefits	provision for unused holidays	provision for employment restructuring	general risk provision	TOTAL
Closing balance at the end of the previous period	**19 340**	**29 638**	**11 063**	**9 824**	**10 654**	**0**	**79 490**
Provisions recognised	134	-	120	-	-	-	**254**
Provisions applied	-4 236	-	-	-	-9 232	-	**-13 468**
Provisions reversed	-1 641	-1 955	-515	-38	-	-	**-4 149**
Closing balance	**13 597**	**27 683**	**10 668**	**9 786**	**1 422**	**0**	**63 156**
expected provision settlement period							
- up to 1 year	*11 859*	*-*	*-*	*9 786*	*1 422*	*-*	***23 067***
- more than 1 year	*1 738*	*27 683*	*10 668*	*-*	*-*	*-*	***40 089***

I half 2005

	provision for disputes	provision for off-balance sheet liabilities	provision for retirement benefits	provision for unused holidays	provision for employment restructuring	general risk provision	TOTAL
Closing balance at the end of the previous period	**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**
Subsidiary sold	-3 400	-	-	-	-	-	**-3 400**
Closing balance	**27 381**	**58 703**	**9 814**	**11 142**	**0**	**0**	**107 040**
expected provision settlement period							
- up to 1 year	*21 047*	*-*	*525*	*11 142*	*-*	*-*	***32 714***
- more than 1 year	*6 334*	*58 703*	*9 289*	*-*	*-*	*-*	***74 326***

Provision on dispute issues

The Group runs a detail record of all court cases and other legal claims. In cases where the Group is burdened with legal obligations or other obligations arising from commonly accepted customs, having its source in past events, and it is also probable that the fulfilment of the said obligation will result in the unavoidable outflow of funds, the Group creates provisions. Any future settlements are made against those provisions.

The recognised amount of provisions comprises:

1) disputable cases connected with negligent performance of agreements: PLN 11,677 thousand,

2) crime cases: PLN 1,738 thousand,

3) cases relating to claims filed by former employees: PLN 182 thousand.

The Group recognised provisions for all estimated losses. In some cases, the Group is entitles to reimbursement of funds relating to the provisions. However, due to the uncertainty of the inflow of the expected economic benefits, the Group did not recognise any assets due to that title in the financial statement.

Provision for retirement benefits

The Group recognises provisions for retirement benefits in accordance with IAS 19. 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 2006, the value of future liabilities due to retirement benefits equalled PLN 10,668,000 (PLN 11,063,000 as of 31 December 2005; PLN 9,814,000 as of 30 June 2005).

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.

Due to the collective layoffs procedure initiated at the Bank in the fourth quarter 2005, the Bank created a provision for employment restructuring in the total amount of PLN 11.3 million; in 2005, PLN 598,000 was used out of that amount. Out of the total provision, the amount of PLN 10.3 million refers to severance pays for the employees dismissed. The employment restructuring results from projects carried on at the Bank, aimed at optimising the operating area. Centralisation of selected functions, consolidation of operating units and limitation of local recovery activities as a result of signing outsourcing contracts allowed to reduce employment by about 400 persons. The employees affected by headcount restructuring were notified thereof by 31.12.2005. Restructuring was realized in first half of 2006, that had influence at dicrease of value of provision.

36. Other liabilities

	I half 2006	end of 2005
- to employees	**25 656**	**22 571**
- due to leases	**18 776**	**23 606**
- accruals	**98 806**	**75 869**
- due to operating expenses	*4 520*	*8 429*
- due to employee benefits	*35 340*	*7 317*
- due to loans granted	*6 781*	*8 787*
- due to commission	*45 686*	*42 672*
- due to distribution of deposit-related funds	*2 638*	*4 049*
- suspense interest	*3 841*	*4 615*
- other	**582 311**	**524 575**
- other liabilities	*404 399*	*344 948*
- interbank settlements	*47 178*	*36 564*
- interbranch settlements	*39 592*	*73 829*
- public and legal settlements	-	-
- other	*91 142*	*69 234*
	725 549	**646 621**

Gross liabilities due to financial leases by maturity

	I half 2006	end of 2005
- up to 1 year	9 366	9 586
- over 1 year and up to 5 years	7 752	9 163
- over 5 years	-	-
TOTAL	**17 118**	**18 749**

Present value of lease instalments due by maturity

	I half 2006	end of 2005
- up to 1 year	8 595	8 693
- over 1 year and up to 5 years	7 453	8 680
- over 5 years	-	-
TOTAL	**16 048**	**17 373**

Reconciliation of differences between gross liabilities due to financial leases and present value of minimum lease instalments

	I half 2006	end of 2005
- Gross liabilities due to financial leases	17 118	18 749
- Unrealised financial expenses	-1 070	-1 376
- Present value of minimum lease instalments	**16 048**	**17 373**

The Group is a lessee in financial lease agreements concerning a part of the hardware and premises being perpetually used by the Group. Those agreements do not provide for any contingent fees to be paid by the lessee; any limitations do not arise from the provisions of the lease agreements. In some cases the agreements provide for the possibility of prolonging the agreement, using the possibility of purchase or price change.

37. 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 information on the value of assets sold in repo transactions was disclosed under notes regarding liabilities due to other banks and to customers.

The Group also purchases financial instruments under agreements to repurchase them in the future (reverse repo transactions). The seller undertakes to repurchase the same or similar instruments on the agreed future date. Reverse repo transactions are used as a tool to obtain funds for customers.

38. Share capital

The share capital includes 13,010,000 ordinary shares, and is sub-divided into:
- 9,260,000 ordinary bearer's shares of A series of face value of PLN 10.00 each
- 3,750,000 ordinary bearer's shares of B series of face value of PLN 10.00 each.

Every ordinary share entitles its owner to dividend and one vote during the general meeting of the Bank's shareholders.
Neither the value of the share capital nor the number of shares changed during 2005.

39. Revaluation reserve

	I half 2006	end of 2005
- Revaluation reserve from measurement of available-for-sale financial assets	-55 564	85 797
- including deferred tax	*15 603*	*-18 374*
- Revaluation reserve from measurement of property, plant and equipment	44 359	38 055
- including deferred tax	*-7 442*	*-7 442*
Total revaluation reserve	**-11 205**	**123 852**

I half 2006

	Revaluation reserve from measurement of available-for-sale financial assets	*including deferred tax*	Revaluation reserve from measurement of property, plant and equipment	*including deferred tax*	TOTAL
Opening balance of revaluation reserve	**85 797**	***-18 374***	**38 055**	***-7 442***	**123 852**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-129 836	*31 787*	-	-	**-129 836**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-11 525	*2 190*	-	-	**-11 525**
- disposal of property, plant and equipment	-	-	-30	-	**-30**
- remeasurement of property, plant and equipment	-	-	6 334	-	**6 334**
Closing balance of revaluation reserve	**-55 564**	***15 603***	**44 359**	***-7 442***	**-11 205**

I half 2005

	Revaluation reserve from measurement of available-for-sale financial assets	*including deferred tax*	Revaluation reserve from measurement of property, plant and equipment	*including deferred tax*	TOTAL
Opening balance of revaluation reserve	**67 992**	***-15 950***	**59 551**	***-9 611***	**127 543**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	66 226	*-15 238*	-	-	**66 226**
- disposal of property, plant and equipment	-	-	-1 182	-	**-1 182**
- remeasurement of property, plant and equipment	-	-	-2 487	*1 374*	**-2 487**
Closing balance of revaluation reserve	**134 218**	***-31 188***	**55 882**	***-8 237***	**190 100**

40. Retained earnings

	I half 2006	end of 2005
- Other supplementary capital	31 939	31 396
- Reserve capital	1 381 029	1 231 839
- General risk fund	480 179	430 179
- Retained earnings	51 764	58 061
- Result for the current year	332 052	549 462
Total retained earnings	**2 276 963**	**2 300 937**

I half 2006

	other supplementary capital	reserve capital	general risk fund	retained earnings	result for the current year	TOTAL
Opening balance of retained earnings	**31 396**	**1 231 839**	**430 179**	**607 523**	**0**	**2 300 937**
– disposal of property, plant and equipment	534	-	-	1 215	-	**1 749**
- profit allocation, including:	9	149 190	50 000	-556 974	-	**-357 775**
- profit written off to supplementary capital	*9*	*2 652*	-	*-2 661*	-	***0***
- profit written off to reserve capital	-	*146 538*	-	*-146 538*	-	***0***
- profit written off to general risk fund	-	-	*50 000*	*-50 000*	-	***0***
- dividends paid	-	-	-	*-357 775*	-	***-357 775***
- net result for the current period	-	-	-	-	335 263	**335 263**
- share of minority shareholders in the net financial result	-	-	-	-	-3 211	**-3 211**
Closing balance of retained earnings at the end of the current period	**31 939**	**1 381 029**	**480 179**	**51 764**	**332 052**	**2 276 963**

I half 2005

	other supplementary capital	reserve capital	general risk fund	retained earnings	result for the current year	TOTAL
Opening balance of retained earnings	**16 894**	**1 153 299**	**400 179**	**444 632**	**0**	**2 015 004**
-disposal of property, plant and equipment	1 182	-	-	-	-	**1 182**
- profit allocation, including:	1 733	73 712	30 000	-372 150	-	**-266 705**
- profit written off to supplementary capital	*1 733*	-	-	*-1 733*	-	***0***
- profit written off to reserve capital	-	*73 712*	-	*-73 712*	-	***0***
- profit written off to general risk fund	-	-	*30 000*	*-30 000*	-	***0***
- dividend	-	-	-	*-266 705*	-	***-266 705***
- net result for the current period	-	-	-	-	265 540	**265 540**
- share of minority shareholders in the net financial result	-	-	-	-	-7 292	**-7 292**
Closing balance of retained earnings at the end of the current period	**19 809**	**1 227 011**	**430 179**	**72 482**	**258 248**	**2 007 729**

Suplementary capital

Suplementary capital is created from appropriations from profit after tax, from surpluses generated due to issue of shares above their face value and the extra contributions paid up by the shareholders to be used for covering balance-sheet losses. The decision on the use of the suplememntary capital is taken at the General Meeting.

Reserves

Reserves are established regardless of the suplementary capital created from the appropriations from profit after tax, in the amount resolved at the General Shareholders Meeting. The reserves are used for covering special losses and expenses. The decision on the use of the reserves is taken at the General Meeting.

