Interim Consolidated Financial Statements of the ING Bank Śląski Group

For the first half 2007

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Interim consolidated financial statements of the ING Bank Śląski S.A. Group

<u>Condensed interim unconsolidated financial statements of the ING Bank Śląski S.A</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT (PLN '000)	*Note*	**I half 2007** the period from 01 Jan 2007 to 30 Jun 2007	**I half 2006** the period from 01 Jan 2006 to 30 Jun 2006
Interest income	*2*	*1 178 207*	*957 143*
Interest expenses	*2*	*659 670*	*509 511*
Net interest income	*2*	**518 537**	**447 632**
Commission income	*3*	*506 940*	*390 437*
Commission expenses	*3*	*52 229*	*40 457*
Net commission income	*3*	**454 711**	**349 980**
Net income on investment financial assets	*4*	22 881	16 704
Net income on instruments measured at fair value through profit and loss and revaluation	*5*	19 400	40 794
Other operating income and expenses	*6*	29 135	39 850
Result on basic activities		**1 044 664**	**894 960**
General and administrative expenses	*7*	677 079	594 173
Other expenses	*8*	12 457	8 341
Impairment losses and provisions for off-balance sheet liabilities	*9*	-34 827	-93 929
Share in net profit (loss) of associates entities	*10*	23 300	17 169
Profit (loss) before tax		**413 255**	**403 544**
Income tax	*11*	72 969	68 281
Net profit (loss)		**340 286**	**335 263**
- assigned to shareholders of the holding company		335 187	332 052
- assigned to minority shareholders		5 099	3 211

Net profit (loss) assigned to shareholders of the holding company		**335 187**	**332 052**
Weighted average number of ordinary shares		**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	*12*	**25,76**	**25,52**
Diluted weighted average number of ordinary shares		13 010 000	13 010 000
Diluted earnings per ordinary share (PLN)		25,76	25,52

CONSOLIDATED BALANCE SHEET (PLN '000)	Note	I half 2007 as at 30 Jun 2007	end of 2006 as at 31 Dec 2006	I half 2006 as at 30 Jun 2006
ASSETS				
- Cash in hand and balances with the Central Bank	14	2 608 866	1 147 900	1 230 988
- Deposit accounts in other banks as well as loans and advances to other banks	15	18 078 943	13 513 898	11 269 867
- Financial assets measured at fair value through profit and loss	16	6 591 553	7 058 115	5 836 426
- Investment financial assets	17	9 593 763	12 614 914	12 221 167
- Derivative hedge instruments	19	3 770	3 329	0
- Loans and advances to customers	20	14 567 176	12 868 074	11 164 466
- Investments in controlled entities	23	77 028	90 309	67 627
- Investment real estates	24	149 127	145 970	147 656
- Property, plant and equipment	25	552 471	571 065	595 380
- Intangible assets	26	319 332	317 661	325 871
- Property, plant and equipment held for sale	27	254	224	1 882
- Deferred tax asset	28	99 527	38 132	150 046
- Other assets	29	154 813	97 114	108 454
Total assets		**52 796 623**	**48 466 705**	**43 119 830**
EQUITY AND LIABILITIES				
LIABILITIES				
- Liabilities due to the Central Bank		0	696 000	0
- Liabilities due to other banks	31	3 868 436	1 401 149	1 944 650
- Financial liabilities measured at fair value through profit and loss	32	3 937 933	3 111 213	3 862 380
- Derivative hedge instruments	19	0	0	2 111
- Liabilities due to customers	33	40 253 416	38 561 423	33 062 889
- Provisions	34	83 026	90 324	63 156
- Current income tax liabilities		50 986	67 532	49 600
- Other liabilities	35	952 038	760 671	725 549
Total liabilities		**49 145 835**	**44 688 312**	**39 710 335**
EQUITY				
- Share capital	36	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value		993 750	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	37	-65 115	42 830	-55 564
- Revaluation reserve from measurement of property, plant and equipment	37	53 681	52 263	44 359
- Retained earnings	38	2 509 476	2 536 751	2 276 963
Equity assigned to shareholders of the holding company		**3 621 892**	**3 755 694**	**3 389 608**
- Minority equity		**28 896**	**22 699**	**19 887**
Total equity		**3 650 788**	**3 778 393**	**3 409 495**
Total equity and liabilities		**52 796 623**	**48 466 705**	**43 119 830**

Solvency ratio		**13,41%**	**15,74%**	**16,09%**

Book value		**3 621 892**	**3 755 694**	**3 389 608**
Number of shares		**13 010 000**	**13 010 000**	**13 010 000**
Book value per share (PLN)		**278,39**	**288,68**	**260,54**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (PLN '000)

I half 2007
the period from 01 Jan 2007 to 30 Jun 2007

	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	Total equity
Opening balance of equity	**130 100**	**993 750**	**42 830**	**52 263**	**2 536 751**	**22 699**	**3 778 393**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-90 084	-	-	-	**-90 084**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-17 861	-	-	-	**-17 861**
- disposal of property, plant and equipment	-	-	-	-233	517	-	**284**
- remeasurement of property, plant and equipment	-	-	-	1 651	-	1 098	**2 749**
- dividends paid	-	-	-	-	-362 979	-	**-362 979**
- net result for the current period	-	-	-	-	340 286	-	**340 286**
- share of minority shareholders in the net financial result	-	-	-	-	-5 099	5 099	**0**
Total equity (closing balance)	**130 100**	**993 750**	**-65 115**	**53 681**	**2 509 476**	**28 896**	**3 650 788**

Notes: 36,37,38

end of year 2006
the period from 01 Jan 2006 to 31 Dec 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	Total equity
Opening balance of equity	**130 100**	**993 750**	**85 796**	**38 055**	**2 300 937**	**12 449**	**3 561 087**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-28 754	-	-	-	**-28 754**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-14 212	-	-	-	**-14 212**
- disposal of property, plant and equipment	-	-	-	-2 132	-1 411	-	**-3 543**
- remeasurement of property, plant and equipment	-	-	-	16 340	3 645	3 654	**23 639**
- dividends paid	-	-	-	-	-357 775	-	**-357 775**
- net result for the current period	-	-	-	-	597 951	-	**597 951**
- share of minority shareholders in the net financial result	-	-	-	-	-6 596	6 596	**0**
Total equity (closing balance)	**130 100**	**993 750**	**42 830**	**52 263**	**2 536 751**	**22 699**	**3 778 393**

Notes: 36,37,38

I half 2006
the period from 01 Jan 2006 to 30 Jun 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	Total equity
Opening balance of equity	**130 100**	**993 750**	**85 796**	**38 055**	**2 300 937**	**12 449**	**3 561 087**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-132 024	-	-	-	**-132 024**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-9 336	-	-	-	**-9 336**
- disposal of property, plant and equipment	-	-	-	-30	1 749	-	**1 719**
- remeasurement of property, plant and equipment	-	-	-	6 334	-	4 227	**10 561**
- 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	**0**
Total equity (closing balance)	**130 100**	**993 750**	**-55 564**	**44 359**	**2 276 963**	**19 887**	**3 409 495**

Notes: 36,37,38

CONSOLIDATED CASH FLOW STATEMENT - indirect method (PLN '000)	Note	I half 2007 the period from 01 Jan 2007 to 30 Jun 2007	I half 2006 the period from 01 Jan 2006 to 30 Jun 2006
OPERATING ACTIVITIES			
Net profit (loss)		**335 187**	**332 052**
Adjustments		**-3 077 000**	**312 701**
- Minority shareholders' profit (loss)	*38*	5 099	3 211
- Share in net profit (loss) of associated entities		-23 300	-17 169
- Unrealised exchange gains (losses)		-159	1 972
- Depreciation and amortisation	*7*	70 759	69 196
- Interest accrued (from the profit and loss account)		518 537	447 632
- Interest received/paid		-606 897	-702 470
- Dividends received		-1 407	-1 571
- Gains (losses) on investment activities		291	98
- Income tax (from the profit and loss account)	*11*	72 969	68 281
- Income tax paid		-169 811	-54 149
- Change in provisions		-7 298	-17 363
- Change in deposits in other banks and in loans and advances to other banks		-9 259 352	1 534 134
- Change in financial assets at fair value through profit or loss		461 481	313 492
- Change in investment financial assets		3 032 059	-1 171 995
- Change in loans and advances to customers		-1 680 165	-1 345 881
- Change in other assets		-60 429	24 437
- Change in liabilities due to other banks		1 772 229	607 846
- Change in liabilities at fair value through profit or loss		826 720	176 591
- Change in liabilities due to customers		1 724 825	270 748
- Change in other liabilities		246 849	105 661
Net cash flow from operating activities		**-2 741 813**	**644 753**
INVESTMENT ACTIVITIES			
- Purchase of property plant and equipment	*25*	-25 972	-30 809
- Disposal of property, plant and equipment		128	127
- Purchase of intangible assets	*26*	-26 940	-24 176
- Disposal of intangible assets		0	310
- Disposal of fixed assets/liabilities held for sale		1 644	0
- Dividends received	*4*	1 407	1 571
Net cash flow from investment activities		**-49 733**	**-52 977**
FINANCIAL ACTIVITIES			
- Long-term loans repaid		-19 140	-23 720
- Interest on long-term loans repaid		-1 763	-1 040
- Dividends paid	*38*	-362 979	-357 775
Net cash flow from financial activities		**-383 882**	**-382 535**
Effect of exchange rate changes on cash and cash equivalents		***-145 359***	***24 492***
Net increase/decrease in cash and cash equivalents		**-3 175 428**	**209 241**
Opening balance of cash and cash equivalents		**8 161 263**	**5 063 218**
Closing balance of cash and cash equivalents	*48*	**4 985 835**	**5 272 459**

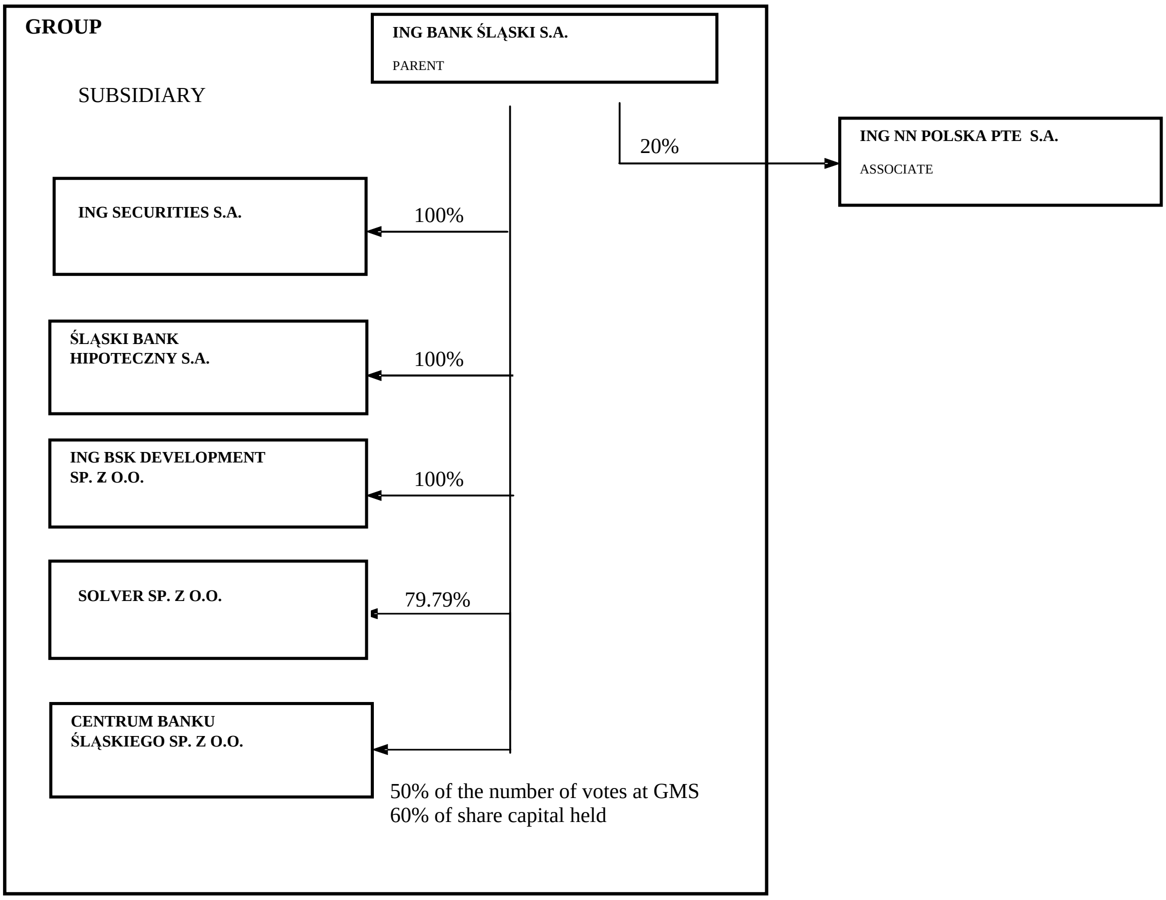
Information on the Bank and the Capital Group

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

The Parent entity statistical number is REGON 271514909, and the tax identification number is NIP 634-013-54-75. The duration of the dominant Company and members of the Capital Group was determined as indefinite in the Bank's charter and in articles of association of the Capital Group members.

The share capital of ING Bank Śląski S.A. amounts to PLN 130,100,000 and is divided into 13,010,000 ordinary 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 ("Group", "Capital 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 Shareholders Meeting.

The consolidated financial statements of the Bank for 1H 2007 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 broad range of banking services rendered for individual and institutional clients in line with the scope of services outlined in the Bank's charter. 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. undertaken banking activities, including sales of mortgage loans. Additionally through subsidiaries the Group operates brokerage services, real estate, leasing of real estate, advisory and acts as a financial intermediary as well as provides other financial services.

The financial statements for 2006 were approved by the General Meeting of Shareholders on 9 May 2007.

Selected financial data from the consolidated Financial Statements

Item	PLN thousands		EUR thousands	
	30.06.2007	30.06.2006	30.06.2007	30.06.2006
Interest income	1 178 207	957 143	306 139	245 409
Commission revenue	506 940	390 437	131 721	100 107
Result on banking activity	1 044 664	894 960	271 440	229 465
Gross profit (loss)	413 255	403 544	107 378	103 468
Net profit (loss)	335 187	332 052	87 093	85 137
Net cashflow	-3 175 428	209 241	-825 087	53 649
Earnings (loss) per 1 ordinary share (in PLN/EUR)	25.76	25.52	6.69	6.54
Profitability ratio (%)	29.5	35.0	X	X
Return on assets (%)	1.4	1.6	X	X
Return on equity (%)	20.5	21.1	X	X
Cost / Income ratio (%)	64.6	66.1	X	X
Total assets	52 796 623	43 119 830	14 020 028	10 664 250
Equity	3 621 892	3 389 608	961 786	838 306
Initial capital	130 100	130 100	34 548	32 176
Number of shares	13 010 000	13 010 000	X	X
Book value per 1 share (in PLN/EUR)	278.39	260.54	73.93	64.44
Solvency ratio (%)	13.41	16.09	X	X

Profitability ratio – gross profit to total costs.
Return on assets (ROA) – net profit assigned to shareholders of the holding company to average total assets.
Return on equity (ROE) – net profit assigned to shareholders of the holding company to average equity.
Cost to Income ratio (C/I) – total costs to income from operating activity per type.
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 3.7658 NBP exchange rate of 30.06.2007; 4.0434 NBP exchange rate of 30.06.2006,
- for income statement items for 30.06.2007 – PLN 3.8486 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q and 2Q 2007; 3.9002 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q and 2Q 2006.

Significant accounting policies

(a) Statement of compliance with International Financial Reporting Standards

The interim consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2007 to 30 June 2007 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

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 1H 2007 the Group included the following amendments to the existing accounting standards and new interpretations:

- IFRS 7: Financial Instruments: Disclosures,
- Amendment to IAS 1: Equity Disclosure (as a result of introducing IFRS 7),
- IFRIC 7: Applying Restatement Approach,
- IFRIC 8 on scope of IFRS 1: Share-Based Payments,
- IFRIC 9: Reassessment of Embedded Derivatives,
- IFRIC 10: Interim Financial Reporting and Impairment.

The adoption of the abovementioned revisions of accounting standards and new interpretations, including IFRS 7, did not cause any significant changes to the group's accounting principles. These consolidated financial statements have not been affected by the changes to IFRIC 7: Applying Restatement Approach; IFRIC 8 on scope of IFRS 2: Share-Based Payments; IFRIC 9: Reassessment of Embedded Derivatives; IFRIC 10: Interim Financial Reporting and Impairment. The most essential new disclosures resulting from implementation of IFRS 7 were presented in memos: 4, 5, 6, 16, 17, 18, 19, 32 44, 45 and in the chapter "Risk Management in the Capital Group of ING Bank Śląski S.A.”.

(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 2007 to 30th June 2007 and include the comparatives data:

- for the balance sheet as 31st December 2006 and financial year ending that day and as30th June 2006,
- for the profit and loss account, movement on equity and cash flow statement for the period from 1st January 2005 till 30th June 2006.

(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.

Published Standards and Interpretations which have been issued but are not yet binding and have not been adopted early:

- IFRIC 11, IFRS 2: Group and Treasury Share Transactions, binding for the annual periods starting after 1 March 2007
- IFRIC 12, Service Concession Agreements, binding for the annual periods starting after 1 January 2008
- IFRIC 13, Customer Loyalty Programmes, binding for the annual periods starting after 1 July 2008
- IFRIC 14 – IAS 19, The Limit on the Defined Benefit Assets, Minimum Funding Requirements and their

- Interaction, binding for the annual periods starting after 1 January 2008
- IFRS 8, Operating Segments, binding for the annual periods starting after 1 January 2009.

IFRICs 11, 12, 13, 14 and IFRS 8 were not adopted by the European Union.

(d) Basis for preparation of consolidated financial statements

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 which 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.

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 estimates reflect the reasons for/ sources of uncertainties as at the balance sheet date.

The actual results may differ from estimates.

The estimations and assumptions are reviewed on a on-going basis. 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

At 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 is 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 from the prior periods that are not currently present.

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 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 using 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 by adjusting a carrying amount of the financial asset. The amount of the reversal shall be recognised in profit or loss up to the value of prior impairment.

The methodology and the assumptions, on the basis of which the estimated cash flow and their anticipated timing are determined, 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

At each balance sheet date, the Group assesses the existence of circumstances indicating of impairment of a non-current asset. If such indicators 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 to their usage. Where possible, in models the Group uses observable data from active markets. However, the Group also adopts assumptions as to probability (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 to employment and current remuneration. 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.

Provisions for the bonus for employees and top executives

Provisions for the bonus for employees shall be set in the amount resulting from the effective bonus regulations.

The provisions for top executive staff bonuses are estimated by the Management Board which calculates the amount of benefits as of the balance-sheet date. The final amount of the bonuses is approved by the 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 a half of the voting rights of an entity and when there are:

a) rights to more than a 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, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value 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 in 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 share 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 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.

(iii) Financial statements of investments in a foreign operation

The Group does not have any investments nor runs operations abroad.

(h) Financial 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 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 and 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 at fair value through profit and 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.

This 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 liabilities

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.

(f) Financial guarantee contracts

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 profit and loss, held-to-maturity and available for sale are recognized, in accordance with accounting policies applied to all transactions of a certain type, at the settlement date, the date on which the asset 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 transferring 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.
- 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 the obligation specified in the contract is realised or cancelled or expires.

Particularly, the Group derecognizes loans and receivables or its part from its balance sheet, if rights pertaining to the credit agreement expire, the Group waives 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,
- lengthy term of ineffective execution.

The amounts of receivables written down as loss and recovered thereafter shall diminish the value of provisions for impairment loss in the income statement.

(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 their fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, 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 which fair value cannot be reliably measured, are measured at cost,
- financial liabilities resulting from the transfer of a financial asset which does not qualify for being excluded from the balance sheet or recognised on a *continuing involvement* basis.

The other financial liabilities are measured at depreciated cost or the amount of due payment.

Granted financial guarantees are measured 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.g 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 objective evidence exists that a financial asset or group of financial assets is impaired, the Group recognizes impairment in accordance with the established rules of determination of impairment of financial assets.

The fair value of financial assets quoted on active markets is 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 which the Group concludes transactions of significant volume. These special master agreements do not enable the offsetting financial assets and liabilities, because they are generally settled gross.

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

The Group presents financial assets with the repurchase clauses (repo, sell–buy–back transactions) in its balance sheet, by simultaneously recognizing a financial liability resulting from repurchase clause. This is done in order to reflect 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 (Reverse Repo, BSB,), 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 subject to repo/reverse repo transactions are derecognised 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 or 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 profit and loss. The change in fair value of financial assets and liabilities is recognized in profit and loss account in the caption "Net income on instruments at fair value through profit or loss".

(k) Derivative 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, i.e. 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 some or all of the cash flows arising from the host contract to be 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 accounts 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 the 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 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) is recognised in profit and 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 and loss. Recognition of the gain or loss attributable to the hedged risk in profit and loss applies if the hedged item is an available-for-sale financial asset.

The Group applies the fair value hedge accounting whereby it hedges against any changes to the fair value of the real estates following the changes in the current foreign exchange rates and the changes in the fair value of debt papers of fixed interest rate classified as the assets available for sale following the changes in the interest rates.

Cash flow hedge

Cash flow hedge: a hedge of the exposure to volatility 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.

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 and 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 transferred successively into the profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit and 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 within the group.

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 loan receivables by size of exposure, 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 of loans 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 in 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 and 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 and 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 is removed from equity and recognised in the profit and 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 and 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 and 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 and 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, the impairment loss is reversed, with the amount of the reversal recognized in profit and loss.

Financial assets carried at cost

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

(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.

The revaluation effect is reflected in the revaluation reserve/ revaluation capital in case of the value increase, or carried through the income statement in case of the balance sheet asset's value decrease. However, the increase of value is recognised as income insofar as it reverses the decrease of value due to revaluation of the same asset that was previously recognised as costs of a given period. Similarly, the decrease of the asset's value resulting from revaluation shall be set off against the relevant surplus resulting from the previous revaluation of the same asset.
The entire revaluation surplus shall be realised at the time of withdrawing from use or selling the asset.

(n) Tangible fixed assets

(i) Own tangible fixed assets

Tangible fixed assets consist of fixed assets and costs to construct 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 result in 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 ensure 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 reviewed 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
• leaseholds improvements	period of the lease or hire
• 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 and is paid for the use on the benefits on the current assets.

In case of lease contracts, which result in transferring substantially all the risks and rewards following the ownership of that asset under lease, The subject of such lease agreement is derecognized from the balance sheet. A receivable amount is recognized, 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 achieve reaching a fixed rate of return from the outstanding receivables.

Lease payments for contracts which do not fulfil requirements 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 another party's non-current assets or intangible assets for an agreed period for paid use or other benefits.

In case of lease contracts, under which essentially all risks and rewards resulting from ownership of the leased assets are transferred, subject of such lease agreement is recognized 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 achieve obtaining a fixed rate of interest on the outstanding liability. Financial costs are recognized directly in 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 an asset has been transferred, then non-current assets used pursuant to finance lease contracts are depreciated over the shorter of two: the expected useful life or the period of lease.

Lease payments for contracts which do not fulfil 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 carried at cost less an allowance.

(ii) Liabilities

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

(iii) Non current assets held for sale and discontinued 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 from the period 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 are components of the Group that either have been disposed of or are classified as held for sale and represent a separate major line of business or geographical area of operations, are a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or are 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 for the purposes of a Cash Flow statement include: Cash on hand and cash held at the Central Bank, cash equivalents e.g. balances on current accounts and overnight deposits held by the other banks.

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

For each balance sheet date, the Group assesses the existence of objective evidence indicating impairment of a non-current asset. If such evidence exists, 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 evidence exists, 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 impairment loss

Goodwill impairment loss is not subject to reversal.

An impairment loss of 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 up to the amount, at which the book value of impaired asset does not exceed its book value, which decreased by depreciation charge, would be established, if any impairment loss had not been recognized.

(t) Equity

Equity comprises 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. Acquired 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 paid as of the balance sheet day are disclosed under the balance sheet recognized in the balance „Other Liabilities".

Share premium

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

Revaluation reserve

Revaluation reserve is created 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,

The deferred tax resulting from above mentioned revaluation is included in the revaluation reserve. The revaluation reserve is not subject to profit distribution.

Retained earnings

Retained earnings are created from 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 from 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 of 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 regulatory framework of social benefits, assigned based on 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 Group NV. ING Group NV has granted option rights on ING Group NV shares and conditional rights on depositary receipts for ING shares to a number 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 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 from 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. This is also applicable for the recognition of provisions for risk-bearing off-balance sheet commitments including guarantees, letters of credit, and irrevocable unused credit lines.

(y) Net interest income

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 at fair value through profit and loss are recognized under 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. Commission income also comprises margins on FX derivatives transactions concluded with corporate clients.

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 and revaluation

Result on financial instruments at fair value through profit and loss and revaluation 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 on financial instruments at fair value through profit and loss and revaluation also covers the swap points from derivative transactions that the Bank enters into in order to gain liquidity in foreign currencies.

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) Net income on investment financial assets

The net income on investment financial assets comprises profits and losses resulting from sale of financial assets classified as available for sale and earnings from dividends. Dividend income is recognized in the profit and loss account when the shareholders' right to receive payment is established.

(cc) 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.

(dd) 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) .

(ee) 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.

(ff) Deferred income tax

The Group creates a provision for deferred tax in respect of all taxable temporary difference and deferred tax asset with regard to all deductible temporary differences to extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised according to accounting regulations and according to legal regulations concerning corporate income taxation. A positive net difference is recognized in liabilities as "Deferred tax reserve". A negative net difference is recognized under "Deferred tax assets".

The deferred tax reserve 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 reserve 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 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 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 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 tax component.

Deferred tax assets and deferred tax reserves are estimated with the use of the tax rates which are expected to be in force when the asset is realized or reserve 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 reserves are recognized by the Group in the balance sheet after offsetting at level of each entity included in consolidation. The Group offsets deferred tax assets and deferred tax reserves, where it has legal title to effect such offsetting, and the deferred assets and reserves pertain to the same taxpayer.

(gg) Other taxes

Income, 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.

Comparability of financial data – changes in presentation

In the financial statements prepared for the period from 1st January 2007 to 30rd June 2007 the Bank made changes relating to presentation of certain positions in Profit and Loss Account. The described changes regard aggregation of positions of a similar characteristics and valuation of closely related financial instruments.

This situation applies to Financial assets measured at fair value through profit and loss and Commission due to currency exchange transactions. Both positions were influenced by valuation of financial instruments which previously were presented split into mark to market valuation and changes due to exchange rate differences. In the Bank's opinion aggregation of those positions into one line in financial statement results in better presentation of results on each instrument as well as in easier analysis. Furthermore, the margins on FX derivatives transactions concluded with corporate clients were moved from the item "Result on financial instruments carried at fair value through profit or loss" to the "Commission result".

Similarly, provisions from currency exchange transactions in Bank's branches were transferred from Net income on the revaluation of F/X positions & transactions into Net commission income as they create a stable income flow on the year to year basis.

Item "Revenue on dividend" and "Result on investment financial assets" were combined into one item "Result on investment financial assets".

Detailed analysis of economical content in current positions other operating income and expenses resulted in clear division of positions into those related to costs and income. Additionally positions related to commissions, stable among the reporting periods were moved to Net commission income.

The costs of direct maintenance of buildings were transferred from the item "Costs of the bank's operation" to the item "Other operating revenue & expenses".

Item "Bank's operational costs and general administration costs" and "Depreciation of non-current and intangible assets" were combined into one item "Bank's operational costs".

Minor change was made in Impairment losses and provisions for off-balance sheet liabilities which resulted in exclusion of positions relating to valuation of own property. This position was moved into newly created position in Other Expenses.

Profit and loss account for the period of 1st January to 30rd June 2006 was adjusted for comparison purposes.

In the financial statements drafted as at 30.06.2007, the Bank changed the balance-sheet presentation of cash entrusted to the outsourcer. The change meant transferring from the item "Loans and cash loans granted to clients" to the item "Cash, funds with Central Bank". An argument in favour of the abovementioned change was the fact that despite transferring the entire risk to the outsourcer in accordance with the terms and conditions of the agreement, as a matter of fact the Bank maintained control over the assets. The said change also concerned the presentation of cash in the cashflow statement.

The balance sheet as at 30.06.2007 includes a separate item "Hedge derivatives", where the balance valuation of fair value hedge derivatives was presented and whereto the relevant amounts from the items "Financial assets carried at fair value through profit or loss" and "Financial liabilities carried at fair value through profit or loss" were moved. The aforementioned balance change affected modification of the cash flow statement; i.e. the relevant amounts from the item "Movements in financial assets carried at fair value through profit or loss" were shifted to the item "Movements in other assets" and from the item "Movements in liabilities carried at fair value through profit or loss" to the item “Movements in other liabilities”.

The balance sheet and the cashflow statements for previous terms were modified in order to make them comparable.

Consolidated Profit and Loss

		Profit and loss account before change																						
	Profit and loss account	Interest income	Interest expenses	**Net interest income**	Commission income	Commission expenses	**Net commission income**	Dividend income	Net income on instruments measured at fair value through profit and loss	Net income on investmet financial assets	Net income from fair value measurement of investment real estate	Net income on available for sale assets and assets held for sale	Net income from fair value measurement for the purpose of hedge accounting	Net income on the revaluation of FX positions and transactions	Other operating income	Other operating expenses	**Result on basic activities**	General and administrative expenses	Depreciation and amortization	Net income on disposal of assets other than held for sale	Impairment losses and provisions for off-BS liabilities	Share in net profit (loss) of co-subsidiaries and associated entities recognised under the equity method	**Profit (loss) before tax**	Income tax	**Net profit (loss)**
	30.06.2006 Group consolidated	957 143	-509 511	**447 632**	344 997	-40 380	**304 617**	1 571	14 252	15 133	6 683	-3	7 014	72 980	31 066	-10 566	**890 379**	-528 804	-69 196	4	93 992	17 169	**403 544**	-68 281	**335 263**
Profit and loss account after change	Interest income	957 143																							**957 143**
	Interest expenses		-509 511																						**-509 511**
	Net interest income																								**447 632**
	Commission income				344 997									45 440 {A}											**390 437**
	Commission expenses					-40 380										-77 {B}									**-40 457**
	Net commission income																								**349 980**
	Net income on investment financial assets							1 571		15 133															**16 704**
	Net income on instruments measured at fair value through profit and loss and revaluation								14 252					26 542											**40 794**
	Other operating income and expenses										6 683	-3	7 014	998 {C}	31 066	-2 081 {D}		-3 827 E}							**39 850**
	Result on basic activities																								**894 960**
	General and administrative expenses																	-524 977	-69 196						**-594 173**
	Other expenses															-8 408				4	63 {F}				**-8 341**
	Impairment losses and provisions for off-BS liabilities																				93 929				**93 929**
	Share in net profit (loss) of co-subsidiaries and associated entities recognised under the equity method																					17 169			**17 169**
	Profit (loss) before tax																								**403 544**
	Income tax																							-68 281	**-68 281**
	Net profit (loss)	**957 143**	**-509 511**	**447 632**	**344 997**	**-40 380**	**304 617**	**1 571**	**14 252**	**15 133**	**6 683**	**-3**	**7 014**	**72 980**	**31 066**	**-10 566**	**890 379**	**-528 804**	**-69 196**	**4**	**93 992**	**17 169**	**403 544**	**-68 281**	**335 263**

{A}- transfer refers to: commission on exchange operations and transactional margin on FX derivatives
{B}- transfer refers to: suspended commission costs for written-off receivables, both cost deductible and non cost deductible
{C}- transfer refers to: valuation of the investment real estate, operational costs connected with direct maintenance of buildings and the hedging transaction under the fair value hedge accounting for properties.
{D}- transfer refers to: other operational costs connected with payment cards and mortgage loans insurance as well as operational costs connected with direct maintenance of buildings.
{E}- transfer refers to: general administration costs connected with costs of direct maintenance of buildings.
{F}- transfer refers to: impairment charges for other non-financial asses and measurement of non-current assents at fair value.

