Interim Consolidated Financial Statements of the ING Bank Śląski S.A. Group

for the I half 2008

ING BANK ŚLĄSKI

Table of contents

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT (PLN '000)	*Note*	**I half 2008** the period from 01 Jan 2008 to 30 Jun 2008	**I half 2007** the period from 01 Jan 2007 to 30 Jun 2007
Interest income	*2*	*1 557 184*	*1 178 222*
Interest expenses	*2*	*1 006 532*	*659 157*
Net interest income	*2*	**550 652**	**519 065**
Commission income	*3*	*492 063*	*505 952*
Commission expenses	*3*	*69 546*	*50 328*
Net commission income	*3*	**422 517**	**455 624**
Net income on investment financial assets	*4*	25 617	22 881
Net income on instruments measured at fair value through profit and loss and revaluation	*5*	184 367	18 988
Other operating income and expenses	*6*	-3 002	19 364
Result on basic activities		**1 180 151**	**1 035 922**
General and administrative expenses	*7*	749 751	676 668
Other expenses	*8*	5 469	2 295
Impairment losses and provisions for off-balance sheet liabilities	*9*	-58 157	-32 996
Share in net profit (loss) of associated entities recognised under the equity method	*10*	25 830	23 300
Profit (loss) before tax		**508 918**	**413 255**
Income tax	*11*	101 449	72 969
Net profit (loss)		**407 469**	**340 286**
- assigned to shareholders of the holding company		407 470	335 187
- assigned to minority shareholders		-1	5 099

Net profit (loss) assigned to shareholders of the holding company		**407 470**	**335 187**
Weighted average number of ordinary shares		**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	*12*	**31,32**	**25,76**
Diluted weighted average number of ordinary shares		13 010 000	13 010 000
Diluted earnings per ordinary share (PLN)		31,32	25,76

CONSOLIDATED BALANCE SHEET (PLN '000)	Note	I half 2008 as of 30 Jun 2008	end of year 2007 stan na 31 Dec 2007	I half 2007 as of 30 Jun 2007
ASSETS				
- Cash in hand and balances with the Central Bank	*14*	1 622 851	1 841 725	2 608 866
- Loans and receivables to other banks	*15*	9 002 046	15 183 665	18 078 943
- Financial assets measured at fair value through profit and loss	*16*	11 160 129	7 907 564	6 998 008
- Investments	*17*	17 001 261	9 388 273	9 593 763
- available-for-sale	*17*	*10 816 223*	*8 547 497*	*9 593 763*
- held-to-maturity	*17*	*6 185 038*	*840 776*	*0*
- Derivative hedge instruments	*19*	75 992	4 572	3 770
- Loans and receivables to customers	*20*	20 385 740	16 379 138	14 567 176
- Investments in controlled entities	*23*	84 859	97 326	77 028
- Investment real estates	*24*	135 845	144 713	149 127
- Property, plant and equipment	*25*	529 148	532 938	552 471
- Intangible assets	*26*	311 016	318 825	319 332
- Property, plant and equipment held for sale	*27*	266	241	254
- Current tax asset		13	25 256	0
- Deferred tax asset	*28*	88 028	49 292	99 527
- Other assets	*29*	129 862	137 332	154 813
Total assets		**60 527 056**	**52 010 860**	**53 203 078**
EQUITY AND LIABILITIES				
LIABILITIES				
- Liabilities due to other banks	*31*	6 085 194	1 810 195	3 868 436
- Financial liabilities measured at fair value through profit and loss	*32*	1 637 628	1 214 981	4 344 388
- Derivative hedge instruments	*19*	24 515	0	0
- Liabilities due to customers	*33*	47 591 057	44 501 837	40 253 416
- Provisions	*34*	69 382	72 507	83 026
- Current income tax liabilities		53 602	126	50 986
- Other liabilities	*35*	1 086 334	570 712	952 038
Total liabilities		**56 547 712**	**48 170 358**	**49 552 290**
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*	-239 056	-149 591	-65 115
- Revaluation reserve from measurement of property, plant and equipment	*37*	50 786	57 998	53 681
- Revaluation reserve from measurement of cash flow hedging instruments		-20 157	0	0
- Retained earnings	*38*	3 062 203	2 806 526	2 509 476
Equity attributed to the holding company		**3 977 626**	**3 838 783**	**3 621 892**
- Minority equity		**1 718**	**1 719**	**28 896**
Total equity		**3 979 344**	**3 840 502**	**3 650 788**
Total equity and liabilities		**60 527 056**	**52 010 860**	**53 203 078**

Solvency ratio	**11,22%**	**13,12%**	**13,41%**

Book value	**3 977 626**	**3 838 783**	**3 621 892**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**
Book value per share (PLN)	**305,74**	**295,06**	**278,39**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (PLN '000)

I half 2008
the period from 01 Jan 2008 to 30 Jun 2008

	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	Revaluation reserve from measurement of cash flow hedging instruments	Retained earnings	Minority equity	Total equity
Opening balance of equity	**130 100**	**993 750**	**-149 591**	**57 998**	**0**	**2 806 526**	**1 719**	**3 840 502**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-132 730	-	-	-	-	**-132 730**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	43 265	-	-	-	-	**43 265**
- disposal of property, plant and equipment	-	-	-	-539	-	424	-	**-115**
- remeasurement of property, plant and equipment	-	-	-	-6 673	-	-	-	**-6 673**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	-20 157	-	-	**-20 157**
- dividends paid	-	-	-	-	-	-152 217	-	**-152 217**
- net result for the current period	-	-	-	-	-	407 469	-	**407 469**
- share of minority shareholders in the net financial result	-	-	-	-	-	1	-1	**0**
Closing balance of equity	**130 100**	**993 750**	**-239 056**	**50 786**	**-20 157**	**3 062 203**	**1 718**	**3 979 344**