The General Risk Fund

The General Risk Fund is established in accordance with the Banking Law Act from the after-tax profit and is used for unidentified risk related to banking activity. The decision on the use of the Fund is taken by the Management Board.

41. Balance sheet currency structure

I half 2006

CONSOLIDATED BALANCE SHEET (PLN'000)	PLN	EUR		USD		CHF		other currencies (after translation into PLN)	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*		
ASSETS									
- Cash in hand and balances with the Central Bank	1 044 563	106 347	*27 021*	268	*84*	135	*52*	853	**1 152 166**
- Deposit accounts in other banks as well as loans and advances to other banks	2 240 217	1 572 999	*399 675*	7 393 777	*2 323 918*	11 628	*4 506*	51 246	**11 269 867**
- Financial assets at fair value	5 735 919	28 514	*7 245*	68 600	*21 561*	8	*3*	3 385	**5 836 426**
- Investment financial assets	12 214 582	292	*74*	6 293	*1 978*	0	*0*	0	**12 221 167**
- Loans and advances to customers	9 368 817	1 580 810	*401 659*	177 796	*55 883*	79 334	*30 746*	36 531	**11 243 288**
- Investments in controlled entities	67 627	0	*0*	0	*0*	0	*0*	0	**67 627**
- Property, plant and equipment	595 380	0	*0*	0	*0*	0	*0*	0	**595 380**
- Investment real estates	147 656	0	*0*	0	*0*	0	*0*	0	**147 656**
- Intangible assets	325 871	0	*0*	0	*0*	0	*0*	0	**325 871**
- Property, plant and equipment held for sale	1 882	0	*0*	0	*0*	0	*0*	0	**1 882**
- Deferred tax asset	0	0	*0*	0	*0*	0	*0*	0	**0**
- Deferred tax asset	150 046	0	*0*	0	*0*	0	*0*	0	**150 046**
- Other assets	101 541	6 672	*1 695*	188	*59*	8	*3*	45	**108 454**
Total assets	**31 994 101**	**3 295 634**	***837 369***	**7 646 922**	***2 403 483***	**91 113**	***35 310***	**92 060**	**43 119 830**
EQUITY AND LIABILITIES									
LIABILITIES									
- Liabilities due to the Central Bank	0	0	*0*	0	*0*	0	*0*	0	**0**
- Liabilities due to other banks	1 704 014	53 771	*13 662*	171 573	*53 927*	1	*0*	15 291	**1 944 650**
- Financial liabilities at fair value	3 762 720	23 382	*5 941*	72 818	*22 887*	1 128	*437*	4 443	**3 864 491**
- Liabilities due to customers	28 501 480	2 829 591	*718 955*	1 645 046	*517 050*	13 291	*5 151*	73 481	**33 062 889**
- Provisions	56 874	4 361	*1 108*	1 889	*594*	0	*0*	32	**63 156**
- Current income tax liabilities	49 600	0	*0*	0	*0*	0	*0*	0	**49 600**
- Deferred tax provision	0	0	*0*	0	*0*	0	*0*	0	**0**
- Other liabilities	709 071	15 720	*3 994*	747	*235*	0	*0*	11	**725 549**
Total liabilities	**34 783 759**	**2 926 825**	***743 660***	**1 892 073**	***594 693***	**14 420**	***5 588***	**93 258**	**39 710 335**
EQUITY									
- Share capital	130 100	0	*0*	0	*0*	0	*0*	0	**130 100**
- Supplementary capital - issuance of shares over nominal value	993 750	0	*0*	0	*0*	0	*0*	0	**993 750**
- Revaluation reserve from measurement of available-for-sale financial assets	-61 856	0	*0*	6 292	*1 978*	0	*0*	0	**-55 564**
- Revaluation reserve from measurement of property, plant and equipment	44 359	0	*0*	0	*0*	0	*0*	0	**44 359**
- Retained earnings	2 276 963	0	*0*	0	*0*	0	*0*	0	**2 276 963**
Equity assigned to shareholders of the holding company	**3 383 316**	**0**	***0***	**6 292**	***1 978***	**0**	***0***	**0**	**3 389 608**
- Minority equity	19 887	0	*0*	0	*0*	0	*0*	0	**19 887**
Total equity	**3 403 203**	**0**	***0***	**6 292**	***1 978***	**0**	***0***	**0**	**3 409 495**
TOTAL EQUITY AND LIABILITIES	**38 186 962**	**2 926 825**	***743 660***	**1 898 365**	***596 671***	**14 420**	***5 588***	**93 258**	**43 119 830**

end of 2005

CONSOLIDATED BALANCE SHEET (PLN'000)	PLN	EUR		USD		CHF		other currencies (after translation into PLN)	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*		
ASSETS									
- Cash in hand and balances with the Central Bank	1 036 495	127 093	*32 927*	12 172	*3 732*	108	*44*	575	**1 176 443**
- Deposit accounts in other banks as well as loans and advances to other banks	1 701 431	3 177 615	*823 259*	7 636 125	*2 341 436*	655	*264*	57 822	**12 573 648**
- Financial assets at fair value	6 063 180	36 780	*9 529*	53 917	*16 532*	0	*0*	1 363	**6 155 240**
- Investment financial assets	10 922 639	278	*72*	2	*1*	0	*0*	0	**10 922 919**
- Loans and advances to customers	8 436 259	1 174 989	*304 417*	201 381	*61 749*	88 115	*35 547*	2 116	**9 902 860**
- Investments in controlled entities	75 080	0	*0*	0	*0*	0	*0*	0	**75 080**
- Property, plant and equipment	600 851	0	*0*	0	*0*	0	*0*	0	**600 851**
- Investment real estates	107 480	33 067	*8 567*	0	*0*	0	*0*	0	**140 547**
- Intangible assets	318 857	0	*0*	0	*0*	0	*0*	0	**318 857**
- Property, plant and equipment held for sale	5 969	0	*0*	0	*0*	0	*0*	0	**5 969**
- Deferred tax asset	36 453	0	*0*	0	*0*	0	*0*	0	**36 453**
- Deferred tax asset	78 125	0	*0*	0	*0*	0	*0*	0	**78 125**
- Other assets	133 387	6 273	*1 625*	199	*61*	0	*0*	63	**139 922**
Total assets	**29 516 206**	**4 556 095**	***1 180 396***	**7 903 796**	***2 423 511***	**88 878**	***35 855***	**61 939**	**42 126 914**
EQUITY AND LIABILITIES									
LIABILITIES									
- Liabilities due to the Central Bank	464 000	0	*0*	0	*0*	0	*0*	0	**464 000**
- Liabilities due to other banks	696 342	9 618	*2 492*	146 099	*44 798*	1	*0*	13 241	**865 301**
- Financial liabilities at fair value	3 625 066	39 281	*10 177*	19 724	*6 048*	511	*206*	1 207	**3 685 789**
- Liabilities due to customers	27 832 881	2 982 410	*772 685*	1 968 809	*603 688*	457	*184*	39 039	**32 823 596**
- Provisions	80 519	0	*0*	0	*0*	0	*0*	0	**80 519**
- Current income tax liabilities	0	0	*0*	0	*0*	0	*0*	0	**0**
- Deferred tax provision	0	0	*0*	0	*0*	0	*0*	0	**0**
- Other liabilities	631 048	14 758	*3 824*	778	*239*	5	*2*	32	**646 621**
Total liabilities	**33 329 856**	**3 046 067**	***789 178***	**2 135 410**	***654 773***	**974**	***392***	**53 519**	**38 565 826**
EQUITY									
- Share capital	130 100	0	*0*	0	*0*	0	*0*	0	**130 100**
- Supplementary capital - issuance of shares over nominal value	993 750	0	*0*	0	*0*	0	*0*	0	**993 750**
- Revaluation reserve from measurement of available-for-sale financial assets	85 797	0	*0*	0	*0*	0	*0*	0	**85 797**
- Revaluation reserve from measurement of property, plant and equipment	38 055	0	*0*	0	*0*	0	*0*	0	**38 055**
- Retained earnings	2 300 937	0	*0*	0	*0*	0	*0*	0	**2 300 937**
Equity assigned to shareholders of the holding company	**3 548 639**	**0**	***0***	**0**	***0***	**0**	***0***	**0**	**3 548 639**
- Minority equity	12 449	0	*0*	0	*0*	0	*0*	0	**12 449**
Total equity	**3 561 088**	**0**	***0***	**0**	***0***	**0**	***0***	**0**	**3 561 088**
TOTAL EQUITY AND LIABILITIES	**36 890 944**	**3 046 067**	***789 178***	**2 135 410**	***654 773***	**974**	***392***	**53 519**	**42 126 914**

Consolidated off-balance sheet items

	I half 2006	end of 2005
- Contingent liabilities granted	9 345 434	9 377 610
- Contingent liabilities received	10 526 285	10 544 625
- Off-balance sheet financial instruments	151 441 486	108 831 552
	171 313 205	**128 753 787**

42. Contingent liabilities

Liabilities granted

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.

	I half 2006	end of 2005
Liability value		
- Credit card limits	563 269	467 328
- Undrawn credit facilities	5 300 371	5 044 325
- Undrawn overdrafts in current account	2 085 519	2 662 085
- Guarantees and letters of credit	1 348 775	1 175 372
- Deposits to be issued	47 500	28 500
	9 345 434	**9 377 610**

Provisions are created for contingent financial liabilities exposed at risk of loss due to impairment. If there is objective evidence of impairment of contingent liabilities existing as at the balance sheet date, the Bank recognises a provision equal to the difference between the statistically estimated part of off-balance sheet exposure (balance sheet equivalent of current off-balance sheet items) and the present value of estimated future cash flows. Taking into account the off-balance sheet character of contingent liabilities, the value of the provision does not reduce carrying amount of assets and is recognised in the Bank's balance sheet and profit and loss account. Provisions for off-balance sheet liabilities are disclosed in the balance sheet of the Group under "Provisions" and in explanatory note no. 35.

Liabilities received

	I half 2006	end of 2005
Guarantee conditioned liabilities	10.440.502	10.469.326
Financing liabilities	85.783	75.299

Information on issue guarantees granted to other issuers

In 2005, the Group did not act as a guarantor of issues of commercial papers.