Standalone Profit and Loss

	Profit and loss account	Profit and loss account after change																				
	Profit and loss account	Interest income	Interest expenses	**Net interest income**	Commission income	Commission expenses	**Net commission income**	Dividend income	Net income on instruments measured at fair value through profit and loss	Net income on investmet financial assets	Net income on available for sale assets and assets held for sale	Net income on available for sale assets and assets held for sale	Other operating income	Other operating expenses	**Result on basic activities**	General and administrative expenses	Depreciation and amortization	Net income on disposal of assets other than held for sale	Impairment losses and provisions for off-BS liabilities	**Profit (loss) before tax**	Income tax	**Net profit (loss)**
	30.06.2006 Bank unconsolidated	959 024	-513 521	**445 503**	290 523	-27 891	**262 632**	56 640	13 958	15 133	-3	86 561	19 525	-7 762	**892 187**	-515 865	-67 054	4	91 316	**400 588**	-64 071	**336 517**
Profit and loss account after change	Interest income	959 024																				**959 024**
	Interest expenses		-513 521																			**-513 521**
	Net interest income																					**445 503**
	Commission income				290 523							45 440 A}										**335 963**
	Commission expenses					-27 891								-77 {B}								**-27 968**
	Net commission income																					**307 995**
	Net income on investment financial assets							56 640		15 133												**71 773**
	Net income on instruments measured at fair value through profit and loss and revaluation								13 958			41 121										**55 079**
	Other operating income and expenses										-3		19 525	-1 605 {C}								**17 917**
	Result on basic activities																					**898 267**
	General and administrative expenses															-515 865	-67 054					**-582 919**
	Other expenses													-6 080				4	113 {D}			**-5 963**
	Impairment losses and provisions for off-BS liabilities																		91 203			**91 203**
	Profit (loss) before tax																					**400 588**
	Income tax																				-64 071	**-64 071**
	Net profit (loss)	**959 024**	**-513 521**	**445 503**	**290 523**	**-27 891**	**262 632**	**56 640**	**13 958**	**15 133**	**-3**	**86 561**	**19 525**	**-7 762**	**892 187**	**-515 865**	**-67 054**	**4**	**91 316**	**400 588**	**-64 071**	**336 517**

{A} transfer refers to: commission on exchange operations and transactional margin on FX derivatives
{B} transfer refers to: suspended commission costs for written-off receivables, both cost deductible and non cost deductible
{C} transfer refers to: other operational costs connected with payment cards and mortgage loans insurance
{D} transfer refers to: impairment charges for other non-financial asses and measurement of non-current assents at fair value

Notes to the consolidated financial statements

1. Segment reporting

Segment information is presented in respect of the Group's business. 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 using of the transfer pricing system. The transfer prices are calculated on the basis of one profitability curve for the given currency, common for assets' and liability' products. The transfer price designated for assets' and liabilities' 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 case of complex products and pricing policy. Profitability curves are 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's 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 provides reporting broken down by loan 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 of investing funds originating from own funds and funding some assets of the Bank. The main element of the core business income of 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.

Geographical segments

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

Segment reporting – continued

PLN thousand	30.06.2007					30.06.2006				
	Retail customers segment	Corporate customers segment	Own operations		TOTAL	Retail customers segment	Corporate customers segment	Own operations		TOTAL
			Proprietary trading	ALCO				Proprietary trading	ALCO	
Revenue total	**587 752**	**362 320**	**68 299**	**49 593**	**1 067 964**	**479 229**	**309 415**	**70 152**	**53 334**	**912 129**
Core business	**578 258**	**353 493**	**63 430**	**72 784**	**1 067 964**	**468 418**	**292 486**	**64 153**	**87 072**	**912 129**
Income on lending	114 525	102 616			217 141	114 966	79 393			194 359
Interest income external	*154 096*	*281 539*				*141 849*	*205 940*			
Interest cost internal	*-71 750*	*-224 694*				*-54 204*	*-154 130*			
Income on fees/ other income	*32 179*	*45 771*				*27 320*	*27 583*			
Income on deposits	313 551	131 624			445 176	278 848	110 070			388 918
Interest costs external	*-321 960*	*-167 858*				*-293 941*	*-171 865*			
Interest income internal	*514 768*	*244 077*				*463 892*	*227 393*			
Income on fees/ other income	*120 744*	*55 405*				*108 897*	*54 541*			
Income on mutual funds	96 808				96 808	33 488				33 488
Income on brokerage and custody	25 763	47 612			73 375	19 417	35 801			55 218
Other income on core business	-1 739	-604	141 724	72 784	212 164	207	-745	136 443	87 072	222 977
FM products sales	6 050	72 244	-78 294		0	4 323	67 967	-72 290		0
Income on Pension Funds shares	23 300				23 300	17 169				17 169
Result on economic capital	9 495	8 826	4 869	-23 190	0	10 811	16 928	5 999	-33 738	0
Expenses total	**430 747**	**219 643**	**28 249**	**10 897**	**689 536**	**380 780**	**182 983**	**21 793**	**16 959**	**602 514**
Operational costs	429 519	219 631	28 249	10 897	688 296	381 261	182 935	21 793	16 959	602 948
including depreciation	*55 822*	*11 541*	*3 396*		*70 759*	*54 589*	*11 286*	*3 321*		*69 196*
Other operational costs (operational risk)	1 228	12	0	0	1 240	-481	48	0	0	-434
Result before risk	**157 005**	**142 677**	**40 049**	**38 697**	**378 428**	**98 449**	**126 432**	**48 359**	**36 375**	**309 615**
Risk cost	-16 112	-18 715	0	0	-34 827	-12 729	-81 200	0	0	-93 929
Result before tax	**173 118**	**161 391**	**40 049**	**38 697**	**413 255**	**111 179**	**207 631**	**48 359**	**36 375**	**403 544**
CIT					72 969					68 281
Result after tax					**340 286**					**335 263**
- assigned to shareholders of the holding company					**335 187**					**332 052**
- assigned to minority shareholders					5 099					3 211

Transformed item	30.06.2007					30.06.2006				
	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	3 735 829	12 110 609	34 986 419	611 214	51 444 071	2 892 207	9 443 939	28 808 152	578 616	41 722 914
Segment investments in subordinates	77 028				77 028	67 627				67 627
Other assets (not allocated to segments)					1 275 524					1 329 289
Total assets					**52 796 623**					**43 119 830**
Segment liabilities	23 835 543	15 178 074	9 046 168		48 059 785	21 594 340	12 372 873	4 904 817		38 872 030
Other liabilities (not allocated to segments)					1 086 050					838 305
Equity					3 650 788					3 409 495
Total liabilities					**52 796 623**					**43 119 830**
Other										
Capital expenditure	48 951	24 961	3 210	1 238	78 360	46 267	22 233	2 648	2 061	73 209
Depreciation	55 822	11 541	3 396		70 759	54 589	11 286	3 321		69 196
Net cash flow from operating activity	755 575	-309 043	4 364 116	-7 471 726	-2 661 078	294 882	-985 330	-628 121	2 161 186	842 617
Net cash flow from operating activity - other items not allocated to segments					-80 735					-197 864
Total net cash flow from operating activity					-2 741 813					644 753
Net cash flow from investing activity	-11 689	-23 494	-15 040	491	-49 733	-7 507	-23 262	-13 895	-8 313	-52 977
Net cash flow from financial activity	0	-20 903	0	-362 979	-383 882	-4 480	-20 280	0	-357 775	-382 535

2. Net interest income

	1 half 2007	1 half 2006
Interest and similar income		
- Loans and advances to banks	415 610	248 351
- Loans and advances to customers	407 954	338 118
- Interest on debt securities held for trading	68 500	61 035
- Interest on available-for-sale debt securities	285 168	308 079
- Reverse repos	479	1 222
- Other	496	338
	1 178 207	**957 143**

With regards to interest revenue for 1 half of 2007, the amount of PLN 6,469 thousand represents revenue from financial assets for which impairment loss was recognised. In 1 half of 2006 respectively the amount reached PLN 23,207 thousand. Interest income related to financial assets is calculated using the net exposure amounts; i.e. the amounts including effective impairment losses.

	1 half 2007	1 half 2006
Interest expense and similar charges		
- Deposits from banks	52 599	35 508
- Deposits from customers	551 799	459 107
- Loans and advances	233	999
- Reverse repos	54 943	13 897
- Other	96	0
	659 670	**509 511**
Net interest income	**518 537**	**447 632**

3. Net commission income

	1 half 2007	1 half 2006
Commission income		
- Brokerage fees	65 539	52 293
- Fiduciary and custodian fees	15 621	11 297
- Foreign commercial business	11 237	9 572
- Commission for transfers, cash payments and other payment transactions	51 158	51 097
- Commission and fees for payment and credit cards	67 240	55 132
- Commission for loans and advances	41 509	37 810
- Commission and fees related to keeping accounts	74 822	73 236
- Commission and fees related to electronic banking systems	5 908	5 574
- Commission and fees for guarantees, sureties and letters of credit	11 318	8 675
- Commission and fees due to distribution of participation units	104 934	33 943
- The transaction margin on currency exchange transactions	51 560	45 440
- Other	6 094	6 368
	506 940	**390 437**
Commission expense		
- Brokerage fees	14 921	12 419
- Other commission, including:	37 308	28 038
- costs of the Bank Guarantee Fund (BFG)	*2 014*	*1 741*
- costs of the National Clearing House (KIR)	*2 097*	*1 345*
- commission paid related to securities trading	*2 915*	*1 705*
- commission paid related to banking cards	*17 163*	*12 065*
	52 229	**40 457**
Net commission income	**454 711**	**349 980**

4. Net income on investment financial assets

	1 half 2007	1 half 2006
- Equity instruments	14 640	5 805
- Debt instruments	7 021	9 328
- Dividend income	1 407	1 571
- Valuation of the transaction hedged under the fair value hedge accounting for securities	-1 192	0
- Valuation of the hedging transaction under the fair value hedge accounting for securities	1 005	0
Net income on investment financial assets	**22 881**	**16 704**

5. Result on financial instruments carried through profit and loss and revaluation

	1 half 2007	1 half 2006
Net income on financial assets and liabilities held for trading	-8 803	1 891
- Net income on equity instruments	1 333	-83
- Net income on debt instruments	-37 624	-6 820
- Net income on derivatives	27 488	8 794
- Currency derivatives	*-721*	*-11 221*
- Exchange rate derivatives	*22 944*	*18 616*
- Securities derivatives	*5 265*	*1 399*
Net income on financial assets and liabilities measured at fair value upon initial recognition	3 014	3 336
- Net income on debt instruments	3 014	3 336
Result on the revaluation of balance sheet items	25 189	35 567
Result on financial instruments carried through profit and loss and revaluation	**19 400**	**40 794**

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. Other operating income and expenses

	1 half 2007	1 half 2006
- Due to recovered unrecoverable receivables	422	543
- Received indemnities, penalties and fines	254	8 391
- Income from sales of other services	3 869	2 607
- Net income on available-for-sale assets and assets held for sale	-19	-3
- Net income on the investment properties:	7 739	17 857
- Income rental from of the investment properties	*8 354*	*6 828*
- Measurement of the investment property at the fair value	*2 882*	*14 852*
- Maintance expenses relating to the investment properties	*-3 497*	*-3 823*
- Fair value adjustment in hedge accounting	-2 672	7 014
- Valuation of the hedging transaction under the fair value hedge accounting for properties	2 599	-7 647
- Other	16 943	11 088
Total	**29 135**	**39 850**

Item "Income from sales of other services" covers mainly the sales of services at recreation centres of one of the subsidiairies of Group.

7. General and administrative expenses

	1 half 2007	1 half 2006
- Personnel expenses:	**321 589**	**279 234**
wages and salaries, including:	*267 857*	*233 173*
special and retirement benefits	*1 595*	*957*
employee benefits, including:	*53 732*	*46 061*
training expenses	*8 050*	*4 481*
- General and administrative expenses:	**284 731**	**245 743**
on property, plant and equipment	*42 520*	*39 920*
taxes and charges (including PFRON)	*3 556*	*3 606*
maintenance and rental of buildings	*71 297*	*64 448*
communication services	*30 564*	*31 841*
leasing services	*5 548*	*5 234*
refurbishment services	*14 988*	*16 628*
licences and patents	*9 121*	*7 902*
other external services	*107 137*	*76 164*
- Depreciation and amortisation	**70 759**	**69 196**
on property, plant and equipment	*46 032*	*50 755*
on intangible assets	*24 727*	*18 441*
Total	**677 079**	**594 173**

8. Other expenses

	1 half 2007	1 half 2006
- Due to court fees paid	0	36
- Donations made	1 033	1 157
- Other operating expenses due to disputed claims	1 167	147
- Impairment losses on other non-financial assets	591	616
- Measurement of fixed assets at fair value	-423	-679
- Result on disposal of assets (fixed and intangible assets) and own properties	328	-4
- Other	9 761	7 068
Total	**12 457**	**8 341**

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.

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

	1 half 2007	1 half 2006
- Impairment losses on loans and advances	40 132	148 332
- Reversed impairment losses on loans and advances	-32 040	-186 626
Net impairment losses on loans and advances	**8 092**	**-38 294**
including:		
- losses on loans and advances at risk of impairment	*318*	*-16 250*
- IBNR	*7 774*	*-22 044*
- Impairment losses on bad debts	58 629	11 061
- Reversed impairment of amounts recovered from loans previously written off	-105 535	-64 662
Net impairment losses on bad debts	**-46 906**	**-53 601**
- Impairment losses on available-for-sale financial assets:	0	0
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*0*	*0*
- Reversed impairment losses on available-for-sale financial assets:	-314	-79
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-314*	*-79*
Net impairment losses on available-for-sale financial assets:	**-314**	**-79**
including:		
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-314*	*-79*
- Recognised provisions for off-balance sheet liabilities	13 978	11 038
- Reversed provision for off-balance sheet liabilities	-9 677	-12 993
Net provisions for off-balance sheet liabilities recognised	**4 301**	**-1 955**
including:		
- on the portfolio at risk of impairment	*129*	*-5 634*
- IBNR	*4 172*	*3 679*
Total impairment losses	**112 739**	**170 431**
Total reversed impairment losses	**-147 566**	**-264 360**
Net impairment losses and provisions for off-balance sheet liabilities	**-34 827**	**-93 929**

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

	1 half 2007	1 half 2006
- ING Nationale Nederlanden Polska PTE S.A.	23 300	17 169
Total	**23 300**	**17 169**

11. Income tax

	1 half 2007	1 half 2006
Recognised in the profit and loss account		
- Current portion		
Current year	110 861	105 938
Adjustment of last-year tax settlement	3 731	-179
	114 592	**105 759**
- Deferred tax		
Recognised and reversed temporary differences	-41 854	-37 940
Benefits resulting from tax loss	-174	-4
	-42 028	**-37 944**
- Increases/decreases of the receivables due to 8% relief related to provisions for receivables	405	466
Total income tax recognised in the profit and loss account	**72 969**	**68 281**

Effective tax rate calculation

	1 half 2007	1 half 2006
- Profit before tax	**413 255**	**403 544**
- 19% income tax	**78 518**	**76 673**
- Increases – non-deductible expenses	**3 701**	**3 244**
- provision for expected losses	*288*	*87*
- PFRON	*448*	*437*
- representation and advertising expenses over the statutory limit	*0*	*321*
- representation expenses	*558*	*0*
- expenses due to foreign payments	*91*	*97*
- expenses due to loan and non-loan receivables written off	*548*	*636*
- other	*1 768*	*1 666*
- Decreases – tax exempt income	**9 655**	**12 102**
- income exempt due to the entity	*280*	*290*
- dividend income	*267*	*297*
- release of the provision for any foreseen losses	*197*	*312*
- provisions/impairment in a part not covered by deferred tax	*145*	*2 860*
- depreciation on real estate	*949*	*992*
- share in net profit (loss) of associated entities	*4 427*	*3 262*
- balance sheet valuation of loans	*0*	*496*
- other	*3 390*	*3 593*
- 19% income tax /+/ increases /-/ decreases	**72 564**	**67 815**
- Increases/decreases of the receivable due to 8% relief related to provisions for receivables	405	466
Income tax from profit and loss account	**72 969**	**68 281**
Effective tax rate	**17,46%**	**16,69%**

12. Earnings per share

Basic earnings per share

Calculation of basic earnings per share as of 30 June 2007 was based on annualised net profit amounted to PLN 335,187 thousand (30 June 2006: PLN 332,052 thousand) and weighted average number of ordinary shares in the similar period equal 13,010,000 (30 June 2006: 13.010.000).

	1 half 2007	1 half 2006
- Profit for 12 months	335 187	332 052
- Weighted average number of ordinary shares	13 010 000	13 010 000
Earnings per share (PLN)	**25,76**	**25,52**

Diluted earnings per share

During I half of 2007 as well as during 2006 the number of shares making up the share capital of the Group did not change. During the analysed period, the Group 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.

13. Dividends paid/proposed

General Stakeholders Meeting accepted the dividend payment for the 2005 on 27 April 2006. The amount of dividend equals PLN 27.50 per share which in total amounted to PLN 357,775 thousand. The dividend was paid on 5 of June 2006.

General Stakeholders Meeting accepted the dividend payment for the 2006 on 9 May 2007. The amount of dividend equals PLN 27.90 per share which in total amounted to PLN 362,979 thousand. The dividend was paid on 11 of June 2007.

14. Cash in hand and balances with the Central Bank

	1 half 2007	end of 2006	1 half 2006
- Cash in hand	454 058	508 254	427 967
- Balances with the Central Bank	2 154 808	639 646	803 021
Total	**2 608 866**	**1 147 900**	**1 230 988**

Dominant entity of the Group maintains a mandatory provision - at the level of 3.5% of the value of deposits received by the Bank - on its current account kept with the National Bank of Poland. The amount of the calculated provision is reduced by an equivalent of EUR 500 thousand, which equalled:
- PLN 1,894 thousand as of 30 Apr 2007,
- PLN 1,944 thousand as of 31 Oct 2006,
- PLN 1,974 thousand as of 31 May 2006.

The average obligatory provision equalled:
- PLN 1,374,918 thousand for the period from 31 May 2007 to 01 Jul 2007,
- PLN 1,190,991 thousand for the period from 30 Nov 2006 to 01 Jan 2007,
- PLN 1,150,941 thousand for the period from 30 Jun 2006 to 30 Jul 2006.

The Group may utilise the debt limit with the National Bank of Poland for the amount of PLN 9,400,106 thousand i.e. 0,8 of the face value of Treasury papers pledged.

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

	1 half 2007	end of 2006	1 half 2006
- Nostro accounts	352 110	277 596	51 165
- interbank deposits	17 322 487	12 976 032	11 006 604
- other receivables	307 256	220 665	177 286
- loans and advances	*187 698*	*170 188*	*123 362*
- other receivables	*119 558*	*50 477*	*53 924*
- accrued interest	97 944	40 031	35 058
Total (gross)	**18 079 797**	**13 514 324**	**11 270 113**
Impairment losses, including:	-854	-426	-246
Total (net)	**18 078 943**	**13 513 898**	**11 269 867**

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

	1 half 2007	end of 2006	1 half 2006
- Maturing:	17 981 853	13 474 293	11 235 055
- up to 1 month	8 950 788	11 330 679	6 022 081
- over 1 month and up to 3 months	8 477 364	2 026 960	4 998 709
- over 3 months and up to 1 year	549 783	110 542	205 357
- over 1 year and up to 5 years	3 918	6 112	8 908
- over 5 years	0	0	0
- after maturity	0	0	0
- Accrued interest	97 944	40 031	35 058
TOTAL	**18 079 797**	**13 514 324**	**11 270 113**

16. Financial assets at fair value through profit or loss

	1 half 2007	end of 2006	1 half 2006
- Financial assets held for trading	4 768 855	6 834 597	5 517 113
- Financial assets designated as at fair value upon initial recognition	1 822 698	223 518	319 313
Total	**6 591 553**	**7 058 115**	**5 836 426**

Financial assets held for trading

	1 half 2007	end of 2006	1 half 2006
- Debt instruments			
Bonds and bills issued by:	3 916 998	5 856 674	4 603 151
State Treasury	*3 802 664*	*5 856 674*	*4 523 017*
Monetarne instytucje finansowe	*34 343*	*0*	*0*
Financial sector	*43 416*	*0*	*0*
Non financial sector	*36 575*	*0*	*80 134*
Total debt instruments	**3 916 998**	**5 856 674**	**4 603 151**
Listed instruments	*3 800 859*	*5 842 211*	*4 523 017*
Unlisted instruments	*116 139*	*14 463*	*80 134*
Equity instruments	**2 108**	**16 679**	**300**
Listed instruments	*2 108*	*16 679*	*300*
Derivative financial instruments	**849 749**	**961 244**	**913 662**
Total	**4 768 855**	**6 834 597**	**5 517 113**

Financial assets designated as at fair value upon initial recognition

	1 half 2007	end of 2006	1 half 2006
Debt instruments	**1 035 805**	**142 559**	**149 090**
- Bonds and bills issued by:	1 035 805	142 559	149 090
State Treasury	*891 686*	*0*	*0*
Non financial sector	*144 119*	*142 559*	*149 090*
Repo transactions	**786 893**	**80 959**	**170 223**
Total	**1 822 698**	**223 518**	**319 313**

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 the above mentioned bonds for fair value measurement based on the profit and loss statement allows to obtain more useful information due to elimination of „accounting mismatch". "Mismatch" would involve inconsistencies with regards to the recognition of the effects of measurement of an investment item in the form of above bonds and IRS transactions, measured at fair value through the profit and loss, securing the interest rate risk of 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.

For the transactions with the buy-back commitment, all benefits and risks related to assets and the option of their sale remain with the Group.

Financial assets at fair value through profit or loss by maturity

	1 half 2007	end of 2006	1 half 2006
- up to 1 month	921 857	149 185	105 475
- over 1 month and up to 3 months	228 011	1 197 034	247 708
- over 3 months and up to 1 year	325 636	669 002	1 846 082
- over 1 year and up to 5 years	3 986 842	4 831 720	1 507 370
- over 5 years	1 129 207	211 174	2 129 791
Total	**6 591 553**	**7 058 115**	**5 836 426**

Movements in financial assets at fair value through profit or loss

	1 half 2007	end of 2006	1 half 2006
Opening balance	7 058 115	6 155 240	6 155 240
Increases	197 192 244	903 044 920	445 796 047
- purchase of debt securities	196 697 138	902 882 781	445 571 593
- purchase shares in other parties	399 534	0	82 258
- increase in the value of securities	95 572	161 572	69 021
- measurement of off-balance sheet derivative instruments	0	567	73 175
Decreases	-197 658 806	-902 142 045	-446 114 861
- sales of debt securities	-175 022 595	-855 335 221	-426 856 217
- repurchase of debt securities	-19 987 069	-37 971 704	-19 033 435
- sales of shares in other parties	-414 407	0	-83 254
- drop in the value of securities	-2 123 238	-8 835 117	-97 826
- measurement of off-balance sheet derivative instruments	-111 497	-3	-44 129
Closing balance	**6 591 553**	**7 058 115**	**5 836 426**

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'.

17. Investment financial assets

	1 half 2007	end of 2006	1 half 2006
- Available-for-sale financial assets, including:	9 593 763	12 614 914	12 221 167
Fair value hedge - hedged items	*48 541*	*0*	*0*
Total	**9 593 763**	**12 614 914**	**12 221 167**

Available-for-sale financial assets

	1 half 2007	end of 2006	1 half 2006
- Fixed rate debt instruments	8 673 154	10 921 628	10 589 637
Treasury bonds	*8 522 434*	*10 659 886*	*10 358 039*
Treasury bills	*150 720*	*261 742*	*231 598*
- Floating rate debt instruments	899 259	1 667 227	1 623 001
Treasury bonds	*389 044*	*1 119 430*	*1 117 972*
NBP bonds	*502 857*	*516 017*	*504 624*
Other	*7 358*	*31 780*	*405*
Total debt instruments	**9 572 413**	**12 588 855**	**12 212 638**
Listed instruments	*8 911 488*	*11 779 326*	*12 212 233*
Unlisted instruments	*660 925*	*809 529*	*405*
- Equity instruments			
Equity instruments at cost	*15 454*	*27 432*	*4 780*
Market value evaluation	*19 130*	*11 868*	*6 292*
Impairment	*-13 234*	*-13 241*	*-2 543*
Equity instruments – carrying value	**21 350**	**26 059**	**8 529**
Listed instruments	*153*	*0*	*6 293*
Unlisted instruments	*21 197*	*26 059*	*2 236*
Total	**9 593 763**	**12 614 914**	**12 221 167**

The item “Equity instruments” shows the shares and participations of several entities that in major part are not listed on the stock exchange. The Group does not measure them at fair value. The shares of one of the companies where the Group holds B-series shares (not quoted on the stock exchange) form an exception thereto. These are measured using the share price of A-series shares from the regulated trading market.
Holding some shares and participations is driven by the operations of Group members. These are the shares of the Warsaw Stock Exchange, CeTO SA, the Polish Clearing Chamber, SWIFT and the Polish Credit Information Bureau, among others. Other shares are classified by the Group for disposal (by sale or liquidation).

Fair value hedge - hedged items

	1 half 2007	end of 2006	1 half 2006
Fixed rate debt instruments	48 541	0	0
- Bonds issued by:	48 541	0	0
State treasury	*48 541*	*0*	*0*
Total	**48 541**	**0**	**0**

Movements in investment financial assets

	1 half 2007	end of 2006	1 half 2006
Opening balance	12 614 914	10 922 919	10 922 919
Increases	1 910 928	5 110 142	3 452 968
- purchase of debt securities	1 620 807	4 460 042	3 311 668
- increase in the value of securities	290 105	636 794	140 241
- purchase of shares	10	12 256	9
- reversed provision for shares	6	1 050	1 050
Decreases	-4 932 079	-3 418 147	-2 154 720
- sales of debt securities	-4 016 344	-1 511 959	-780 956
- repurchase of debt securities	-357 389	-1 323 147	-1 009 320
- drop in the value of securities	-546 364	-581 983	-363 392
- sales of shares	-11 982	-1 052	-1 052
- recognised provision for share	0	-6	0
Closing balance	**9 593 763**	**12 614 914**	**12 221 167**

In I half 2007, the Group sold shares and stakes in 2 companies which value in the books totalled PLN 11,982 thousand. This included:
- Stalexport S.A.
- WRJ Inwestycje Sp. z o.o.

In 2006, the Group sold shares and stakes in 1 company which value in the books totalled PLN 191 thousand.

18. Financial assets pledged as collateral for liabilities

The portfolio of financial assets held for trading comprises T-bonds securing the liabilities due to the securities sold with the buy-back commitment. The face value of bonds is given in the table below. The adjustment following the transaction measurement at fair value was:
- as at 30.06.2007: PLN – 6,443,000;
- as at 31.12.2006: PLN 1,330,000;
- as at 30.06.2006: PLN 81,000.

The liabilities secured with the above assets amounted to:
- as at 30.06.2007: PLN 3,123,892;
- as at 31.12.2006: PLN 2,282,291;
- as at 30.06.2006: PLN 2,795,952.

On 18.06.2002, the Bank obtained from the Banking Guarantee Fund a loan of PLN 30,000,000; connected with the takeover of Wielkopolski Bank Rolniczy S.A. The loan was granted for 5 years. In June 2004, the first credit instalment was repaid, while the subsequent ones followed every 6 months (in December and June). In 2006, the loan was repaid in 100%. As at 30.06.2006, the portfolio of financial assets available for sale comprised T-bonds securing the loan received. Their face value is given in the table below.

Net value of assets that are collateral for liabilities

	1 half 2007	end of 2006	1 half 2006
The portfolio of financial assets held for trading:			
- Treasury bills collateralising the liabilities due to securities sold with a promise of repurchase	3 128 240	2 227 309	2 813 088
The portfolio of financial asstes avaible for sale:			
- Treasury bills constituting a collateral to Bank Guarantee Fund	109 800	92 900	65 800
- Treasury bills collateralising a loan from the Bank Guarantee Fund	0	0	13 110
- Treasury bonds constituting a collateral for the lombard loan	0	870 000	0

Securities are pledged on the terms provided for by:
- the Banking Guarantee Fund Act (Journal of Laws 183 of 2005, item 1538),
- the Lombard Loan and Securing Pledge Agreement with the National Bank of Poland dated 30 December 2003,
- the Bylaw for Bank Refinancing with the Lombard Loan by the National Bank of Poland, being enclosure to Resolution No. 42/2003 by the Management Board of the National Bank of Poland dated 3 October 2003,
- the essence of the transaction.

19. Derivative hedge instruments

Hedge instruments in fair value hedge accounting

	1 half 2007	end of 2006	1 half 2006
- Balance valuation of securities fair value hedge instruments	935	0	0
Interest Rate Swap transaction	*935*	*0*	*0*
- Balance valuation of real estate fair value hedge instruments	2 835	3 329	-2 111
forward transaction	*2 835*	*3 329*	*-2 111*
Total	**3 770**	**3 329**	**-2 111**

Positive amounts from this table are presented under “Derivative hedge instruments” in the balance sheet assets; whereas amounts with “-“ refer to negative valuation and are presented under “Derivative hedge instruments” in the balance sheet liabilities.