Note: 36,37,38

end of year 2007
the period from 01 Jan 2007 to 31 Dec 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	Revaluation reserve from measurement of cash flow hedging instruments	Retained earnings	Minority equity	Total equity
Opening balance of equity	**130 100**	**993 750**	**42 830**	**52 263**	**0**	**2 536 751**	**22 699**	**3 778 393**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-174 090	-	-	-	-	**-174 090**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-18 331	-	-	-	-	**-18 331**
- disposal of property, plant and equipment	-	-	-	-257	-	2 030	-	**1 773**
- remeasurement of property, plant and equipment	-	-	-	-2 979	-	-	1 098	**-1 881**
- purchase of shares in subsidiary entity from the minority shareholders	-	-	-	8 971	0	-	-28 176	**-19 205**
- dividends paid	-	-	-	-	-	-362 979	-	**-362 979**
- net result for the current period	-	-	-	-	-	636 822	-	**636 822**
- share of minority shareholders in the net financial result	-	-	-	-	-	-6 098	6 098	**0**
Closing balance of equity	**130 100**	**993 750**	**-149 591**	**57 998**	**0**	**2 806 526**	**1 719**	**3 840 502**

Note: 36,37,38

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	Revaluation reserve from measurement of cash flow hedging instruments	Retained earnings	Minority equity	Total equity
Opening balance of equity	**130 100**	**993 750**	**42 830**	**52 263**	**0**	**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**
Closing balance of equity	**130 100**	**993 750**	**-65 115**	**53 681**	**0**	**2 509 476**	**28 896**	**3 650 788**

Note: 36,37,38

CONSOLIDATED CASH FLOW STATEMENT (PLN '000)	*Note*	**I half 2008** the period from 01 Jan 2008 to 30 Jun 2008	**I half 2007** the period from 01 Jan 2007 to 30 Jun 2007
OPERATING ACTIVITIES			
Net profit (loss)		**407 470**	**335 187**
Adjustments		**-2 379 265**	**-3 109 404**
- Minority shareholders' profit (loss)	*38*	-1	5 099
- Share in net profit (loss) of associated entities	*23*	-25 830	-23 300
- Unrealised exchange gains (losses)		0	-159
- Depreciation and amortisation	*7*	66 959	70 759
- Interest accrued (from the profit and loss account)	*2*	550 652	519 065
- Interest received/paid		-507 666	-607 267
- Dividends received	*4*	-2 502	-2 568
- Gains (losses) on investment activities		-60	291
- Income tax (from the profit and loss account)	*11*	101 449	72 969
- Income tax paid		-61 466	-150 910
- Change in provisions	*34*	-3 125	-7 298
- Change in loans and other receivables to other banks	*15*	4 204 177	-9 290 753
- Change in financial assets at fair value through profit or loss	*16*	-3 260 176	65 185
- Change in available-for-sale financial assets	*17*	-2 394 662	3 032 059
- Change in held-to-maturity financial assets	*17*	-5 404 954	0
- Change in derivative hedge instruments	*19*	-67 062	-441
- Change in loans and other receivables to customers	*20*	-4 015 087	-1 680 165
- Change in other assets		57 876	-24 259
- Change in liabilities due to other banks	*31*	4 287 259	1 772 229
- Change in liabilities at fair value through profit or loss	*32*	422 647	1 223 868
- Change in liabilities due to customers	*33*	3 156 685	1 724 825
- Change in other liabilities		515 622	191 367
Net cash flow from operating activities		**-1 971 795**	**-2 774 217**
INVESTMENT ACTIVITIES			
- Purchase of property plant and equipment	*25*	-47 614	-25 972
- Disposal of property, plant and equipment		176	128
- Purchase of intangible assets	*26*	-18 067	-26 940
- Disposal of fixed assets held for sale		151	1 644
- Dividends received	*4*	2 502	2 568
Net cash flow from investment activities		**-62 852**	**-48 572**
FINANCIAL ACTIVITIES			
- Long-term loans repaid		0	-19 140
- Interest on long-term loans repaid		0	-1 921
- Dividends paid	*13*	-152 217	-362 979
Net cash flow from financial activities		**-152 217**	**-384 040**
Effect of exchange rate changes on cash and cash equivalents		***-57 677***	***46 211***
Net increase/decrease in cash and cash equivalents		**-2 186 864**	**-3 206 829**
Opening balance of cash and cash equivalents		**4 872 819**	**8 203 229**
Closing balance of cash and cash equivalents	*48*	**2 685 955**	**4 996 400**

Information on the Bank and the Capital Group

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

The Parent entity statistic number is REGON 271514909, and the taxation identification number is NIP 634-013-54-75. Entity authorised to audit financial statements is Ernst & Young Audit Sp. z o.o.

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

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 13,010,000 ordinary bearer shares with a par value of PLN 10.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange.

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

- ING Securities S.A. (subsidiary, 100% share),
- ING Bank Hipoteczny S.A. (subsidiary, 100% share),
- ING BSK Development Sp. z o.o. (subsidiary, 100% share),
- Centrum Banku Śląskiego Sp. z o.o. in liquidation (subsidiary, 100% share),
- Solver Sp. z o.o. (subsidiary, 82,3% share),
- ING Powszechne Towarzystwo Emerytalne S.A. (associate, 20% share).

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

The consolidated financial statements of the Bank for 1H 2008 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: ING 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 2007 were approved by the General Meeting of Shareholders on 24 April 2008.