43. Off-balance sheet financial instruments

as for 30 June 2006

	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)	2 000 000	33 390 632	2 650 000	38 040 632	12 521	16 523
Interest rate swaps (IRS)	11 599 280	23 527 558	12 774 777	47 901 615	540 032	457 380
Total	**13 599 280**	**56 918 190**	**15 424 777**	**85 942 247**	**552 553**	**473 903**
FX derivatives						
FX contracts (swap, forward)	19 418 730	20 183 716	2 558 804	42 161 250	242 633	531 320
CIRS					65 826	6 983
Currency options (purchased)	1 015 807	573 987	62 440	1 652 234	21 334	24 797
Currency options (sold)	1 052 008	538 730	62 440	1 653 178	5 492	5 834
Total	**21 486 545**	**21 296 433**	**2 683 684**	**45 466 662**	**335 285**	**568 934**
Current off-balance sheet transactions						
FX operations	14 351 707	0	0	14 351 707	10 353	10 231
Securities operations	5 351 928	0	0	5 351 928	0	0
Total	**19 703 635**	**0**	**0**	**19 703 635**	**10 353**	**10 231**
Stock market derivatives						
Options for stock market (buy)	0	0	164 471	164 471	15 471	0
Options for stock market (sold)	0	0	164 471	164 471	0	15 471
Total	**0**	**0**	**328 942**	**328 942**	**15 471**	**15 471**
Total	**54 789 460**	**78 214 623**	**18 437 403**	**151 441 486**	**913 662**	**1 068 539**

as for 31 december 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)	2 300 000	45 809 065	1 900 000	50 009 065	14 048	15 667
Interest rate swaps (IRS)	8 786 784	13 979 967	12 476 829	35 243 580	694 428	620 046
Total	**11 086 784**	**59 789 032**	**14 376 829**	**85 252 645**	**708 476**	**635 713**
FX derivatives						
FX contracts (swap, forward)	12 762 675	3 692 985	1 062 186	17 517 846	157 618	414 283
CIRS					67 720	18 791
Currency options (purchased)	859 027	930 530	27 628	1 817 185	9 666	10 406
Currency options (sold)	505 940	526 439	27 628	1 060 007	13 998	16 179
Total	**14 127 642**	**5 149 954**	**1 117 442**	**20 395 038**	**249 002**	**459 659**
Current off-balance sheet transactions						
FX operations	1 435 400	0	0	1 435 400	314	527
Securities operations	1 748 469	0	0	1 748 469	0	0
Total	**3 183 869**	**0**	**0**	**3 183 869**	**314**	**527**
Total	**28 398 295**	**64 938 986**	**15 494 271**	**108 831 552**	**957 792**	**1 095 899**

as for 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	37 553
Interest rate swaps (IRS)	8 263 008	15 509 133	13 632 450	37 404 591	914 463	872 460
Total	**10 463 008**	**56 053 736**	**15 232 450**	**81 749 194**	**954 826**	**910 013**
FX derivatives						
FX contracts (swap, forward)	13 395 474	4 840 219	1 502 490	19 738 183	256 178	567 180
CIRS					58 775	17 194
Currency options (purchased)	904 400	642 268	1 395	1 548 063	8 871	6 588
Currency options (sold)	811 422	757 862	2 098	1 571 382	16 815	24 793
Total	**15 111 296**	**6 240 349**	**1 505 983**	**22 857 628**	**340 639**	**615 755**
Current off-balance sheet transactions						
FX operations	3 902 613	0	0	3 902 613	1 110	1 119
Securities operations	3 374 678	0	0	3 374 678	0	0
Total	**7 277 291**	**0**	**0**	**7 277 291**	**1 110**	**1 119**
Total	**32 851 595**	**62 294 085**	**16 738 433**	**111 884 113**	**1 296 575**	**1 526 887**

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.

	Net value in PLN	
	I half 2006	**end of 2005**
EUR		
Up to 3 months	5 171 666	1 261 057
From 3 months to 1 year	5 954 915	1 076 218
Over 1 year	970 118	780 448
USD		
Up to 3 months	7 486 046	2 519 229
From 3 months to 1 year	6 038 211	1 248 730
Over 1 year	353 394	166 222
GBP		
Up to 3 months	389 089	50 627
From 3 months to 1 year	-	5 625
Over 1 year	-	-
other currencies		
Up to 3 months	185 132	145 456
From 3 months to 1 year	69 273	123 436
Over 1 year	430	-

Embedded derivatives

The Group has deposits in PLN and USD, in which derivative instruments are embedded. These are FX options and stock exchange indices. As at 30.06.2006, the embedded instruments were valued at PLN 12,423,000.
As at 30.06.2005, there were no embedded instruments.

44. Hedge accounting

Fair value hedge accounting

In the financial statements as of 30 June 2006, 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., in 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. The notional amount of the hedging transaction is updated in line with the updated value of the building estimated by an independent expert.
As of 30 June 2006, the loss due to measurement of the hedged item in the amount of PLN 5,019,000 plus deferred income tax of PLN 953,000 reduced the Group's financial result.

Evaluation of hedge accounting is presented in Profit and Loss Account in "Effects of correction in fair value in hedge accounting. Evaluation of hedge accounting is presented in balance sheet in Fixed assets.

Cash flow hedge accounting

In the financial statements as of 30 June 2006, the Group did not use cash flow hedge accounting.

45. Fair values

Fair values of financial assets and liabilities

The 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 forced sale or liquidation, which is best reflected by the market price, if available.

Below, balance sheet and fair values are summarised for each group of assets and liabilities that are not shown at fair value in the group's balance sheet. In the estimation of the fair value of assets and liabilities the purchase and sale prices were adopted accordingly. For short-term financial assets and liabilities, their balance sheet value is assumed as approximating their fair value.

I half 2006

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	1 152 166	1 152 166
- Deposit accounts in other banks as well as loans and advances to other banks	11 269 867	11 269 867
- Financial assets at fair value through profit or loss	5 836 426	5 836 426
- Investment financial assets	12 221 167	12 221 167
- Loans and advances to customers	11 243 288	11 364 051
- Investments in controlled entities	67 627	67 627
Equity and liabilities		
- Liabilities due to the Central Bank	0	0
- Liabilities due to other banks	1 944 650	1 944 650
- Financial liabilities at fair value through profit or loss	3 864 491	3 864 491
- Liabilities due to customers	33 062 889	32 997 889

end of 2005

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	1 176 443	1 176 443
- Deposit accounts in other banks as well as loans and advances to other banks	12 573 648	12 573 648
- Financial assets at fair value through profit or loss	6 155 240	6 155 240
- Investment financial assets	10 922 919	10 922 919
- Loans and advances to customers	9 902 860	9 976 192
- Investments in controlled entities	75 080	75 080
Equity and liabilities		
- Liabilities due to the Central Bank	464 000	464 000
- Liabilities due to other banks	865 301	865 301
- Financial liabilities at fair value through profit or loss	3 685 789	3 685 789
- Liabilities due to customers	32 823 596	32 815 388

I half 2005

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	1 062 993	1 062 993
- Deposit accounts in other banks as well as loans and advances to other banks	9 580 522	9 580 522
- Financial assets at fair value through profit or loss	7 413 608	7 413 608
- Investment financial assets	8 885 588	8 885 588
- Loans and advances to customers	10 179 124	10 194 845
- Investments in controlled entities	58 749	58 749
Equity and liabilities		
- Liabilities due to the Central Bank	0	0
- Liabilities due to other banks	3 099 298	3 099 298
- Financial liabilities at fair value through profit or loss	1 526 887	1 526 887
- Liabilities due to customers	29 560 189	29 534 455

Fair value determination

The 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 the 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 rate level in the 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 the current interest rate of the monetary market for receivables with similar credit risk and number of days to maturity.

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

Liabilities due to other banks and customers: In the 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 the current interest rate for deposits with similar maturities. The importance of long-term cooperation with depositaries is not taken into account in the process of estimating fair value of these instruments.

46. Hedging assets

On 18 June 2002 Bank received a loan of 30 000 000 PLN for 5 years from the Banking Guarantee Fund. The loan was related with taking over of Wielkopolski Bank Rolniczy S.A. In June 2004 the firs installment was paid back. Following installments are paid every 6 months (June and December)
On 30 June 2006 debt reached 8.575.000 PLN. Loan collateral is deposit on Ministry of Finance treasury bills of net value 13.110.000 PLN

On 30 June 2006 Bank securities portfolio includes securities of net value 2 813 088 000 PLN (at the end of 2005 securities and treasury bills of total net value 2 601 288 000 PLN) which are collateral for sell-buy-back securities.
Total liabilities secured by those assets reached 2 795 952 000 PLN (2 589 890 000 PLN at the end od 2005).

Table below presents net value of assets that are collateral fot those liabilities:

	I half 2006	end of 2005
Treasury bills collateralising a loan from the Bank Guarantee Fund	13 110	17 190
Treasury bills collateralising the liabilities due to securities sold with a promise of repurchase	-	111 320
Treasury bonds collateralising the liabilities due to securities sold with a promise of repurchase	2 813 088	2 489 968

47. Custody activities

On 30 of June 2006 ING Bank Śląski S.A. run 2.999 securities accounts for its customers. At the end of I half of 2006 ING Bank Śląski S.A. was a deposit bank for 43 investment funds (including 6 subfunds) and 1 employee fund.

48. Operating leases

Group as a lessee

The Group cooperates with ING Car Lease in respect to car leasing and fleet management. The Group also incurs cost due to lease of dwelling units, which is recognised as operating leasing. Those agreements do not provide for any contingent fees to be paid by the lessee; any limitations do not arise from the provisions of the lease agreements.
In some cases the agreements provide for the possibility of prolonging the agreement, using the possibility of purchase or price change.

Lease payments by maturity are disclosed in the table below:

	I half 2006	end of 2005
up to 1 year	36 147	53 769
over 1 year and up to 5 years	171 232	249 783
over 5 years – annual payment amount	28 002	47 354

Group as a lessor

The Group obtains an income from renting investment real estate. Those agreements are treated as operating lease agreements. Those agreements do not provide for any contingent fees to be paid by the lessee; any limitations do not arise from the provisions of the lease agreements. In some cases the agreements provide for the possibility of prolonging the agreement or changing the price; however they do not provide for the possibility of purchase.

Lease payments by maturity are disclosed in the table below:

	I half 2006	end of 2005
up to 1 year	14 266	12 904
over 1 year and up to 5 years	60 263	43 536
over 5 years – annual payment amount	15 903	12 217

49. 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.