20. Loans and advances to customers

	1 half 2007	end of 2006	1 half 2006
Loans and advances granted to entities from the financial sector other than banks			
- loans and advances	2 053 482	2 010 466	1 434 104
- in the current account	436 288	493 093	408 806
- term ones	1 617 194	1 517 373	1 025 298
- other receivables	69 649	52 171	31 164
- accrued interest	4 048	3 892	3 268
Total (gross)	**2 127 179**	**2 066 529**	**1 468 536**
Impairment losses	-4 702	-11 335	-6 591
Total (net)	**2 122 477**	**2 055 194**	**1 461 945**
Loans and cash loans granted to entities from the non-financial sector			
- loans and advances granted to business entities	8 145 620	7 064 684	6 402 885
- in the current account	3 044 135	2 386 692	2 356 071
- term ones	5 101 485	4 677 992	4 046 814
- loans and advances granted to households	4 162 035	3 615 383	3 419 359
- in the current account	997 614	961 359	965 847
- term ones	3 164 421	2 654 024	2 453 512
- other receivables	135 627	115 687	203 643
- accrued interest	18 946	37 596	36 310
Total (gross)	**12 462 228**	**10 833 350**	**10 062 197**
Impairment losses	-590 673	-664 859	-729 865
Total (net)	**11 871 555**	**10 168 491**	**9 332 332**

Loans and cash loans granted to entities from the government and self-government institutions' sector

- loans and advances	603 741	668 637	398 089
- in the current account	10 641	2 575	4 346
- term ones	593 100	666 062	393 743
- accrued interest	2 016	2 459	1 234
Total (gross)	**605 757**	**671 096**	**399 323**
Impairment losses	-32 613	-26 707	-29 134
Total (net)	**573 144**	**644 389**	**370 189**

Loans and advances granted to customers - total

- loans and advances	14 964 878	13 359 170	11 654 437
- other receivables	205 276	167 858	234 807
- accrued interest	25 010	43 947	40 812
Loans and advances granted to customers – gross	**15 195 164**	**13 570 975**	**11 930 056**
Impairment losses	-627 988	-702 901	-765 590
Loans and advances granted to customers – net	**14 567 176**	**12 868 074**	**11 164 466**

Loans and advances to customers by maturity

	1 half 2007	**end of 2006**	**1 half 2006**
- Maturing:	15 170 154	13 527 028	11 889 244
- up to 1 month	5 876 595	5 458 257	5 274 919
- over 1 month and up to 3 months	1 295 841	1 016 968	1 427 232
- over 3 months and up to 1 year	2 422 199	1 985 465	1 358 271
- over 1 year and up to 5 years	3 432 178	3 076 505	2 439 141
- over 5 years	2 143 341	1 989 833	1 389 681
- Accrued interest	25 010	43 947	40 812
Total	**15 195 164**	**13 570 975**	**11 930 056**

Interest accrued as of 30 June 2007 includes the amount of PLN 14,316 thousand 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 %

	1 half 2007	**end of 2006**	**1 half 2006**
- Average effective interest rate for loans and advances in PLN	6,26%	6,33%	7,01%
- Average effective interest rate for loans and advances in foreign currencies	5,00%	4,24%	4,14%

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. Detail information concerning the group of collaterals, classification, limits and fair value of collaterals is presented in the chapter "Risk Management in the Capital Group of ING Bank Śląski S.A. in the point "Collateral and Other Forms of Credit Risk Mitigation".

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

21. Quality of portfolio of loans and receivables

	1 half 2007	end of 2006	1 half 2006
Loans and receivables granted to banks and customers (gross)	**33 274 961**	**27 085 299**	**23 200 169**
- impaired	587 656	690 367	790 447
- unimpaired	32 687 305	26 394 932	22 409 722
Impairment losses	**-628 842**	**-703 327**	**-765 836**
- related to impaired portfolio	-531 269	-614 603	-674 901
- related to unimpaired portfolio	-97 573	-88 724	-90 935
Loans and receivables granted to banks and customers (net)	**32 646 119**	**26 381 972**	**22 434 333**

The item "Loans and receivables granted to banks and customers" including the value of deposit accounts in other banks.

Loans and receivables portfolio classified according to impairment estimation methods

	1 half 2007	end of 2006	1 half 2006
Loans and receivables granted to banks and customers (gross)	**33 274 961**	**27 085 299**	**23 200 169**
- measured individually	343 730	368 081	407 685
- measured as the portfolio	32 931 231	26 717 218	22 792 484
Impairment losses	**-628 842**	**-703 327**	**-765 836**
- impairment loss pertaining to receivables measured individually	-333 301	-339 202	-364 485
- impairment loss pertaining to receivables measured as the portfolio	-295 541	-364 125	-401 351
Loans and receivables granted to banks and customers (net)	**32 646 119**	**26 381 972**	**22 434 333**

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

	1 half 2007	end of 2006	1 half 2006
Opening balance after changes in accounting principles	**703 327**	**805 376**	**805 376**
Movements in impairment losses:	-74 485	-102 049	-39 540
Recognised during the period	*94 079*	*200 182*	*160 502*
Reversed during the period	*-132 407*	*-356 262*	*-252 395*
Deductions written off	*-77 576*	*-69 692*	*-2 237*
Amounts recovered from loans previously written off	*46 906*	*119 505*	*53 601*
Accounting balance	*-5 487*	*4 218*	*989*
Closing balance	**628 842**	**703 327**	**765 836**
due to:			
- deposit accounts in other banks as well as loans and advances to other banks	*854*	*426*	*246*
- loans and advances to customers	*627 988*	*702 901*	*765 590*

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		
			I half 2007	end of 2006	I half 2006
ING Nationale Nederlanden Polska PTE S.A.	Poland	establishment and management of the open pension fund	20%	20%	20%

	1 half 2007	end of 2006	1 half 2006
- Opening balance	90 309	75 080	75 080
- Profit share	23 300	39 850	17 169
- Dividend paid	-36 581	-24 621	-24 622
Closing balance	**77 028**	**90 309**	**67 627**

General financial information on an associated entity:

	Assets	Liabilities	Net assets	Revenues	Profit/(loss)
I half 2007					
ING Nationale Nederlanden Polska PTE S.A.	418 504	30 775	387 729	190 977	103 719
end of 2006					
ING Nationale Nederlanden Polska PTE S.A.	507 151	35 279	471 872	368 463	198 804
I half 2006					
ING Nationale Nederlanden Polska PTE S.A.	412 975	51 471	361 504	176 596	92 445

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

Name of entity	Type of capital relation	Carrying value of shares		
		I half 2007	end of 2006	I half 2006
- ING Securities S.A.	*subsidiary*	30 228	30 228	30 228
- Śląski Bank Hipoteczny S.A.	*subsidiary*	63 450	49 950	49 950
- ING BSK Development Sp. z o.o.	*subsidiary*	50	50	50
- Solver Sp. z o.o.	*subsidiary*	6 682	6 682	6 682
- Centrum Banku Śląskiego Sp. z o.o.	*subsidiary*	0	0	0
- ING Nationale Nederlanden Polska PTE S.A.	*associated company*	40 000	40 000	40 000
Total		**140 410**	**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. Investment real estate

	1 half 2007	end of 2006	1 half 2006
a) Gross value at the begining of the period	181 951	180 181	180 181
b) additions (due to)	273	1 821	476
- purchase	273	1 821	476
- other	0	0	0
c) disposals (due to)	0	-51	-50
- sale and liquidation	0	0	0
- other	0	-51	-50
d) Gross value at the end of the period	182 224	181 951	180 607
e) evaluation at the fair value at the begining of the period	-35 981	-39 633	-39 633
- increases	2 884	3 652	6 682
- decreases	0	0	0
f) evaluation at the fair value at the end of the period	-33 097	-35 981	-32 951
g) Gross value at the end of the period	**149 127**	**145 970**	**147 656**

The Group is the owner of one investment property, located in Katowice. The estate manager, being the Group member, earns income therefrom in the form of rent instalments. Under the accounting principles adopted by the Group, the property is measured at fair value. The fair value was determined by an independent appraiser. The appraisal was made based on the discounted cash flows over the term of 10 years and was made on the arm's length basis, considering the building occupancy level.
Since the investment property is measured in EUR (as at 30.06.2007, the estate value was EUR 39,600,000 versus PLN 38,100,000 as at 31.12.2006 and EUR 37,000,000 as at 30.06.2006), its value is affected by foreign exchange differences.

	1 half 2007	end of 2006	1 half 2006
- Income from the lease of the real estate on the group level	7 448	14 944	6 840
- Operational cost of the lease activity	1 756	4 252	747

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.

25. Property, plant and equipment

	1 half 2007	end of 2006	1 half 2006
- Real estate and investments in third-party non-current assets	414 749	426 017	423 864
- Computer hardware	51 476	60 851	70 954
- Vehicles	436	579	1 290
- Other fixtures and fittings	71 113	80 438	80 957
- Constructions in progress	14 697	3 180	18 315
Total	**552 471**	**571 065**	**595 380**

1 half 2007

	Real estate and investments in third-party non-current assets	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) opening balance of gross value	668 678	267 205	3 957	341 238	3 180	1 284 258
b) additions (due to)	2 421	6 891	97	5 241	16 321	30 971
- purchases	240	6 753	97	2 567	16 315	25 972
- investment take-overs	2 147	138	0	2 674	0	4 959
- other	34	0	0	0	6	40
c) disposals (due to)	-1 065	-16 771	-586	-10 925	-4 804	-34 151
- sale and liquidation	-118	-14 659	-299	-5 334	0	-20 410
- investment take-overs	0	0	0	-282	-4 679	-4 961
- other	-947	-2 112	-287	-5 309	-125	-8 780
- grants	*0*	*-6*	*0*	*0*	*0*	*-6*
- reclassified to real estate held for sale	*-947*	*-2 106*	*-32*	*-5 292*	*0*	*-8 377*
d) transfers	0	0	0	0	0	0
e) gross value of assets at the end of the period	670 034	257 325	3 468	335 554	14 697	1 281 078
f) accumulated depreciction at the begining of the period	-266 205	-206 354	-3 378	-260 800	0	-736 737
g) amortisation for the period (due to)	-15 722	505	346	-3 641	0	-18 512
- amortisation charges	-15 830	-15 454	-166	-14 582	0	-46 032
- sale and liquidation	70	14 646	299	5 926	0	20 941
- transfers	0	0	0	0	0	0
- other	38	1 313	213	5 015	0	6 579
- grants	*0*	*6*	*0*	*0*	*0*	*6*
- reclassified to real estate held for sale	*40*	*1 307*	*21*	*5 015*	*0*	*6 383*
h) accumulated depreciction at the end of the period	-281 927	-205 849	-3 032	-264 441	0	-755 249
i) evaluation at the fair value at the begining of the period	23 544	0	0	0	0	23 544
- increases	2 810	0	0	0	0	2 810
- reclassified to real estate held for sale	288	0	0	0	0	288
- decreases	*288*	*0*	*0*	*0*	*0*	*288*
j) evaluation at the fair value at the end of the period	26 642	0	0	0	0	26 642
k) closing balance of net value	**414 749**	**51 476**	**436**	**71 113**	**14 697**	**552 471**

end of 2006

	Real estate and investments in third-party non-current assets	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) opening balance of gross value	665 532	307 171	6 231	335 185	13 881	1 328 000
b) additions (due to)	10 220	19 509	37	27 507	22 662	79 935
- purchases	564	18 592	2	8 958	22 662	50 778
- investment take-overs	9 656	916	0	18 171	0	28 743
- other	0	1	35	378	0	414
c) disposals (due to)	-7 074	-58 488	-2 311	-22 441	-33 363	-123 677
- sale and liquidation	-2 049	-57 941	-2 311	-20 407	0	-82 708
- investment take-overs	0	0	0	-2 035	-29 098	-31 133
- other	-5 025	-547	0	1	-4 265	-9 836
- grants	*0*	*-527*	*0*	*-92*	*0*	*-619*
- reclassified to real estate held for sale	*-3 066*	*0*	*0*	*0*	*0*	*-3 066*
d) transfers	0	-987	0	987	0	0
e) gross value of assets at the end of the period	668 678	267 205	3 957	341 238	3 180	1 284 258
f) accumulated depreciction at the begining of the period	-238 503	-228 462	-4 404	-248 693	0	-720 062
g) amortisation for the period (due to)	-27 702	22 108	1 026	-12 107	0	-16 675
- amortisation charges	-30 839	-34 492	-935	-32 434	0	-98 700
- sale and liquidation	1 529	55 766	1 987	19 437	0	78 719
- transfers	0	309	0	-309	0	0
- other	1 608	525	-26	1 199	0	3 306
- grants	*0*	*525*	*0*	*83*	*0*	*608*
- reclassified to real estate held for sale	*392*	*0*	*0*	*0*	*0*	*392*
h) accumulated depreciction at the end of the period	-266 205	-206 354	-3 378	-260 800	0	-736 737
i) evaluation at the fair value at the begining of the period	-7 087	0	0	0	0	-7 087
- increases	35 359	0	0	0	0	35 359
- reclassified to real estate held for sale	*486*	*0*	*0*	*0*	*0*	*486*
- decreases	-4 728	0	0	0	0	-4 728
j) evaluation at the fair value at the end of the period	23 544	0	0	0	0	23 544
k) closing balance of net value	**426 017**	**60 851**	**579**	**80 438**	**3 180**	**571 065**

1 half 2006

	Real estate and investments in third-party non-current assets	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) opening balance of gross value	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
- other	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	-3 240	-444	0	10	-1 949	-5 623
- 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 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	-228 462	-4 404	-248 693	0	-720 062
g) amortisation for the period (due to)	-16 947	-1 124	-339	-11 882	0	-30 292
- amortisation charges	-15 448	-18 744	-524	-16 039	0	-50 755
- sale and liquidation	218	16 868	186	2 427	0	19 699
- transfers	-1 154	310	0	844	0	0
- other	-563	442	-1	886	0	764
- grants	*0*	*444*	*0*	*83*	*0*	*527*
- reclassified to real estate held for sale	*1 190*	*0*	*0*	*0*	*0*	*1 190*
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	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) closing balance of net value	**423 864**	**70 954**	**1 290**	**80 957**	**18 315**	**595 380**

The item "Real estate and leasehold improvements" comprises, among others, the land whose value considering the fair value measurement as at 30.06.2007 was PLN 5,022 thousand. This value did not change from the beginnig of 2007.
As at 30.06.2007, PLN 53,681 thousand - that refers to the real properties assessed at their fair value – is recognised in the revaluation reserve. As at 31.12.2006, the same item amounted to PLN 52,263 thousand as compared to PLN 44,359 thousand as at 30.06.2006.
The real properties were assessed in December 2006 by an independent expert. The assessment was carried out in line with the binding principles of the real property assessment dependable on the character of the building under assessment (for administrative buildings – reconstruction method was applied, for operational buildings – income method). The real properties - assessed at their historical cost taking into account the impairment and depreciation charges - would be worth PLN 150,540 thousand. In I half of 2007, one of the Bank's recreation centres was appraised for the purpose of the available-for-sale assets valuation model.

As at 30.06.2007, the value of fully depreciated tangible non-current assets is 252,065 thousand as compared to 260,175 thousand as at 30.06.2006. As at 31.12.2006, the value of fully depreciated non-current tangible assets equalled PLN 283,215 thousand.

There are no legal limitations on property, plant and equipment. By 30 June 2007, the Group entities concluded agreements with the contracting parties for the future purchase of tangible assets for the amount of PLN 2,974 thousand. The amount refers to the partner outlet development project, which is to end in 2008.

26. Intangible assets

	1 half 2007	end of 2006	1 half 2006
- Goodwill	223 821	223 821	223 821
- Software	79 807	78 787	52 855
- Outlays for projects	7 650	9 890	24 724
- Other intangible assets	569	1 409	495
- Outlays for intangible assets	7 485	3 754	23 976
Total	**319 332**	**317 661**	**325 871**

1 half 2007

	Goodwill	Software	Outlays for projects	Other intangible assets	Outlays for intangible assets	TOTAL
a) Gross value at the begining of the period	223 821	193 465	9 890	9 415	3 754	440 345
b) additions (due to)	0	26 143	5 829	41	15 143	47 156
- purchases	0	5 933	5 823	41	15 143	26 940
- investment take-overs	0	20 210	6	0	0	20 216
- other	0	0	0	0	0	0
c) disposals (due to)	0	-2 307	-8 069	0	-12 222	-22 598
- sale and liquidation	0	-2 307	0	0	0	-2 307
- investment take-overs	0	0	-8 001	0	-12 215	-20 216
- other	0	0	-68	0	-7	-75
d) transfers	0	0	0	-810	810	0
e) gross value at the end of the period	223 821	217 301	7 650	8 646	7 485	464 903
f) accumulated depreciction at the begining of the period	0	-114 678	0	-8 006	0	-122 684
g) amortisation for the period (due to)	0	-22 816	0	-71	0	-22 887
- amortisation charges	0	-24 656	0	-71	0	-24 727
- sale and liquidation	0	1 841	0	0	0	1 841
- transfers	0	0	0	0	0	0
- other	0	-1	0	0	0	-1
h) accumulated depreciction at the end of the period	0	-137 494	0	-8 077	0	-145 571
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
j) evaluation at the fair value at the end of the period	0	0	0	0	0	0
k) Net value at the end of the period	**223 821**	**79 807**	**7 650**	**569**	**7 485**	**319 332**

end of 2006

	Goodwill	Software	Outlays for projects	Other intangible assets	Outlays for intangible assets	TOTAL
a) Gross value at the begining of the period	223 821	162 996	27 179	8 500	8 759	431 255
b) additions (due to)	0	30 061	15 982	16	20 603	66 662
- purchases	0	5 564	15 870	16	19 349	40 799
- investment take-overs	0	24 493	112	0	445	25 050
- other	0	4	0	0	809	813
c) disposals (due to)	0	408	-33 271	-16	-24 693	-57 572
- sale and liquidation	0	-32 632	0	-16	0	-32 648
- investment take-overs	0	33 040	-33 040	0	-24 693	-24 693
- other	0	0	-231	0	0	-231
d) transfers	0	0	0	915	-915	0
e) gross value at the end of the period	223 821	193 465	9 890	9 415	3 754	440 345
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	-9 803	0	-483	0	-10 286
- amortisation charges	0	-42 428	0	-497	0	-42 925
- sale and liquidation	0	32 625	0	15	0	32 640
- transfers	0	0	0	0	0	0
- other	0	0	0	-1	0	-1
h) accumulated depreciction at the end of the period	0	-114 678	0	-8 006	0	-122 684
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
j) evaluation at the fair value at the end of the period	0	0	0	0	0	0
k) Net value at the end of the period	**223 821**	**78 787**	**9 890**	**1 409**	**3 754**	**317 661**

1 half 2006

	Goodwill	Software	Outlays for projects	Other intangible assets	Outlays for intangible assets	TOTAL
a) Gross value at the begining of the period	223 821	162 996	27 179	8 500	8 759	431 255
b) additions (due to)	0	12 694	5 995	54	15 538	34 281
- purchases	0	2 589	5 995	54	15 538	24 176
- investment take-overs	0	7 596	0	0	0	7 596
- other	0	2 509	0	0	0	2 509
c) disposals (due to)	0	-280	-8 450	-55	-321	-9 106
- sale and liquidation	0	-280	0	0	0	-280
- investment take-overs	0	0	-7 220	-55	-321	-7 596
- other	0	0	-1 230	0	0	-1 230
d) transfers	0	759	0	-759	0	0
e) gross value at the end of the period	223 821	176 169	24 724	7 740	23 976	456 430
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	-18 439	0	278	0	-18 161
- amortisation charges	0	-18 103	0	-338	0	-18 441
- sale and liquidation	0	277	0	0	0	277
- transfers	0	-616	0	616	0	0
- other	0	3	0	0	0	3
h) accumulated depreciction at the end of the period	0	-123 314	0	-7 245	0	-130 559
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
j) evaluation at the fair value at the end of the period	0	0	0	0	0	0
k) Net value at the end of the period	**223 821**	**52 855**	**24 724**	**495**	**23 976**	**325 871**

As of 30 June 2007, the value of fully depreciated intangible assets equalled PLN 54,822 thousand vs. PLN 41,117 thousand as of 30 June 2006. As of 31 December 2006, the value of fully depreciated intangible assets equalled PLN 68,879 thousand.
By 30 June 2007, the Group entities concluded agreements with the contracting parties for the future purchase of intangible assets for the amount of PLN 14,377 thousand, of which PLN 2,159 thousand will be spent for that purpose in 2007.

Impairment test of cash generating units with respective goodwill

The goodwill impairment test is carries out at least twice yearly, irrespective of detecting any objective evidence of impairment.
In the Bank, the impairment test is applied to the goodwill obtained as the result of the in-kind contribution of ING Bank NV. The smallest identifiable income generating centre was determined and goodwill of PLN 285,119,000 was assigned to it. No other additional elements of intangible value of unspecified usage period were identified that could be assigned to the identified income generating centre. The test is performed based on the model that calculates and compares the current value of free funds from the centre to the estimated book value of the centre's funds. The free funds of the centre are defined as net profit decreased by capital needed to maintain the solvency ratio at the required level. To discount the cashflows, discount rate is used that represents the cost of capital calculated by ING Bank.

Recoverable value was determined based on the estimation of the useable value of the assets component taking into account the estimated forecast of expected future cashflow generated during the continued use. The cashflow forecasts are based on rational assumptions that reflect the most accurate appraisal of the management regarding all the conditions that will appear during the remaining lifetime of the assets. The cashflow forecasts are based on MTP approved by the Bank and Bank strategy covering the period of the three coming years at the most. The data regarding subsequent two years are the result of extrapolation. Extrapolation assumes that the cashflow generating centre will maintain the gross profit to risk weighted assets ratio at the level from the last year of the Bank's forecast increasing its profits by previously determined growth rate. Legitimacy of the assumptions made is verified periodically, and the divergence between the cashflows estimated based on the future cashflows and actual cashflows is analysed.

A 3-month WIBOR is assumed for the needs of cashflow discounting.

27. Property, plant and equipment held for sale

	1 half 2007	end of 2006	1 half 2006
a) Gross value at the begining of the period	224	6 403	6 403
b) additions (due to)	8 277	3 113	2 587
- purchase	13	0	0
- other	8 264	3 113	2 587
- reclassified from to real estate held for sale	*8 089*	*3 113*	*2 587*
c) disposals (due to)	-8 089	-9 292	-6 622
- sale and liquidation	-8 089	-9 292	-6 998
- other	0	0	376
d) transfers	0	0	0
e) Gross value at the end of the period	412	224	2 368
f) accumulated depreciction at the begining of the period	0	-514	-9
g) amortisation for the period (due to)	-158	514	9
- sale and liquidation	6 383	906	713
- other	-6 541	-392	-704
- reclassified from to real estate held for sale	*-6 383*	*-392*	*-1 190*
h) accumulated depreciction at the end of the period	-158	0	0
i) evaluation at the fair value at the begining of the period	0	80	0
- increases	288	406	0
- reclassified from to real estate held for sale	*0*	*406*	*0*
- decreases	-288	-486	-486
- reclassified from to real estate held for sale	*-288*	*-486*	*-486*
j) evaluation at the fair value at the end of the period	0	0	-486
k) Net value at the end of the period	**254**	**224**	**1 882**

As at 30.06.2007, the amount of assets available for sale includes vehicles taken over under the recovery process or no longer used. The Group intends to sell them by tender procedure.

28. Deferred tax assets and reserves

Movements in temporary differences during the year

1 half 2007

Deferred tax assets

	Balance as of 31 December 2006	Changes charged to the financial result	Changes charged to equity	Changes charged to minority capital	Balance as of 30 June 2007
- Interest accrued (expense)	-15 678	-2 594	0	0	**-18 272**
- Securities available-for-sale	0	0	-19 827	0	**-19 827**
- Provisions for receivables due to loans	-92 536	8 878	0	0	**-83 658**
- Other provisions	-17 578	-14 178	0	0	**-31 756**
- Retirement and holiday benefits	-4 328	0	0	0	**-4 328**
- Accumulated losses settled	-359	-2 123	0	0	**-2 482**
- Other	-35 760	395	0	0	**-35 365**
	-166 239	**-9 622**	**-19 827**	**0**	**-195 688**

Deferred tax reserve

	Balance as of 31 December 2006	Changes charged to the financial result	Changes charged to equity	Changes charged to minority capital	Balance as of 30 June 2007
- Interest accrued (income)	80 987	-31 156	0	0	**49 831**
- Settlement of the difference between tax and balance sheet depreciation	15 016	-1 415	0	0	**13 601**
- Settlement of prepayments/accruals due to depreciation/amortisation resulting from the investment relief enjoyed	11 126	-250	0	0	**10 876**
- Revaluation of tangible assets	9 490	0	1 582	1 098	**12 170**
- Securities available-for-sale	5 855	0	-2 220	0	**3 635**
- Other	5 633	415	0	0	**6 048**
	128 107	**-32 406**	**-638**	**1 098**	**96 161**
Deferred tax disclosed in the balance sheet	**-38 132**	**-42 028**	**-20 465**	**1 098**	**-99 527**

end of 2006

Deferred tax assets

	Balance as of 31 December 2005	Changes charged to the financial result	Changes charged to equity	Changes charged to minority capital	Balance as of 31 December 2006
- Interest accrued (expense)	-14 412	-1 266	0	0	**-15 678**
- Securities available-for-sale	0	0	0	0	**0**
- Provisions for receivables due to loans	-120 620	28 084	0	0	**-92 536**
- Other provisions	-13 375	-4 203	0	0	**-17 578**
- Retirement and holiday benefits	-3 920	-408	0	0	**-4 328**
- Accumulated losses settled	-498	139	0	0	**-359**
- Other	-34 892	-868	0	0	**-35 760**
	-187 717	**21 478**	**0**	**0**	**-166 239**

Deferred tax reserve

	Balance as of 31 December 2005	Changes charged to the financial result	Changes charged to equity	Changes charged to minority capital	Balance as of 31 December 2006
- Interest accrued (income)	48 412	32 575	0	0	**80 987**
- Settlement of the difference between tax and balance sheet depreciation	15 234	-218	0	0	**15 016**
- Settlement of prepayments/accruals due to depreciation/amortisation resulting from the investment relief enjoyed	13 641	-2 515	0	0	**11 126**
- Revaluation of tangible assets	7 441	0	2 049	0	**9 490**
- Securities available-for-sale	18 374	0	-12 519	0	**5 855**
- Other	6 490	-857	0	0	**5 633**
	109 592	**28 985**	**-10 470**	**0**	**128 107**
Deferred tax disclosed in the balance sheet	**-78 125**	**50 463**	**-10 470**	**0**	**-38 132**

1 half 2006

Deferred tax assets

	Balance as of 31 December 2005	Changes charged to the financial result	Changes charged to equity	Changes charged to minority capital	Balance as of 30 June 2006
- Interest accrued (expense)	-14 412	-4 915	0	0	**-19 327**
- Securities available-for-sale	0	0	-15 603	0	**-15 603**
- Provisions for receivables due to loans	-120 620	152	0	0	**-120 468**
- Other provisions	-13 375	-4 543	0	0	**-17 918**
- Retirement and holiday benefits	-3 920	79	0	0	**-3 841**
- Accumulated losses settled	-498	-256	0	0	**-754**
- Other	-34 892	611	0	0	**-34 281**
	-187 717	**-8 872**	**-15 603**	**0**	**-212 192**

Deferred tax reserve

	Balance as of 31 December 2005	Changes charged to the financial result	Changes charged to equity	Changes charged to minority capital	Balance as of 30 June 2006
- Interest accrued (income)	48 412	-27 213	0	0	**21 199**
- Settlement of the difference between tax and balance sheet depreciation	15 234	583	0	0	**15 817**
- Settlement of prepayments/accruals due to depreciation/amortisation resulting from the investment relief enjoyed	13 641	-2 201	0	0	**11 440**
- Revaluation of tangible assets	7 441	0	0	0	**7 441**
- Securities available-for-sale	18 374	0	-18 374	0	**0**
- Other	6 490	-241	0	0	**6 249**
	109 592	**-29 072**	**-18 374**	**0**	**62 146**
Deferred tax disclosed in the balance sheet	**-78 125**	**-37 944**	**-33 977**	**0**	**-150 046**

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

Deferred tax assets

	1 half 2007	end of 2006	1 half 2006
- Interest accrued (expense)	-2 594	-1 266	-4 915
- Provisions for loans	8 878	28 084	152
- Other provisions	-14 178	-4 203	-4 543
- Retirement and holiday benefits	0	-408	79
- Accumulated losses settled	-2 123	139	-256
- Other	395	-868	611
	-9 622	**21 478**	**-8 872**

Deferred tax reserve

	1 half 2007	end of 2006	1 half 2006
- Interest accrued (income)	-31 156	32 575	-27 213
- Settlement of the difference between tax and balance sheet	-1 415	-218	583
- Prepayment/accrual due to depreciation resulting from the investment relief applied	-250	-2 515	-2 201
- Other	415	-857	-241
	-32 406	**28 985**	**-29 072**
Deferred tax for the reporting period	**-42 028**	**50 463**	**-37 944**

Unrecognised deferred tax assets

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

	1 half 2007	end of 2006	1 half 2006
- Specific provisions whose recoverability will not be proved	1 275	21 866	1 204
- Tax losses	798	2 917	6 960
Total	**2 073**	**24 783**	**8 164**

Year of expiration of temporary differences:

	difference amount I half 2007	difference amount end of 2006	difference amount I half 2006
2006	929	0	1 399
2007	900	23 923	4 634
2008	46	621	1 370
2009	0	46	761
2010	0	193	0
2011	198	0	0
Total	**2 073**	**24 783**	**8 164**

Deferred tax recognised directly in equity

	1 half 2007	end of 2006	1 half 2006
- Measurement of available-for-sale securities	-16 192	5 855	-15 603
- Measurement of property, plant and equipment	11 072	9 490	7 442
Total	**-5 120**	**15 345**	**-8 161**

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 4.427 thousand.

29. Other assets

	1 half 2007	end of 2006	1 half 2006
- Prepayments	**55 691**	**39 974**	**35 565**
- prepaid bank operating expenses	*4 738*	*4 026*	*2 682*
- prepayments due to insurance with NN	*1 511*	*1 530*	*1 539*
- materials and goods in the warehouse	*3 740*	*3 426*	*3 662*
- expenses to be settled	*58*	*31*	*2 803*
- accrued income	*30 800*	*21 655*	*17 714*
- other	*14 844*	*9 306*	*7 165*
- Other assets	**101 430**	**60 536**	**76 642**
- interbank settlements	*2 558*	*1 937*	*1 126*
- interbranch settlements	*0*	*305*	*716*
- public and legal settlements	*16 270*	*14 930*	*16 350*
- loans from the Company's Social Benefits Fund	*17 122*	*17 845*	*18 106*
- other	*65 480*	*25 519*	*40 344*
Total other assets (gross)	**157 121**	**100 510**	**112 207**
- provision for other assets	-2 308	-3 396	-3 753
Total other assets (net)	**154 813**	**97 114**	**108 454**

The amount of receivables resulting from the EU Guarantee Fund was presented under "public – private settlements" item. The amount equalled to:

- PLN 12.371 thousand as at 30.06.2007,
- PLN 12.777 thousand as at 31.12.2006,
- PLN 13.430 thousand as at 30.06.2006.

30. 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 2.2 million compared with PLN 1.2 million in 2006.
The Bank measures granted share options and performance options at fair value. The value measured for the period from 1 January 2007 to 30 June 2007 equalled PLN 1.6 million and was charged to the financial result of the Bank (in I half 2006 measurement result reached PLN 2.6 million).