Selected financial data from the consolidated Financial Statements

	PLN thousand		*EUR thousand*	
	2Q 2008 *period from 01.01.2008 to 30.06.2008*	**2Q 2007** *period from 01.01.2007 to 30.06.2007*	**2Q 2008** *period from 01.01.2008 to 30.06.2008*	**2Q 2007** *period from 01.01.2007 to 30.06.2007*
Interest income	1 557 184	1 178 222	447 775	306 143
Commission income	492 063	505 952	141 495	131 464
Result on basic activities	1 180 151	1 035 922	339 358	269 169
Result before tax	508 918	413 255	146 342	107 378
Net result of shareholders of the holding company	407 470	335 187	117 170	87 093
Net result of minority shareholders	-1	5 099	0	1 325
Net cash flows	-2 186 864	-3 206 829	-628 843	-833 246
Earnings per ordinary share (PLN / EUR)	31.32	25.76	9.01	6.69

	PLN thousand		*EUR thousand*	
	2 quarters 2008 *as at 30.06.2008*	**2 quarters 2007** *as at 30.06.2007*	**2 quarters 2008** *as at 30.06.2008*	**2 quarters 2007** *as at 30.06.2007*
Total assets	60 527 056	53 203 078	18 045 154	14 127 962
Equity of shareholders of the holding company	3 977 626	3 621 892	1 185 864	961 786
Share capital	130 100	130 100	38 787	34 548
Numer of shares	13 010 000	13 010 000	-	-
Book value per share (PLN / EUR)	305.74	278.39	91.15	73.93
Solvency ratio (%)	11.22%	13.41%	-	-

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

- for balance-sheet items – PLN 3.3542 NBP exchange rate of 30.06.2008; 3.7658 NBP exchange rate of 30.06.2007,
- for income statement items for 30.06.2008 – PLN 3.4776 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q and 2Q 2008; 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.

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 2008 to 30 June 2008 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 2008 the Group included the following amendments to the existing accounting standards and new interpretations:

- IFRIC 11 – IFRS 2 Group and Treasury Share Transactions, applicable to annual periods starting after 1 March 2007.

Adoption of the above named accounting interpretation standard did not cause any significant changes in the Group's accounting principles.

(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 2008 to 30th June 2008 and include the comparatives data:

- for the balance sheet as 31st December 2007 and financial year ending that day and as30th June 2007,
- for the profit and loss account, movement on equity and cash flow statement for the period from 1st January 2007 till 30th June 2007.

(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. As at the balance day, the Group has not finalised the process of estimating the influence of these standards and interpretations on the financial statements for the period in which they will be applied for the first time.

The published standards and interpretations which were issued, but which are not in force yet as they were not approved by the European Union and were not applied by the Group so far:

- IFRIC 12, Service Concessions Arrangements, applicable to annual periods starting after 1 January 2008;
- IFRIC 13, Customer Loyalty Programmes, applicable to annual periods starting after 1 July 2008;
- IFRIC 14 – IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interactions, applicable to annual periods starting after 1 January 2008;
- IFRS 8, Operating Segments, effective for annual periods beginning on or after 1 January 2009.

(d) Basis for preparation of consolidated financial statements

The consolidated financial statements were prepared on the assumption that the Bank was a going concern and would continue in operation for the foreseeable future, that is for a period of at least one year from the balance-sheet date. As at the date of approving the financial statements by the Bank Management Board, there have been no circumstances that would pose a threat to continued operations of the Capital Group.

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 payments provision is calculated using an actuarial method by an independent actuary as the present value of future liabilities of the Group towards the employees according to headcount and remuneration at the updating date. The estimation of the provision is made on the basis of several assumptions both about macroeconomic environment and employee turnover, mortality risk and other. The estimated provision is updated annually.

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 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 such 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.

When irrevocability of financial assets is declared, the Group most frequently writes down receivables as impairment charges.

The amounts of receivables written down as loss and recovered thereafter shall diminish the value of 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.

The Group has been applying fair value hedge accounting to hedge against changes in the fair value of debt instruments with fixed interest rate classified as available-for-sale portfolio due to the change of 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 has been applying cash flow hedge accounting to secure the size of future cash flows in a specific portfolio of the Bank's assets/ liabilities or a portfolio of highly probable planned transactions against the interest rate changes.

(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 is 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. This approach allows specifically for: 1) detecting the losses that already occurred and 2) losses that occurred as at the impairment date, but have not been documented yet (incurred but not reported IBNR).

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. At the same time, such a real property is a) occupied by the Group only to a small extent and b) it is not for sale as part of the regular operations of the Group. Therefore, an investment property generates cash flows largely independently of the other assets held by the Group.

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

(n) Tangible fixed assets

(i) Own tangible fixed assets

Tangible fixed assets 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.

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.

(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.

Where the criteria for classification as non-current assets for sale are no longer met, the Group will no longer classify that asset as an asset for sale (or a group of assets for sale) but reclassify it as appropriate. In such a case, the Group measures the asset that is no longer classified as an asset for sale (or that is no longer part of a group for sale) at the lower of the following amounts:

– 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 in 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. Deferred costs include primarily provisions for material costs due to services provided for the Group by counterparties, as well as insurance costs paid in advance to be settled in the future periods. 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. Deferred income is presented in 'Other liabilities' balance sheet caption.

(w) Employee benefits

(i) Defined contribution plans

Expenses incurred due to a programme of certain contributions are recognised as costs in income statement.

(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. Starting 2007, the Bank changed the accounting methodology as to the recognition of provisions for retirement allowance by adopting the corridor approach for recognising a specific part of the cumulated net actuarial gains and losses.

Under this method, when determining an obligation due to certain benefits, the Bank recognises some actuarial gains and losses as revenue or costs, when the net value of accumulated unrecognised actuarial gains and losses as at the end of the previous reporting period exceeds the higher of the following two values:

a) 10% of the current value of the obligation due to certain benefits as at that day (before deduction of the plan's assets)

b) 10% of the fair value of the plan's assets as at that day.

A portion of the actuarial gains and losses above the said limit is recognised in the profit and loss account as the quotient of the above named excess and the average expected remaining working life of the Bank employees. Following that change, the Bank presents in the balance sheet the net value of the liability comprising the current value of the liability and unrecognised actuarial gains/ losses. The Bank changed the estimates in prospective terms in view of immateriality.

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.
The implemented Employee Capital Schemes are presented as costs, which on the other side result in the liabilities increase.

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) 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.

(bb) 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.

(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.

These include in particular: the result due to holding an investment property, sale of assets (non-current assets and intangible assets); revenues from sales of other services; revenues due to recovered bad debts; received and paid damages, penalties and fines; costs of reserves for litigation and due to donations.