	I half 2006	end of 2005
- Cash in hand and balances with the Central Bank	1 152 166	1 176 443
- Accounts with other banks	4 041 471	3 803 124
	5 193 637	**4 979 567**

50. 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 as well as purchasing and selling intangible assets, property, plant and equipment. Inflows from investing activities concerning also the dividend received.

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.

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

Movements in investment financial assets
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 and are presented as Movements in financial assets due to exchange rate.

52. Related entities

The following subsidiaries and associates of ING Bank Śląski:
- ING Securities S.A.,
- ING BSK Development Sp. z o.o.,
- Solver Sp. z o.o.,
- PTE ING Nationale Nederlanden S.A.,
- Centrum Banku Śląskiego (CBS) Sp. z o.o.,
- Śląski Bank Hipoteczny S.A.

within the framework of their operations hold current accounts in ING Bank Śląski. They use these current accounts for performing standard settlement operations and also deposit their funds on term deposits. Furthermore, CBS and Śląski Bank Hipoteczny took loans from ING Bank Śląski. The transactions with the above entities are performed on an arm's length basis.
Similarly, ING Bank Śląski carries bank accounts for other members of the ING Group, including ING Lease (Polska), ING Car Lease, ING Nationale Nederlanden, ING Real Estate.

ING Bank Śląski conducts on the interbank market operations with ING Bank NV and its subsidiaries. Such operations include both deposits and short-term loans as well as operations on derivatives: Forex Spot and Forex Forward, currency options, SWAP transactions.

Between the entities related to ING Bank Śląski, also transactions arising from the agreements on cooperation, sub-lease of premises, lease of equipment, data processing, social security contributions, lease of tangible and intangible assets, and lease and management of the vehicle fleet.

Between 1.01.2006 and 30.06.2006, the following transactions of a total value above EUR 500,000 were made:

- An annex to the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV was signed in 1H 2006, whereby the total fee for the services rendered in 2006 is EUR 9.1 million. In connection with execution of the co-operation agreement the remuneration for the services provided as to financial consulting in 1 H 2006 amounted to PLN 14.4 million (net).

- Under the agreement of lease of office rooms in the building owned by CBS, ING Bank Śląski paid a rent (through ING BSK Development) of PLN 10.4 million (gross) in monthly instalments. In addition, the Bank paid PLN 0.8 million for adaptation works.

- ING Services Polska provides services to ING Bank Śląski in regard to lease of hardware resources. The costs of service were PLN 6.9 million (gross).

- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 7.5 million (gross).

- ING Bank Śląski co-operates with ING Car Lease as to leasing of cars and management of car fleet. The derivative amount of payment was PLN 4.4 million in 1H 2006 (gross).

Further to the implementation of the New Capital Accord, on 4 July 2006, ING Bank Śląski S.A. and ING Bank N.V. concluded an agreement on provision of data processing and financial information analysis services. To perform its tasks in that connection, ING Bank Śląski S.A. will be using the IT applications owned by ING Bank N.V. ING Bank Śląski will employ the work tools and methodologies rendered for:

- automated assigning of a credit rating to ING Bank Śląski clients in accordance with the interpretation of the Capital Accord requirements applied by ING,

- monitoring the process of credit applications analysis and the procedure for taking credit decisions,
- automated generation and modification of bases of historical data about clients' ratings and also changes in their exposures and collateral,
- regular monitoring of total credit exposures of the entities related in legal and business terms and being clients of ING Bank Śląski,
- regular monitoring of client's risk following credit and financial market instruments exposures as well as of the limits set,
- regular calculation of collateral amounts for certain exposures in financial market instruments,
- generation of management and obligatory reporting in line with the interpretation of the Capital Accord and IAS 39 applied by ING,
- estimation of specific provisions according to IAS 39.

Under the aforementioned agreement, ING Bank Śląski S.A. will pay ING Bank N.V. the fee of EUR 1.4 million (net) for implementation and realisation of the pilot of usage of the integrated IT environment and PLN 2.9 million (net, in monthly instalments) for each year of usage of data processing and financial information analysis services by ING Bank Śląski.

Transactions with related parties **30.06.2006**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given				
Loans	2 498 013	349 920	-	-
Deposits taken	11 448	510 331	379 042	-
Securities	148 200	107 148	214 760	24 887
Other receivables	-	-	42 569	-
Other liabilities	6 422	3 703	2 745	-
Off-balance derivatives revaluation	3 780	18 312	41	-
Off-balance sheet commitments and transactions				
Guarantees issued	444 502	185 731	-	-
Undrawn credit lines granted	2 228 958	1 709 230	318 688	-
FX spot	15 163 777	3 463 991	-	-
FX forward	99 737	738 492	-	-
IRS/CIRS	25 459 231	74 982	-	-
FRA	3 769 917	0	-	-
Options	695 233	0	-	-

Transactions with related parties **31.12.2005**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	4 367 977	85 089	-	-
Loans	10 244	374 972	361 356	-
Deposits taken	75 443	88 165	313 674	25 676
Secirities	-	-	42 003	-
Other receivables	365	5 545	2 711	-
Other liabilities	2 934	22 847	2	-
Off-balance derivatives revaluation	1 263	17 248	-	-
Off-balance sheet commitments and transactions				
Guarantees issued	52 575	6 565	-	-
Undrawn credit lines granted	50 563	67 851	327 337	-
FX spot	4 745 872	983 970	-	-
FX forward	497 352	28 703	-	-
IRS/CIRS	12 881 610	56 641	-	-
FRA	1 713 065	100 000	-	-
Options	207 293	192 990	-	-

	30.06.2006			
	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Income and expenses				
Income	356 463	47 606	7 500	218
Expenses	304 213	37 664	14 992	1 626

	30.06.2005			
	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Income and expenses				
Income	77 478	55 021	9 199	87
Expenses	52 805	14 467	20 303	2 037

53. Transactions with the management staff and employees

Employees of the ING Bank Śląski S.A. Group use loans on the same terms and conditions as the remaining customers of the Bank (no preferential loans for employees exist). Loans for employees disclosed in the amount of loans for customers and as of 30.06.2006 amount to PLN 52,249,000 (without cash loans from the Internal Social Benefit Funds).

Granting of a loan, cash advance, bank guarantee and surety for the Bank's management staff members is regulated in a separate procedure and monitored in accordance with the Ordinance of the President of ING Bank Śląski S.A.

The financial statements for IH 2006 contain the loans, cash advances, bank guarantees and sureties for the Bank's management staff (within the meaning of Article 79 of the Banking Law) amounting to PLN 9,392,000.

The employees may use various forms of social assistance within the framework of Internal Social Benefit Funds established in the entities of the Group. The balance of money advances granted from the Internal Social Benefit Funds as of 30.06.2006 amounts to PLN 18,106,000.

Remuneration paid in IH 2006 to the Members of the Management Board and Supervisory Board of ING Bank Śląski S.A.

Remuneration to the Members of the Management Board (PLN '000)

Year	Emoluments and bonuses	Benefits	Total
IH 2006	**7 991**	**1 194**	**9 185**
IH 2005	**5 780**	**1 167**	**6 947**

The total amount of remuneration and bonuses paid out or due for 1H 2006 given here is the gross amount of remuneration paid out or due and payable for the period from January to June 2006 and the 2005 bonus, which was paid out in IH 2006 at the total amount of PLN 2,848,000.

The members of the Management Board have concluded non-competition agreements after they stop holding their function on the Bank's Management Board. In the event that a Management Board is not renominated for another term of office or is recalled from his/ her function, he or she is entitled to severance pay.

Remuneration paid to the Members of the Supervisory Board of ING Bank Śląski S.A. (PLN '000)

Year	Remuneration and bonuses	Benefits	Total
IH 2006	**487**	**0**	**487**
IH 2005	**513**	**0**	**513**

The Management Board Members and other persons employed by ING Bank Śląski S.A. do not receive any remuneration for performing functions in the governing bodies of subsidiaries and associates of the ING Bank Śląski S.A. Group.

54. Events after the balance sheet date

Changes in the Management Board of ING Bank Śląski S.A.

During the Supervisory Board meeting held on 05 July 2006:

- Mr. Krzysztof Brejdak tendered his resignation from his capacity as Vice-President of the Management Board, effective as of 05 July 2006;

- Mr. Grzegorz Cywiński tendered his resignation from his capacity as Vice-President of the Management Board, effective as of 01 August 2006; he has taken up a position at ING structures outside of Poland,

- Mr. Don Koch tendered his resignation from his capacity as Vice-President of the Management Board, effective as of 01 August 2006, he has taken up a position at ING structures outside of Poland,

At the same time, the Supervisory Board appointed Mr. Mirosław Boda and Ms. Marlies van Elst Vice-Presidents of the Management Board, effective as of 01 August 2006.

Participation in the Lending Consortium

On 10 August 2006, a consortium loan agreement was signed with a company from the power sector. The total exposure of ING Bank Śląski in that consortium is up to EUR 75,000,000 (PLN 289,762,500 as at the average NBP exchange rate from 10.08.2006; i.e. EUR 1 = PLN 3.8635). The loan can be provided both in EUR and PLN. The borrower is not related to ING Bank Śląski S.A. The criterion for considering the agreement as significant is the Bank's equity.

Change of Rating

On 17 August 2006, the rating agency Fitch Ratings Ltd. informed the Management Board of ING Bank Śląski S.A. about raising the long term rating (IDR - Issuer Default Rating) to 'A+' from 'A' with 'positive' outlook. Furthermore, the agency confirmed other ratings as unchanged:
- - individual rating 'C/D',
- rating of short-term liabilities 'F1',
- support rating '1'.

Ratings are granted according to the following scale (decreasing):

1.	rating of long-term liabilities:	AAA, AA, A, BBB, BB, B, CCC, CC, C, DDD, DD, D;
2.	rating of short-term liabilities:	F1, F2, F3, B, C, D;
3.	support rating:	1, 2, 3, 4, 5;
4.	individual rating:	A, B, C, D, E;
5.	long-term outlook	'positive', 'stable', 'negative'.

Increase of Issuer Default Rating results from the increase of country ceiling for Poland from 'A' to 'A+'.

Significant Credit Agreement

On 8 September 2006, a significant credit agreement was signed with ING Commercial Finance Polska S.A. (the company operating as the legal successor of Handlowy Heller S.A. Company). The loan amount is PLN 500,000,000.00. This Agreement superseded the Credit Agreement dated 3

February 2006. The borrower is related to ING Bank Śląski SA. The criterion for considering the agreement as significant is the ratio between the credit amount and the Bank equity.