31. Liabilities due to other banks

	1 half 2007	end of 2006	1 half 2006
- Current accounts	180 446	178 315	135 646
- Interbank deposits	3 160 610	951 544	1 633 450
- Transactions with the buy-back commitment	481 543	105 805	125 210
- Other liabilities	40 856	161 446	48 738
- Accrued interest	4 981	4 039	1 606
Total	**3 868 436**	**1 401 149**	**1 944 650**

Repurchase transactions are shown under the item "Transactions with the buy-back commitment". The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront.
Repurchase transactions are generally considered as a tool of short-term funding of interest assets, depending on the interest rates.

Liabilities due to other banks by maturity

	1 half 2007	end of 2006	1 half 2006
- Maturing:	3 863 455	1 397 110	1 943 044
- up to 1 month	3 689 151	1 046 122	1 867 116
- over 1 month and up to 3 months	0	74 836	10 456
- over 3 months and up to 1 year	174 304	129 395	135
- over 1 year and up to 5 years	0	146 757	65 337
- over 5 years	0	0	0
- Accrued interest	4 981	4 039	1 606
Total	**3 868 436**	**1 401 149**	**1 944 650**

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

I half 2007

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	04-07-2007	105 000	108 392	343
Assets from available-for sale portfolio	10-12-2007	66 000	65 337	1 443
Assets from available-for sale portfolio	12-07-2007	301 000	307 814	583
		472 000	**481 543**	**2 369**

end of 2006

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	2007-12-10	66 000	65 337	3 173
Assets from available-for sale portfolio	2007-02-06	20 680	20 462	7
Assets from available-for sale portfolio	2007-02-02	20 220	20 006	6
		106 900	**105 805**	**3 186**

I half 2006

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

32. Financial liabilities at fair value

	1 half 2007	end of 2006	1 half 2006
- Financial liabilities held for trading	814 041	828 922	1 066 428
Derivative financial instruments	*814 041*	*828 922*	*1 066 428*
- Financial liabilities designated as at fair value upon initial recognitioı	3 123 892	2 282 291	2 795 952
Sell-buy-back transactions	*3 123 892*	*2 282 291*	*2 795 952*
Total financial liabilities at fair value	**3 937 933**	**3 111 213**	**3 862 380**

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.

33. Liabilities due to customers

	1 half 2007	end of 2006	1 half 2006
Liabilities due to entities from the financial sector other than banks			
- Deposits	2 744 315	2 881 573	1 721 969
- current accounts	2 099 342	2 265 816	725 674
- term deposit	644 973	615 757	996 295
- Transactions with the buy-back commitment	1 972 999	1 429 242	16 397
- Other liabilities	71 884	45 344	72 285
- Accrued interest	1 944	1 688	689
Total	**4 791 142**	**4 357 847**	**1 811 340**

Liabilities due to entities from the non-financial sector

- Business entities' deposits	10 688 271	10 375 275	8 553 755
- current accounts	6 202 649	5 885 516	4 955 222
- term deposit	4 485 622	4 489 759	3 598 533
- Households' deposits	21 983 661	21 472 352	20 520 414
- current accounts	2 999 064	3 095 615	2 489 501
- savings accounts	15 427 642	15 421 774	13 558 901
- term deposit	3 556 955	2 954 963	4 472 012
- Transactions with the buy-back commitment	18 727	371 824	123 094
- Other liabilities	579 368	407 010	495 157
- Accrued interest	61 338	46 306	66 618
Total	**33 331 365**	**32 672 767**	**29 759 038**

Liabilities due to entities from the government and self-government institutions' sector

- Deposits	2 128 210	1 528 107	1 489 713
- current accounts	909 977	1 190 267	813 069
- term deposit	1 218 233	337 840	676 644
- Other liabilities	703	714	1 634
- Accrued interest	1 996	1 988	1 164
Total	**2 130 909**	**1 530 809**	**1 492 511**

Liabilities due to customers – total

- Deposits	37 544 457	36 257 307	32 285 851
- Transactions with the buy-back commitment	1 991 726	1 801 066	139 491
- Other liabilities	651 955	453 068	569 076
- Accrued interest	65 278	49 982	68 471
Liabilities due to customers – total	**40 253 416**	**38 561 423**	**33 062 889**

Repurchase transactions are shown under the item "Transactions with the buy-back commitment". The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront.
Repurchase transactions are generally considered as a tool of short-term funding of interest assets, depending on the interest rates.

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

I half 2007

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	03-07-2007	2 026 472	1 978 960	1 154
Assets from available-for sale portfolio	10-07-2007	6 000	5 967	3
Assets from available-for sale portfolio	16-07-2007	6 602	6 799	16
		2 039 074	**1 991 726**	**1 173**

end of 2006

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	2007-01-02	190 260	186 704	96
Assets from available-for sale portfolio	2007-01-05	238 821	232 749	83
Assets from available-for sale portfolio	2007-01-08	50 000	49 413	21
Assets from available-for sale portfolio	2007-01-10	35 392	33 000	11
Assets from available-for sale portfolio	2007-01-11	40 781	38 085	18
Assets from available-for sale portfolio	2007-01-12	1 064 243	1 002 994	326
Assets from available-for sale portfolio	2007-01-15	9 870	9 750	18
Assets from available-for sale portfolio	2007-01-18	6 724	6 251	10
Assets from available-for sale portfolio	2007-01-22	95 550	90 277	109
Assets from available-for sale portfolio	2007-01-24	37 297	34 678	46
Assets from available-for sale portfolio	2007-01-29	7 167	6 679	2
Assets from available-for sale portfolio	2007-02-09	61 234	57 499	313
Assets from available-for sale portfolio	2007-02-26	53 830	52 987	223
		1 891 169	**1 801 066**	**1 276**

Liabilities due to customers by maturity

	1 half 2007	end of 2006	1 half 2006
- Maturing:	40 188 138	38 511 441	32 994 418
- up to 1 month	35 905 867	34 389 022	28 577 581
- over 1 month and up to 3 months	1 827 754	1 521 061	1 978 531
- over 3 months and up to 1 year	1 668 462	1 945 281	2 120 098
- over 1 year and up to 5 years	712 231	584 159	314 747
- over 5 years	73 824	71 918	3 461
- Accrued interest	65 278	49 982	68 471
Total	**40 253 416**	**38 561 423**	**33 062 889**

Average effective interest rate for deposits in %

	1 half 2007	end of 2006	1 half 2006
- Average effective interest rate for deposits in PLN	2,73%	2,76%	2,80%
- Average effective interest rate for deposits in foreign currencies	1,97%	1,58%	1,43%

34. Provisions

	1 half 2007	end of 2006	1 half 2006
- provision for disputes	33 152	42 262	13 597
- provision for off-balance sheet liabilities	26 827	25 015	27 683
- provision for retirement benefits	10 899	10 899	10 668
- provision for unused holidays	12 148	12 148	9 786
- provision for employment restructuring	0	0	1 422
Total	**83 026**	**90 324**	**63 156**

1 half 2007

	provision for disputes	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*provision for employment restructuring*	*TOTAL*
Closing balance at the end of the previous period	**42 262**	**25 015**	**10 899**	**12 148**	**0**	**90 324**
Provisions recognised	1 163	1 812	-	-	-	**2 975**
Provisions applied	-9 227	-	-	-	-	**-9 227**
Provisions reversed	-996	-	-	-	-	**-996**
Reclassification	-50	-	-	-	-	**-50**
Closing balance	**33 152**	**26 827**	**10 899**	**12 148**	**0**	**83 026**
expected provision settlement period						
- up to 1 year	*33 152*	*-*	*-*	*12 148*	*-*	***45 300***
- more than 1 year	*-*	*26 827*	*10 899*	*-*	*-*	***37 726***

end of 2006

	provision for disputes	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*provision for employment restructuring*	*TOTAL*
Closing balance at the end of the previous period	**19 340**	**29 638**	**11 063**	**9 824**	**10 654**	**80 519**
Provisions recognised	32 084	-	354	2 370	592	**35 400**
Provisions applied	-4 962	-	-	-30	-10 074	**-15 066**
Provisions reversed	-4 200	-4 623	-518	-16	-1 172	**-10 529**
Closing balance	**42 262**	**25 015**	**10 899**	**12 148**	**0**	**90 324**
expected provision settlement period						
- up to 1 year	*42 262*	*-*	*-*	*12 148*	*-*	***54 410***
- more than 1 year	*-*	*25 015*	*10 899*	*-*	*-*	***35 914***

1 half 2006

	provision for disputes	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*provision for employment restructuring*	*TOTAL*
Closing balance at the end of the previous period	**19 340**	**29 638**	**11 063**	**9 824**	**10 654**	**80 519**
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**	**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***

Provision for issues in dispute
The Group maintains 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 31,254 thousand,
2) crime cases: PLN 1,872 thousand,
3) cases relating to claims filed by former employees: PLN 26 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 Jun 2007, the value of future liabilities due to retirement benefits equalled PLN 10,899 thousand (PLN 10,899 thousand as of 31 Dec 2006; PLN 10,668 thousand as of 30 Jun 2006).

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. The provision was fully used in 2006.
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 354 persons.

35. Other liabilities

	1 half 2007	end of 2006	1 half 2006
- to employees	**24 896**	**20 457**	**25 656**
- due to leases	**6 880**	**11 161**	**18 776**
- accruals	**118 170**	**137 880**	**98 806**
- due to operating expenses	*3 938*	*5 796*	*4 520*
- due to employee benefits	*49 519*	*62 872*	*35 340*
- due to loans granted	*2 085*	*3 971*	*6 781*
- due to commission	*54 272*	*52 779*	*45 686*
- due to distribution of deposit-related funds	*2 938*	*5 582*	*2 638*
- other	*5 418*	*6 880*	*3 841*
- other liabilities	**802 092**	**591 173**	**582 311**
- interbank settlements	*523 376*	*441 194*	*404 399*
- interbranch settlements	*38 687*	*14 727*	*47 178*
- public and legal settlements	*32 036*	*30 583*	*39 592*
- settlment due to trading in securities	*78 484*	*0*	*50*
- other	*129 509*	*104 669*	*91 092*
Total	**952 038**	**760 671**	**725 549**

The amount shown under the item “settlements due to trading in securities” refers to the unsettled purchase transaction of securities for the client.

Gross liabilities due to financial leases by maturity

	1 half 2007	end of 2006	1 half 2006
- up to 1 year	5 972	7 672	9 366
- over 1 year and up to 5 years	932	3 530	7 752
- over 5 years	0	0	0
Total	**6 904**	**11 202**	**17 118**

Present value of lease instalments due by maturity

	1 half 2007	end of 2006	1 half 2006
- up to 1 year	6 033	8 087	8 595
- over 1 year and up to 5 years	935	3 617	7 453
- over 5 years	0	0	0
Total	**6 968**	**11 704**	**16 048**

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

	1 half 2007	end of 2006	1 half 2006
- Gross liabilities due to financial leases	6 904	11 202	17 118
- Unrealised financial expenses	64	502	-1 070
- **Present value of minimum lease instalments**	**6 968**	**11 704**	**16 048**

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.

36. 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 I half of 2007 and 2006.

37. Revaluation reserve

	1 half 2007	end of 2006	1 half 2006
- Revaluation reserve from measurement of available-for-sale financi	-65 115	42 830	-55 564
- including deferred tax	*16 192*	*-5 855*	*15 603*
- Revaluation reserve from measurement of property, plant and equip	53 681	52 263	44 359
- including deferred tax	*-11 072*	*-9 490*	*-7 442*
Total	**-11 434**	**95 093**	**-11 205**

1 half 2007

	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	**42 830**	*-5 855*	**52 263**	*-9 490*	**95 093**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-90 084	*17 857*	-	-	**-90 084**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-17 861	*4 190*	-	-	**-17 861**
- disposal of property, plant and equipment	-	-	-233	*55*	**-233**
- remeasurement of property, plant and equipment	-	-	1 651	*-1 637*	**1 651**
Closing balance of revaluation reserve	**-65 115**	*16 192*	**53 681**	*-11 072*	**-11 434**

end of 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	-28 755	*9 819*	-	-	**-28 755**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-14 212	*2 700*	-	-	**-14 212**
- disposal of property, plant and equipment	-	-	-2 132	*169*	**-2 132**
- remeasurement of property, plant and equipment	-	-	16 340	*-2 217*	**16 340**
Closing balance of revaluation reserve	**42 830**	*-5 855*	**52 263**	*-9 490*	**95 093**

1 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**

38. Retained earnings

	1 half 2007	end of 2006	1 half 2006
- Other supplementary capital	35 867	35 468	34 591
- Reserve capital	1 505 970	1 378 377	1 378 377
- General risk fund	530 179	480 179	480 179
- Retained earnings	102 273	51 372	51 764
- Result for the current year	335 187	591 355	332 052
Total	**2 509 476**	**2 536 751**	**2 276 963**

1 half 2007

	other supplementary capital	reserve capital	general risk fund	retained earnings	result for the current year	TOTAL
Opening balance of retained earnings	**35 468**	**1 378 377**	**480 179**	**642 727**	**0**	**2 536 751**
- disposal of property, plant and equipment	255	-	-	262	-	**517**
- profit allocation, including:	144	127 593	50 000	-540 716	-	**-362 979**
- profit written off to supplementary capital	*144*	-	-	*-144*	-	***0***
- profit written off to reserve capital	-	*127 593*	-	*-127 593*	-	***0***
- profit written off to general risk fund	-	-	*50 000*	*-50 000*	-	***0***
- dividends paid	-	-	-	*-362 979*	-	***-362 979***
- net result for the current period	-	-	-	-	340 286	**340 286**
- share of minority shareholders in the net financial result	-	-	-	-	-5 099	**-5 099**
Closing balance of retained earnings at the end of the current period	**35 867**	**1 505 970**	**530 179**	**102 273**	**335 187**	**2 509 476**

end of 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	-	-	-	2 234	-	**2 234**
- remeasurement of property, plant and equipment	1 411	-	-	-1 411	-	**0**
- profit allocation, including:	2 661	146 538	50 000	-556 974	-	**-357 775**
- profit written off to supplementary capital	*2 661*	-	-	*-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	-	-	-	-	597 951	**597 951**
- share of minority shareholders in the net financial result	-	-	-	-	-6 596	**-6 596**
Closing balance of retained earnings at the end of the current period	**35 468**	**1 378 377**	**480 179**	**51 372**	**591 355**	**2 536 751**

1 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:	2 661	146 538	50 000	-556 974	-	**-357 775**
- profit written off to supplementary capital	*2 661*	-	-	*-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	**34 591**	**1 378 377**	**480 179**	**51 764**	**332 052**	**2 276 963**

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.

39. Hyperinflation

In accordance with the requirements of IFRS 1 (First-time Adoption of International Financial Reporting Standards), the Capital Group must retrospectively apply IAS 29 (Financial Reporting in Hyperinflation Economies) at the preparation of financial statements.
Pursuant to paragraph 24 of IAS 29 "Financial Reporting in Hyperinflation Economies", the shareholders' equity items (except for retained earnings and all asset revaluation gains) should be restated with the use of the general price index, starting from the date on which the given entity operates was a hyperinflationary economy within the meaning of IAS 29.
The effect of recalculation of the respective shareholders equity items with the use of the inflation ratios should be disclosed on the other side in the retained earnings from the previous years. Application of the provisions of paragraph 24 of IAS 29 would result in an increase in the issued capital and supplementary capital - a surplus of the issue price of the shares over their par value by PLN 460,500 thousand and at the same time would charge to the same amount the retained earnings from the previous years.
Full implementation of IAS 29 requirements would result in legal effects related to the necessity to change the share capital on the basis of the Code of Companies and the Banking Law. At the same time, due to the fact that the effects of overestimation discussed above do not have any effect on the change in the value of the net assets of the Capital Group, the Bank Management Board thinks that making such an adjustment would not have any significant effect on the accuracy and fairness of presentation of the financial standing presented in these financial statements.

40. Balance sheet currency structure

I half 2007

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	2 414 605	175 936	*46 719*	16 475	*5 886*	186	*82*	1 664	**2 608 866**
- Deposit accounts in other banks as well as loans and advances to other banks	7 031 659	2 188 078	*581 039*	8 403 212	*3 002 327*	89 152	*39 222*	366 842	**18 078 943**
- Financial assets at fair value	5 546 394	965 768	*256 458*	78 968	*28 214*	0	*0*	423	**6 591 553**
- Investment financial assets	9 574 504	272	*72*	18 987	*6 784*	0	*0*	0	**9 593 763**
- Derivative hedge instruments	3 770	0	*0*	0	*0*	0	*0*	0	**3 770**
- Loans and advances to customers	13 103 463	1 268 044	*336 726*	102 359	*36 571*	76 819	*33 796*	16 491	**14 567 176**
- Investments in controlled entities	77 028	0	*0*	0	*0*	0	*0*	0	**77 028**
- Property, plant and equipment	149 127	0	*0*	0	*0*	0	*0*	0	**149 127**
- Investment real estates	552 471	0	*0*	0	*0*	0	*0*	0	**552 471**
- Intangible assets	319 332	0	*0*	0	*0*	0	*0*	0	**319 332**
- Property, plant and equipment held for sale	254	0	*0*	0	*0*	0	*0*	0	**254**
- Deferred tax asset	99 527	0	*0*	0	*0*	0	*0*	0	**99 527**
- Other assets	154 402	243	*65*	157	*56*	1	*0*	10	**154 813**
Total assets	**39 026 536**	**4 598 341**	***1 221 079***	**8 620 158**	***3 079 838***	**166 158**	***73 100***	**385 430**	**52 796 623**
EQUITY AND LIABILITIES									
LIABILITIES									
- Liabilities due to the Central Bank	0	0	*0*	0	*0*	0	*0*	0	**0**
- Liabilities due to other banks	2 189 766	10 362	*2 752*	1 484 370	*530 340*	151 211	*66 525*	32 727	**3 868 436**
- Financial liabilities at fair value	3 538 430	276 300	*73 371*	122 492	*43 764*	188	*83*	523	**3 937 933**
- Derivative hedge instruments	0	0	*0*	0	*0*	0	*0*	0	**0**
- Liabilities due to customers	34 405 237	3 863 231	*1 025 873*	1 726 514	*616 854*	3 791	*1 668*	254 643	**40 253 416**
- Provisions	79 808	2 771	*736*	434	*155*	0	*0*	13	**83 026**
- Current income tax liabilities	50 986	0	*0*	0	*0*	0	*0*	0	**50 986**
- Other liabilities	857 495	15 244	*4 048*	854	*305*	0	*0*	78 445	**952 038**
Total liabilities	**41 121 722**	**4 167 908**	***1 106 780***	**3 334 664**	***1 191 418***	**155 190**	***68 276***	**366 351**	**49 145 835**
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	-46 128	0	*0*	-18 987	*-6 784*	0	*0*	0	**-65 115**
- Revaluation reserve from measurement of property, plant and equipment	53 681	0	*0*	0	*0*	0	*0*	0	**53 681**
- Retained earnings	2 509 476	0	*0*	0	*0*	0	*0*	0	**2 509 476**
Equity assigned to shareholders of the holding company	**3 640 879**	**0**	***0***	**-18 987**	***-6 784***	**0**	***0***	**0**	**3 621 892**
- Minority equity	28 896	0	*0*	0	*0*	0	*0*	0	**28 896**
Total equity	**3 669 775**	**0**	***0***	**-18 987**	***-6 784***	**0**	***0***	**0**	**3 650 788**
TOTAL EQUITY AND LIABILITIES	**44 791 497**	**4 167 908**	***1 106 780***	**3 315 677**	***1 184 634***	**155 190**	***68 276***	**366 351**	**52 796 623**

end of 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	1 025 567	103 993	*27 144*	16 077	*5 524*	169	*71*	2 094	**1 147 900**
- Deposit accounts in other banks as well as loans and advances to other banks	2 434 761	1 986 393	*518 478*	9 016 203	*3 097 819*	26 358	*11 055*	50 183	**13 513 898**
- Financial assets at fair value	6 961 285	38 398	*10 022*	58 079	*19 955*	225	*94*	128	**7 058 115**
- Investment financial assets	12 602 770	276	*72*	11 868	*4 078*	0	*0*	0	**12 614 914**
- Derivative hedge instruments	3 329	0	*0*	0	*0*	0	*0*	0	**3 329**
- Loans and advances to customers	11 140 757	1 476 828	*385 474*	154 212	*52 985*	71 831	*30 128*	24 446	**12 868 074**
- Investments in controlled entities	90 309	0	*0*	0	*0*	0	*0*	0	**90 309**
- Property, plant and equipment	145 970	0	*0*	0	*0*	0	*0*	0	**145 970**
- Investment real estates	571 065	0	*0*	0	*0*	0	*0*	0	**571 065**
- Intangible assets	317 661	0	*0*	0	*0*	0	*0*	0	**317 661**
- Property, plant and equipment held for sale	224	0	*0*	0	*0*	0	*0*	0	**224**
- Deferred tax asset	38 132	0	*0*	0	*0*	0	*0*	0	**38 132**
- Other assets	90 900	5 904	*1 541*	225	*77*	3	*1*	82	**97 114**
Total assets	**35 422 730**	**3 611 792**	***942 731***	**9 256 664**	***3 180 438***	**98 586**	***41 349***	**76 933**	**48 466 705**
EQUITY AND LIABILITIES									
LIABILITIES									
- Liabilities due to the Central Bank	696 000	0	*0*	0	*0*	0	*0*	0	**696 000**
- Liabilities due to other banks	1 066 839	27 488	*7 175*	295 075	*101 383*	1 884	*790*	9 863	**1 401 149**
- Financial liabilities at fair value	3 026 659	19 332	*5 046*	63 813	*21 925*	192	*81*	1 217	**3 111 213**
- Derivative hedge instruments	0	0	*0*	0	*0*	0	*0*	0	**0**
- Liabilities due to customers	38 252 565	137 154	*35 799*	151 351	*52 002*	726	*305*	19 627	**38 561 423**
- Provisions	90 324	0	*0*	0	*0*	0	*0*	0	**90 324**
- Current income tax liabilities	67 532	0	*0*	0	*0*	0	*0*	0	**67 532**
- Other liabilities	751 766	8 373	*2 185*	527	*181*	5	*2*	0	**760 671**
Total liabilities	**43 951 685**	**192 347**	***50 205***	**510 766**	***175 491***	**2 807**	***1 178***	**30 707**	**44 688 312**
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	42 830	0	*0*	0	*0*	0	*0*	0	**42 830**
- Revaluation reserve from measurement of property, plant and equipment	52 263	0	*0*	0	*0*	0	*0*	0	**52 263**
- Retained earnings	2 536 751	0	*0*	0	*0*	0	*0*	0	**2 536 751**
Equity assigned to shareholders of the holding company	**3 755 694**	**0**	***0***	**0**	***0***	**0**	***0***	**0**	**3 755 694**
- Minority equity	22 699	0	*0*	0	*0*	0	*0*	0	**22 699**
Total equity	**3 778 393**	**0**	***0***	**0**	***0***	**0**	***0***	**0**	**3 778 393**
TOTAL EQUITY AND LIABILITIES	**47 730 078**	**192 347**	***50 205***	**510 766**	***175 491***	**2 807**	***1 178***	**30 707**	**48 466 705**

I half 2006

CONSOLIDATED BALANCE SHEET (PLN'000)	PLN	EUR after translation into PLN	EUR in currency	USD after translation into PLN	USD in currency	CHF after translation into PLN	CHF in currency	other currencies (after translation into PLN)	TOTAL
ASSETS									
- Cash in hand and balances with the Central Bank	1 114 020	111 465	*27 567*	3 695	*1 161*	209	*81*	1 599	**1 230 988**
- Deposit accounts in other banks as well as loans and advances to other banks	2 240 217	1 572 999	*389 029*	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	*7 052*	68 600	*21 561*	8	*3*	3 385	**5 836 426**
- Investment financial assets	12 214 582	292	*72*	6 293	*1 978*	0	*0*	0	**12 221 167**
- Derivative hedge instruments	0	0	*0*	0	*0*	0	*0*	0	**0**
- Loans and advances to customers	9 299 360	1 575 692	*389 695*	174 369	*54 805*	79 260	*30 717*	35 785	**11 164 466**
- Investments in controlled entities	67 627	0	*0*	0	*0*	0	*0*	0	**67 627**
- Property, plant and equipment	147 656	0	*0*	0	*0*	0	*0*	0	**147 656**
- Investment real estates	595 380	0	*0*	0	*0*	0	*0*	0	**595 380**
- 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	150 046	0	*0*	0	*0*	0	*0*	0	**150 046**
- Other assets	101 541	6 672	*1 650*	188	*59*	8	*3*	45	**108 454**
Total assets	**31 994 101**	**3 295 634**	***815 065***	**7 646 922**	***2 403 482***	**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	*13 298*	171 573	*53 927*	1	*0*	15 291	**1 944 650**
- Financial liabilities at fair value	3 760 609	23 382	*5 783*	72 818	*22 887*	1 128	*437*	4 443	**3 862 380**
- Derivative hedge instruments	2 111	0	*0*	0	*0*	0	*0*	0	**2 111**
- Liabilities due to customers	28 501 480	2 829 591	*699 805*	1 645 046	*517 050*	13 291	*5 151*	73 481	**33 062 889**
- Provisions	56 874	4 361	*1 079*	1 889	*594*	0	*0*	32	**63 156**
- Current income tax liabilities	49 600	0	*0*	0	*0*	0	*0*	0	**49 600**
- Other liabilities	709 071	15 720	*3 888*	747	*235*	0	*0*	11	**725 549**
Total liabilities	**34 783 759**	**2 926 825**	***723 853***	**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**	***723 853***	**1 898 365**	***596 671***	**14 420**	***5 588***	**93 258**	**43 119 830**

41. *Consolidated off-balance sheet items*

	1 half 2007	end of 2006	1 half 2006
- Contingent liabilities granted	13 043 342	13 817 539	9 345 434
- Contingent liabilities received	9 496 147	10 530 245	10 526 285
- Off-balance sheet financial instruments	178 185 130	157 144 424	153 972 301
Total	**200 724 619**	**181 492 208**	**173 844 020**

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.

	1 half 2007	end of 2006	1 half 2006
- Credit card limits	970 954	660 563	563 269
- Undrawn credit facilities	6 488 990	6 217 846	5 300 371
- Undrawn overdrafts in current account	1 976 812	1 790 166	2 085 519
- Guarantees and letters of credit	1 860 104	1 442 839	1 348 775
- Deposits to be issued	1 746 482	3 706 125	47 500
Total	**13 043 342**	**13 817 539**	**9 345 434**

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. 34.

Liabilities received

	1 half 2007	end of 2006	1 half 2006
Guarantee conditioned liabilities	9 345 291	10 418 776	10 440 502
Financing liabilities	150 856	111 469	85 783
Total	**9 496 147**	**10 530 245**	**10 526 285**

Information on issue guarantees granted to other issuers

In the first half of 2007, the Group was not the guarantor for the issue of commercial papers.
In 2006, the Group was the guarantor for the issue of commercial papers of two budget entities and one entity from the fuel sector. The total guarantee amount is PLN 58.5 million, PLN 6 million of which were used. In 2005, the Group was not the guarantor for the issue of commercial papers.

43. Off-balance sheet financial instruments

1 half 2007

	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)	5 000 000	26 570 275	800 000	32 370 275	9 419	11 904
Interest rate swaps (IRS)	31 053 598	21 330 193	18 928 029	71 311 820	348 908	303 118
CAP options	0	0	406 893	406 893	2 219	2 219
Total	**36 053 598**	**47 900 468**	**20 134 922**	**104 088 988**	**360 546**	**317 241**
FX derivatives						
FX contracts (swap, forward)	21 139 351	15 801 911	1 693 617	38 634 879	330 673	368 182
CIRS	-	-	-	0	71 893	10 262
Currency options (purchased)	978 031	1 691 520	50 564	2 720 115	21 801	0
Currency options (sold)	1 317 113	1 615 475	28 913	2 961 501	0	31 912
Total	**23 434 495**	**19 108 906**	**1 773 094**	**44 316 495**	**424 367**	**410 356**
Current off-balance sheet transactions						
FX operations	22 239 658	0	0	22 239 658	7 040	11 660
Securities operations	6 812 072	0	0	6 812 072	-275	12 990
Total	**29 051 730**	**0**	**0**	**29 051 730**	**6 765**	**24 650**
Stock market derivatives						
Options for stock market (buy)	0	21 666	342 272	363 938	61 841	0
Options for stock market (sold)	0	21 666	342 313	363 979	0	61 794
Total	**0**	**43 332**	**684 585**	**727 917**	**61 841**	**61 794**
Total	**88 539 823**	**67 052 706**	**22 592 601**	**178 185 130**	**853 519**	**814 041**

end of 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	32 305 065	700 000	35 005 065	11 069	12 095
Interest rate swaps (IRS)	15 461 715	19 263 854	15 198 759	49 924 328	424 426	321 706
Total	**17 461 715**	**51 568 919**	**15 898 759**	**84 929 393**	**435 495**	**333 801**
FX derivatives						
FX contracts (swap, forward)	25 613 568	12 539 505	2 050 699	40 203 772	396 502	421 332
CIRS	-	-	-	-	80 378	11 983
Currency options (purchased)	560 209	589 950	1 082	1 151 241	9 881	0
Currency options (sold)	315 268	940 759	1 118	1 257 145	0	15 501
Total	**26 489 045**	**14 070 214**	**2 052 899**	**42 612 158**	**486 761**	**448 816**
Current off-balance sheet transactions						
FX operations	24 680 691	0	0	24 680 691	986	7 662
Securities operations	4 433 562	0	0	4 433 562	2 885	198
Total	**29 114 253**	**0**	**0**	**29 114 253**	**3 871**	**7 860**
Stock market derivatives						
Options for stock market (buy)	0	0	244 310	244 310	38 446	0
Options for stock market (sold)	0	0	244 310	244 310	0	38 445
Total	**0**	**0**	**488 620**	**488 620**	**38 446**	**38 445**
Total	**73 065 013**	**65 639 133**	**18 440 278**	**157 144 424**	**964 573**	**828 922**

1 half 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	239 124	529 239
CIRS	-	-	-	-	65 826	6 983
Currency options (purchased)	1 015 807	573 987	62 440	1 652 234	26 826	0
Currency options (sold)	1 052 008	538 730	62 440	1 653 178	0	30 631
Total	**21 486 545**	**21 296 433**	**2 683 684**	**45 466 662**	**331 776**	**566 853**
Current off-balance sheet transactions						
FX operations	16 916 532	0	0	16 916 532	13 862	12 312
Securities operations	5 317 918	0	0	5 317 918	0	0
Total	**22 234 450**	**0**	**0**	**22 234 450**	**13 862**	**12 312**
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	**57 320 275**	**78 214 623**	**18 437 403**	**153 972 301**	**913 662**	**1 068 539**

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.