(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

Revenues, costs and assets are recognised less the value added tax, 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 1 January 2008 till 30 June 2008, the Bank modified the presentation of some items in the profit and loss account and in the balance sheet compared with the statements for the period from 1 January 2007 till 30 June 2007.

In the report for 1H 2007, the Bank made an in-depth analysis of the economic contents for individual items under the line “Other operational revenue/ costs” and made a clear division in terms of their character (typical revenue/ typical costs).

In the financial statements prepared as of 30 June 2008, the Bank used a different method of presentation of the short position in debt securities held for trading than the one that was used in the financial statements as of 30 June 2007. Previously the book short position in trading debt securities was presented on a net basis, i.e. it decreased the carrying amount of trading debt securities presented in Financial assets at fair value through profit or loss. Under the revised approach, the book short position in trading debt securities is presented on a gross basis in line Financial liabilities at fair value through profit or loss. The change in approach to presentation of book short position in trading debt securities does not affect the Bank’s profit and loss account, however it results in an increase of the Bank’s total assets by the amount of the book short position.

As compared to the financial statements as at 31.12.2007 and 30.06.2007, , the Bank made certain changes in the financial statements made as at 30.06.2008, notably in the presentation of overdrawn balances in current accounts other than loro accounts in the balance-sheet note “Loans and receivables to other banks”. The change involved moving relevant amounts from the item “Current accounts” to the item “Other receivables – loans and advances”. The change also affected the balance of cash and cash equivalents adopted for the cash flow statement.

In the financial statements as at 30.06.2008, the Bank changed the presentation of Investment Term Deposits in the balance-sheet notes by moving the relevant amounts from the item “Liabilities towards financial sector entities other than banks – term deposits” to the item “Liabilities towards non-financial entities – household deposits – term deposits”.

The balance sheet as of 30 June 2007 and the cash flow statement for the 1st half of 2007 have been transformed to ensure their comparability.

In the financial statements covering the term from 1 January 2008 until 30 June 2008, the Bank changed the presentation of accepted contingent liabilities. It resulted from a thorough analysis of data aimed at identifying all types of received liabilities that complied with the criteria of contingent liabilities such a guarantees.

The balance-sheet items for preceding terms were adjusted in order to ensure their comparability.

CONSOLIDATED PROFIT AND LOSS ACCOUNT *(PLN '000)*	**I half 2007** *In financial report for the 1H 2008*	**I half 2008** *In financial report for the 1H 2007*	***CHANGES***	*Transfer of commission on the sale of services to other Group entities*	*Netting of costs and revenue on written-off debt-related commission*	*Commission on HR service of subsidiaries*	*Transfer of the other provisions release account to the revenue line*	*Transfer of the missing transactional margin to the commission line*	*Transfer of interest rate revenue / costs*	*Transfer of commission-related costs*	*Transfer of financial instruments valuation adjustment*	*Transfer of costs of interest on overdue tax to the bank's operational costs*	*Transfer of income on dwelling premises and IT hardware lease and employee provisions on the bank's operational costs*	*Transfer of the costs of writing-off of non-lending receivables to impairment charge*	*Transfer of income items to other operating revenue and costs*	*Transfer of non-commission items to other revenue and costs*	*Transfer of maintenance costs of buildings not related to investment real property to the bank's operating costs*
Interest income	1 178 222	1 178 207	***15***						*15*								
Interest expenses	-659 157	-659 670	***513***	*493*					*20*								
Commission income	505 952	506 940	***-988***		*-1 110*	*-311*		*468*	*-35*								
Commission expenses	-50 328	-52 229	***1 901***	*-493*	*1 110*					*-38*						*1 322*	
Net income on instruments measured at fair value through profit and loss and revaluation	18 988	19 400	***-412***					*-468*			*56*						
Other operating income and expenses	19 364	29 135	***-9 771***				*312*			*2*			*-2 323*		*-8 146*	*-1 322*	*1 706*
General and administrative expenses	-676 668	-677 079	***411***			*311*	*-312*					*-205*	*2 323*				*-1 706*
Other expenses	-2 295	-12 457	***10 162***							*36*	*252*	*205*		*1 523*	*8 146*		
Impairment losses and provisions for off-balance sheet liabilities	32 996	34 827	***-1 831***								*-308*			*-1 523*			

CONSOLIDATED BALANCE SHEET *(PLN '000)*	**I half 2007** *In financial report for the 1H 2008*	**I half 2008** *In financial report for the 1H 2007*	***CHANGES***	*change of the presentation of the short book position on debt securities held for trading*
Financial assets measured at fair value through profit and loss	6 998 008	6 591 553	***406 455***	*406 455*
Financial liabilities measured at fair value through profit and loss	4 344 388	3 937 933	***406 455***	*406 455*
TOTAL ASSETS	53 203 078	52 796 623	***406 455***	*406 455*