55. Acquisitions

In IH 2006, the Group did not make any acquisitions, as in 2005.

56. Risk management disclosures

An integral part of Group's 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 (interest rate risk, foreign exchange risk) liquidity 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, liquidity 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 5, 19 and 43.

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 or foreign exchange rates.

(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 lower 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 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.

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 risk control methodology was developed by the Group and accepted by the strategic shareholder, ING Bank NV.

Market risk

The Capital Group of ING Bank Śląski attaches great significance to the measurement, management and mitigation of individual types of market risk for all areas of the Group, as well as to constant improvement of the process of internal transfer of market risk arising from material consolidated items at the Bank and its Capital Group to the Financial Markets area.

In 1H 2006 the Management Board of the dominant entity extended the abovementioned tasks by verification, valuation and calculation of the financial results for transactions of the Financial Markets area.

In 1H 2006 the Group continued works on the adjustment of Basel II requirements in terms of market risk. The split of the Group operations into the bank portfolio and trading portfolio was redefined in particular. In order to comply with the regulator's intentions, the Group also started to include internal transactions, which aim at the risk transfer, in the calculation of capital requirements. The Group applies proper (documented) approach to measuring and managing the interest rate risk in the bank portfolio (the most important risk category introduced in Basel II). The Group is also advanced in its work on the development of models, which translate the market risk management into required economic capital.

A summary of the significant control elements in the market risk management process is presented below.

Foreign exchange risk

In the area of foreign exchange risk, the respective systems ensuring the transfer of the currency position to the Financial Markets area are used. The potential changes of the Bank's profit or loss on the foreign exchange positions held, arising from the normal and crisis changes in the market are monitored on a real time basis. The FX positions of the bank's subsidiaries are regularly monitored to ensure that such positions (and their risk) are at very low levels. In IH 2006 the bank has transferred measurement of FX risk to centralized systems in order to ensure compliance with ING group approach to risk measurement.

FX Spot VaR Statistics for 1H2006 (in PLN thousands)

Entity(ies)	Minimum	Maximum	Average
ING Bank Śląski (standalone)	6	1 194	384
ING Bank Śląski (subsidiaries)	0,2	14	6

Interest rate risk

In the area of interest rate risk, appropriate systems ensuring the transfer of the interest rate positions of the Bank to the Financial Markets area are used. The potential changes of the Bank's profit or loss on the interest rate position held, arising from normal and crisis changes in the market are monitored on a daily basis. The IR positions of the bank's subsidiaries are regularly monitored to ensure that such positions (and their risk) are at very low levels. In IH 2006 the bank continued to increase the volume of demand liabilities which are invested according to replicating rules designed to more accurately reflect the interest rate characteristics of these volumes; at present all material PLN demand liabilities are invested in line with this approach.

IR VaR Statistics for 1H2006 (in PLN thousands)

Entity(ies)	Business Area:	Minimum	Maximum	Average
ING Bank Śląski (standalone)	Financial Markets Trading and Treasury	1 188	2 772	1 845
ING Bank Śląski (standalone)	Financial Markets ALM	277	3 761	1 402
ING Bank Śląski (standalone)	Corporate and Retail Banking	17	79	45
ING Bank Śląski (subsidiaries)	(all)	1	29	11

Optionality risk

Potential changes in the value of the currency options portfolio, arising from normal and crisis changes in the market, are monitored on a daily basis. The risks arising from embedded optionality (client ability to early-withdraw funds and early-repay loans) in the bank's corporate and retail term deposit and loan products are now regularly monitored.

FX Options Var Statistics for 1H2006 (in PLN thousands)

Entity(ies)	Minimum	Maximum	Average
ING Bank Śląski (Financial Markets)	190	1 330	493

Liquidity risk

The bank manages liquidity risk through a suite of reports which provide a realistic view of the bank's liquidity position under a variety of internal/external stress scenarios. Other reports are used to ensure that the bank maintains its highly-diversified funding base. The bank maintains and periodically reviews a liquidity crisis contingency plan. The liquidity positions of the bank's subsidiaries are regularly monitored to ensure that these entities maintain a prudent liquidity profile.

Dutch Central Bank Liquidity Gap Report as of End of June, 2006 (in PLN thousands)

Entity	Liquidity Gap to 1 week	Liquidity Gap to 1 month
ING Bank Śląski (stand-alone)	12 755 255	11 940 723
ING Bank Śląski (subsidiaries)	217 576	207 697
ING Bank Śląski (consolidated)	12 832 135	12 131 237

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 the 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 2006, the concentration coefficient was not exceeded.

The greatest balance sheet and off-balance exposures as of 30.06.2006 were as follows (PLN '000):

Customer	Balance sheet exposure	Off-balance sheet exposure	Total
1 (Customer)	469 871	104 746	574 617
2 (Group)	83 693	314 974	398 667
3 (Group)	135 060	237 952	373 012
4 (Customer)	344 991	25 009	370 000
5 (Customer)	316 007	28 304	344 311
6 (Customer)	208 572	91 662	300 234
7 (Customer)	32 165	253 775	285 940
8 (Customer)	44 499	189 113	233 612
9 (Customer)	225 577	0	225 577
10 (Customer)	135 382	67 390	202 772
RAZEM	**1 995 817**	**1 312 925**	**3 308 742**

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 branches and sectors of the national economy (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 %	
	30.06.2006	30.06.2005	30.06.2006	30.06.2005
Agriculture, hunting and forestry	262 629	250 809	1,56	1,63
Mining of coal and lignite	33 646	4 800	0,20	0,03
Extraction of crude petroleum and natural gas	206 933	99 471	1,23	0,65
Other mining and quarrying	133 666	112 956	0,80	0,74
Manufacture of food products and beverages	1 192 468	1 016 895	7,10	6,63
Manufacture of tobacco products	367 017	357 030	2,18	2,33
Manufacture of textiles	37 402	36 525	0,22	0,24
Manufacture of clothes and leather products	36 883	44 474	0,22	0,29
Manufacture of wood and wood products and manufacture of pulp, paper and paper products	195 540	230 471	1,16	1,50
Publishing	204 007	164 900	1,21	1,07
Fuel industry	470 059	261 173	2,80	1,70
Chemical industry	393 988	421 265	2,35	2,74
Rubber industry	246 381	152 368	1,47	0,99
Manufacture of other non-metallic products	331 251	370 600	1,97	2,41
Manufacture of metals	251 982	181 692	1,50	1,18
Manufacture of fabricated metal products	283 521	282 209	1,69	1,84
Manufacture of machinery and equipment	503 421	577 917	3,00	3,77
Manufacture of electronic products	270 430	340 394	1,61	2,22
Manufacture of precision instruments	80 774	113 032	0,48	0,74
Manufacture of transport equipment	380 131	281 727	2,26	1,84
Manufacture of furniture	119 048	112 418	0,71	0,73
Waste management	22 655	16 145	0,13	0,11
Production and distribution of electricity	659 410	711 942	3,93	4,64
Collection, purification and distribution of water	268 851	61 081	1,60	0,40
Construction	771 430	561 754	4,59	3,66
Sale, maintenance and repair of motor vehicles	311 009	385 435	1,85	2,51
Trade	2 969 325	2 975 038	17,68	19,38
Hotels and restaurants	46 701	63 375	0,28	0,41
Transport	332 568	264 658	1,98	1,73
Post and telecommunications	314 910	434 761	1,87	2,83

Financial intermediation, insurance and pension funding	2 885 338	2 394 075	17,17	15,60
Real property activities, renting of machinery and equipment	1 026 104	879 254	6,11	5,73
Computer and related activities	52 918	44 897	0,32	0,29
Research and development	5 869	5 678	0,03	0,04
Other business activities	436 096	330 783	2,60	2,16
Public administration and defence	436 651	406 965	2,60	2,65
Education	41 913	37 421	0,25	0,24
Health and social work	42 287	24 843	0,25	0,16
Other community, social and personal service activities	12 685	9 862	0,08	0,06
Recreational and sporting activities	86 867	115 428	0,52	0,75
Other	74 001	212 839	0,44	1,38
Total	**16 798 765**	**15 349 360**	**100,00**	**100,00**

Operational risk

ING Bank Śląski Group 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.

Capital adequacy of the Group

In accordance with the provisions of the Resolution Number 4/2004 of the Bank Supervisory Commission of 8 September 2004 concerning the scope and detailed rules of determining capital requirements related to individual types of risk and scope of application of statistical methods and conditions whose conformity makes it possible to obtain consent for their application, the method and detailed rules of calculation of the bank solvency ratio, scope and method of taking into account bank operations in holding groups in calculation of capital requirements and solvency ratio and determination of additional bank balance sheet items disclosed together with shareholders' equity in the capital adequacy accounting and the scope, method and conditions of their determination, the Group's capital adequacy as of 30 June 2006 was 16.09% - the minimum is 8%. The Group conducted significant trading operations, and that is why it is subjected to the full requirement of calculation of capital requirements arising from individual risks.

The total capital requirement at the end of June 2006 was PLN 1,380,983,000, 86.8% of which corresponded to the credit risk, and 13.2% corresponded to the financial risks of the trading book.