	1 half 2007	end of 2006	1 half 2006
PLN			
Up to 3 months	9 968 688	17 491 056	8 254 611
From 3 months to 1 year	7 191 901	8 787 456	9 234 035
Over 1 year	933 680	1 117 934	1 359 741
EUR			
Up to 3 months	5 323 858	3 089 703	5 171 667
From 3 months to 1 year	5 769 428	3 336 287	5 954 915
Over 1 year	573 270	704 936	970 118
USD			
Up to 3 months	7 926 357	5 621 511	7 486 046
From 3 months to 1 year	6 124 149	1 940 650	6 038 211
Over 1 year	245 243	230 030	353 394
GBP			
Up to 3 months	22 402	61 176	389 089
From 3 months to 1 year	2 800	3 211	0
Over 1 year	0	0	0
other currencies			
Up to 3 months	193 190	225 599	185 132
From 3 months to 1 year	20 629	2 609	69 273
Over 1 year	20 900	0	430
Total	**44 316 495**	**42 612 158**	**45 466 662**

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 30.06.2007, the embedded instruments were valued at PLN 38,952 thousand.
As at 31 December 2006, the value embedded derivatives equalled PLN 32,900 thousand and this same value equalled PLN 12,423 thousand at 30.06.2006.

44. Hedge accounting

Fair value hedge accounting

In the financial statements as of 30 June 2007, the Group uses fair value hedge accounting for securities and properties.

Fair value hedge for securities

The risk which is hedged is a change in the fair value of the financial asset following a shift in the interest rates. The hedged item is the fair value of a fixed-interest bearing PLN debt paper; i.e. the position (a part of the position) on a given security from the portfolio of the assets available for sale (AFS), which at the inception time of a hedging relation defines the fair value carried through the valuation allowance. The fair value of that financial asset is hedged against a change in interest rates.
The PLN Interest Rate Swap is the hedging instrument whereby the fixed interest rate is converted into the variable one. In consequence, the fair value of the hedging instrument shows a reverse trend to the fair value of the hedged position. Therefore, by establishing a hedge relationship, in the income statement we see the netting effect of changes to the fair value of the hedging instrument and the hedged position due to the risk hedged. Since, only one type of risk (interest rate risk) is hedged, changes to the fair value of the position hedged which follow other unhedged risks are carried through the valuation allowance.

The hedging and hedged transactions is shown in the income statement under the note: “Result on financial instruments carried through profit and loss and revaluation”.
The hedged transaction is shown in the balance sheet under the item “Investment financial assets”.

Fair value of instruments under the fair value hedge accounting for securities

1 half 2007

	Carrying amount	Fair value
Hedged items		
- Debt securities available-for-sale	50 000	48 541
- Treasury bonds	*50 000*	*48 541*
Hedging instruments		
- Interest Rate Swap	50 000	935

For the hedging instrument the fair value was given as the balance valuation.

Hedging fair value of the real estate
The hedged risk is the change in the real estate's fair value (building of subsidiary - Centrum Banku Śląskiego Sp. z o.o., housing the Head Office of ING Bank Śląski in Katowice) z due to the change of spot EUR/PLN exchange rate, and the hedging instrument is the FX forward transaction. The face value of the hedging transaction is revalued pro rata to the revaluation of the building's value by an independent expert.
As at 30.06.2007 the loss due to measurement of the hedged position of PLN 2,672 thousand, upon deducting deferred income tax at PLN 508 thousand, diminished the Group's financial result. As at 30.06.2007 the valuation of hedging transaction was positive and amounted to PLN 2,599 thousand in comparision with negative valuation amounting to PLN -7,647 thousand as at 30.06.2006.

The hedging and hedged transaction is shown in the income statement under the item "Other operating income and expenses".
Balance the hedged transaction is presented in the item "Property, plant and equipment" in the balance-sheet.

Cash flow hedge accounting

In the financial statements as of 30 June 2007, 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.

1 half 2007

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	2 608 866	2 608 866
- Deposit accounts in other banks as well as loans and advances to other banks	18 078 943	18 078 943
- Financial assets at fair value through profit or loss	6 591 553	6 591 553
- Investment financial assets	9 593 763	9 593 763
- Derivative hedge instruments	3 770	3 770
- Loans and advances to customers	14 567 176	14 579 905
- Investments in controlled entities	77 028	77 028
Equity and liabilities		
- Liabilities due to the Central Bank	0	0
- Liabilities due to other banks	3 868 436	3 868 436
- Financial liabilities at fair value through profit or loss	3 937 933	3 937 933
- Derivative hedge instruments	0	0
- Liabilities due to customers	40 253 416	40 248 763

end of 2006

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	1 147 900	1 147 900
- Deposit accounts in other banks as well as loans and advances to other banks	13 513 898	13 513 898
- Financial assets at fair value through profit or loss	7 058 115	7 058 115
- Investment financial assets	12 614 914	12 614 914
- Derivative hedge instruments	3 329	3 329
- Loans and advances to customers	12 868 074	12 956 099
- Investments in controlled entities	90 309	90 309
Equity and liabilities		
- Liabilities due to the Central Bank	696 000	696 000
- Liabilities due to other banks	1 401 149	1 401 149
- Financial liabilities at fair value through profit or loss	3 111 213	3 111 213
- Derivative hedge instruments	0	0
- Liabilities due to customers	38 561 423	38 553 466

1 half 2006

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	1 230 988	1 230 988
- 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
- Derivative hedge instruments	0	0
- Loans and advances to customers	11 164 466	11 285 229
- 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	3 862 380	3 862 380
- Derivative hedge instruments	2 111	2 111
- Liabilities due to customers	33 062 889	32 997 889

Fair value determination

The Bank discloses the data on the fair value of loans and deposits recognised respectively in the groups of financial assets and financial liabilities carried at amortised cost considering the effective interest rate.

In calculations, the yield curve is used; it takes account of the transfer prices calculated based on:

- PLN: up to 1Y – as the average of BID quotations (WIBID and brokers' BID listings) collected at 9.00, 11.00, 12.30 and 14.00; above 1Y – the average of OFFER quotations for IRS contracts converted into the effective rate,
- USD and CHF: up to 1Y on the basis of adequate LIBOR quotations, from 1Y on – on the basis of OFFER quotations for IRS contracts converted into the effective rate,
- EUR: up to 1Y - on the basis of adequate EURIBOR quotations, from 1Y on – on the basis of OFFER quotations for IRS contracts converted into the effective rate.

Credit loss estimations reflect the loan loss provisioning model in place at the Bank. In certain aspects, the model adopted by the Bank is based on the assumptions not confirmed by the prices of verifiable current market transactions referring to the same instrument – the model takes account of neither prepayments nor restructuring-based changes.

Deposits at other banks and loans and cash loans granted to other banks

The fair value of loans and cash loans granted to other banks is their balance-sheet value.

Loans and cash loans granted to clients

The credit portfolio is divided into sub-portfolios according to the registration system, the type of product, the client's segment and the currency. In case of loans without any repayment schedules and loans from the impaired group, it is assumed that for those loans the fair value equals the book value thereof. In case of those sub-portfolios the discounting factor is used for each cashflow. The result is the fair value as the sum of the net present value of cashflows of a single loan.

The sum of the fair value of individual loans represents the fair value of the portfolio of reviewed loans.

For loans the discounting factor is assumed as a sum of:

- the market rate based on the yield curve as of the balance sheet date, and
- the average margin based on the portfolio of loans granted in the last semi-annual period.

For that purpose the following assumptions are adopted:

- use of the loans granted in the last year-half for calculation,
- division into the abovementioned product groups,
- the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each loan.

Investment in controlled entities

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

Liabilities towards other banks

The fair value of deposits at other banks is their balance-sheet value.

Liabilities towards clients

The deposit portfolio is divided according to the type of product, the client's segment and the currency. For deposits paid on demand, it is assumed that for those the fair value equals their book value.

Another phase involves the calculation of future cashflows as the sum of principal and interest cashflows. After that, by applying the discounting factor for each cashflow one receives the fair value of individual deposits. The sum of fair values of individual deposits represents the fair value of the portfolio of deposits reviewed.

For deposits the discounting factor represents the sum of:

- the market rate based on the yield curve as at the balance sheet date, and
- the average margin based on the portfolio of deposits accepted in two last months.

For that purpose the following assumptions are adopted:

- use of the deposits accepted in the last two months for calculation,
- division into the abovementioned product groups,
- the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each deposit.

46. Custody activities

On 30.06.2007 ING Bank Śląski S.A. maintained 1,837 securities accounts for its customers. At the end of the first half of 2007 ING Bank Śląski S.A. was a deposit bank for 54 investment funds and 1 employee fund.
The Group was also selected to fulfil this role for 14 new investment funds. From 1 January 2007 to 30 June 2007, the Group co-operated with 21 Polish brokerage houses.

47. 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:

	1 half 2007	end of 2006	1 half 2006
up to 1 year	89 015	15 197	36 147
over 1 year and up to 5 years	203 149	63 801	171 232
over 5 years – annual payment amount	27 253	17 521	28 002

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:

	1 half 2007	end of 2006	1 half 2006
up to 1 year	14 800	15 122	14 266
over 1 year and up to 5 years	62 977	63 262	60 263
over 5 years – annual payment amount	16 711	17 521	15 903

Lease payments include only the rent for the building of the Head Office of ING Bank Śląski S.A.. They do not include any payments due to the rent of parking spaces, additional rent for investment outlays, or fees for services and electric energy.

48. 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.

	1 half 2007	end of 2006	1 half 2006
- Cash in hand and balances with the Central Bank (presented in note 14)	454 058	508 254	427 967
- Accounts with other banks (presented in note 14)	2 154 808	639 646	803 021
- Current accounts with other banks (presented in note 15)	352 110	277 596	51 165
- O/N deposits with other banks (presented in note 15)	1 982 814	6 686 865	3 962 065
- Other receivables (presented in note 15)	42 045	48 902	28 241
Total	**4 985 835**	**8 161 263**	**5 272 459**

49. 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.

50. 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.

51. Related entities

Subsidiaries and Related Entities of ING Bank Śląski:
- ING Securities
- ING BSK Development
- Solver
- PTE ING Nationale Nederlanden
- Centrum Banku Śląskiego (CBS)
- Śląski Bank Hipoteczny

as part of business they hold current accounts at ING Bank Śląski, in order to perform standard clearing operations and also invest cash funds using term deposits. Furthermore, CBS and Śląski Bank Hipoteczny took loans from ING Bank Śląski. Similarly, ING Bank Śląski maintains bank accounts of other members of ING Group, for instance ING Lease (Poland), ING Car Lease, ING Nationale-Nederlanden and ING Real Estate. The transactions with the above entities are performed on an arm's length basis.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives: Forex Spot and Forex Forward, FX options and SWAP transactions. They are all performed on the arm's length basis.

There were also other transactions between the associated entities and ING Bank Śląski. They originated from agreements concluded as to co-operation, sublease of premises, lease of equipment, data processing, employees' insurance contributions, leasing of non-current assets and intangible assets as well as car fleet leasing and management.

In the period 1.01.2007 – 30.06.2007 the following transactions were made of the total value exceeding EURO 500,000:

- In connection with execution of the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV the remuneration for the services provided as to financial consulting in 6 months 2007 amounted to PLN 22.6 million (net). Following the implementation of the agreement for provision of data processing and financial information analysis services, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the fee for data processing and financial information analysis services used by ING Bank Śląski amounted to PLN 5.9 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 11.0 million (gross) in monthly instalments. In addition, the Bank paid PLN 0.9 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 9.0 million (gross).

- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 7.6 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 5.3 million in 6 months 2007.

Transactions with related parties (in PLN thousands) **30.06.2007**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	1 735 047	386 759	-	-
Loans	-	1 070 055	346 047	-
Deposits taken (current & term)	1 528 094	233 138	284 102	17 141
Securities	-	-	30 260	-
Other receivables	208 520	500	2 706	-
Other liabilities	116 465	6 624	17	-
Off-balance sheet commitments and transactions				
Guarantees issued	304 493	202 381	-	-
Guarantees received	1 779 621	-	-	-
Undrawn credit lines granted	254 626	1 380 100	217 967	-
FX spot	20 084 213	1 456 868	-	-
FX forward	276 575	1 569 467	-	-
IRS/CIRS	26 762 366	101 889	-	-
FRA	360 987	-	-	-
Options	1 019 080	631 567	-	-
Income and expenses				
Income	369 808	21 853	9 249	108
Expenses	318 236	2 426	16 201	1 844

Transactions with related parties (in PLN thousands) **30.06.2006**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	2 498 013	349 920	-	-
Loans	-	510 331	379 042	-
Deposits taken (current & term)	148 200	107 148	214 760	24 887
Securities	-	-	42 569	-
Other receivables	17 870	3 703	2 745	-
Other liabilities	3 780	18 312	41	-
Off-balance sheet commitments and transactions				
Guarantees issued	444 502	185 731	-	-
Guarantees received	2 023 799	-	-	-
Undrawn credit lines granted	205 159	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	-	-	-
Options	695 233	-	-	-
Income and expenses				
Income	356 463	47 606	7 500	218
Expenses	304 213	37 664	14 992	1 626

52. Transactions with the management staff and employees

Employees of the ING Bank Śląski S.A. Group are granted loans on the same terms and conditions as the customers of the Bank (no preferential loans for employees exist). Loans for employees disclosed in the amount of loans for customers as of 30.06.2007 amounted to PLN 64,740 thousand.

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 1H 2007 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 16,042 thousand.

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 30.06.2007 amounts to PLN 17,122 thousand.

Remuneration paid in 1H 2007 to the Members of the Management Board and Supervisory Board of ING Bank Śląski S.A.

Remuneration to the Members of the Management Board (in PLN thousand)

Year	Emoluments and bonuses	Benefits	Total
1H 2007	**7 882**	**1 984**	**9 866**
1H 2006	**7 991**	**1 194**	**9 185**

The total amount of remuneration and bonuses paid or due for 1H 2007 presented above constitutes the gross amount of remuneration paid or due and payable for the period from January to June 2007 and the 2006 bonus, which was paid out in 2007 at the total amount of PLN 3,743 thousand.

The members of the Management Board have signed 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. Information on allowances owing to the Management Board Members is contained in their employment contracts and shall be paid only in case of termination of the employment contract by the Bank due to other reasons than those giving rise to termination without notice.

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

Year	Remuneration and bonuses	Benefits	Total
1H 2007	**308**	**0**	**308**
1H 2006	**487**	**0**	**487**

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.

As regards members of the Bank Supervisory Board, the following individuals have held 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.

53. Events after the balance sheet date

On 19 September 2007, ING Bank Śląski S.A. signed the agreement for purchase of shares in Centrum Banku Śląskiego Sp. z o.o. The seller was BUILDCO SA, Avenue Pasteur 3, L-2311 Luxembourg. ING Bank Śląski S.A. is not related to the seller's company – BUILDCO SA.

The agreement covers 36,716 shares of face value of PLN 1,000 each, and the total face value of 36,716,000, representing 40% of the initial capital of Centrum Banku Śląskiego Spółka z ograniczoną odpowiedzialnością, ul. Chorzowska 50, Katowice, KRS 47713, District Court in Katowice, Commercial Section of the National Court Register, REGON 273842724, NIP 9542206197. The purchase price amounts to EURO 5 million, representing PLN 18,865,000.00 upon conversion at the average NBP exchange rate of 19.09.2007. The payment will be transferred to the seller's bank account within 7 business days from the date of signing of the agreement. The transaction is financed from the Bank's own funds. ING Bank Śląski S.A. holds 100% shares in ING BSK Development Sp. z o.o. ING BSK Development Sp. z o.o. holds 60% shares in Centrum Banku Śląskiego Sp. z o.o. Upon finalising the transaction, ING Bank Śląski S.A. will indirectly and directly control 100% of the initial capital of CBŚ Sp. z o.o.

54. Acquisitions

In 1H 2007 the Group did not make any acquisitions, similar to 1H 2006.

Risk Management in the Capital Group of ING Bank Śląski S.A.

All of the Group's operations involve the analysis, assessment and management of certain types of risk or their combination. The most important types of risk generated by financial assets include: the credit risk, liquidity risk and market risk that incorporates the FX risk, interest rate risk and pricing risk. Presented below is a description of management of all the risk types that are significant from the Group's perspective.

I. Credit Risk Management

1. Definition of Credit Risk

Credit risk is the possibility of non-collection of amounts due to the Bank under extended credit and credit-related facilities, leading to lack of income and/ or a financial loss.

The credit losses are a derivative of risk and measures taken by the Bank to reduce them. The Bank influences the level of losses by the level of risk it accepts, the amount of exposure at risk, the security against the risk borne and also – in case of risk materialisation – by direct actions taken to minimise the losses.

In view of the above, credit risk management covers the following elements:

- Risk identification and assessment.
- Risk measurement and monitoring.
- Risk mitigation and prevention.
- Development of tools supporting risk identification and measurement.
- Provisioning policy.

The credit risk management area refers to: the preparation and launch of a credit product, the end-to-end lending process and all units involved in those processes.

Maximum exposure to credit risk

	30 Jun 2007	31 Dec 2006	30 Jun 2006
- Cash in hand, funds with the Central Bank	2,608,866	1,147,900	1,230,988
- Deposits with other banks as well as loans and cash loan extended to other banks	18,078,943	13,513,898	11,269,867
- Financial assets at fair value through profit or loss	6,591,553	7,058,115	5,836,426
- Investment financial assets	9,593,763	12,614,914	12,221,167
- Derivative hedge instruments	3,770	3,329	0
- Loans and cash loans extended to clients	14,567,176	12,868,074	11,164,466
- Extended contingent liabilities, including:	13,043,342	13,817,539	9,345,434
- credit card limits	*970,954*	*660,563*	*563,269*
- unutilised credit lines	*6,488,990*	*6,217,846*	*5,300,371*
- unutilised overdraft facilities	*1,976,812*	*1,790,166*	*2,085,519*
- guarantees and letters of credit	*1,860,104*	*1,442,839*	*1,348,775*
- third-party deposits	*1,746,482*	*3,706,125*	*47,500*
Total	**64,487,413**	**61,023,769**	**51,068,348**

2. Organisational Structure of Risk Management

For credit risk management, the organisational structure of the Bank includes the following organisational units:

- Supervisory Board of the Bank,
- Management Board of the Bank together with the Credit Policy Committee that approve certain internal risk-related normative acts as part of their powers,
- Credit Policy, Procedures and Strategic Projects Department,
- Risk Modelling, Monitoring and Reporting Department,
- Transactions Management and Approval Strategic Clients and Country Risk Management Department,
- Transaction Approval and Management for North Department
- Transaction Approval and Management for South Department
- Retail Credit Risk Management Department,
- Problems Loans Department,
- Credit Risk Inspection Department,
- Operational units and credit analysts,
- Internal Audit Department.

The mission of these units is to ensure proper balance between the commercial objectives of ING Bank Śląski S.A. and a risk appetite level that is acceptable for the Bank, while taking account of the existing economic environment.

This objective is achieved by taking the following actions:

- developing the principles of credit policy, as well as processes and procedures for acceptance of the permissible credit risk level towards entrepreneurs and business partners; supporting the development of tools for risk identification and measurement; enforcing the implementation of credit decisions; establishing provisions for credit risk, and initiating changes that may be necessary to manage the credit process,
- conducting credit analysis and taking credit decisions,
- raising the level of credit- and counterparty risk awareness among the Bank's employees in order to mitigate those risks,
- managing problem loans to minimise the risk and losses of the Bank,
- conducting an independent and objective assessment of the effectiveness, appropriateness and efficiency of the Bank's internal audit system, while ensuring the identification of weaknesses or gaps in its organisation and functioning.

The commercial functions are separated from the functions assessing the transaction- and client risk (the four-eye control principles).

Presented below in more detail are the roles and responsibilities of the individual organisational units involved in the credit risk management process at ING Bank Śląski S.A.

1.1 Supervisory Board

The Supervisory Board assess on a periodic basis the accomplishment by the Management Board of the Bank's credit risk management assumptions and strategy.

1.2 Management Board

The Management Board of ING Bank Śląski S.A.:

– approve the Credit Policy that defines the strategic approach to credit risk and the acceptable risk level,
– appoint and approve the composition of the Credit Policy Committee through which it ensures ongoing oversight of the credit risk management process,
– provide periodic reports, at least once a year, to the Bank's Supervisory Board regarding the risk level and profile, as well as amendments to the Credit Policy,
– promote implementation and execution of the Credit Policy by actions taken by the individual members of the Management Board in charge of their respective subordinate areas. Among the members of the Management Board, there is a Chief Risk Officer who oversees the credit- and market risk management.
– review the efficiency of methods used for identifying impaired credit exposures and defining the related write-offs; assess the adequacy and sensitivity of the methods to changes of external conditions,
– review the processes and the methods of monitoring the quality of credit exposures.

1.3 Committees

The following permanent committees are in place at the Bank whose powers include the credit risk areas:

 – Credit Policy Committee (or KPK) whose key objective is to oversee the implementation and control the adherence of the organisational units of ING Bank Śląski S.A. to the "Credit Policy Rules",
 – Credit Committees:
   – of ING Bank Śląski S.A. (the Bank Credit Committee, or KKB),
   – of the Bank Head Office (the Head Office Credit Committee, or KKC),
   – of the Region,
   – the Restructuring Committee.

In the strategic clients area decisions are taken by two individuals authorised by the Credit Policy Committee, or KPK.

1.4 Credit- and Market Risk Management Division

There is a separate division for the credit- and market risk management in the organisational structure of the Bank.

The mission of the Credit- and Market Risk Management Division is to maintain an adequate level of the credit- and market risk at the Bank.

The division is headed by the Bank Executive Director subordinated and reporting to the Chief Risk Officer.

The Bank Executive Director (Division Director) oversees, among other things, departments whose function includes system management of the Bank's credit risk, including:

– Credit Policy, Procedures and Strategic Projects Department,
– Risk Modelling, Monitoring and Reporting Department,
– Retail Credit Risk Management Department,

Within the above departments, there are units/ teams responsible for the policy and procedures, examination and modelling of the credit risk, as well as the monitoring and reporting of the credit risk of the portfolio.

The tasks of the individual departments involved in the credit risk management process are as follows:

1.5 Credit Policy, Procedures and Strategic Projects Policy Department

- to develop effective systems for credit risk management by maintenance and expansion of the credit policy principles and description of processes and procedures in order to ensure a proper balance between the current commercial objectives of the Bank and the adequate awareness level/ risk appetite level, while taking account of the market conditions in Poland,
- to ensure effective functioning of the risk area and process, in line with the current conditions, by management, participation in projects, modelling the organisation, review of processes, reacting to the needs of the front office, operations, implementation of the requests of the Bank Management Board and ING Group Head Office.

1.6 Risk Modelling, Monitoring and Reporting Department

- to define and produce management reporting in the risk area.
- to support the management of the client and counterparty credit risk and the transaction risk by developing tools used for the risk identification and measurement, monitoring and reporting in respect of the credit portfolio quality, making recommendations concerning the provisions for credit risk; supporting the units managing the client and counterparty credit risk and the transaction risk in regard to the legal and administration items.

1.7 Transactions Management and Approval Strategic Clients and Country Risk Management Department, Transaction Approval and Management for North Department/ Transaction Approval and Management for South Department

- to manage the credit risk related to client funding by providing advice in respect of the risk in the process of taking credit decisions, executing credit decisions, recommending required changes in the credit process management.
- to supply important data for the credit policy principles as well as processes and procedures in order to accept the acceptable level of the wholesale client risk.
- to raise the level of credit- and counterparty risk awareness among the Bank's employees in order to mitigate those risks.
- to recommend the level of provisions and necessary changes in the management of credit processes and defining products and credit policy in order to mitigate the risk.

1.8 Retail Credit Risk Management Department

- to manage risk by: risk level measurement; definition of risk acceptance criteria; monitoring and reporting the credit portfolio quality; valuation of potential losses; recommendations for financial provisions and necessary changes in the credit process management; definitions of products; credit policy aimed at risk reduction.
- to agree on the acceptable risk level (risk appetite),
- to develop and update the models for credit capacity calculation; preparation and updating statistical acceptance models (scorecards for retail loans)
- to define the methods of identification for impaired receivables and related write-offs,

– to raise the level of credit risk awareness among the Bank's employees, possibilities and method of its mitigation.

1.9 Problem Loans Department

– to manage problem (wholesale) loans aimed at minimisation of risk and losses for the Bank, resulting from the non-performing portfolio,
– to co-operate with the Regional Risk Management Sections (WZR) and Front Office units in respect of debt recovery and restructuring of problem loans,
– to exercise functional supervision over the regional Intensive Care and Debt Recovery Teams (ZICiW) that operate as part of the Risk Management Section (WZR).

1.10 Credit Risk Inspection Department

– to verify on a regular basis the credit documentation and assess the functioning of the credit process at ING Bank Śląski S.A. at the front-office and back-office levels (the ability to recommend changes to the existing policies and processes to the Credit Policy Committee),
– to analyse selected loans and adequacy of local Risk Management during regular inspections at the Bank organisational units;
– to identify potentially problematic areas and respond to the signals coming from the organisation;
– to control the adherence to the transaction approval criteria; the process of loan disbursement; behaviour patters/ statistics regarding repayments; statistics of overdue repayments; adequacy of monitoring of exposures and risk categories; and correctness of the credit data entered in the IT system and debt collection.

1.11 Operational Units and Credit Analysts

They represent expert knowledge on the risk characteristics of clients

1.12 Internal Audit Department (IAD)

The key mission of IAD is to provide the Bank Management Board with an independent and objective assessment of the appropriateness and efficiency of the Bank's internal audit system, ensuring the identification of weaknesses or gaps in its organisation and functioning.

The Internal Audit Department carries out regular audits of the Corporate Governance Model, credit risk policy and procedures. Its observations (together with the proposed changes to the policy and procedures) are then translated into a plan of actions that need to be taken before approval by the Credit Policy Committee.

The predominant objective of IAD is to identify the risks existing in the Bank's operations and to assess and propose actions enhancing control and management of those risks. By its activities, IAD contributes to improving the organisation and management of the Bank and to accomplishing the objectives set by the Bank.

The scope of IAD operations covers the whole business operations conducted by ING BSK, all of its organisational cells and units, as well as the organisational units of the capital group of ING BSK.

3. Credit Decision – Making Process

Decision-taking powers in the individual credit cases (credit committees at different levels) are separated from the decisions concerning the credit policy and risk management.

Decisions at all levels (except Strategic Clients) are taken jointly by credit committees whose operations are defined in more detail in their respective by-laws; joint decision-taking does not release any member of the decision-taking process from personal responsibility for the decisions taken. As regards the Strategic Clients, credit decisions concerning that area are taken by two authorised individuals (SAP), as set out in the Credit Instruction for Strategic Clients.

The authority level is co-related with the level of credit risk arising from the client risk and from the transaction risk. As the credit risk rises, the decisions are taken by collective bodies who – by their nature – have more extensive experience, and thus the ability of broad and thorough risk identification; it is also permitted that credit decisions be taken by two authorised individuals for lower exposures in areas other than Strategic Clients.

Decision-taking level for credit decisions concerning regular credit exposures is determined based on the client's risk grade and the following elements:

– the total exposure of ING Bank Śląski SA Group towards the debtor and the members of the capital group (within Article 3 paragraph 1 item 44 of the Accounting Act of 29 September 1994) of which the debtor is also the member, as well as entities related to the debtor by personal ties by spouses (only when the Bank funds an entrepreneur who is a private individual),
– the subject matter of the credit decision in question.

4. Reviews and Credit Risk Rating

Commercial functions who grant credits are separated from the process of transaction- and client risk rating (four-eye control principle). Credit risk is rated (by the Risk Manager) based on the principle of separation from the commercial functions (Relationship Manager).

The following parties are involved in the process of risk rating: Rating Owner (Relationship Manager) and Risk Manager.

The Rating Owner inputs the financial data related to the client and has exclusive responsibility for the correctness of the risk rating, including Review.

There is only one owner of a borrower's risk rating. The credit restructuring unit may become a rating owner for borrowers rated 18 to 22. The Rating Owner creates a draft rating, using the appropriate Rating Model for a specific target client group. The user may deviate from the suggested model if he or she provides the appropriate written justification.

The final rating is determined by the Risk Manager, or by the Appeal Committee if an appeal has been made.

The Risk Manager is responsible for:

– Verifying that the appropriate rating model has been used for the borrower;
– Verifying that financial and non-financial data entered are correct;
– Challenging un-audited financial data;
– Finalizing the rating.

The outcomes of specific models may be subjects to arbitrary adjustments in that the ultimate rating grades are determined as part of the appeal process.

A one notch difference (positive or negative) between the rating calculated by the rating model and the view of the appellant (the person initiating an appeal) is sufficient to start a rating appeal.

Reasons for a rating appeal are for example:

– The rating model is not appropriate for the Borrower; and/or

- Circumstances that may not (yet) be captured by the rating model but which are likely to have a (usually negative) effect on the borrower's PD, especially if:
  - Borrower has or is expected to default on any financial obligation to any party;
  - Major disruption of activities;
  - Change in legislation that will seriously impact the financial performance.

4.1 Frequency of Risk Rating Reviews and Updates (if any)

Only the Rating Owner can review the risk rating. The following rules will apply to rating reviews:

- A risk rating must be reviewed at least annually. A risk rating is considered overdue after 12 months from the last approval date of the risk rating (18 months for Strategic Clients),
- The Rating Owner should take appropriate action to either review or cancel the risk rating if the Bank has terminated the relationship with the Borrower and no credit risk remains. The Rating Owner should perform an interim re-rating when the value of one or more risk drivers has materially changed. Events that could cause a consideration for a re-rating are for example a change of risk rating of the influencing parent or a change of any of the qualitative risk drivers,
- Without a review, a risk rating will automatically expire,
- The following risk ratings are excluded from automatic expiry:
  - Manually set risk ratings;
  - Risk ratings 14 - 22;
  - Central Government and Country risk ratings;
  - Risk ratings of ING Group, ING Insurance, and ING Bank entities.

5. Concentration Limits

To mitigate the concentration risk, the Bank observes the following exposure concentration limits as defined in Article 71 of the Banking Law Act:

- 20% of the Bank's own funds – for exposures to entities related to the Bank,
- 25% of the Bank's own funds – for exposures to other entities,
- 800% of the Bank's own funds – for the aggregate amount of the Bank's "large" exposures, i.e. exposures exceeding 10% of the Bank's own funds.

Furthermore, in keeping with the statutory rules and recommendations of the Banking Regulator, the Bank sets internal concentration limits for exposures to specific sectors, the collaterals accepted, and it monitors on a regular basis the concentration levels in the geographical areas of its operations (the Regions).

The Bank sets the statutory concentration limits on a monthly basis. Based on the data verified, the Bank prepares a report covering the up-to-date balance of the Bank's own funds and the individual statutory limits. The report is then distributed among the Bank units concerned, including among others: the Corporate Banking Centres, the Regional Branches, the departments of the Credit Division, Risk Division and the Internal Audit Department. The Regional Branches re-distribute the report among their respective subordinate units.

The Bank monitors the utilisation of limits by preparing a specification of clients and groups of related clients, and by comparing their existing exposure to the current limits.

On the operational level, the control of concentration limits is performed during the writing of credit applications, approving specific transactions and periodic reviews.

To avoid excessive credit risk concentration in the sectors, the Bank monitors the exposures in the individual economy sectors. Based on analyses, the Bank sets the desired directions where its exposure should increase, and the sectors with unfavourable development perspectives in which the exposure should be lowered.

The above tasks also include among other things the determination of limits for groups of sectors with a material share in the Bank's portfolio, i.e. whose total share in the entire credit portfolio is around 60%, and the individual share of a given sector in the corporate portfolio is in excess of 5%. Limits for the individual sectors are determined by the Credit Policy Committee.