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 ING 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	30.06.2008						30.06.2007					
	Retail customers segment	Corporate customers segment	Own operations		Non-allocated items	TOTAL	Retail customers segment	Corporate customers segment	Own operations		Non-allocated items	TOTAL
			Proprietary trading	ALCO					Proprietary trading	ALCO		
Revenue total	**637 749**	**425 547**	**100 766**	**41 919**		**1 205 981**	**615 955**	**365 224**	**35 808**	**42 235**		**1 059 222**
Core business	**623 518**	**412 142**	**93 302**	**77 020**		**1 205 981**	**606 460**	**356 395**	**30 938**	**65 428**		**1 059 222**
Income on lending	124 714	109 106				233 820	114 240	102 465				216 705
Interest income external	*233 059*	*446 160*					*153 811*	*281 388*				
Interest cost internal	*-141 912*	*-374 121*					*-71 750*	*-224 694*				
Income on fees/ other income	*33 567*	*37 067*					*32 179*	*45 771*				
Income on deposits	328 416	151 882				480 298	313 551	131 192				444 743
Interest costs external	*-533 745*	*-224 851*					*-321 960*	*-125 390*				
Interest income internal	*722 792*	*323 182*					*514 768*	*201 177*				
Income on fees/ other income	*139 370*	*53 551*					*120 744*	*55 405*				
Income on mutual funds	59 612					59 612	96 808					96 808
Income on brokerage and custody	15 738	33 821				49 558	25 763	47 621				73 383
Other income on core business	9 210	-1 152	271 784	77 020		356 862	-1 742	-690	141 287	65 428		204 282
FM products sales	59 997	118 485	-178 482			0	34 540	75 808	-110 348			0
Income on Pension Funds shares	25 830					25 830	23 300					23 300
Share in profits (losses) of minority shareholders				0		0				0		0
Result on economic capital	14 231	13 405	7 465	-35 101		0	9 495	8 828	4 870	-23 193		0
Expenses total	**478 414**	**240 768**	**28 887**	**2 530**	**4 621**	**755 220**	**431 115**	**216 767**	**30 721**	**-2 962**	**3 321**	**678 963**
Operational costs	478 414	240 768	28 887	2 530	4 621	755 220	431 115	216 767	30 721	-2 962	3 321	678 963
including depreciation	*52 824*	*10 921*	*3 214*			*66 959*	*55 822*	*11 541*	*3 396*			*70 759*
Result before risk	**159 335**	**184 779**	**71 880**	**39 389**	**-4 621**	**450 761**	**184 840**	**148 456**	**5 087**	**45 197**	**-3 321**	**380 259**
Risk cost	-11 842	-46 315	0	0		-58 157	-15 265	-17 731	0	0		-32 996
Result before tax	**171 177**	**231 093**	**71 880**	**39 389**	**-4 621**	**508 918**	**200 105**	**166 187**	**5 087**	**45 197**	**-3 321**	**413 255**
CIT						101 449						72 969
Result after tax						**407 469**						**340 286**
- assigned to shareholders of the holding company						**407 470**						**335 187**
- assigned to minority shareholders						-1						5 099

Transformed item	30.06.2008					30.06.2007				
	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	5 590 234	16 875 595	36 149 006	633 184	59 248 019	3 626 117	12 189 536	35 381 296	653 577	51 850 526
Segment investments in subordinates	84 859				84 859	77 028				77 028
Other assets (not allocated to segments)					1 194 178					1 275 524
Total assets					**60 527 056**					**53 203 078**
Segment liabilities	30 477 219	18 532 795	6 328 380		55 338 394	23 838 131	15 226 630	9 401 479		48 466 240
Other liabilities (not allocated to segments)					1 209 318					1 086 050
Equity					3 979 344					3 650 788
Total liabilities					**60 527 056**					**53 203 078**
Other										
Capital expenditure	60 384	30 389	3 646	903	95 321	49 756	25 017	3 546	42	78 360
Depreciation	52 824	10 921	3 214		66 959	55 822	11 541	3 396		70 759
Net cash flow from operating activity	1 318 687	-1 732 073	-10 608 114	8 500 374	-2 521 126	919 999	-453 773	4 341 243	-7 499 948	-2 692 479
Net cash flow from operating activity - other items not allocated to segments					549 331					-81 738
Total net cash flow from operating activity					-1 971 795					-2 774 217
Net cash flow from investing activity	-41 400	-20 835	-2 500	1 883	-62 852	-32 472	-16 327	-2 314	2 541	-48 572
Net cash flow from financial activity	0	0	0	-152 217	-152 217	0	-21 061	0	-362 979	-384 040

2. Net interest income

	I half 2008	I half 2007
Interest and similar income		
- Loans and advances to banks	460 039	415 610
- Loans and advances to customers	578 558	409 167
- Interest on debt securities held for trading	148 329	69 260
- Interest on available-for-sale debt securities	252 283	283 210
- Interest on held-to-maturity debt securities	108 683	0
- Reverse repos	8 514	479
- Other	778	496
	1 557 184	**1 178 222**

With regard to interest revenue for 1H 2008, the amount of PLN 7,773,000 represents revenue from financial assets for which impairment loss was recognised. In 1H 2007, respectively, the amount reached PLN 6,469,000. Interest revenue related to financial assets is calculated using the net exposure amounts; i.e. the amounts including effective impairment losses.

	I half 2008	I half 2007
Interest expense and similar charges		
- Deposits from banks	92 247	47 364
- Deposits from customers	894 651	556 520
- Loans and advances	9	234
- Repos	19 625	55 039
	1 006 532	**659 157**
Net interest income	**550 652**	**519 065**

3. Net commission income

	I half 2008	I half 2007
Commission income		
- Commission related to brokerage activity	42 003	65 539
- Commission and fees related to customer accounts	139 811	131 591
- Commission for loans and advances	63 912	52 853
- Commission and fees for payment and credit cards	85 757	66 502
- Commission and fees due to distribution of participation units	61 561	104 934
- Fiduciary and custodian fees	15 162	15 902
- Foreign commercial business	8 048	11 237
- Commission related to subscription of structured products	14 458	0
- The transaction margin on currency exchange transactions	45 725	52 029
- Other	15 626	5 365
	492 063	**505 952**
Commission expense		
- Brokerage fees	12 394	14 652
- Other commission, including:	57 152	35 676
- costs of the Bank Guarantee Fund (BFG)	*2 342*	*2 014*
- costs of the National Clearing House (KIR)	*2 474*	*2 097*
- commission paid related to securities trading	*5 087*	*2 915*
- commission paid related to banking cards	*23 476*	*17 163*
	69 546	**50 328**
Net commission income	**422 517**	**455 624**

4. Net income on investment financial assets

	I half 2008	I half 2007
- Equity instruments	25 391	14 640
- Debt instruments	-3 692	7 021
- Dividend income	2 502	1 407
- Valuation of the transaction hedged under the fair value hedge accounting for securities	-75 095	-1 192
- Valuation of the hedging transaction under the fair value hedge accounting for securities	76 511	1 005
Net income on investment financial assets	**25 617**	**22 881**

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

	I half 2008	I half 2007
Net income on financial assets and liabilities held for trading	160 586	-9 053
- Net income on equity instruments	-10 431	1 333
- Net income on debt instruments	-40 167	-38 350
- Net income on derivatives	211 184	27 964
- Currency derivatives	*166 554*	*-3*
- Exchange rate derivatives	*24 478*	*22 702*
- Securities derivatives	*20 152*	*5 265*
Net income on financial assets and liabilities measured at fair value upon initial recognition	3 718	3 014
- Net income on debt instruments	3 718	3 014
Ineffectiveness recognised in profit and loss account that arises from cash flow hedges	-9	0
Result on the revaluation of balance sheet items	20 072	25 027
Net income on instruments measured at fair value through profit and loss and revaluation	**184 367**	**18 988**

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

Net income on debt instruments includes net income on trading in 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 – swaps and options, as well as stock exchange index options.