CALCULATION OF SOLVENCY RATIO	**IH 2006**	**end of 2005**	**IH 2005**
Own funds:			
- Initial capital	130 100	130 100	130 100
- Supplementary capital -agio	993 750	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	-55 564	85 797	134 218
- Revaluation reserve from measurement of property, plant and equipment	44 359	38 055	55 882
- Retained profit or uncovered loss from prior years	1 944 911	1 751 475	1 749 481
- Decrease of capital in respect of shareholdings in financial entieties	-	-	-
- Decrease of capital in respect of intangible assets	-300 159	-288 472	-282 135
- Minority equity	19 887	14 849	14 248
- Short-term capital	0	116 391	72 221
I. Total own funds	**2 777 284**	**2 841 945**	**2 867 765**
Risk weighted assets:			
- risk weighted assets with risk rate 20%	2 393 672	2 702 493	1 995 315
- risk weighted assets with risk rate 50%	164 247	160 886	61 838
- risk weighted assets with risk rate 100%	10 621 116	9 598 439	9 965 209
II. Total risk weighted assets	**13 179 035**	**12 461 818**	**12 022 362**
- risk weighted contingent liabilities granted with risk rate 10%	3 357	2 098	1 295
- risk weighted contingent liabilities granted with risk rate 20%	19 735	14 998	646 702
- risk weighted contingent liabilities granted with risk rate 50%	494 879	172 015	233 073
- risk weighted contingent liabilities granted with risk rate 100%	1 284 606	1 118 254	1 023 505
III. Total risk weighted contingent liabilities granted	**1 802 577**	**1 307 365**	**1 904 575**
IV. Total risk weighted assets and contingent liabilities granted (II + III)	**14 981 612**	**13 769 183**	**13 926 937**
V. Credit risk (IV*8%)	**1 198 529**	**1 101 535**	**1 114 155**
VI. Exceeding the exposure concentration limit	**1 089**	**879**	**981**
VII. Market risk	**181 365**	**119 666**	**200 654**
VIII. Total capital requirement (V + VI + VII)	**1 380 983**	**1 222 080**	**1 315 790**
IX. Solvency ratio (%)	**16,09**	**18,60**	**17,44**

PROFIT AND LOSS ACCOUNT

	I half 2006 period from 01 January 2006 to 30 June 2006	I half 2005 period from 01 January 2005 to 30 June 2005
Interest income	*959 024*	*944 445*
Interest expenses	*513 521*	*620 254*
Net interest income	**445 503**	**324 191**
Commission income	*290 523*	*253 285*
Commission expenses	*27 891*	*26 588*
Net commission income	**262 632**	**226 697**
Dividend income	56 640	41 506
Net income on instruments at fair value through profit or loss	13 958	165 099
Net income on available for sale assets and assets held for sale	15 133	0
Net income from a subsidiary sold	-3	3 685
Exchange gains or losses	86 561	84 512
Other operating income	19 525	7 008
Other operating expenses	7 762	17 311
Result on basic activities	**892 187**	**835 387**
General and administrative expenses	515 865	476 528
Depreciation and amortisation	67 054	56 444
Net income on disposal of assets other than held for sale	4	154
Impairment losses and provisions for off-balance sheet liabilities	-91 316	-23 831
Profit (loss) before tax	**400 588**	**326 400**
Income tax	64 071	62 913
Net result for the current year	**336 517**	**263 487**
Net profit (loss) (annualised)	**336 517**	**263 487**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**

BALANCE SHEET	I half 2006 as of 30 June 2006	end of 2005 as of 31 December 2005
ASSETS		
- Cash in hand and balances with the Central Bank	1 152 159	1 176 436
- Deposit accounts in other banks as well as loans and advances to other banks	11 309 027	12 626 500
- Financial assets at fair value through profit or loss	5 848 440	6 165 686
- Investment financial assets	12 251 246	10 952 027
- Loans and advances to customers	11 310 042	10 026 137
- Investments in controlled entities	126 910	126 910
- Property, plant and equipment	421 435	443 093
- Intangible assets	324 923	317 800
- Property, plant and equipment held for sale	1 882	5 969
- Current tax asset	0	35 213
- Deferred tax asset	141 595	71 645
- Other assets	107 619	136 616
Total assets	**42 995 278**	**42 084 032**
EQUITY AND LIABILITIES		
LIABILITIES		
- Liabilities due to the Central Bank	0	464 000
- Liabilities due to other banks	1 902 346	877 038
- Financial liabilities at fair value through profit or loss	3 864 491	3 685 789
- Liabilities due to customers	33 103 808	32 878 020
- Provisions	62 157	79 490
- Current income tax liabilities	48 484	0
- Deferred tax provision	0	0
- Other liabilities	709 702	634 506
Total liabilities	**39 690 988**	**38 618 843**
EQUITY		
- Share capital	130 100	130 100
- Supplementary capital - issuance of shares over nominal value	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	-55 564	85 796
- Revaluation reserve from measurement of property, plant and equipment	31 694	31 725
- Retained earnings	2 204 310	2 223 818
Total equity	**3 304 290**	**3 465 189**
TOTAL EQUITY AND LIABILITIES	**42 995 278**	**42 084 032**
Solvency ratio	**15,43%**	**17,96%**
Book value	**3 304 290**	**3 465 189**
Number of shares	**13 010 000**	**13 010 000**
Book value per share (PLN)	**253,98**	**266,35**

STATEMENT OF CHANGES IN EQUITY

I half 2006
period from 01 January 2006 to 30 June 2006

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings
Opening balance of equity	**130 100**	**993 750**	**85 796**	**31 724**	**2 223 818**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-132 025	-	-
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-9 335	-	-
- disposal of property, plant and equipment	-	-	-	-30	1 750
- dividends paid	-	-	-	-	-357 775
- net result for the current period	-	-	-	-	336 517
Total equity (closing balance)	**130 100**	**993 750**	**-55 564**	**31 694**	**2 204 310**

I half 2005
period from 01 January 2005 to 30 June 2005

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings
Opening balance of equity	**130 100**	**993 750**	**67 992**	**37 373**	**1 956 332**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	66 221	-	-
- disposal of property, plant and equipment	-	-	-	-1 182	1 182
- evaluation of fixed assets	-	-	-	305	-
- dividends paid	-	-	-	-	-266 705
- net result for the current period	-	-	-	-	263 487
Total equity (closing balance)	**130 100**	**993 750**	**134 213**	**36 496**	**1 954 296**

CASH FLOW STATEMENT
- indirect method

	I half 2006	I half 2005
	periof from 01 January 2006 to 30 June 2006	period from 01 January 2005 to 30 June 2005
OPERATING ACTIVITIES		
Net profit (loss)	**336 517**	**263 487**
Adjustments	**239 877**	**-1 852 496**
- Unrealised exchange gains (losses)	1 972	-729
- Depreciation and amortisation	67 054	56 444
- Interest accrued (from the profit and loss account)	445 503	324 191
- Interest received/paid	-701 558	-648 784
- Dividends received	-56 640	-41 506
- Gains (losses) on investment activities	-1	101
- Income tax (from the profit and loss account)	64 071	62 913
- Income tax paid	-50 324	-73 538
- Change in provisions	-17 333	41 770
- Change in deposits in other banks and in loans and advances to other banks	1 537 442	-289 545
- Change in financial assets at fair value through profit or loss	311 924	-2 275 453
- Change in investment financial assets	-1 172 965	-2 140 628
- Change in loans and advances to customers	-1 284 199	177 703
- Change in other assets	29 999	-54 179
- Change in liabilities due to other banks	553 811	571 476
- Change in liabilities at fair value through profit or loss	178 702	256 845
- Change in liabilities due to customers	257 224	1 948 594
- Change in other liabilities	75 195	231 829
Net cash flow from operating activities	**576 394**	**-1 589 009**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-30 198	-33 570
- Disposal of property, plant and equipment	127	47
- Purchase of intangible assets	-17 952	-12 279
- Disposal of fixed assets/liabilities held for sale	310	5 816
- Dividends received	56 640	41 506
Net cash flow from investment activities	**8 927**	**1 520**
FINANCIAL ACTIVITIES		
- Long-term loans repaid	-23 720	-16 826
- Interest on long-term loans repaid	-1 040	-2 178
- Dividends paid	-357 775	0
Net cash flow from financial activities	**-382 535**	**-19 004**
Effect of exchange rate changes on cash and cash equivalents	***24 376***	***159 582***
Net increase/decrease in cash and cash equivalents	**202 786**	**-1 606 493**
Opening balance of cash and cash equivalents	**4 970 079**	**5 387 362**
Closing balance of cash and cash equivalents	**5 172 865**	**3 780 869**

INTERIM CONDENSED FINANCIAL STATEMENTS OF THE ING BANK ŚLĄSKI S.A.

The financial data included in these Bank condensed interim financial statements have been presented in PLN thousand.

These interim condensed financial statements were approved by the Management Board of the Bank for issue on 26 September 2006.

1. Accounting polices

Statement of compliance

Condensed interim unconsolidated financial statements were prepared in accordance with the International Financial Reporting Standards as applicable to interim financial reporting as adopted by the European Union and with respect to matters not regulated by the above Standards, in accordance with the Accounting Act dated 29th September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and the respective bylaws and in accordance with the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with the same accounting policies as presented in the interim consolidated financial statements with an exception of capital investment rules disclosing, described below.

Accounting polices have not been changed with relation to accounting polices presented in Bank financial statements for the financial year ended 31st December 2005.

Investment in subsidiaries and associates

Subsidiaries

Subsidiaries are the entities over which the Bank has direct or indirect control. Control is the ability to manage financial and operating policies in order to gain economic profits. Control basically is involved with larger number of votes in governing bodies. Control usually is implicated with the possession of the majority of votes in governing bodies.

Associates

Associated entities are entities over which the Bank has significant influence and are not subsidiaries. The Bank usually determines significant influence by possession of 20 % to 50 % of the total number of votes in governing bodies.

Recognition and valuation

Investments in subsidiaries and associates are recorded at cost of purchase less impairment if any. The carrying value is subject to tests for impairment in accordance with IAS 39. Any impairment is recognized in the profit and loss account as “Net provision charges for financial assets and contingent liabilities and commitments”. Dividends are recognized in the profit and loss account when the Bank obtains legal rights to receive them.

Condensed interim financial statements are presented in Polish zloty, and all amounts, unless indicated otherwise, are stated in PLN thousand.