Exposure concentration in the geographical areas is monitored according to the regional division into the branch network. A 20% limit of the Bank's total portfolio is adopted for controlling concentration at the level of Regions. Exceeding this limit may trigger setting a geographical limit.

However, since geographical concentration is minor and does not increase the credit risk, so far there has been no need for ING Bank Śląski to set geographical limits.

Considering the potential risk level, the Bank introduced limits for mortgage loans in accordance with Recommendation S of the Banking Supervision Commission for the following types of facilities:

- loans with low down-payment (insured)
- newly granted loans indexed to foreign exchange rate
- loans secured with mortgage
- housing loans

Adherence to the statutory and internal concentration standards is the subject of a monthly risk report distributed among the Management Board, Credit Policy Committee and Regional Managers. The report is also presented to the Supervisory Board of the Bank on a periodic basis.

6. Collateral and Other Forms of Credit Risk Mitigation

Even though collateral is a major factor that allows the Bank to mitigate the credit risk, it is the Group's policy to extend loans in amounts and on terms that allow for regular repayment without the need to recover the receivables by liquidating the collateral.

The Bank accepts all types of collateral permitted by the law; however, the choice of collateral in the specific cases is conditioned by various factors, including in particular:

- the client's ability to offer specific types of security,
- the type and duration of exposure,
- the level of client's risk;
- the level of transaction's risk,
- the liquidity of collateral offered (the ability to cash it easily);
- the collateral value

Each collateral is assigned a specific collateral grade, which is a separate grade independent of the credit risk rating.

The collaterals are not only classified by their legal form. The characteristics of a specific type of collateral, including the recovery ratio from the collateral, are taken into account as well. The final classification of collateral for a specific exposure is influenced by the following factors:

- Legal conditions that specify the ability to liquidate the collateral efficiently, upon including such elements as: the speed of debt collection proceedings for a given legal form of collateral; the Bank's position in relation to other creditors (including the State Treasury and the Social Security Institution); whenever possible, the Bank also takes account of the factors arising from the practice of the debt collection and law enforcement agencies that affect the chance of successful debt collection;

- the liquidity and value of assets securing the exposure, upon taking account of the assets' sensitivity to impairment;
- the costs of debt collection and the costs of keeping irregular receivables on the Bank's books (until the recovery or amortisation of debt).

Apart from the classic types of collateral (property and personal), the Bank also applies additional instruments to mitigate the risk of loss, namely additional covenants in credit agreements. As part of the basic covenants, the Bank applies protective and financial clauses. The scope of the covenant or combination of covenants to be applied depends on: the term, type of credit product, the specific organisational and legal form or the business objects of the borrower, the risk rating of the client. By including certain covenants in the credit agreements, the Bank is sometimes able to give up some or all legal collateral.

The structure of individual collateral types is diversified.

The following types of collateral have the biggest share:

- corporate sureties and guarantees – there are guarantors for different sectors with different economic and financial standing within this group. Therefore, there is no significant risk in terms of concentration. In case of assuming a specific recovery ratio from collateral, greater than 0%, it is necessary to examine the economic and financial standing of the guarantor and determine the risk rating as investment or speculative.
- mortgages – this is due to the fact that mortgages usually secure long-term investment loans. Furthermore, mortgages are the main security for loans to finance commercial real estate.

7. Exposure Classification Methodology

7.1 Corporate Client Credit Receivables

Credit Impairment Recognition

The events that provide the basis for credit impairment recognition are the events that occurred in respect of a certain asset or a group of assets and that affected in a negative manner the amount of expected cash flows. The Bank adopted the following list of impairment events for corporate credit receivables:

- Bankruptcy/ threat of bankruptcy: the Borrower was announced or will soon be announced bankrupt (whether by the Bank, by third party or on its own initiative), which will result in failure to repay or delay in repayment;
- Default in repayment: the Borrower stopped to repay the principal or interest/ commission and the said default lasts:
  - For corporate clients (apart from financial institutions) – above 90 days;
  - For financial institutions and government authorities – 0 days or more; however, in that case a 14-day explanation term is applied to determine whether the default in payment is caused by deterioration of the financial institution's credit standing or operational reasons. Default in payment for operational reasons is not considered an impairment event..
- The Bank assesses that the borrower will face difficulty in repaying the debt: the Borrower has such material financial problems that they can be of a negative impact (probability of at least 50%) on future cash flows under a given credit receivable (the 1Y perspective is considered in the assessment);
- Credit receivable restructuring not resulting for commercial reasons: due to the borrower's financial problems, the Bank restructured the credit exposure, by granting facilities and exceptions to the borrower, which resulted in reduction of the present value of expected future cash flows from the credit receivable below its balance value.

The case where occurrence of at least one of the aforementioned events is declared stands for appearance of impairment.

Customer Risk Class Determination

Each entity with the Bank's credit exposure must have a rating assigned as is used in a standard manner at the Bank. Determination of the customer risk class forms an integral part of the Bank's credit risk evaluation process for corporate clients.

For entrepreneurs' exposures, the Bank uses a 22 grade rating, employed throughout ING Group. Its classes present the debtor-related risk. The customer is assigned to a given risk class based on the:

- financial model, suing the data from the debtors' financial reports,
- evaluation of qualitative factors,
- financial standing of the parent company.

Investment Grade 1-10

Investment grade comprises the entities which we assess as encumbered with a relatively low risk; however, in making risk classification, we take account of the threats arising from economic and business conditions.

Speculative Grade 11- 17

It is a group of a relatively large bucket of risk levels, and thus the characteristics of extreme classes within this group varies considerably. In general, we may say that:

- the entities from top classes under this group are fulfilling their financial obligations at present, however the debt cover ratio (principal and interest) over a longer term is not certain, and thus the safety margin is limited; there is real threat of credit risk growth due to unfavourable business or economic conditions;
- the borrowers assigned to the top risk classes (the worst classes from that group) can be characterised by uncertain income perspectives, worse quality of assets and over a longer term the risk of equity mismatch and possibility of loss occurrence.

Problem Loan Grade 18- 22

This risk group comprises the Borrowers who showed explicit symptoms of problems with debt service or who are in the default situation.

Borrowers from the risk group (and also the ones assigned to class 17 or better, whose exposures are covered by regulations are classified by Intensive Care Units only, managing a given client exposure.

For:

- strategic clients the global ING Group model is applied – the debtor is assigned to one of 17 corporate client risk classes in the brackets from 1 to 17,
- corporate clients the local SME PD model is applied – the debtor is assigned to one of 10 corporate client risk classes in the brackets from 8 to 17.

Corporate Credit Risk Management Tools

Further to the implementation of the Resolution No. 1/2007 by the Banking Supervision Commission, whereby the stipulations of the CRD Directive in terms of bank's capital adequacy, compliant with the

New Capital Accord (Basel II) were instituted, the Bank took several actions in the credit risk management area in respect of the scope and detailed principles of capital requirements determination. Following the ING Group's decision to implement the Advanced Internal Rating Based Approach (or AIRB), the Bank prepared and implemented local and global models for basic risk parameters:

– PD (probability of default),
– LGD (loss given default),
– EAD (exposure at default)

for various classes of assets in line with AIRB.

Among others, the Bank uses the following rating models for corporate exposure classes:

– For local segment of Strategic clients recognised as customers with annual revenues above EUR 100M
  – Global risk rating model (statistical PD model), based on the global ING Group approach,
  – Global LGD and EAD models (hybrid statistical-expert models), built on the ING Group level..

– For local segments of Mid-sized and Big companies (SME asset class) with annual revenues from PLN 800 thou. to EUR 100M):
  – Local risk rating model (statistical SME PD model), developed in the Bank for Polish companies,
  – Local LGD and EAD models (hybrid statistical-expert models), built in the Bank on the basis of internal data and ING Group's methodology.

Besides above, the Bank uses also global models for exposures to banks and other financial institutions and to sovereigns and local governments.

The models are employed to calculate the regulatory and economic capital for the purposes of the New Capital Accord, allowing their levels to be optimised. They contribute to a better quantification of the credit risk for the Bank's portfolio. It is on their basis that the provisions under IFRS, the efficiency of Bank's performance (RAROC, economic profit, goodwill management) and credit prices are estimated, among other positions.

While employing the risk models, the Bank makes use of advanced IT systems supporting the client and transaction risk rating process. An integrated ING Group's environment is the primary IT tool used to manage credit risk. As this tool combines all applications needed to fully meet the New Capital Accord requirements, it enables the Bank to manage risk effectively not only on the Bank's Branch level, but also on the level of individual relationship manager's portfolio.

Credit exposure to corporate clients by risk grades

Risk rating	**Exposure in PLN million**					
	30 Jun 2007		**31 Dec 2006**		**30 Jun 2006**	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
01	0.0	0.0	0.0	0.0	0.0	0.0
02	0.0	2.3	0.0	0.0	0.0	0.0
03	1,742.8	478.9	1,389.0	621.1	814.2	232.6
04	0.0	0.6	0.0	45.8	115.1	344.6
05	0.2	4.9	0.0	0.0	0.0	0.0

06	224.8	75.2	247.2	53.1	208.3	93.8
07	8.9	45.7	10.4	4.1	11.8	2.6
08	412.9	762.6	251.9	681.9	260.6	707.0
09	578.3	1,084.9	248.1	725.0	253.8	646.9
10	1,274.9	1,744.7	1,357.8	1,821.6	1,024.5	1,082.2
11	899.3	973.7	655.1	704.1	728.6	962.6
12	1,192.0	1,072.1	879.0	1,075.5	817.3	1,082.7
13	1,330.0	850.3	1,261.0	860.9	1,122.0	815.8
14	1,426.3	1,007.4	1,816.1	778.1	1,406.9	595.1
15	1,158.7	590.1	1,256.3	522.5	1,066.7	460.5
16	509.0	277.7	415.7	288.5	385.9	448.4
17	303.0	49.3	161.3	65.9	187.4	54.8
18	57.2	17.9	54.5	27.2	85.9	13.1
19	49.2	6.2	34.8	5.9	27.8	4.2
20	87.6	1.7	104.8	5.2	129.7	3.8
21	5.0	0.0	5.5	0.0	6.4	0.0
22	342.8	0.4	343.1	0.4	364.6	0.8
Total	**11,602.9**	**9,046.6**	**10,491.6**	**8,286.8**	**9,017.5**	**7,551.5**

Credit exposures to corporate clients by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2007		31 Dec 2006		30 Jun 2006	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	11,155.4	9,021.1	10,067.7	8,270.4	8,584.3	7,533.4
1-30	73.1	25.2	43.1	14.7	24.3	15.6
31-60	4.3	0.0	10.8	1.0	3.8	0.6
61-90	0.9	0.0	3.7	0.1	9.6	0.1
91-180	2.4	0.3	7.7	0.1	8.5	1.0
181-365	15.5	0.0	7.6	0.0	13.6	0.2
>365	351.3	0.0	351.0	0.5	373.4	0.6
Total	**11,602.9**	**9,046.6**	**10,491.6**	**8,286.8**	**9,017.5**	**7,551.5**

Credit exposure to corporate clients under IBNR (Incurred But Not Recognised) impairment provisions by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2007		31 Dec 2006		30 Jun 2006	
	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance
0	11,082.0	9,019.4	9,976.9	8,266.8	8,477.8	7,529.6
1-30	67.6	25.1	42.3	13.3	22.8	15.6
31-60	3.5	0.0	4.9	1.0	0.6	0.6
61-90	0.0	0.0	0.3	0.0	1.6	0.1
91-180	0.4	0.0	4.1	0.1	1.5	1.0
181-365	0.2	0.0	0.2	0.0	1.7	0.0
>365	13.8	0.0	9.5	0.0	10.8	0.0
Total	**11,167.5**	**9,044.5**	**10,038.2**	**8,281.2**	**8,516.8**	**7,546.9**

Credit exposure to corporate clients under ISFA (Individually Significant Financial Asset) impairment provision by risk grades

Risk rating	Exposure in PLN million					
	30 Jun 2007		31 Dec 2006		30 Jun 2006	
	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance
20	65.7	0.0	83.0	1.6	77.2	2.2
22	257.0	0.0	258.6	0.0	276.8	0.1
Total	**322.7**	**0.0**	**341.6**	**1.6**	**354.0**	**2.3**

Credit exposure to corporate clients under ISFA (Individually Significant Financial Asset) impairment provision by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2007		31 Dec 2006		30 Jun 2006	
	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance
0	60.8	0.0	76.8	0.2	65.5	2.3
1-30	4.3	0.0	0.0	1.4	0.0	0.0
31-60	0.0	0.0	5.2	0.0	0.5	0.0
61-90	0.0	0.0	0.0	0.0	5.5	0.0
91-180	0.0	0.0	0.0	0.0	0.2	0.0
181-365	4.8	0.0	0.0	0.0	4.0	0.0
>365	252.8	0.0	259.6	0.0	278.3	0.0
Total	**322.7**	**0.0**	**341.6**	**1.6**	**354.0**	**2.3**

Credit exposure to corporate clients under INSFA (Individually Not-Significant Financial Asset) impairment provision by risk grades

Risk rating	Exposure in PLN million					
	30 Jun 2007		30 Jun 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
20	21.8	1.7	21.7	3.6	52.5	1.6
21	5.1	0.0	5.4	0.0	6.5	0.0
22	85.8	0.3	84.6	0.4	87.7	0.7
Total	**112.7**	**2.0**	**111.7**	**4.0**	**146.7**	**2.3**

Credit exposure to corporate clients under INSFA (Individually Not-Significant Financial Asset) impairment provision by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2007		30 Jun 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	12.7	1.7	14.0	3.4	41.0	1.5
1-30	1.1	0.0	0.9	0.0	1.6	0.0
31-60	0.8	0.0	0.7	0.0	2.7	0.0
61-90	0.9	0.0	3.4	0.1	2.4	0.0
91-180	2.0	0.3	3.5	0.0	6.8	0.0
181-365	10.6	0.0	7.4	0.0	7.9	0.2
>365	84.6	0.0	81.8	0.5	84.3	0.6
Total	**112.7**	**2.0**	**111.7**	**4.0**	**146.7**	**2.3**

7.2 Credit Receivables of Retail Clients

The Bank regards all the retail receivables (from individual and small business clients) as individually non-significant as well as calculates and makes relevant charges and provisions pursuant to the collective approach.

The expert methodology for estimation of charges and provisions, inclusive of parameters used for their calculation, is admissible if one of the following prerequisites arises:

– the portfolio size and age and/or number of cases subject to impairment in the period under analysis is not sufficient for statistical or mathematical estimation,

– the data quality is insufficient for adequate estimation of charges or provisions,

– an essential change took place in the Bank's economic environment, level of risk appetite, strategies adopted for receivables recovery,

– adopted statistical or mathematical methods of estimation do not correspond to the regulatory requirements or those set by ING Group.

The justification behind the expert methodology and assessment of its results is verified separately for each case and is subject to approval by the Credit Policy Committee. The same principles are applied for the use of data and observations obtained from other institutions, inclusive of the data source acceptance.

Premises for Credit Receivables Impairment

- the Borrower has stopped repaying the principal or interest/ commission and the delay in repayment continues over 90 days. In case of overdraft facilities (personal accounts and current accounts of small business clients) this condition is applicable only for exposures over PLN 200;
- with regard to consumer loans: the Borrower (individual) has exposures other than the exposure in question, which demonstrate the premises of impartment under item 1 and all these exposures belong to the group of consumer loans (non-housing/ mortgage);
- with regard to housing/mortgage loans: the Borrower (individual) has exposures other than the exposure in question, which demonstrate the premises of impartment under item 1 and all these exposures belong to the group of housing/ mortgage loans (non-consumer);
- the Borrower (small business) has exposures other than the exposure in question, which demonstrate the premises of impartment under item 1;
- upon impairment the Borrower correctly services the debt; however, the period of correct service is shorter than 3 months (for debt overdue by no longer than 6 months);
- upon impairment the Borrower correctly services the debt; however, the period of correct service is shorter than 6 months (for debt overdue by longer than 6 months);
- the Borrower has been or will be declared bankrupt soon, which shall result in the failure to repay the debt or delay in its repayment (the premise applies in particular to the borrowers from small business segment);
- the credit agreement has been terminated;
- the credit receivables are covered with restructuring. Due to financial difficulties experienced by the borrower, the Bank restructured the credit exposure by providing the borrower with convenient solutions or concessions which result in reducing the current value of expected future cash flows due to the credit receivables to the level below the balance sheet value of these receivables. On the other hand, the revision of lending terms for commercial reasons (inclusive of interest rate change due to market conditions) does not constitute the premise for impairment. The restructuring principles and method of their treatment from the point of view of impairment charges (provisions) are determined by separate procedures.

The starting point for grouping exposures into portfolios pursuant to the collective approach are the principles introduced by the New Capital Accord (the so-called Basel II), which distinguish three basic groups of retail products: renewable, mortgage and consumer loans. The risk drivers contingency within a group constitutes the basis for grouping. The product and its features function as the basic grouping criteria. Criteria of the premises for impairment based on the Basle concept of "default" derive from the product definition. Since the Bank applies the scoring cards (statistical acceptance models), the existing acceptance model constitutes an additional premise for grouping.

Additionally, the grouping is based on:

- type and definition of product,
- type of collateral,
- business positioning of product (e.g. separation of products not offered),
- other elements of acceptance model,
- organisation of credit process.

The separated portfolio should be characterised by a relevant number of cases to ensure the statistical recurrence of phenomena. For the purpose of statistical models development it is assumed the minimum number of cases in a given category (e.g. default) should amount to 300 per portfolio. For the parameters adopted based on historical observations, this value should not be lower than 100. The parameters accepted on the basis of smaller portfolios are subject to verification by experts.

For each portfolio we distinguish:

- IBNR part,
- impaired part,
- impaired – non risk part, also referred to as the B portfolio (no further recovery expected).

The Bank applies the following criteria for distinguishing the B portfolio:

- the following period has passed since the impairment premises emergence: 24 months for the portfolio of consumer and small business loans, 36 months for housing loans,
- there are no premises of the debtor having either the income sufficient to repay arrears or assets from which the Bank could recover the receivables and there are no premises that this situation would change in foreseeable future,
- the debtor is covered with bankruptcy procedures and there are justified premises that the Bank shall not recover any amount or shall recover insignificant amounts within this process.

The collective approach to estimation and creation of charges (provisions) is based on the principles introduced by the New Capital Accord (the so-called Basel II) and the concept of expected loss. In view of the fact that pursuant to IAS the provisions are established for the actually incurred loss and not the expected one, the Basle model parameters are subject to modification. The following parameters are used for calculating the provisions:

- PD, or probability of default by the client determined for each sub-portfolio of retail and Small Business receivables,
- LGD, or loss given default recorded for receivables as a result of their incomplete recovery, determined for each sub-portfolio of retail and Small Business receivables,
- EAD, or exposure at default – the amount of current balance sheet exposure increased by the balance sheet equivalents of unutilised credit lines.

The parameter modification derives from the fact that the Basle model defines the probability of expected loss in the period of next 12 months, whereas pursuant to IAS the provisions are established for actual losses. The modification is related to the period assumed for the loss to be recognised (revealed, identified).

PD parameter is modified based on the concept of emergence period, which generally is shorter than 12 months. The emergence period depends among others on the following factors:

- segment to which the borrower is classified;
- type of product.

Adjustment of PD to the IAS requirements consists in reducing the parameter’s time horizon and pushing it closer to the current balance sheet date.

For the retail and small business portfolio, the PD definition for product groups is based on the estimation of probability for one of the following cases:

- the Borrower has stopped repaying the principal or interest for longer than 90 days;
- the Borrower will be declared bankrupt (applicable to Small Business);
- the credit agreement is terminated;
- the receivables will be subject to restructuring;

PD calculated in this manner is mapped (allocated) to individual rating grades.

According to Basel II, LGD parameter signifies the loss to be incurred by the Bank at a given credit exposure in case of the borrower’s solvency. LGD is given as a percentage of the exposure at the moment of the borrower becoming insolvent (EAD). LGD is a derivative of the adopted legal collateral, i.e. type of collateral and its value (liquidation).

LGD for the retail portfolio is calculated based on the quotient of discounted cash flows on account as of the impairment till the report date and the sum of principal and interest due at the moment of impairment.

The LGD parameter calculated in this manner is adjusted by the estimated debt collection costs that the Bank will have to incur due to the collateral liquidation.

Cash flows upon the impairment date are discounted with interest rate adopted for the entire portfolio.

EAD in the Basle Model stands for the value of credit exposure that shall arise in case of the client's insolvency. In calculation of the expected loss pursuant to Basel II, EAD means the sum of current balance sheet exposure and statistically estimated part of the off balance sheet exposure that the client shall draw by the insolvency date.

For needs of IAS, EAD at the client's level is a current balance sheet exposure at the balance sheet date, increased by the balance sheet equivalents of current off balance sheet items.

The provisions value depends on the amount of exposure as well as PD and LGD parameters (PD for the impaired portfolio is 100% and LGD for the B portfolio is 100 %).

Credit exposure to retail clients (individuals and small business) by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2007		31 Dec 2006		30 Jun 2006	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	3,475.1	2,248.2	2,870.6	1,630.6	2,619.0	1,893.9
1-30	126.5	11.2	149.9	10.2	109.2	8.0
31-60	11.6	1.2	12.9	1.0	13.0	1.0
61-90	42.6	7.4	47.4	6.5	53.9	5.7
91-120	3.8	0.2	5.1	0.2	7.1	0.2
121-150	3.3	0.6	4.3	0.5	9.4	0.6
151-180	2.4	0.0	4.7	0.1	4.5	0.0
>180	79.5	0.6	148.3	0.6	173.6	0.6
Total	**3,744.8**	**2,269.4**	**3,243.2**	**1,649.7**	**2,989.7**	**1,910.0**

Credit exposure to retail clients (individuals and small business) under IBNR (Incurred But Not Recognised) impairment provision by product type

Type of product	Exposure in PLN million					
	30 Jun 2007		31 Dec 2006		30 Jun 2006	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
Mortgage loans	1,912.1	396.5	1,418.7	237.0	1,119.6	154.5
Small Business loans	680.8	427.7	530.6	353.0	475.3	256.5
Other loans for retail clients	1,024.2	1,436.8	1,086.8	1,052.0	1,151.6	1,492.1
Total	**3,617.1**	**2,261.0**	**3,036.1**	**1,642.0**	**2,746.5**	**1,903.1**

Credit exposure to retail clients (individuals and small business) under IBNR (Incurred But Not Recognised) impairment provision by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2007		31 Dec 2006		30 Jun 2006	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	3,475.1	2,248.2	2,870.6	1,630.6	2,619.0	1,893.9
1-30	126.5	11.2	149.9	10.2	109.2	8.0
31-60	11.6	1.2	12.9	1.0	13.0	1.0
61-90	3.9	0.4	2.7	0.2	5.3	0.2
Total	**3,617.1**	**2,261.0**	**3,036.1**	**1,642.0**	**2,746.5**	**1,903.1**

8. Compliance Reviews

The basic compliance reviews in the credit risk management area are performed by:
- Credit Risk Inspection Department,
- Internal Audit Department,

in the scope defined under items 1.10 and 1.12.

9. Management of Credit Risk of the Group Companies

The Capital Group of ING Bank Śląski comprises the following entities:
Subsidiaries:
- ING BSK Development Sp. z o.o. – operating since 2004 (100% of shares),
- Śląski Bank Hipoteczny S.A. – the company established in November 2000, in September 2001 it obtained the consent of the Banking Supervision Commission to start of the operational activity. SBH S.A. is the third mortgage bank in Poland, (100% of shares),
- ING Securities S.A. – the company began its operations in 1996 as Dom Maklerski Banku Śląskiego S.A. In December 2001, the brokerage houses of ING operating in Poland - Dom Maklerski BSK S.A. and ING Baring Securities (Poland) S.A. (100% of shares) merged to form one company,
- Solver sp. z o.o. - the company established in 2002 (79.79% of shares),
- Centrum Banku Śląskiego Sp. z o.o. – the company established in 1997 (60% of shares),

Affiliated entities:
- ING Nationale-Nederlanden Powszechne Towarzystwo Emerytalne Polska S.A. – operating since 2000. (20% of shares)

In view of the character of operations, the credit risk management is applicable to the following entities from the Capital Group of ING Bank Śląski: Śląski Bank Hipoteczny S.A. and ING Securities S.A. Risk management is realised in line with the ING Group standards in terms of structure and processes (tools) to ensure realization of business targets from risk point of view.

10. Identification of Credit Risk Connected with Derivatives

Each client concluding a derivative transaction with the Bank must be assigned a relevant transaction limit by the Bank. The transaction limits are assigned pursuant to the credit procedures and authorities binding in the Bank, as for all other credit exposures.

CRS system is used to monitor the risk connected with transactions concluded by the Bank's counterparties. CRS is a global system, used by the entire ING Group in which all the FM ("Financial Markets") limits and transactions concluded by dealers are registered.

The transactions that generate risk on the counterparty's side (settlement and pre-settlement risk), and that are input to the system, require registration in CRS.

The risk connected with the Treasury Department products, such as derivatives, deposits and transactions in securities, is monitored online at the Bank.

From the perspective of risk measurement, it may be divided into:

- pre-settlement – arising for FX and derivative transactions as well as transactions in securities as a result of exchanging the transaction on the market at a potentially unfavourable price,
- credit risk – connected with placing money on the market (deposits).

Pre-settlement Risk

The pre-settlement risk derives from a breach of transaction terms by the Counterparty, before its settlement, which makes necessary to exchange this transaction with a transaction with another Counterparty, according to the market price (potentially unfavourable).

To control the Counterparty's risk, not only the cost of exchange in case of breach is determined (current market value "MtM"), but also the growth of MtM during the transaction duration.

Since the financial markets are not fully predictable and one cannot be 100% sure about the set maximum MtM, the statistical models are used to define the level of trust. Pursuant to the policy of ING Group, this trust level is 97.5%.

Money Market Risk

The Money Market Risk arises when the Bank places deposits with another counterparty (bank). The Bank loses funds in case of terms being breached by the counterparty. Due to this, the risk is measured simply as the deposit face value.

Settlement Risk

The settlement risk is a risk at which the counterparty will not deliver the assets that they are obliged to deliver due to the transaction settlement and the Bank may lose up to 100% of the expected value. This risk arises when the exchange of value is to take place (funds or other instruments) on the same or different delivery date and this delivery is unchecked or expected till the moment when the Bank delivers an irrevocable instruction of payment or the Bank has paid itself or delivered its part of the liability deriving from the transaction.

Some products always generate the settlement risk, some never do, and there are also such products for which the occurrence of this risk is connected with the mechanism of settlements. The settlement risk always arises when the transaction involves a bilateral exchange of funds/ securities but this exchange is not made on the DVP basis (Delivery Versus Payment).

Risk Connected with Securities Purchase/ Sales

The risk connected with securities purchase/sales emerges when the exchange of funds into securities does not take place on the DVP basis. Then the settlement risk arises on the day of transaction settlement, unless the settlement is made in such a way that the Bank can control the transactions so as not to allow the flow of funds/ securities before confirming the obligation execution by the Counterparty.

Risk Weights

Risk Weights used to monitor the utilisation of individual limits are defined for single products, currencies and transaction duration at the level of ING Group. Risk Weights constitute an estimation of the potential future exposure (PFE) for the "at-the-money" contract, as a percentage of the transaction face value in the period of time remaining till its settlement.

Pre-settlement risk at the transaction level is calculated as:

Pre-settlement risk = Market Value + Face Value x Risk Weight,

where risk weight is based on the period of time remaining till the transaction settlement.

Risk weights are "used" by CRS system to monitor the level of the counterparty limits utilisation.

The portfolio of transactions concluded with the Bank's counterparties, covered by CRS (unsettled transactions), is as follows (all data in EUR million):

	30 Jun 2007	**31 Dec 2006**
Money Market	5,056.8	4,352.6
MtM	4,476.7	3,067.6
PFE	1,063.8	900.4
Present Value + FM Value	5,852.8	4,445.2

II. Market Risk Management

1. General Information

The main goals of Market Risk Management in ING Bank Śląski are to ensure that the Bank's exposure to market risk is understood, properly managed, and - where applicable - within approved limits.

The Bank defines market risk as the potential loss due to unfavourable changes in market prices (e.g. yields, FX rates, equity prices, etc.) and/or market parameters (e.g. volatility of market prices and the correlation between moves in market prices) and/or customer behaviour (e.g. early loan repayments).

The market risk management process within the Bank covers the identification, measurement, monitoring, and reporting of risk. The MRM department provides FM Management, selected Board and ALCO Committee members with regular risk updates. Additionally ALCO, Management Board and Supervisory Board receive periodic updates containing the most important market risk metrics. The MRM department is staffed with trained specialists and the independence of this department is ensured by its separation from the Bank units which generate market risk. An important consultative role in the market risk management process is performed by the Bank's majority shareholder – ING Bank NV.

The market risk management process in the Bank also includes the Product Control function which assures correctness of Financial Markets products valuation. It covers independent assessment (comparison to market) of revaluation prices and parameters used for fair market value calculation and proper P&L and valuation reporting in financial system. Decisions about issues related to valuation process e.g. sources of market data used, pricing model reserves calculation etc. are taken by the Parameters Committee which is chaired by Product Control and also includes representatives from the Financial Markets and Finance divisions.

The management of market risk in the Bank is primarily focused on potential changes in the economic result of the Bank (i.e. changes in the present value of expected future cash flows) but attention is also paid to cases where – due to accounting asymmetries – the effect of market rate changes on reported financial results are different from the effect of such changes on economic results.

2. Bank's Book Structure in Context of Market Risk Management

The Bank maintains an intention-based book structure which drives many processes, including the management of market risk. The book structure reflects what kind of market risk is expected and acceptable in which parts of the Bank and where market risk should be internally transferred/hedged within the Bank. Specifically, books are categorized based on intention as *"trading"* (positions are taken in expectation of short-term financial gain from market movements) or *"banking"* (all other positions). A high-level view of the Bank's book structure is as follows:

Whole Bank
- |___ Trading Books
- |___ Banking Books
  - |___Commercial Banking Books
  - |___ FM Banking Books

Trading Books

These are Financial Markets ("FM") books (FX, FX Options and Interest Rate Trading) and ING Securities (the Bank's brokerage house) - equity market-making and arbitrage activities (reported under FM structure). These books include positions held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits, and include, for example, proprietary positions, positions arising from client servicing and/or market making. The market risks of open positions in trading books are limited by various Trading VaR limits or - for the equity market-making and arbitrage activities of ING Securities - volume limits.

Commercial Banking Books

These are Retail and Wholesale Banking books containing commercial loans and deposits. The risks of these positions are internally hedged as well as possible to FM Banking books via internal contracts, which ensures that these books do not contain material levels of economic market risk. However, as described later in more detail, the short-term financial results of these books *are* sensitive to changes in market rates.