Interest net income on debt securities is presented as part of interest result.

6. Other operating income and expenses

	I half 2008	I half 2007
- Due to recovered unrecoverable receivables	602	422
- Received indemnities, penalties and fines	-276	-163
- Income from sales of other services	2 041	2 564
- Net income on available-for-sale assets and assets held for sale	20	1 485
- Result on disposal of assets (fixed and intangible assets and own properties)	-10	-328
- Impairment losses on other non financial assets	-107	-160
- Net income on the investment properties:	-6 705	9 445
- income rental from of the investment property	*5 914*	*8 354*
- measurement of the investment property at the fair value	*-9 979*	*2 882*
- maintance expenses relating to the investment property	*-2 640*	*-1 791*
- Fair value adjustment in hedge accounting	0	-2 672
- Valuation of the hedging transaction under the fair value hedge accounting for properties	0	2 599
- Other operating income, of which:	1 433	6 172
- mortgage loans insurance premiums	*-2 228*	*302*
- returned amounts, material and personnel-related costs	*879*	*814*
- interest received, calculated on an off-balance basis	*190*	*1 632*
- other	*2 592*	*3 424*
Total	**-3 002**	**19 364**

The item "Income from sales of other services" primarily includes the sales of services at the recreation centres of one of the Group’s subsidiaries.

7. General and administrative expenses

	I half 2008	I half 2007
- Personnel expenses:	**364 191**	**326 485**
wages and salaries, including:	*281 421*	*267 206*
special and retirement benefits	*491*	*1 595*
employee benefits, including:	*82 770*	*59 279*
training expenses	*8 726*	*6 753*
- General and administrative expenses:	**318 601**	**279 424**
on property, plant and equipment	*71 448*	*64 198*
taxes and charges (including PFRON)	*1 656*	*1 273*
maintenance and rental of buildings	*81 549*	*71 498*
communication services	*38 470*	*30 380*
leasing services	*7 010*	*5 196*
refurbishment services	*16 583*	*14 766*
licences and patents	*11 303*	*11 629*
consulting	*40 930*	*41 777*
lease of computer resources	*11 070*	*9 006*
other external services	*38 582*	*29 701*
- Depreciation and amortisation	**66 959**	**70 759**
on property, plant and equipment	*42 012*	*46 032*
on intangible assets	*24 947*	*24 727*
Total	**749 751**	**676 668**

8. Other expenses

	I half 2008	I half 2007
- Donations made	2 708	1 032
- Other operating expenses due to disputed claims	227	112
- Measurement of fixed assets at fair value	0	89
- Other	2 534	1 062
Total	**5 469**	**2 295**

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

	I half 2008	I half 2007
- Impairment losses on loans and advances	286 063	41 653
- Reversed impairment losses on loans and advances	-293 441	-32 043
Net impairment losses on loans and advances	**-7 378**	**9 610**
including:		
- losses on loans and advances at risk of impairment	*-3 668*	*1 836*
- IBNR	*-3 710*	*7 774*
- Impairment losses on bad debts	12 678	58 629
- Reversed impairment of amounts recovered from loans previously written off	-59 825	-105 536
Net impairment losses on bad debts	**-47 147**	**-46 907**
- Recognised provisions for off-balance sheet liabilities	9 279	13 978
- Reversed provision for off-balance sheet liabilities	-12 911	-9 677
Net provisions for off-balance sheet liabilities recognised	**-3 632**	**4 301**
including:		
- on the portfolio at risk of impairment	*-1 524*	*1 831*
- IBNR	*-2 108*	*2 470*
Total impairment losses	**308 020**	**114 260**
Total reversed impairment losses	**-366 177**	**-147 256**
Net impairment losses and provisions for off-balance sheet liabilities	**-58 157**	**-32 996**

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

	I half 2008	I half 2007
- ING Powszechne Towarzystwo Emerytalne S.A.	25 830	23 300
Total	**25 830**	**23 300**

11. Income tax

	I half 2008	I half 2007
Recognised in the profit and loss account		
- Current portion		
Current year	104 417	110 861
Adjustment of last-year tax settlement	8 316	3 731
	112 733	**114 592**
- Deferred tax		
Recognised and reversed temporary differences	-11 632	-41 854
Benefits resulting from tax loss	0	-174
	-11 632	**-42 028**
- Increases/decreases of the receivables due to 8% relief related to provisions for receivables	348	405
Total income tax recognised in the profit and loss account	**101 449**	**72 969**

Effective tax rate calculation

	I half 2008	I half 2007
- Profit before tax	**508 918**	**413 255**
- 19% income tax	**96 694**	**78 518**
- Increases – non-deductible expenses	**10 994**	**3 701**
- provision for expected losses	*903*	*288*
- PFRON	*487*	*448*
- representation expenses	*528*	*558*
- expenses due to foreign payments	*367*	*91*
- expenses due to loan and non-loan receivables written off	*495*	*548*
- tax loss from securitisation	*6 742*	*0*
- tax goodwill	*580*	*0*
- evaluation of own and investment real estate	*182*	*0*
- charges in support of marketing fund	*45*	*0*
- other	*665*	*1 768*
- Decreases – tax exempt income	**6 587**	**9 655**
- income exempt due to the entity	*370*	*280*
- dividend income	*429*	*267*
- release of the provision for any foreseen losses	*540*	*197*
- provisions/impairment in a part not covered by deferred tax	*0*	*145*
- depreciation on real estate	*0*	*949*
- share in net profit (loss) of associated entities	*4 908*	*4 427*
- settlement of tax loss	*211*	*0*
- other	*129*	*3 390*
- 19% income tax /+/ increases /-/ decreases	**101 101**	**72 564**
- Increases/decreases of the receivable due to 8% relief related to provisions for receivables	348	405
Income tax from profit and loss account	**101 449**	**72 969**
Effective tax rate	**19,93%**	**17,66%**