2. Supplementary Data to Balance Sheet Items and Profit and Loss Account Items

- Loans, cash advances and receivables not quoted on the active market

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

	30.06.2006	31.12.2005
- Nostro accounts	51 165	156 026
- interbank deposits	11 006 604	12 332 697
- other receivables	215 103	108 769
- loans and advances	*207 626*	*107 671*
- other receivables	*7 477*	*1 098*
- accrued interest	36 401	29 307
Total (gross)	**11 309 273**	**12 626 799**
Impairment losses	-246	-299
Total (net)	**11 309 027**	**12 626 500**

Loans and advances to customers

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

	30.06.2006	31.12.2005
- loans and advances	1 434 104	829 205
overdrafts in current account	408 806	77 312
term	1 025 298	751 893
- other receivables	109 986	117 746
- accrued interest	3 268	2 368
Total (gross)	1 547 358	949 319
Impairment losses	-6 591	-10 153
Total (net)	**1 540 767**	**939 166**

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

	30.06.2006	31.12.2005
- loans and advances granted to corporate customers	6 638 872	6 167 721
overdrafts in current account	2 356 071	2 160 295
term	4 282 801	4 007 426
- loans and advances granted to households	3 326 221	3 138 472
overdrafts in current account	965 847	953 809
term	2 360 374	2 184 663
- other receivables	126 405	110 386
- accrued interest	35 911	34 794
Total (gross)	10 127 409	9 451 373
Impairment losses	-728 323	-758 756
Total (net)	**9 399 086**	**8 692 617**

Loans and advances granted government and local government institutions

	30.06.2006	31.12.2005
- loans and advances	400 405	425 979
overdrafts in current account	4 346	3 051
term	396 059	422 928
- accrued interest	-1 082	641
Total (gross)	399 323	426 620
Impairment losses	-29 134	-32 266
Total (net)	**370 189**	**394 354**

Loans and advances to customers - total

	30.06.2006	31.12.2005
- loans and advances	11 799 602	10 561 377
- other receivables	236 391	228 132
- accrued interest	38 097	37 803
Loans and advances to customers - gross	**12 074 090**	**10 827 312**
Impairment losses	-764 048	-801 175
Loans and advances to customers - net	**11 310 042**	**10 026 137**

- Financial liabilities measured at the depreciated cost

Liabilities due to other banks

	30.06.2006	31.12.2005
- Current accounts	135 646	178 958
- Interbank deposits	1 633 450	620 563
- Repo transactions	125 210	65 337
- Other liabilities	6 410	5 854
- Accrued interest	1 630	6 326
TOTAL	**1 902 346**	**877 038**

Liabilities to customers

Liabilities to entities from the financial sector other than banks

- Deposits	1 909 948	1 911 142
current accounts	817 167	885 060
term accounts	1 092 781	1 026 082
- Repo transactions	16 397	1 430 734
- Other liabilities	72 285	87 982
- Accrued interest	708	4 424
TOTAL	**1 999 338**	**3 434 282**

Liabilities to entities from the non-financial sector

- Deposits of corporate customers	8 563 030	8 519 180
current accounts	4 964 462	5 384 094
term accounts	3 598 568	3 135 086
- Deposits of households	20 520 414	19 150 998
current accounts	2 489 501	2 292 935
saving accounts	13 558 901	12 300 085
term accounts	4 472 012	4 557 978
- Repo transactions	123 094	18 178
- Other liabilities	338 842	316 674
- Accrued interest	66 579	51 383
TOTAL	**29 611 959**	**28 056 413**

Liabilities to government and local government institutions

- Deposits	1 489 713	1 384 457
current accounts	813 069	831 559
term accounts	676 644	552 898
- Other liabilities	1 634	2 019
- Accrued interest	1 164	849
TOTAL	**1 492 511**	**1 387 325**

Liabilities to customers - total

- Deposits	32 483 105	30 965 777
- Repo transactions	139 491	1 448 912
- Other liabilities	412 761	406 675
- Accrued interest	68 451	56 656
Liabilities to customers - total	**33 103 808**	**32 878 020**

- Property, Plant and Equipment

	30.06.2006	31.12.2005
- Real properties	252 109	265 383
- Computer hardware	70 150	77 993
- Vehicles	574	972
- Other fixtures and fittings	80 287	84 864
- Investment real properties	18 315	13 881
TOTAL	**421 435**	**443 093**

- Financial assets carried at fair value through profit or loss

	30.06.2006	31.12.2005
- Financial assets held for trading	5 529 127	5 920 785
- Financial assets designated as at fair value upon initial recognition	319 313	244 901
TOTAL	**5 848 440**	**6 165 686**

- Financial assets for trading

	30.06.2006	31.12.2005
Available-for-sale financial assets		
- Debt instruments	12 242 893	10 949 985
- Equity instruments	8 353	2 042
TOTAL	**12 251 246**	**10 952 027**

- Investments in controlled entities

	30.06.2006	31.12.2005
- ING Securities S.A.	30 228	30 228
- Śląski Bank Hipoteczny S.A.	49 950	49 950
- ING BSK Development Sp z o.o.	50	50
- Solver Sp. z o.o.	6 682	6 682
ING Nationale Nederlanden Polska PTE S.A.	40 000	40 000
TOTAL	**126 910**	**126 910**

General financial information on an associated entity

	Assets	Liabilities	Net assets	Revenues	Profit / (loss)
IH 2006					
ING Nationale Nederlanden Polska PTE S.A.	412 975	17 574	361 504	176 596	92 445
31.12.2005					
ING Nationale Nederlanden Polska PTE S.A.	464 794	39 782	397 056	279 300	136 789
IH 2005					
ING Nationale Nederlanden Polska PTE S.A.	382 736	29 463	332 172	129 937	69 291

- Financial liabilities carried at fair value through profit or loss

	30.06.2006	31.12.2005
- Financial liabilities held for trading	1 068 539	1 095 899
- Financial liabilities designated as at fair value upon initial recognition	2 795 952	2 589 890
TOTAL	**3 864 491**	**3 685 789**

- Provisions

	30.06.2006	31.12.2005
- litigation reserves	13 597	19 340
- provision for off-balance sheet liabilities	27 683	29 631
- provision for retirement benefits	10 381	10 791
- provision for unused holidays	9 074	9 074
- provision for headcount restructuring	1 422	10 654
TOTAL	**62 157**	**79 490**

- Net interest income

	30.06.2006	30.06.2005
Interest and similar income		
- Loans and advances to banks	248 418	209 580
- Loans and advances to customers	337 909	409 577
- Interest on debt securities held for trading	61 973	78 488
- Interest on available-for-sale debt securities	308 064	246 800
- Reverse repos	2 660	
TOTAL	**959 024**	**944 445**

	30.06.2006	30.06.2005
Interest expense and similar charges		
- Deposits from banks	35 508	73 035
- Deposits from customers	463 117	534 884
- Loans and advances	999	1 625
- Reverse repos	13 897	10 710
TOTAL	**513 521**	**620 254**

Net interest income	**445 503**	**324 191**

- Net commission income

	30.06.2006	30.06.2005
Commission income		
- Brokerage fees	64	156
- Fiduciary and custodian fees	10 715	7 989
- Foreign commercial business	9 572	8 646
- Commission for transfers, cash payments and other payment transactions	51 097	51 641
- Commission and fees for payment and credit cards	55 132	39 960
- Commission for loans and advances	37 755	41 210
- Commission and fees related to keeping accounts	73 236	74 505
- Commission and fees related to electronic banking systems	5 574	5 649
- Commission and fees for guarantees, sureties and letters of credit	8 675	8 061
- Commission and fees due to distribution of participation units	33 943	10 331
- Other	4 760	5 137
TOTAL	**290 523**	**253 285**

	30.06.2006	30.06.2005
Commission expense		
- Other commission, including:	27 891	26 588
- costs of the Bank Guarantee Fund (BFG)	*1 741*	*1 705*
- costs of the National Clearing House (KIR)	*1 345*	*2 222*
- commission paid related to securities trading	*1 705*	*2 872*
- commission paid on the VISA card system	*12 065*	*11 003*
TOTAL	**27 891**	**26 588**

Net commission income	**262 632**	**226 697**

- Impairment losses and provisions

	30.06.2006	30.06.2005
Impairment losses on financial assets other than assets at fair walue recognised through the profit and loss account		
impairment losses on available-for-sale financial assets:	-79	-15
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-79*	*-15*
impairment losses on loans and advences:	-89 176	-30 723
- impairment losses on loans and advences	*-92 618*	*-33 118*
- collection and process costs related to recovery of receivables due to loans and advences	*3 442*	*2 395*
impairment losses/ fair value valuation:	-113	2 562
- property, plant and equipment	*-729*	*326*
- other assets	*616*	*2 236*
Total impairment losses	***-89 368***	***-28 176***
Provisions for off-balance sheet commitments	***-1 948***	***4 345***
Total impairment losses and provisions	**-91 316**	**-23 831**

- Costs of bank operations and administrative expenses

	30.06.2006	30.06.2005
personnel expenses	**266 844**	**254 039**
wages and salaries	222 248	209 984
employee benefits	44 596	44 055
general administrative expenses	**249 021**	**222 489**
TOTAL	**515 865**	**476 528**

3. Seasonality or cyclicity of activity

Activity of ING Bank Śląski is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

4. Type and Amounts of Items Affecting Assets, Liabilities, Net Financial Result or Cash Flows Being of Non-recurring Nature due to their Type, Volume or Impact

Within the *Professional Indemnity and Employment Insurance and Bank Risk Insurance (BBB),* constituting a part of the ING Group Global Programme, which also covers ING Bank Śląski S.A., the damage was liquidated by the Insurer in June 2006. As a result, the PLN 8.1 million worth of indemnity was paid out upon deducting the contribution of the Insured.

5. Issues, Redemption or Repayments of Debt Securities and Equities

In June 2006, a part of the shares of MASTERCARD held in the portfolio of ING Bank Śląski were redeemed by the issuer. This transaction brought PLN 5.8 million in revenue.

6. Dividends Paid

On 27 April 2006, the General Shareholders Meeting approved the payout of dividend for 2005 in the amount of PLN 27.50 gross per 1 share, or PLN 357,775,000 in total. The dividend was paid out on 05 June 2006.

7. Acquisitions

In IH 2006, the ING Bank Śląski did not make any acquisitions, as in 2005.

8. Changes to Contingent Liabilities or Assets that Occurred after 31.12.2005

in million

	30.06.2006	31.12.2005
Contingent liabilities granted	9 640,8	9 689,1
Contingent liabilities received	10 526,3	10 544,6
Off-balance sheet financial instruments	151 441,5	108 825,3
Total off-balance sheet items	**171 608,6**	**129 059,0**

A PLN 48.3 million worth of decrease in the contingent liabilities extended as per 30.06.2006 versus 31.12.2005 results mainly from the decrease in the position of deposits to be released in interbanking transactions. A decrease of PLN 18,3 million in contingent liabilities received is, in turn, mainly the consequence of a drop in received guarantees to secure credit receivables.

9. Acquisition or Sale of a Component of Property, Plant and Equipment (Sale of Real Estate)

During the first 6 months of 2006, two pieces of the Bank's real estate were sold – one located in Cieszyn at Mennicza Street and the other located in Tarnów at Słowackiego Street. Sales were priced at arm's length, and brought the Bank PLN 1.7 million in revenue.