FM Banking Books

These are Liquidity Management & Funding ("LMF") and ALM ("ALM") books. Their primary responsibility is the liquidity and interest rate management of the positions of Banking – Commercial – Books. Open positions are allowed within approved VaR limits. Like Commercial Banking books, there is usually a difference between the sensitivity of economic and financial results to changes in market rates.

3. Value at Risk ("VaR") Concept

The Value at Risk (VaR) is the main methodology used to calculate market risk in FM books, both "Trading" and "Banking". The VaR gives the potential loss that is expected not to be exceeded assuming certain confidence (probability) level. The Bank calculated VaR separately for individual interest rate, FX and FX options portfolios. The following assumptions for VaR calculation are taken: 99% confidence interval and 250 daily market observations are used for volatility and correlation calculation. The VaR measurements done by the Bank are performed in accordance to ING Group standards and market best practice. The VaR model accuracy for "Trading" books is checked in daily back-testing process. P&L figures, both "actual" and "hypothetical or theoretical P&L" (change in end-of-day market value of the positions in a trading portfolio over 1 day, so excluding all intra-day activities that occurred during that day) are compared to the VaR. Any model outliers (large positive and all negative) are investigated and explained.

Event VaR ("stress-tests")

The Bank is aware that normal VaR does not present a full picture of market risk of a portfolio as it does not give an indication of potential losses in extreme cases. Therefore event risk (stress testing) calculations as performed. They cover evaluation of the Bank portfolios against a number of stress scenarios for one or more of the market parameters that determine the value of the portfolios. The worst result from the scenarios is reported as the final event VaR number.

Trading Books Market Risk (VaR statistics)*

VaR numbers 1H 2007 (in PLN)

Area	As at 30.06.2007	Average	Min	Max
Interest Rate	384,123	438,190	202,041	1,424,258
FX	50,514	715,192	50,514	1,382,904
FX Options	150,632	488,031	143,526	982,722

VaR numbers in 2006 (in PLN)

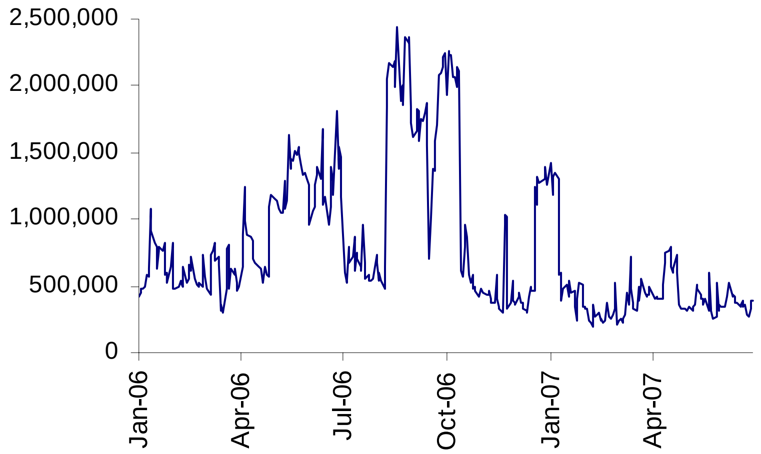
Area	As at 31.12.2006	Average	Min	Max
Interest Rate	1,253,270	973,864	304,322	2,439,333
FX	586,978	354,817	5,469	1,145,142
FX Options	505,718	494,367	180,424	1,302,511

VaR numbers in 1H 2006 (in PLN)

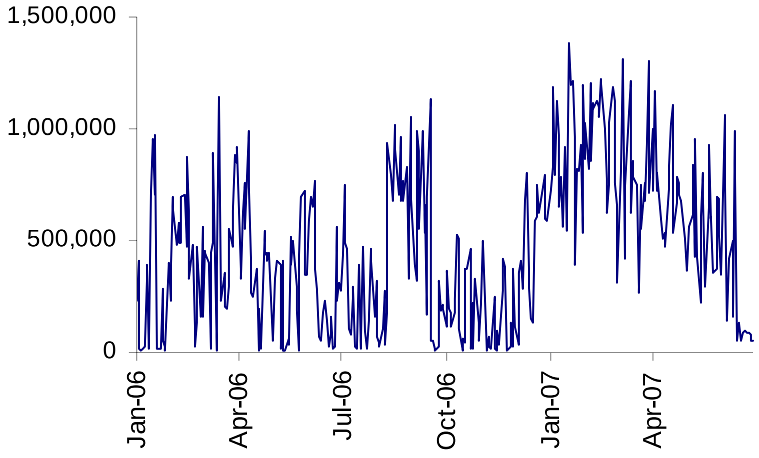
Area	As at 30.06.2006	Average	Min	Max
Interest Rate	1,168,061	860,939	304,322	1,812,905
FX	274,438	369,209	5,469	1,145,142
FX Options	493,295	474,526	180,424	1,302,511

**All VaR limits in ING Bank Slaski are denominated in EUR. Consequently their usage is calculated in EUR too. The data were converted into PLN for the purpose of this document using NBP fixing rates.*

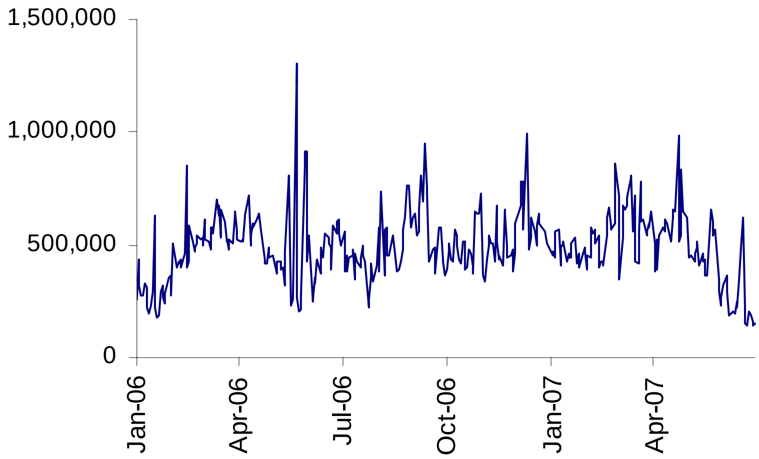
Interest Rate VaR (PLN)



FX VaR (PLN)



FX Options VaR (PLN)



Financial Markets Banking Books Market Risk (VaR statistics)**

VaR numbers 1H2007 (in PLN)

Area	As at 30.06.2007	Average	Min	Max
LMF	681,655	893,244	333,537	1,432,153
ALM	704,393	527,745	144,281	1,755,009

VaR numbers in 2006 (in PLN)

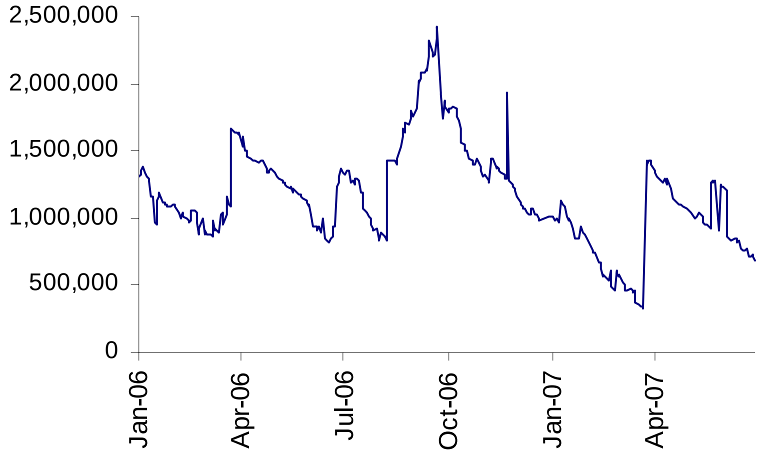
Area	As at 31.12.2006	Average	Min	Max
LMF	1,005,460	1,302,275	819, 956	2,420,937
ALM	209,950	1,105,424	99,810	3,627,633

VaR numbers in 1H 2006 (in PLN)

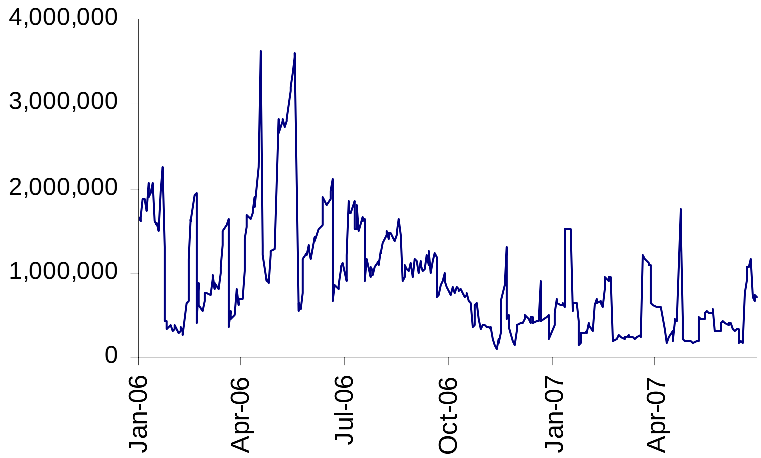
Area	As at 30.06.2006	Average	Min	Max
LMF	1,339,562	1,161, 666	819, 956	1,662,315
ALM	1,115,465	1,349,376	260,090	3,627,633

*** In case of LMF (Liquidity Management & Funding) numbers represent Total VaR (including both swap curve changes and spread risk) whereas for ALM it represents Delta VaR as this measure is formally limited (delta VaR takes into account swap curve changes only).*

LMF VaR (PLN)



ALM VaR (PLN)



Commercial Banking Books Market Risk

As these books are materially hedged against changes in economic results, the main indication of the interest rate exposure of Commercial Banking books are Earnings at Risk "EaR" measurements (results of these measurements are presented later in the interest rate sensitivity analysis tables). The positions in Commercial Banking books are also subject to measurements of non-linear interest rate risk. Specifically, the Bank measures optionality risk (the potential losses on these positions given early-withdrawal of deposits and/or early re-payment of loans) and basis risk (the potential losses on these positions arising from non-standard rate-setting mechanisms). The Bank is of the opinion that both of these risks are not material (potential losses typically represent a very small share of historical or projected results).

4. Earnings at Risk (EAR) Concept

EaR measurements are used for the (parts of) banking book positions which are accrual-accounted. Two approaches are used, as detailed below; both approaches cover a 1-year time horizon and provide the possible changes in accrual results given shock changes of +/-1% and +/- 2%. The two approaches taken are as follows:

– A "basic" approach is used for positions comprised of term transactions and/or small volumes of demand positions. This approach assumes that any future funding gaps or surpluses will be financed or invested with a tenor of one month.
– An "advanced" approach is used for material volumes of demand positions (at present: the Bank's PLN demand deposit base and its internal investment into FM banking books. The measurements simulate the changes in the Bank's results coming from the combination of:
  - Current (internal) investment of these funds and replenishment of these investments as previous investments mature and/or new volumes are attracted. Future (re-) investments are predicted based on continued use of current investment rules.
  - An assessment of the relation between changes in market rates and the rates that the Bank must pay its clients in order to maintain volumes.

Overall Interest Rate Sensitivity

The following tables provide a good overview of the sensitivity of the consolidated Bank to changes in interest rates. Full data is only available as at the end of June 2007; future financial statements will include comparisons to previous periods.

The first table shows the sensitivity of the Bank's results to changes in interest rates; the following should be noted:

– Positions are divided into banking book vs. trading book. Positions include all material currencies; PLN positions represent the vast majority of the interest rate sensitivity of the Bank.
– A basis point value ("BPV") is shown for each (sub-) position; by BPV we mean the change in the economic value of a position for a 0.01% parallel increase in yields.
– Positions are further split where relevant by accounting method: accrual or MTM. MTM positions' economic and financial sensitivity to a given change in market rates is the same; changes in the market value are fully and immediately reflected in reported results. Accrual-accounted positions display an asymmetry between the economic and financial effect of a given yield curve shift; this is an unavoidable result of accounting regulations. The financial effects of yield curve shifts are calculated in line with the definition of EaR presented earlier. The "advanced" EaR approach is used for PLN demand deposits; the "basic" EaR approach is used for

all other accrual-accounted positions. The economic result shown is the predicted change in the present value of future earnings, calculated over a long time horizon.

– As As can be seen in the table in case of banking book there is a large difference between the economic and financial sensitivity. Although the bank is aware of the sensitivity of its short-term financial results to changes in interest rates, the most important metric is – in line with the ING Group's "Managing For Value" approach – the sensitivity of the long-term economic results of the bank.

The second table shows the sensitivity of the Bank's capital base to changes in the market value of debt securities classified as Available-for-Sale ("AFS") in FM (the vast majority of AFS-classified securities in the consolidated Bank). It is important to note that the potential changes in capital base shown here are relevant only for the Bank's *regulatory* capital base. The Bank's calculations of its *economic* capital base do not include positive or negative revaluations of AFS-classified debt securities. This is because AFS-classified debt securities positions largely arise from the investment of portions of PLN demand deposit volumes in line with the Bank's economic modelling of these demand deposits.

Sensitivity of Bank's Results to Changes in Interest Rates

Book	**Accounting Category**	**BPV**	**Change in Economic Result for Yield Curve Move**				**Change in Reported Financial Result for Yield Curve Move**			
			-2%	**-1%**	**1%**	**2%**	**-2%**	**-1%**	**1%**	**2%**
BANKING	MTM	-0.72	147.39	72.34	-69.86	-137.30	147.39	72.34	-69.86	-137.30
	Accrual	0.53	-108.76	-53.70	52.31	103.26	130.60	66.69	-66.69	-133.35
	Total	*0.19*	*38.60*	*18.68*	*-17.55*	*-34.04*	*277.99*	*139.03*	*-136.51*	*-270.69*
TRADING	MTM	0.08	-12.92	-6.48	6.48	12.92	-12.92	-6.48	6.48	12.92
BANK TOTAL	MTM	-0.64	134.48	65.86	-63.38	-124.38	134.48	65.86	-63.38	-124.38
	Accrual	0.53	-108.76	-53.70	52.31	103.26	130.60	66.69	-66.69	-133.35
ALL		**-0.11**	**25.72**	**12.16**	**-11.07**	**-21.13**	**265.07**	**132.56**	**-130.07**	**-257.73**

All figures in PLN millions

Sensitivity of Capital Accounts to Changes in Interest Rates

Position	**BPV**	**Approximate Change in Regulatory Capital Base for Yield Curve Move**			
		-2%	**-1%**	**+1%**	**+2%**
FM AFS Portfolio	-3.39	671.07	335.53	-335.53	-671.07

All figures in PLN millions

III. Liquidity Risk Management

Liquidity Risk is understood by ING Bank Śląski as being the risk of not being able to meet at a reasonable price the cash obligations arising from on- and off-balance sheet positions. It is the policy of the Bank to maintain its liquidity positions in such a way that the cash obligations of the Bank may always be met by cash on hand, inflows from maturing transactions and/or from the liquidation of marketable assets.

This policy is ensured by the following processes, as defined in detail in the *ING Bank Śląski's Liquidity and Funding Policy:*

- production and review of internally-defined liquidity and funding reports and adherence to any formal limits placed thereupon.
- existence of a clear governance structure assigning roles and responsibilities in normal and stressed liquidity circumstances.
- production and review of regulatory liquidity reports defined by the Polish and Dutch national Banks ("NBP", "DNB") and adherence to any formal limits placed thereupon.
- activities ensuring proper supply of banknotes at branches, and
- activation, in certain defined circumstances, of a contingency funding plan.

The formal limits are placed by regulators or the Bank on the various reported metrics. ALCO may decide to include metrics in its KRI (Key risk Indicators) report wherein liquidity metrics are classified as "acceptable", "under observation" or "not acceptable" based on pre-defined thresholds. The ALCO KRI report is also presented to the Bank's Management and Supervisory Boards.

In case of excesses of hard limits and/or KRI liquidity metrics classified as "unacceptable", the following actions are performed:

- MRM – with help from other departments as necessary – ensures that a real breach has occurred (and not a reporting error).
- MRM informs local and regional ALCO of the limit or KRI breach, the cause of the breach, and proposed remedial actions.
- An ad hoc ALCO meeting is held to agree on remedial actions and responsibilities for carrying out these actions. Regional ALCO is informed of decisions taken.

One of the most imported processes of the management liquidity risk is the contingency funding plan. The Bank's Contingency Funding Plan (CFP) serves to provide guidance as regards identifying a liquidity crisis and, in case such identification is made, as regards the actions to be taken to survive the crisis.

The actions taken in line with the CFP depend on the nature and severity and of the liquidity crisis.

It is worthwhile to expand on the internally-defined reports as this gives good insight into the Bank's approach to measuring and managing risk and these reports are the basis for the explanatory tables presented in this section.

The most important of these internally-defined reports are as listed below.

Liquidity Cash Profile

On the following pages we present the bank's liquidity profile as of the end of December, 2006 and the end of June, 2007. The reports are presented in two contexts: contractual liquidity positions and stressed liquidity positions, as described below:

<u>Contractual Liquidity Positions</u>: These reports include all balance sheet positions which are exposed to liquidity risk. The reports are reconciled to the balance sheet of the bank. Positions are allocated to time intervals based on contractual maturity or – where there is no contractual maturity (for example, current and savings accounts) – to the first time interval.

Stress Liquidity Position: In the opinion of the bank, this report – made in line with the bank's Liquidity Risk Management policy - provides much more insight into the liquidity risk of the bank. The main differences vis-à-vis the contractual liquidity reports are as follows:

– Off-balance sheet positions are included if they have potential liquidity implications. For example, the report assumes that financing may be needed for an estimated level of potential draw-downs under unused credit lines.
– Some balance sheet positions are excluded if they do not have an effect on the bank's liquidity position. To give some examples: 1) fixed assets are not included as they are not considered to be a ready source of cash, 2) capital is not included as we do not expect the withdrawal of this liability, 3) PLN nostro balances up to the minimum required balance are not included as the maintenance of the required minimum balance means that in effect this asset is "frozen" and can not be seen as a structural source of cash to cover maturing liabilities.
– Some balance sheet positions are adjusted to give an accurate picture of the bank's liquidity position during a stress situation; these adjustments can effect both the allocation of positions to time intervals as well as the total amounts of positions. To give some examples: 1) the allocation of non-bank demand and term deposits to time intervals is done according to assumptions about deposit withdrawals and rollovers in a liquidity stress situation, 2) marketable securities are allocated to the first time interval based on a haircut to market value to simulate the bank's forced sale of these assets in a liquidity stress situation.

Unadjusted Liquidity Gap Positions (in PLN millions)

IH 2007

	1M	*1- 3 M*	*3 - 12 M*	*Over 1Y*	*TOTAL*
BALANCE-SHEET ASSETS					
- Cash in hand and balances with the Central Bank	2,608.9	0.0	0.0	0.0	**2 608.9**
- Deposit accounts in other banks as well as loans and advances to other banks	9,047.9	8,477.3	549.8	3.9	**18 078.9**
- Financial assets measured at fair value through profit and loss	921.9	228.0	325.6	5,116.1	**6 591.6**
- Investment financial assets	0.0	358.2	1,968.5	7,267.1	**9 593.8**
- Derivative hedge instruments	0.0	0.0	2.9	0.9	**3.8**
- Loans and advances to customers	5,273.6	1,295.9	2,422.2	5,575.5	**14 567.2**
BALANCE-SHEET LIABILITIES					
- Liabilities due to the Central Bank	0.0	0.0	0.0	0.0	**0.0**
- Liabilities due to other banks	3,694.1	0.0	174.3	0.0	**3 868.4**
- Financial liabilities measured at fair value through profit and loss	3,206.0	98.3	196.6	437.0	**3 937.9**
- Derivative hedge instruments	0.0	0.0	0.0	0.0	**0.0**
- Liabilities due to customers	35,971.1	1,827.7	1,668.5	786.1	**40 253.4**
OFF-BALANCE-SHEET ITEMS					
- Contingent liabilities granted	9,175.3	544.8	1,457.8	1,865.4	**13 043.3**
NET GAP	**-34,194.2**	**7,888.6**	**1,771.8**	**14,875.0**	**X**
CUMULATIVE GAP	**-34,194.2**	**-26,305.6**	**-24,533.8**	**-9,658.8**	**X**

2006 year-end

	1M	*1- 3 M*	*3 - 12 M*	*Over 1Y*	*TOTAL*
BALANCE-SHEET ASSETS					
- Cash in hand and balances with the Central Bank	1,147.9	0.0	0.0	0.0	**1,147.9**
- Deposit accounts in other banks as well as loans and advances to other banks	11,370.3	2,027.0	110.5	6.1	**13,513.9**
- Financial assets measured at fair value through profit and loss	149.2	1,197.0	669.0	5,042.9	**7,058.1**
- Investment financial assets	50.4	730.4	2,652.3	9,181.8	**12,614.9**
- Derivative hedge instruments	0.0	0.0	3.3	0.0	**3.3**
- Loans and advances to customers	4,799.3	1,017.0	1,985.5	5,066.3	**12,868.1**
BALANCE-SHEET LIABILITIES					
- Liabilities due to the Central Bank	696.0	0.0	0.0	0.0	**696.0**
- Liabilities due to other banks	1,050.2	74.8	129.4	146.7	**1,401.1**
- Financial liabilities measured at fair value through profit and loss	2,236.9	165.3	274.1	434.9	**3,111.2**
- Derivative hedge instruments	0.0	0.0	0.0	0.0	**0.0**
- Liabilities due to customers	34,439.0	1,521.0	1,945.3	656.1	**38,561.4**
OFF-BALANCE-SHEET ITEMS					
- Contingent liabilities granted	11,729.3	162.7	642.3	1,283.2	**13,817.5**
NET GAP	**-32,634.3**	**3,047.6**	**2,429.5**	**16,776.2**	**X**
CUMULATIVE GAP	**-32,634.3**	**-29,586.7**	**-27,157.2**	**-10,381.0**	**X**

Liquidity Gap Positions In Bank-Defined Stress Scenarios According to Bank Models (in PLN millions)

I H 2007

	1M	*1- 3 M*	*3 - 12 M*	*Over 1Y*
BALANCE-SHEET ASSETS				
- Securities	10,159.4	0.0	103.6	2.0
- Money market (given)	8,266.1	8,387.9	447.8	0.0
- Term loans	1,334.6	774.8	2,092.8	5,960.5
- Demand loans	1,054.3	122.9	0.0	3,483.6
- Other assets	944.3	0.0	0.0	1,374.9
LIABILITIES				
- Money market (taken)	3,433.2	0.0	174.3	0.0
- Term deposits	11,972.7	1,193.6	1,127.8	2,000.7
- Demand deposits	1,637.4	1,707.0	3,312.9	736.5
- Savings accounts retail	1,247.2	3,352.6	7,340.9	4,258.6
- Other liabilities	167.5	0.0	0.0	0.0
OFF BALANCE SHEET ITEMS ASSETS				
- FX SWAPS / CC-IRS	12,328.8	4,247.1	7,264.0	629.7
- Money market / depo strategic clients	147.7	300.0	521.8	0.0
- Repayment of contingent assets	801.3	123.9	250.9	1,277.0
LIABILITIES				
- FX SWAPS / CC-IRS	12,219.0	4,238.5	7,235.4	695.4
- Money market / depo strategic clients	1,869.5	0.0	0.0	0.0
- Funding of contingent assets	2,453.0	0.0	00.0	00.0
NET GAP	**937.0**	**3,464.9**	**-8,510.4**	**5,036.5**
CUMULATIVE GAP	**937.0**	**4,401.9**	**-4,108.5**	**928.0**

2006 year-end

	1M	***1- 3 M***	***3 - 12 M***	***Over 1Y***
BALANCE-SHEET				
ASSETS				
- Securities	13,566.7	172.3	118.3	827.3
- Money market (given)	10,940.9	2,032.8	0.0	0.0
- Term/demand loans	2,470.0	627.2	1,684.3	8,948.3
- Other assets	511.5	0.0	0.0	771.2
LIABILITIES				
- Money market (taken)	961.5	50.5	136.8	0.0
- Term deposits	11,388.8	944.9	879.2	2,579.9
- Demand deposits	1,450.3	1,794.0	3,302.0	705.2
- Savings accounts retail	3,090.0	1,297.0	7,001.3	4,061.7
- Other liabilities	854.9	0.0	19.2	690.2
OFF BALANCE SHEET ITEMS				
ASSETS				
- FX SWAPS / CC-IRS	13,742.8	4,994.2	5,579.9	830.1
- Money market / depo strategic clients	3,816.9	0.0	0.0	0.0
- Repayment of contingent assets	706.3	56.8	143.7	1,088.2
LIABILITIES				
- FX SWAPS / CC-IRS	13,758.4	4,947.1	5,474.4	926.8
- Money market / depo strategic clients	3,814.3	2.6	0.0	0.0
- Funding of contingent assets	1,995.1	0.0	0.0	0.0
NET GAP	**8,441.8**	**-1,152.8**	**-9,286.7**	**3,501.3**
CUMULATIVE GAP	**8,441.8**	**7,289.0**	**-1,997.7**	**1,503.6**

IV. Regulatory and Economic Capital Management

In accordance with capital policy Bank maintain a capital base which is sufficient in terms of regulatory and economic capital requirements. Capital base for comparison resons is calculated following current methods while regulatory capital requirements are calculated according to (Resolution 1/2007 KNB form 13th of March 2007). Economic capital requirements and economic capital base are largely bank-determined.

For the purpose of capital management the Bank distinguishes items of the banking book and of the trading one. This division is of key importance for calculation of the regulatory capital while not affecting the economic capital.

The scope of the capital management process covers the Bank and all companies of the Group of ING Bank Śląski, however the capital requirements of subsidiaries are not material in view of the total level of the capital requirement for ING Bank Śląski S.A.

Division of the Bank's assets into items of the Banking Book and of the Trading Book

The division into the banking and trading books is important not only due to regulatory issues, as it is also reflected in management accounting maintained by the Bank and in the risk management area. The abovementioned elements represent an immanent feature of the process of regulatory capital management while not affecting the calculation of the economic capital. The aforesaid division may be characterised in the following manner:

- The Banking Book covers items resulting from the commercial lending and deposit activity as well as financial markets items, representing the outcome of management and financing of those items.
- The Trading Book covers short-term items (speculation, arbitration) and trading ones.

Capital Base in Regulatory and Economic aspects

The tables below present the detailed calculation of base figures of the economic and regulatory capital, the solvency ratio and the economic capital utilisation ratio, as at 30 June 2006, 31 December 2006 and 30 June 2007.

The more stringent regulatory capital requirements are connected with the growing size of the credit portfolio which is in line with the Bank's strategic objective and which translates into the size of the regulatory capital base. In the current situation, the Bank maintains an adequate capital level which is illustrated by the solvency ratio (an 8% regulatory requirement).

Consolidated regulatory capital base and solvency ratio

Capital components	June 2007	December 2006	June 2006
Share capital	130,100	130,100	130,100
Supplementary capital – Agio	993,750	993,750	993,750
Other supplementary capital	35,867	23,582	31,939
Capital reserve	1,505,970	1,359,501	1,381,029
General risk	530,179	480,152	480,179
Fund from revaluation of financial assets available for sale	-65,115	42,830	-55,564
Retained profit/loss of past years	102,273	82,162	51,764
Capital from revaluation of fixed assets	53,681	52,263	44,359
Intangible assets	-319,333	-317,661	-300,159
Minority capital	28,896	22,699	19,887
Short-term capital	9,013	120,556	-70,709
Total	**3,005,281**	**2,989,934**	**2,777,284**

Capital requirements	June 2007	December 2006	June 2006
Credit risk	1,666,549	1,378,219	1,198,529
Market risk, of which	125,794	141,431	181,365
- FX risk	31,988	23,195	30,248
- general risk of interest rate	26,081	54,233	69,305
- specific risk of debt instruments price	42,566	43,919	53,423
- risk of delivery settlement and of counterparty	25,152	19,351	28,389
- risk of capital securities prices	7	14	0
Total	**1,792,343**	**1,519,650**	**1,380,983**
Solvency ratio	**13.41%**	**15.74%**	**16.09%**

Regulatory and economic capital requirements

The process of the Bank's preparations for Basle II includes, among others, comprehensive assessment of all risks run by the Bank. This process resulted in calculating the capital requirements, thus allowing the Bank to protect itself against the risk. The value of capital requirements differs depending on the regulatory or economic approaches. Two key reasons for differences may be distinguished:

- The methods used for assessment and measurement of regulatory capital requirements are determined by NBP/KNB, whereas the methodology of measurement of the economic capital requirements is based on internal Banks' models.
- The legal regulations precisely define the risks for which the regulatory capital requirement should be calculated; this does not apply to the estimations of the economic capital calculated in a manner defined by the Bank. Thus, the economic capital covers a broader scope of risks, including those that are significant (material), but not included in regulatory capital.

As at 1 January 2007, the methodology of calculation of economic capital components changed due to transition from the RAROC to NewRAC methodology in respect of credit risk. As a result of the abovementioned changes, the capital requirement for the economic capital considerably decreased in respect of that risk. The scale and direction of changes in calculation methods are in line with the anticipated figures. The Bank assumes that the limit of economic capital's utilisation is the threshold of 70%. The current results confirm that sufficient capital is maintained.

Based on internal models, the Bank estimated the following capital requirements for individual risks.

Changes connected with implementation of the New Capital Accord, or NUK (Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006 and Directive 2006/49/EC of the European Parliament and the Council of 14 June 2006)

The bank is well-advanced in its efforts to achieve compliance with Basle II requirements. These requirements, and the bank's progress in compliance therewith, are divided into the three "pillars" of Basle II:

- Pillar 1 of reflects regulatory requirements. The most important changes to take place in that area are as follows:
  - New approach to determining regulatory capital requirements for credit risk, including the application of the A-IRB method (Advanced Internal Rating Based Approach) for a large part of the credit portfolio. The Bank aims at achieving compliance with requirement by applying the following:
    - Global models developed at the Group level and accepted by the Dutch Central Bank (DNB).
    - Local models developed at the ING Bank Śląski's level and accepted by the National Bank of Poland.

    For the remaining part of the portfolio it is planned to apply the standard method including the use of regulatory parameters set in the abovementioned Directives and in Resolution 1/2007 KNB. This area is managed and monitored by Departments from the Risk Division.

  - Introduction of regulatory capital requirements for operational risk. In this area, the Bank will use the Basic Indicator Approach method. The Operational Risk Management and Compliance Department will be responsible for management and monitoring of that risk.
  - The stipulation of the New Capital Accord do not impose significant changes in respect of the measurement, management and modelling of market risk. All requirements of the new regulations were implemented and are currently realised by the market Risk Management Department.
- Pillar 2 imposes new requirements in respect of the economic capital calculation as well as supervision and management, especially in the area of risks. The Bank's organisational structure and the model of the institution's management are in line with the guidelines of the New Capital Accord. This compliance is understood as the appropriate segregation of duties and the internal reporting mechanism ensuring that the Management Board and the Supervisory Board are informed about the type and level of risks the Bank is exposed to. This pillar covers both the risks of Pillar 1 and the risks not contained therein, including business risk, transfer risk, residual risk, model or stress risks.
- Pillar 3 imposes new reporting requirements and demands publishing the information policy in regard to the scope, frequency and form of disclosure and presentation of reporting information. The Bank plans to achieve compliance with the requirements of the New Capital Accord by building the relevant reporting tools, implementing and publishing the information policy and the relevant regulatory reporting.