12. Earnings per ordinary share (PLN)

Basic earnings per share

The calculation of basic earnings per one share of the parent company as for 1H 2008 was based on net profit amounting to PLN 407,470,000 (in 1H 2007, it was PLN 335,187,000) and weighted average number of ordinary shares in the same period, equalling 13,010,000 (1H 2007: 13,010,000).

	I half 2008	I half 2007
- Net profit (loss) assigned to shareholders of the holding company	407 470	335 187
- Weighted average number of ordinary shares	13 010 000	13 010 000
Earnings per ordinary share (PLN)	**31,32**	**25,76**

Diluted earnings per share

During 1H 2008 and throughout 2007, the number of shares making up the share capital of the Group remained unchanged. In the analysed period, the Group issued neither convertible bonds nor share options. The entire share capital is divided into ordinary shares (there are no preference shares). Consequently, diluted earnings per share are the same as basic earnings.

13. Dividends paid/proposed

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

On 24 April 2008, the General Shareholders' Meeting accepted the dividend payout for 2007 in the gross amount of PLN 11.70 per share, or PLN 152,217,000 in total. The dividend was paid on 2 June 2008.

14. Cash in hand and balances with the Central Bank

	I half 2008	end of 2007	I half 2007
- Cash in hand	622 989	678 072	454 058
- Balances with the Central Bank	999 862	1 163 653	2 154 808
Total	**1 622 851**	**1 841 725**	**2 608 866**

The dominant entity of the Group maintains a mandatory provision - at the level of 3.5% of the value of deposits received by the Bank - in its current account kept with the National Bank of Poland. The amount of the calculated provision is reduced by an equivalent of EUR 500,000, which represented:
- PLN 1,689,000 as of 30 May 2008,
- PLN 1,813,000 as of 30 November 2007,
- PLN 1,894,000 as of 30 April 2007

The arithmetic average obligatory provision equalled:
- PLN 1,699,265,000 for the period from 30 June 2008 to 30 July 2008,
- PLN 1,497,935,000 for the period from 31 December 2007 to 30 January 2008,
- PLN 1,374,918,000 for the period from 31 May 2007 to 01 July 2007,

The Group may utilise the credit limit with the National Bank of Poland representing 80% of the face value of Treasury securities subject to pledge, which as at 30 June 2008 represented PLN 9,515,576,000; compared with PLN 9,388,779,000 as at 31 December 2007 and PLN 9,400,106,000 as at 30 June 2007.

15. Loans and receivables to other banks

	I half 2008	end of 2007	I half 2007
- current accounts	341 379	359 874	285 091
- interbank deposits, of which:	7 594 688	14 347 480	17 322 487
- overnight deposits	*655 842*	*2 605 329*	*1 982 814*
- other receivables	947 100	367 211	374 275
- loans and advances	*475 506*	*301 384*	*254 717*
- reverse repo transactions	*405 740*	*0*	*0*
- other receivables	*65 854*	*65 827*	*119 558*
- accrued interest	119 174	109 791	97 944
Total (gross)	**9 002 341**	**15 184 356**	**18 079 797**
Impairment losses	-295	-691	-854
Total (net)	**9 002 046**	**15 183 665**	**18 078 943**

Reverse purchase transactions are shown under the item "reverse repo transactions". The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront.
Reverse repo transactions are meant as a liquidity management tool for short-term investment of surplus funds.

The following assets were bought under reverse repo transactions concluded with banks:

I half 2008

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	2008-07-07	395 000	405 740	69
		395 000	**405 740**	**69**

Loans and receivables to other banks by maturity

	I half 2008	end of 2007	I half 2007
- Maturing:	8 883 167	15 074 565	17 981 853
- up to 1 month	3 645 365	11 822 945	8 950 788
- over 1 month and up to 3 months	1 235 437	737 561	8 477 364
- over 3 months and up to 1 year	3 462 714	2 512 354	549 783
- over 1 year and up to 5 years	539 651	1 705	3 918
- Accrued interest	119 174	109 791	97 944
Total	**9 002 341**	**15 184 356**	**18 079 797**

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

	I half 2008	end of 2007	I half 2007
- Financial assets held for trading	7 002 019	6 062 786	5 175 310
- Financial assets designated as at fair value upon initial recognition	4 158 110	1 844 778	1 822 698
Total	**11 160 129**	**7 907 564**	**6 998 008**

Financial assets held for trading

	I half 2008	end of 2007	I half 2007
- Debt instruments			
Bonds and bills issued by:	4 814 031	4 373 230	4 323 453
State Treasury	*4 779 671*	*4 373 230*	*4 209 119*
Monetary financial institutions	*0*	*0*	*34 343*
Financial sector	*25 527*	*0*	*43 416*
Non financial sector	*8 833*	*0*	*36 575*
Total debt instruments	**4 814 031**	**4 373 230**	**4 323 453**
Listed instruments	*4 695 714*	*4 292 647*	*4 207 314*
Unlisted instruments	*118 317*	*80 583*	*116 139*
Equity instruments	**2 067**	**38 530**	**2 108**
Listed instruments	*2 067*	*38 530*	*2 108*
Derivative financial instruments	**2 185 921**	**1 651 026**	**849 749**
Total	**7 002 019**	**6 062 786**	**5 175 310**

Financial assets designated as at fair value upon initial recognition

	I half 2008	end of 2007	I half 2007
Interbank deposits	**2 470 683**	**0**	**0**
Debt instruments	**1 432 459**	**1 513 211**	**1 035 805**
- Bonds and bills issued by:	1 432 459	1 513 211	1 035 805
State Treasury	*1 298 382*	*1 381 685*	*891 686*
Non financial sector	*134 077*	*131 526*	*144 119*
Transactions with the buy-back commitment	**254 968**	**331 567**	**786 893**
Total	**4 158 110**	**1 844 778**	**1 822 698**

The Group designated the following components of financial assets and liabilities for fair value measurement through profit and loss: debt securities in the form of bonds issued by a non-financial entity, all buy-sell-back and sell-buy-back transactions, as well as selected interbanking deposits.