10. Settlements due to Court Cases

ING Bank Śląski maintains detailed records of court cases and other liabilities being legal claims. The Bank establishes reserves for the cases, which in the opinion of the legal staff and/or management staff are encumbered with a high risk of losing the case or it is impossible to recover the lost assets. Possible future settlements are made against the reserves established.

Changes to the litigation reserves were presented below:

in million

	30.06.2006	31.12.2005
Status at the period beginning:	**19,3**	**18,9**
Establishment of provisions as costs	0,4	1,9
Release of provisions as income	-0,6	-0,8
Utilisation of provision due to dispute loss or settlement	-5,5	-0,7
Status as at the period end	**13,6**	**19,3**

11. Related entities

The following subsidiaries and associates of ING Bank Śląski:
- ING Securities S.A.,

- ING BSK Development Sp. z o.o.,
- Solver Sp. z o.o.,
- PTE ING Nationale Nederlanden S.A.,
- Centrum Banku Śląskiego (CBS) Sp. z o.o.,
- Śląski Bank Hipoteczny S.A.

within the framework of their operations hold current accounts in ING Bank Śląski. They use these current accounts for performing standard settlement operations and also deposit their funds on term deposits. Furthermore, CBS and Śląski Bank Hipoteczny took loans from ING Bank Śląski. The transactions with the above entities are performed on an arm's length basis.

Similarly, ING Bank Śląski carries bank accounts for other members of the ING Group, including ING Lease (Polska), ING Car Lease, ING Nationale Nederlanden, ING Real Estate.

ING Bank Śląski conducts on the interbank market operations with ING Bank NV and its subsidiaries. Such operations include both deposits and short-term loans as well as operations on derivatives: Forex Spot and Forex Forward, currency options, SWAP transactions.

Between the entities related to ING Bank Śląski, also transactions arising from the agreements on cooperation, sub-lease of premises, lease of equipment, data processing, social security contributions, lease of tangible and intangible assets, and lease and management of the vehicle fleet.

Between 1.01.2006 and 30.06.2006, the following transactions of a total value above EUR 500,000 were made:

- An annex to the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV was signed in 1H 2006, whereby the total fee for the services rendered in 2006 is EUR 9.1 million. In connection with execution of the co-operation agreement the remuneration for the services provided as to financial consulting in 1 H 2006 amounted to PLN 14.4 million (net).

- Under the agreement of lease of office rooms in the building owned by CBS, ING Bank Śląski paid a rent (through ING BSK Development) of PLN 10.4 million (gross) in monthly instalments. In addition, the Bank paid PLN 0.8 million for adaptation works.

- ING Services Polska provides services to ING Bank Śląski in regard to lease of hardware resources. The costs of service were PLN 6.9 million (gross).

- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 7.5 million (gross).

- ING Bank Śląski co-operates with ING Car Lease as to leasing of cars and management of car fleet. The derivative amount of payment was PLN 4.4 million in 1H 2006 (gross).

Further to the implementation of the New Capital Accord, on 4 July 2006, ING Bank Śląski S.A. and ING Bank N.V. concluded an agreement on provision of data processing and financial information analysis services. To perform its tasks in that connection, ING Bank Śląski S.A. will be using the IT applications owned by ING Bank N.V. ING Bank Śląski will employ the work tools and methodologies rendered for:

- automated assigning of a credit rating to ING Bank Śląski clients in accordance with the interpretation of the Capital Accord requirements applied by ING,

- monitoring the process of credit applications analysis and the procedure for taking credit decisions,
- automated generation and modification of bases of historical data about clients' ratings and also changes in their exposures and collateral,
- regular monitoring of total credit exposures of the entities related in legal and business terms and being clients of ING Bank Śląski,
- regular monitoring of client's risk following credit and financial market instruments exposures as well as of the limits set,
- regular calculation of collateral amounts for certain exposures in financial market instruments,
- generation of management and obligatory reporting in line with the interpretation of the Capital Accord and IAS 39 applied by ING,
- estimation of specific provisions according to IAS 39.

Under the aforementioned agreement, ING Bank Śląski S.A. will pay ING Bank N.V. the fee of EUR 1.4 million (net) for implementation and realisation of the pilot of usage of the integrated IT environment and PLN 2.9 million (net, in monthly instalments) for each year of usage of data processing and financial information analysis services by ING Bank Śląski.

Transactions with related parties **30.06.2006**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given				
Loans	2 498 013	349 920	-	-
Deposits taken	11 448	510 331	379 042	-
Securities	148 200	107 148	214 760	24 887
Other receivables	-	-	42 569	-
Other liabilities	6 422	3 703	2 745	-
Off-balance derivatives revaluation	3 780	18 312	41	-
Off-balance sheet commitments and transactions				
Guarantees issued	444 502	185 731	-	-
Undrawn credit lines granted	2 228 958	1 709 230	318 688	-
FX spot	15 163 777	3 463 991	-	-
FX forward	99 737	738 492	-	-
IRS/CIRS	25 459 231	74 982	-	-
FRA	3 769 917	0	-	-
Options	695 233	0	-	-

Transactions with related parties **31.12.2005**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	4 367 977	85 089	-	-
Loans	10 244	374 972	361 356	-
Deposits taken	75 443	88 165	313 674	25 676
Secirities	-	-	42 003	-
Other receivables	365	5 545	2 711	-
Other liabilities	2 934	22 847	2	-
Off-balance derivatives revaluation	1 263	17 248	-	-
Off-balance sheet commitments and transactions				
Guarantees issued	52 575	6 565	-	-
Undrawn credit lines granted	50 563	67 851	327 337	-
FX spot	4 745 872	983 970	-	-
FX forward	497 352	28 703	-	-
IRS/CIRS	12 881 610	56 641	-	-
FRA	1 713 065	100 000	-	-
Options	207 293	192 990	-	-

	30.06.2006			
	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Income and expenses				
Income	356 463	47 606	7 500	218
Expenses	304 213	37 664	14 992	1 626

	30.06.2005			
	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Income and expenses				
Income	77 478	55 021	9 199	87
Expenses	52 805	14 467	20 303	2 037

12. Significant Developments after the Closing of the Interim Period

Changes in the Management Board of ING Bank Śląski S.A.

During the Supervisory Board meeting held on 05 July 2006:

- Mr. Krzysztof Brejdak tendered his resignation from his capacity as Vice-President of the Management Board, effective as of 05 July 2006;

- Mr. Grzegorz Cywiński tendered his resignation from his capacity as Vice-President of the Management Board, effective as of 01 August 2006; he has taken up a position at ING structures outside of Poland,

- Mr. Don Koch tendered his resignation from his capacity as Vice-President of the Management Board, effective as of 01 August 2006, he has taken up a position at ING structures outside of Poland,

At the same time, the Supervisory Board appointed Mr. Mirosław Boda and Ms. Marlies van Elst Vice-Presidents of the Management Board, effective as of 01 August 2006.

Participation in the Lending Consortium

On 10 August 2006, a consortium loan agreement was signed with a company from the power sector. The total exposure of ING Bank Śląski in that consortium is up to EUR 75,000,000 (PLN 289,762,500 as at the average NBP exchange rate from 10.08.2006; i.e. EUR 1 = PLN 3.8635). The loan can be provided both in EUR and PLN. The borrower is not related to ING Bank Śląski S.A. The criterion for considering the agreement as significant is the Bank's equity.

Change of Rating

On 17 August 2006, the rating agency Fitch Ratings Ltd. informed the Management Board of ING Bank Śląski S.A. about raising the long term rating (IDR - Issuer Default Rating) to 'A+' from 'A' with 'positive' outlook. Furthermore, the agency confirmed other ratings as unchanged:
- - individual rating 'C/D',
- rating of short-term liabilities 'F1',
- support rating '1'.

Ratings are granted according to the following scale (decreasing):
1. rating of long-term liabilities: AAA, AA, A, BBB, BB, B, CCC, CC, C, DDD, DD, D;
2. rating of short-term liabilities: F1, F2, F3, B, C, D;
3. support rating: 1, 2, 3, 4, 5;

4. individual rating: A, B, C, D, E;
5. long-term outlook 'positive', 'stable', 'negative'.

Increase of Issuer Default Rating results from the increase of country ceiling for Poland from ‘A’ to ‘A+’.

Significant Credit Agreement

On 8 September 2006, a significant credit agreement was signed with ING Commercial Finance Polska S.A. (the company operating as the legal successor of Handlowy Heller S.A. Company). The loan amount is PLN 500,000,000.00. This Agreement superseded the Credit Agreement dated 3 February 2006. The borrower is related to ING Bank Śląski SA. The criterion for considering the agreement as significant is the ratio between the credit amount and the Bank equity.

13. Indicating the Shareholders who have directly or indirectly at least 5% of votes at GSM

As at the date of submission of the report for the 1H of 2006, the shareholders owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna were the following entities:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Shareholders Meeting
1.	ING Bank N.V.	9,757,500	75.00
2.	Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	850,000	6.53

14. Specification of Changes in Shares Held by Senior Executives

As regards members of the Bank Supervisory Board, the following individuals hold shares of ING Bank Śląski: Mr. Mirosław Kośmider – 3 shares; Mr. Wojciech Popiołek – 9 shares. The other members of the Bank Management Board and the Bank Supervisory Board do not hold any shares of ING Bank Śląski S.A. As at the date of disclosing the report for the 1Q2006, the members of the Supervisory Board and Management Board were not in the possession of any shares of ING Bank Śląski S.A.

15. Indicating the court proceedings of value at least 10% of the equity or totally at least 10% of the equity

In 1H 2006, no proceedings concerning liabilities or debts whose total value would amount to 10% of the Bank’s equity were initiated before courts or administrative bodies against the Capital Group of ING Bank Śląski.

16. Information on extending sureties for the loan, cash loan or guarantees equal at least 10% of the equity

On 30 January 2006, the Bank signed a credit agreement with ING Lease (Polska) Sp. z o.o. The loan amount is PLN 1.5 billion. The borrower has connections with ING Bank Śląski S.A.

On 1 February 2006, the Bank signed a supplementary agreement to the credit agreement of 30 December 1999 with Handlowy Heller S.A., whereby the loan amount was increased to PLN 350.0 million.

On 2 February 2006, the Bank signed a supplementary agreement to the credit agreement of 23 April 2004 with a Polish subsidiary of a global concern, whereby the loan amount was increased to PLN 483.0 million.