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

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

These condensed interim unconsolidated financial statements were approved by the Management Board of the Bank for issue on 25 September 2007.

PROFIT AND LOSS ACCOUNT (PLN '000)	*Note*	**I half 2007** the period from 01 Jan 2007 to 30 Jun 2007	**I half 2006** the period from 01 Jan 2006 to 30 Jun 2006
Interest income	*2.1*	*1 181 398*	*959 024*
Interest expenses	*2.1*	*664 846*	*513 521*
Net interest income	*2.1*	**516 552**	**445 503**
Commission income	*2.2*	*438 494*	*335 963*
Commission expenses	*2.2*	*37 069*	*27 968*
Net commission income	*2.2*	**401 425**	**307 995**
Net income on investment financial assets	*2.3*	114 560	71 773
Net income on instruments measured at fair value through profit and loss and revaluation	*2.4*	15 721	55 079
Other operating income and expenses	*2.5*	12 067	17 917
Result on basic activities		**1 060 325**	**898 267**
General and administrative expenses	*2.6*	664 235	582 919
Other expenses	*2.7*	6 279	5 963
Impairment losses and provisions for off-balance sheet liabilities	*2.8*	-35 313	-91 203
Profit (loss) before tax		**425 124**	**400 588**
Income tax		65 502	64 071
Net result for the current year		**359 622**	**336 517**

Net profit (loss)	**359 622**	**336 517**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**27,64**	**25,87**
Diluted weighted average number of ordinary shares	13 010 000	13 010 000
Diluted earnings per ordinary share (PLN)	27,64	25,87

BALANCE SHEET (PLN '000)	*Note*	I half 2007 as at 30 Jun 2007	end of 2006 as at 31 Dec 2006	I half 2006 as at 30 Jun 2006
ASSETS				
- Cash in hand and balances with the Central Bank		2 608 856	1 147 891	1 230 981
- Deposit accounts in other banks as well as loans and advances to other banks	*2.9*	18 044 598	13 560 173	11 309 027
- Financial assets measured at fair value through profit and loss	*2.10*	6 592 280	7 056 724	5 848 440
- Investment financial assets	*2.11*	9 623 837	12 644 728	12 251 246
- Derivative hedge instruments	*2.12*	935	0	0
- Loans and advances to customers	*2.13*	14 636 720	12 962 405	11 231 220
- Investments in controlled entities	*2.14*	140 410	126 910	126 910
- Property, plant and equipment	*2.15*	387 117	408 453	421 435
- Intangible assets		318 301	316 753	324 923
- Property, plant and equipment held for sale		254	224	1 882
- Current tax asset		0	0	0
- Deferred tax asset		93 477	30 209	141 595
- Other assets		154 642	96 980	107 619
Total assets		**52 601 427**	**48 351 450**	**42 995 278**
EQUITY AND LIABILITIES				
LIABILITIES				
- Liabilities due to the Central Bank		0	696 000	0
- Liabilities due to other banks	*2.16*	3 841 456	1 400 239	1 902 346
- Financial liabilities measured at fair value through profit and loss	*2.17*	3 937 933	3 111 213	3 864 491
- Derivative hedge instruments	*2.12*	0	0	0
- Liabilities due to customers	*2.18*	40 244 236	38 626 433	33 103 808
- Provisions	*2.19*	81 715	88 833	62 157
- Current income tax liabilities		49 621	65 815	48 484
- Other liabilities		941 509	746 943	709 702
Total liabilities		**49 096 470**	**44 735 476**	**39 690 988**
EQUITY				
- Share capital		130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value		993 750	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets		-65 115	42 830	-55 564
- Revaluation reserve from measurement of property, plant and equipment		40 225	40 458	31 694
- Retained earnings		2 405 997	2 408 836	2 204 310
Total equity		**3 504 957**	**3 615 974**	**3 304 290**
Total equity and liabilities		**52 601 427**	**48 351 450**	**42 995 278**

Solvency ratio	**12,55%**	**15,09%**	**15,43%**

Book value	**3 504 957**	**3 615 974**	**3 304 290**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**
Book value per share (PLN)	**269,40**	**277,94**	**253,98**

STATEMENT OF CHANGES IN EQUITY (PLN '000)

I half 2007
the period from 01 Jan 2007 to 30 Jun 2007

	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	Total equity
Opening balance of equity	**130 100**	**993 750**	**42 830**	**40 458**	**2 408 836**	**3 615 974**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-90 084	-	-	**-90 084**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-17 861	-	-	**-17 861**
- disposal of property, plant and equipment	-	-	-	-233	518	**285**
- dividends paid	-	-	-	-	-362 979	**-362 979**
- net result for the current period	-	-	-	-	359 622	**359 622**
Total equity (closing balance)	**130 100**	**993 750**	**-65 115**	**40 225**	**2 405 997**	**3 504 957**

end of year 2006
the period from 01 Jan 2006 to 31 Dec 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	Total equity
Opening balance of equity	**130 100**	**993 750**	**85 796**	**31 725**	**2 223 818**	**3 465 189**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-28 754	-	-	**-28 754**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-14 212	-	-	**-14 212**
- disposal of property, plant and equipment	-	-	-	-2 132	3 647	**1 515**
- remeasurement of property, plant and equipment	-	-	-	10 865	-1 411	**9 454**
- dividends paid	-	-	-	-	-357 775	**-357 775**
- net result for the current period	-	-	-	-	540 557	**540 557**
Total equity (closing balance)	**130 100**	**993 750**	**42 830**	**40 458**	**2 408 836**	**3 615 974**

I half 2006
the period from 01 Jan 2006 to 30 Jun 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	Total equity
Opening balance of equity	**130 100**	**993 750**	**85 796**	**31 725**	**2 223 818**	**3 465 189**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-132 025	-	-	**-132 025**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-9 335	-	-	**-9 335**
- disposal of property, plant and equipment	-	-	-	-31	1 750	**1 719**
- dividends paid	-	-	-	-	-357 775	**-357 775**
- net result for the current period	-	-	-	-	336 517	**336 517**
Total equity (closing balance)	**130 100**	**993 750**	**-55 564**	**31 694**	**2 204 310**	**3 304 290**

CASH FLOW STATEMENT - indirect method (PLN '000)	Note	**I half 2007** the period from 01 Jan 2007 to 30 Jun 2007	**I half 2006** the period from 01 Jan 2006 to 30 Jun 2006
OPERATING ACTIVITIES			
Net profit (loss)		**359 622**	**336 517**
Adjustments		**-3 227 424**	**235 048**
- Unrealised exchange gains (losses)		-159	1 972
- Depreciation and amortisation	*2.6*	68 649	67 054
- Interest accrued (from the profit and loss account)		516 552	445 503
- Interest received/paid		-604 708	-701 558
- Dividends received		-93 086	-56 640
- Gains (losses) on investment activities		291	-1
- Income tax (from the profit and loss account)		65 502	64 071
- Income tax paid		-163 865	-50 324
- Change in provisions		-7 118	-17 333
- Change in deposits in other banks and in loans and advances to other banks		-9 224 431	1 537 442
- Change in financial assets at fair value through profit or loss		458 869	311 924
- Change in investment financial assets		3 031 799	-1 172 965
- Change in loans and advances to customers		-1 655 458	-1 289 028
- Change in other assets		-57 156	29 999
- Change in liabilities due to other banks		1 746 040	553 811
- Change in liabilities at fair value through profit or loss		826 720	176 591
- Change in liabilities due to customers		1 650 668	257 224
- Change in other liabilities		213 467	77 306
Net cash flow from operating activities		**-2 867 802**	**571 565**
INVESTMENT ACTIVITIES			
- Purchase of property plant and equipment		-24 044	-30 198
- Disposal of property, plant and equipment		128	127
- Purchase of intangible assets		-26 720	-17 952
- Disposal of intangible assets		0	310
- Purchase of investments in subordinated entities		-13 500	0
- Disposal of fixed assets/liabilities held for sale		1 644	0
- Dividends received	*2.3*	93 086	56 640
Net cash flow from investment activities		**30 594**	**8 927**
FINANCIAL ACTIVITIES			
- Long-term loans repaid		-19 140	-23 720
- Interest on long-term loans repaid		-1 763	-1 040
- Dividends paid		-362 979	-357 775
Net cash flow from financial activities		**-383 882**	**-382 535**
Effect of exchange rate changes on cash and cash equivalents		***-145 359***	***24 492***
Net increase/decrease in cash and cash equivalents		**-3 221 090**	**197 957**
Opening balance of cash and cash equivalents		**8 172 580**	**5 053 730**
Closing balance of cash and cash equivalents		**4 951 490**	**5 251 687**

1. Accounting polices

Statement of compliance

The condensed interim unconsolidated financial statements of ING Bank Śląski S.A. for the period from 1 January 2007 to 30 June 2007 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

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 2006.

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 and profit and loss account items

2.1. Net interest income

	I half 2007	I half 2006
Interest and similar income		
- Loans and advances to banks	417 399	249 856
- Loans and advances to customers	409 092	337 909
- Interest on debt securities held for trading	69 260	61 973
- Interest on available-for-sale debt securities	285 168	308 064
- Reverse repos	479	1 222
	1 181 398	**959 024**
Interest expense and similar charges		
- Deposits from banks	52 883	35 508
- Deposits from customers	556 787	463 117
- Loans and advances	233	999
- Reverse repos	54 943	13 897
	664 846	**513 521**
Net interest income	**516 552**	**445 503**

2.2. Net commission income

	I half 2007	I half 2006
Commission income		
- Brokerage fees	81	64
- Fiduciary and custodian fees	15 498	10 715
- Foreign commercial business	11 237	9 572
- Commission for transfers, cash payments and other payment transactions	51 158	51 097
- Commission and fees for payment and credit cards	67 240	55 132
- Commission for loans and advances	41 231	37 755
- Commission and fees related to keeping accounts	74 822	73 236
- Commission and fees related to electronic banking systems	5 908	5 574
- Commission and fees for guarantees, sureties and letters of credit	11 318	8 675
- Commission and fees due to distribution of participation units	102 336	33 943
- The transaction margin on currency exchange transactions	51 560	45 440
- Other	6 105	4 760
	438 494	**335 963**
Commission expense		
- Brokerage fees	0	0
- Other commission, including:	37 069	27 968
- costs of the Bank Guarantee Fund (BFG)	*2 014*	*1 741*
- costs of the National Clearing House (KIR)	*2 097*	*1 345*
- commission paid related to securities trading	*2 915*	*1 705*
- commission paid related to banking cards	*17 163*	*12 065*
	37 069	**27 968**
Net commission income	**401 425**	**307 995**

2.3. Net income on investment financial assets

	I half 2007	I half 2006
- Equity instruments	14 640	5 805
- Debt instruments	7 021	9 328
- Dividend income	93 086	56 640
- Valuation of the transaction hedged under the fair value hedge accounting for securities	-1 192	*0*
- Valuation of the transaction hedging under the fair value hedge accounting for securities	1 005	*0*
Net income on investment financial assets	**114 560**	**71 773**

2.4. Net income on instruments measured at fair value through profit and loss and revaluation

	I half 2007	I half 2006
Net income on financial assets and liabilities held for trading	-7 801	-6 050
- Net income on debt instruments	-37 624	-6 820
- Net income on derivatives	29 823	770
- Currency derivatives	*1 878*	*-18 868*
- Exchange rate derivatives	*22 944*	*18 616*
- Securities derivatives	*5 001*	*1 022*
Net income on financial assets and liabilities measured at fair value upon initial recognition	3 014	3 336
- Net income on debt instruments	3 014	3 336
Result on the revaluation of balance sheet items	20 508	57 793
Net tranding income	**15 721**	**55 079**

2.5. Other operating income and expenses

	I half 2007	I half 2006
- Due to recovered unrecoverable receivables	422	543
- Received indemnities, penalties and fines	252	8 389
- Income from sales of other services	2 040	2 458
- Net income on available-for-sale assets and assets held for sale	-19	-3
- Other	9 372	6 530
Total	**12 067**	**17 917**

2.6. General and administrative expenses

	I half 2007	I half 2006
- Personnel expenses:	**306 927**	**266 844**
wages and salaries, including:	*254 853*	*222 248*
special and retirement benefits	*1 595*	*957*
emploee benefits, including:	*52 074*	*44 596*
training expenses	*7 998*	*4 423*
- General and administrative expenses:	**288 659**	**249 021**
on property, plant and equipment	*41 738*	*38 937*
taxes and charges (including PFRON)	*3 354*	*3 366*
maintenance and rental of buildings	*80 480*	*72 459*
communication services	*30 010*	*31 225*
leasing services	*5 390*	*5 194*
refurbishment services	*13 847*	*15 444*
licences and patents	*9 121*	*7 902*
other external services	*104 719*	*74 494*
- Depreciation and amortisation	**68 649**	**67 054**
on property, plant and equipment	*44 020*	*48 769*
on intangible assets	*24 629*	*18 285*
Total	**664 235**	**582 919**

2.7. Other expenses

	I half 2007	I half 2006
- Due to court fees paid	0	0
- Donations made	1 033	1 119
- Other operating expenses due to disputed claims	1 167	147
- Impairment losses on other non-financial assets	762	616
- Measurement of fixed assets at fair value	-423	-729
- Result on disposal of assets (fixed and intangible assets) and own properties	328	-4
- Other	3 412	4 814
Total	**6 279**	**5 963**

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

	I half 2007	I half 2006
- Impairment losses on loans and advances	39 070	148 172
- Reversed impairment losses on loans and advances	-31 595	-183 747
Net impairment losses on loans and advances	**7 475**	**-35 575**
including:		
- losses on loans and advances at risk of impairment	*-299*	*-13 531*
- IBNR	*7 774*	*-22 044*
- Impairment losses on bad debts	58 629	11 061
- Reversed impairment of amounts recovered from loans previously written off	-105 535	-64 662
Net impairment losses on bad debts	**-46 906**	**-53 601**
- Impairment losses on available-for-sale financial assets:	0	0
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*0*	*0*
- Reversed impairment losses on available-for-sale financial assets:	-314	-79
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-314*	*-79*
Net impairment losses on available-for-sale financial assets:	**-314**	**-79**
including:		
- securities	*0*	*0*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-314*	*-79*
- Recognised provisions for off-balance sheet liabilities	13 978	11 038
- Reversed provision for off-balance sheet liabilities	-9 546	-12 986
Net provisions for off-balance sheet liabilities recognised	**4 432**	**-1 948**
including:		
- on the portfolio at risk of impairment		
- IBNR		
Total impairment losses	**111 677**	**170 271**
Total reversed impairment losses	**-146 990**	**-261 474**
Net impairment losses and provisions for off-balance sheet liabilities	**-35 313**	**-91 203**

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

	I half 2007	end of 2006	I half 2006
- Nostro accounts	352 110	277 596	51 165
- interbank deposits	17 322 487	12 976 032	11 006 604
- other receivables	271 408	265 475	215 103
- loans and advances	*263 698*	*263 903*	*207 626*
- other receivables	*7 710*	*1 572*	*7 477*
- accrued interest	99 447	41 496	36 401
Total (gross)	**18 045 452**	**13 560 599**	**11 309 273**
Impairment losses	-854	-426	-246
Total (net)	**18 044 598**	**13 560 173**	**11 309 027**

2.10. Financial assets measured at fair value through profit and loss

	I half 2007	end of 2006	I half 2006
- Financial assets held for trading	4 769 582	6 833 206	5 529 127
Debt instruments	*3 916 998*	*5 868 633*	*4 615 465*
Derivative financial instruments	*852 584*	*964 573*	*913 662*
- Financial assets designated as at fair value upon initial recognition	1 822 698	223 518	319 313
Debt instruments	*1 035 805*	*142 559*	*149 090*
Repo transactions	*786 893*	*80 959*	*170 223*
Total	**6 592 280**	**7 056 724**	**5 848 440**

2.11. Investment financial assets

	I half 2007	end of 2006	I half 2006
- Available-for-sale financial assets	9 575 296	12 644 728	12 251 246
Debt instruments	*9 554 122*	*12 618 845*	*12 242 893*
Equity instruments	*21 174*	*25 883*	*8 353*
- Fair value hedge - hedged items	48 541	0	0
Debt instruments	*48 541*	*0*	*0*
Total	**9 623 837**	**12 644 728**	**12 251 246**

2.12. Derivative hedge instruments

Hedge instruments in fair value hedge accounting

	I half 2007	end of 2006	I half 2006
- Balance valuation of securities fair value hedge instruments	935	0	0
Interest Rate Swap transaction	*935*	*0*	*0*
Total	**935**	**0**	**0**

2.13. Loans and advances to customers

	I half 2007	end of 2006	I half 2006
Kredyty i pożyczki udzielone innym niż banki podmiotom sektora finansowego			
- loans and advances	2 053 487	2 010 466	1 434 104
- in the current account	436 293	493 093	408 806
- term ones	1 617 194	1 517 373	1 025 298
- other receivables	33 790	33 439	31 164
- accrued interest	4 048	3 892	3 268
Total (gross)	**2 091 325**	**2 047 797**	**1 468 536**
Impairment losses	-4 702	-8 735	-6 591
Total (net)	**2 086 623**	**2 039 062**	**1 461 945**

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

- loans and advances granted to business entities	8 333 721	7 264 243	6 638 872
- in the current account	3 044 135	2 386 690	2 356 071
- term ones	5 289 586	4 877 553	4 282 801
- loans and advances granted to households	4 093 004	3 527 561	3 326 221
- in the current account	997 614	954 067	965 847
- term ones	3 095 390	2 573 494	2 360 374
- other receivables	120 930	113 239	126 405
- accrued interest	18 531	37 101	35 911
Total (gross)	**12 566 186**	**10 942 144**	**10 127 409**
Impairment losses	-589 233	-663 191	-728 323
Total (net)	**11 976 953**	**10 278 953**	**9 399 086**

Loans and advances granted to entities from the government and self-government institutions' sector

- loans and advances	603 740	668 637	400 405
- in the current account	10 641	2 575	4 346
- term ones	593 099	666 062	396 059
- other receivables	1	1	0
- accrued interest	2 016	2 459	-1 082
Total (gross)	**605 757**	**671 097**	**399 323**
Impairment losses	-32 613	-26 707	-29 134
Total (net)	**573 144**	**644 390**	**370 189**

Loans and advances granted to customers - TOTAL

- loans and advances	15 083 952	13 470 907	11 799 602
- other receivables	154 721	146 679	157 569
- accrued interest	24 595	43 452	38 097
Loans and advances granted to customers – gross	**15 263 268**	**13 661 038**	**11 995 268**
Impairment losses	-626 548	-698 633	-764 048
Loans and advances granted to customers – net	**14 636 720**	**12 962 405**	**11 231 220**

2.14. Investments in controlled entities

Name of entity	Type of capital relation	Carrying value of shares		
		I half 2007	end of 2006	I half 2006
- ING Securities S.A.	*subsidiary*	30 228	30 228	30 228
- Śląski Bank Hipoteczny S.A.	*subsidiary*	63 450	49 950	49 950
- ING BSK Development Sp z o.o.	*subsidiary*	50	50	50
- Solver Sp. z o.o.	*subsidiary*	6 682	6 682	6 682
- ING Nationale Nederlanden Polska PTE S.A.	*associated company*	40 000	40 000	40 000
Total		**140 410**	**126 910**	**126 910**

General financial information on an associated entity

	Assets	Liabilities and provisions for liabilities	Net assets	Revenues	Profit/(loss)
I half 2007					
ING Nationale Nederlanden Polska PTE S.A.	418 504	30 775	387 729	190 977	103 719
end of 2006					
ING Nationale Nederlanden Polska PTE S.A.	507 151	35 279	471 872	368 463	198 804
I half 2006					
ING Nationale Nederlanden Polska PTE S.A.	412 975	51 471	361 504	176 596	92 445

2.15. Property, plant and equipment

	I half 2007	end of 2006	I half 2006
- Real estate and the hold improvements	253 210	265 971	252 109
- Computer hardware	49 171	59 940	70 150
- Vehicles	35	194	574
- Other fixtures and fittings	70 004	79 168	80 287
- Constructions in progress	14 697	3 180	18 315
Total	**387 117**	**408 453**	**421 435**

2.16. Liabilities due to other banks

	I half 2007	end of 2006	I half 2006
- Current accounts	180 551	178 315	135 646
- Interbank deposits	3 169 390	1 106 518	1 633 450
- Repo transactions	481 543	105 805	125 210
- Other liabilities	4 998	5 450	6 410
- Accrued interest	4 974	4 151	1 630
Total	**3 841 456**	**1 400 239**	**1 902 346**

2.17. Financial liabilities measured at fair value through profit and loss

	I half 2007	end of 2006	I half 2006
- Financial liabilities held for trading	814 041	828 922	1 068 539
Derivative financial instruments	*814 041*	*828 922*	*1 068 539*
- Financial liabilities designated as at fair value upon initial recognition	3 123 892	2 282 291	2 795 952
Repo transactions	*3 123 892*	*2 282 291*	*2 795 952*
Total	**3 937 933**	**3 111 213**	**3 864 491**

2.18. Liabilities due to customers

	I half 2007	end of 2006	I half 2006
Liabilities due to entities from the financial sector other than banks			
- Deposits	3 001 108	3 146 386	1 909 948
- current accounts	2 251 141	2 265 816	817 167
- term deposit	749 967	880 570	1 092 781
- Repo transactions	1 972 999	1 429 242	16 397
- Other liabilities	46 350	30 719	72 285
- Accrued interest	1 994	1 768	708
Total	**5 022 451**	**4 608 115**	**1 999 338**
Liabilities due to entities from the non-financial sector			
- Business entities' deposits	10 706 628	10 389 287	8 563 030
- current accounts	6 221 006	5 885 424	4 964 462
- term deposit	4 485 622	4 503 863	3 598 568
- Households' deposits	21 983 661	21 274 488	20 520 414
- current accounts	2 999 064	2 897 751	2 489 501
- savings accounts	15 427 642	15 421 774	13 558 901
- term deposit	3 556 955	2 954 963	4 472 012
- Repo transactions	18 727	371 824	123 094
- Other liabilities	320 522	405 668	338 842
- Accrued interest	61 338	46 243	66 579
Total	**33 090 876**	**32 487 510**	**29 611 959**

Liabilities due to entities from the government and self-government institutions' sector

- Deposits	2 128 210	1 528 107	1 489 713
- current accounts	909 977	1 190 267	813 069
- term deposit	1 218 233	337 840	676 644
- Other liabilities	703	713	1 634
- Accrued interest	1 996	1 988	1 164
Total	**2 130 909**	**1 530 808**	**1 492 511**

Liabilities due to customers –TOTAL

- Deposits	37 819 607	36 338 268	32 483 105
- Repo transactions	1 991 726	1 801 066	139 491
- Other liabilities	367 575	437 100	412 761
- Accrued interest	65 328	49 999	68 451
Total	**40 244 236**	**38 626 433**	**33 103 808**

2.19. Provisions

	I half 2007	end of 2006	I half 2006
- Provision for disputes	33 152	42 082	13 597
- Provision for off-balance sheet liabilities	26 827	25 015	27 683
- Provision for retirement benefits	10 602	10 602	10 381
- Provision for unused holidays	11 134	11 134	9 074
- Provision for employment restructuring	0	0	1 422
Razem	**81 715**	**88 833**	**62 157**

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

On 14.03.2007, ING Bank Śląski SA and Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A., acting for *VPF I Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty* signed a conditional sale agreement of non-performing loan exposures.

The sales transaction covered 45,127 exposures, including 21,308 in the Bank's balance sheet and 23,819 written-off from the balance sheet.

As at the date of agreement signing, the net book value of the portfolio was PLN 5,823 thousand. The sale price of the debt claims was set at PLN 23,604 thousand.

Further signing of an "Assignment agreement", which took place on 25.04.2007 was the sine qua non of performance of the transaction as a whole. The total value of the exposures as at the agreement finalisation date amounted to PLN 271,656 thousand, including principal of PLN 133.663 thousand. Under the agreement, the final sale price was adjusted with the repayments made by clients in the period from 14.12.2006 to 24.04.2007 – the sale price as at the date of transaction finalisation was PLN 21,933 thousand. The transaction costs amounted to PLN 539,000.

5. Issues, redemption or repayments of debt securities and equities

None.

6. Dividends paid

On 9 May 2007, the General Shareholders Meeting approved the payout of dividend for 2006 in the amount of PLN 27.90 gross per 1 share, or PLN 362,979,000 in total. The dividend was paid out on 11 June 2007.

7. Acquisitions

In IH 2007, the ING Bank Śląski did not make any acquisitions, as in 2006.

8. Changes to contingent liabilities or assets that occurred after 31.12.2006

OFF-BALANCE SHEET ITEMS (PLN '000)	30 Jun 2007	31 Dec 2006	30 Jun 2006
- Contingent liabilities granted	13 227 245	13 817 405	9 640 837
- Contingent liabilities received	9 496 147	10 530 245	10 526 285
- Off-balance sheet financial instruments	178 185 130	157 144 424	151 441 486
Total off-balance sheet items	**200 908 522**	**181 492 074**	**171 608 608**

A PLN 590.2 million worth of decrease in the contingent liabilities extended as per 30.06.2007 versus 31.12.2006 results mainly from the decrease in the position of deposits to be released in interbanking transactions. A decrease of PLN 1 034.1 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)

In the period of 6 months of 2007, the Bank's properties located in Pińczów and Myszków were sold. The properties were sold on an arm's length basis. As a result of the sale the Bank recorded income of PLN 846,500.

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

	30.06.2007	31.03.2007	31.12.2006	30.09.2006	30.06.2006
Status at the period beginning:	**35,2**	**42,2**	**15,4**	**13,6**	**15,8**
Establishment of provisions as costs	0,9	0,1	29,9	2,3	0,2
Release of provisions as income	0,0	-0,9	-2,4	0,0	-0,5
Utilisation of provision due to dispute loss or settlement	-2,9	-6,2	-0,7	-0,5	-1,9
Status as at the period end	**33,2**	**35,2**	**42,2**	**15,4**	**13,6**

11. Related entities

Subsidiaries and Related Entities of ING Bank Śląski:

- ING Securities
- ING BSK Development
- Solver
- PTE ING Nationale Nederlanden
- Centrum Banku Śląskiego (CBS)
- Śląski Bank Hipoteczny

as part of their business hold current accounts at ING Bank Śląski, via which they perform standard clearing operations and also invest cash funds using term deposits. Furthermore, CBS and Śląski Bank Hipoteczny took loans from ING Bank Śląski. Similarly, ING Bank Śląski maintains bank accounts of other members of ING Group, for instance ING Lease (Poland), ING Car Lease, ING Nationale-Nederlanden and ING Real Estate. The transactions with the above entities are performed on an arm's length basis.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives: Forex Spot and Forex Forward, FX options and SWAP transactions. They are all performed on the arm's length basis.

There were also other transactions between the associated entities and ING Bank Śląski. They originated from agreements concluded as to co-operation, sublease of premises, lease of equipment, data processing, employees' insurance contributions, leasing of non-current assets and intangible assets as well as car fleet leasing and management.

In the period 1.01.2007 – 30.06.2007 the following transactions were made of the total value exceeding EURO 500,000:

- In connection with execution of the Co-operation Agreement concluded by ING Bank Śląski S.A. and ING Bank NV the remuneration for the services provided as to financial consulting in 6 months 2007 amounted to PLN 22.6 million (net). Following the implementation of the agreement for provision of data processing and financial information analysis services, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the fee for data processing and financial information analysis services used by ING Bank Śląski amounted to PLN 5.9 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 11.0 million (gross) in monthly instalments. In addition, the Bank paid PLN 0.9 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 9.0 million (gross).

- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 7.6 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 5.3 million in 6 months 2007.

Transactions with related parties (in PLN thousands) **30.06.2007**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	1 735 047	386 759	-	-
Loans	-	1 070 055	346 047	-
Deposits taken (current & term)	1 528 094	233 138	284 102	17 141
Securities	-	-	30 260	-
Other receivables	208 520	500	2 706	-
Other liabilities	116 465	6 624	17	-
Off-balance sheet commitments and transactions				
Guarantees issued	304 493	202 381	-	-
Guarantees received	1 779 621	-	-	-
Undrawn credit lines granted	254 626	1 380 100	217 967	-
FX spot	20 084 213	1 456 868	-	-
FX forward	276 575	1 569 467	-	-
IRS/CIRS	26 762 366	101 889	-	-
FRA	360 987	-	-	-
Options	1 019 080	631 567	-	-
Income and expenses				
Income	369 808	21 853	9 249	108
Expenses	318 236	2 426	16 201	1 844

Transactions with related parties (in PLN thousands) — **30.06.2006**

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	2 498 013	349 920	-	-
Loans	-	510 331	379 042	-
Deposits taken (current & term)	148 200	107 148	214 760	24 887
Securities	-	-	42 569	-
Other receivables	17 870	3 703	2 745	-
Other liabilities	3 780	18 312	41	-
Off-balance sheet commitments and transactions				
Guarantees issued	444 502	185 731	-	-
Guarantees received	2 023 799	-	-	-
Undrawn credit lines granted	205 159	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	-	-	-
Options	695 233	-	-	-
Income and expenses				
Income	356 463	47 606	7 500	218
Expenses	304 213	37 664	14 992	1 626

12. Significant developments after the closing of the interim period

On 19 September 2007, ING Bank Śląski S.A. signed the agreement for purchase of shares in Centrum Banku Śląskiego Sp. z o.o. The seller was BUILDCO SA, Avenue Pasteur 3, L-2311 Luxembourg. ING Bank Śląski S.A. is not related to the seller's company – BUILDCO SA.
The agreement covers 36,716 shares of face value of PLN 1,000 each, and the total face value of 36,716,000, representing 40% of the initial capital of Centrum Banku Śląskiego Spółka z ograniczoną odpowiedzialnością, ul. Chorzowska 50, Katowice, KRS 47713, District Court in Katowice, Commercial Section of the National Court Register, REGON 273842724, NIP 9542206197. The purchase price amounts to EURO 5 million, representing PLN 18,865,000.00 upon conversion at the average NBP exchange rate of 19.09.2007. The payment will be transferred to the seller's bank account within 7 business days from the date of signing of the agreement. The transaction is financed from the Bank's own funds. ING Bank Śląski S.A. holds 100% shares in ING BSK Development Sp. z o.o. ING BSK Development Sp. z o.o. holds 60% shares in Centrum Banku Śląskiego Sp. z o.o. Upon finalising the transaction, ING Bank Śląski S.A. will indirectly and directly control 100% of the initial capital of CBŚ Sp. z o.o. Criterion for recognising the assets as assets of significant value: the purchased assets represent 40% of the initial capital of the abovementioned entity.

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 2007, 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	800,000	6.15

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 1H of 2007, 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

Neither in 1H of 2007 or 1H of 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 15 June 2007, annex to the credit agreement of 8 September 2006 with ING Commercial Finance Polska S.A. was signed. The total loan value amounted to PLN 700 million. The borrower is a related company of ING Bank Śląski S.A.