By eliminating accounting mismatch, designation of the above mentioned bonds for fair value measurement through profit and loss allows the bank to obtain more useful information. The "mismatch" would involve inconsistencies in the recognition of the effects of measurement of an investment item in the form of above bonds and IRS transactions, which is measured as fair value through the financial result, and securing the interest rate risk from the transaction.

A group of sell-buy-back and buy-sell-back transactions was designated for fair value measurement through profit and loss due to their classification to the portfolio managed by the Financial Markets Operations and Strategic Clients Department. According to the principles of risk management and the investment strategy in force at the Bank, financial assets and liabilities within this portfolio are measured and managed on the basis of fair value.

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.

By designating interbanking deposits for measurement at fair value through profit and loss, the Group intends to eliminate, or at least reduce considerably, the accounting mismatch resulting from different measurement of interbanking deposits and financial instruments with which the relation is identified, notably derivative transactions such as FX SWAP, FX Forward, IRS and OIS.

The measurement of financial assets and liabilities designated for fair value measurement on the basis of the profit and loss statement, as of the balance sheet date, did not include the value of liabilities to be attributed to the changes of credit risk the source of which is the Bank as borrower. In the opinion of the Bank, the whole amount of the change of value of financial liabilities results from the changes of market conditions giving rise to market risk.

Financial assets at fair value through profit or loss by maturity

	I half 2008	end of 2007	I half 2007
- up to 1 month	1 101 324	872 840	921 857
- over 1 month and up to 3 months	533 637	192 738	228 011
- over 3 months and up to 1 year	3 413 554	743 798	325 636
- over 1 year and up to 5 years	4 604 295	4 382 511	4 372 185
- over 5 years	1 507 319	1 715 677	1 150 319
Total	**11 160 129**	**7 907 564**	**6 998 008**

Movements in financial assets at fair value through profit or loss

	I half 2008	end of 2007	I half 2007
Opening balance	7 907 564	7 067 422	7 067 422
Increases	157 228 225	419 485 442	197 192 244
- purchase of debt securities	153 457 005	417 766 495	196 697 138
- purchase shares in other parties	624 462	823 811	399 534
- increase in the value of securities	141 180	205 353	95 572
- measurement of off-balance sheet derivative instruments	534 895	689 783	0
- designation of interbank deposits to valuation through profit and loss	2 470 683	0	0
Decreases	-153 975 660	-418 645 300	-197 261 658
- sales of debt securities	-134 617 797	-362 666 224	-174 625 447
- repurchase of debt securities	-16 193 164	-50 683 369	-19 987 069
- sales of shares in other parties	-661 536	-801 632	-414 407
- drop in the value of securities	-2 503 163	-4 494 075	-2 123 238
- measurement of off-balance sheet derivative instruments	0	0	-111 497
Closing balance	**11 160 129**	**7 907 564**	**6 998 008**

Interest revenue from debt instruments is recognised under interest result.
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 measured at fair value through profit and loss and revaluation'.

17. Investments

	I half 2008	end of 2007	I half 2007
- Available-for-sale financial assets, including:	10 816 223	8 547 497	9 593 763
fair value hedge - hedged items	*3 112 530*	*435 531*	*48 541*
- Held-to-maturity financial assets	6 185 038	840 776	0
Total	**17 001 261**	**9 388 273**	**9 593 763**

Available-for-sale financial assets

	I half 2008	end of 2007	I half 2007
- Fixed rate debt instruments	9 660 962	7 365 286	8 673 154
Treasury bonds	*9 532 289*	*7 224 265*	*8 522 434*
Treasury bills	*128 673*	*141 021*	*150 720*
- Floating rate debt instruments	1 150 806	1 158 862	899 259
Treasury bonds	*391 093*	*389 829*	*389 044*
NBP bonds	*504 511*	*514 650*	*502 857*
Other	*255 202*	*254 383*	*7 358*
Total debt instruments	**10 811 768**	**8 524 148**	**9 572 413**
Listed instruments	*9 923 382*	*7 614 094*	*8 911 478*
Unlisted instruments	*888 386*	*910 054*	*660 935*
- Equity instruments			
Equity instruments at cost	*15 876*	*15 441*	*15 454*
Market value evaluation	*1 814*	*21 142*	*19 130*
Impairment	*-13 235*	*-13 234*	*-13 234*
Equity instruments – carrying value	**4 455**	**23 349**	**21 350**
Listed instruments	*0*	*78*	*153*
Unlisted instruments	*4 455*	*23 271*	*21 197*
Total	**10 816 223**	**8 547 497**	**9 593 763**

The item "Equity instruments" shows the shares and participations of about a dozen entities that are not quoted on the stock exchange. The Bank does not measure them at fair value. Except for the shares of one company where the Bank holds B-series shares (not quoted on the stock exchange), the measurement is done using the share price of A-series shares from the regulated trading market.
Due to the operations of its units, the Group holds certain shares and participations such as 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

	I half 2008	end of 2007	I half 2007
Fixed rate debt instruments	3 112 530	435 531	48 541
- Bonds issued by:	3 112 530	435 531	48 541
State treasury	*3 112 530*	*435 531*	*48 541*
Total	**3 112 530**	**435 531**	**48 541**

Held-to-maturity financial assets

	I half 2008	end of 2007	I half 2007
Fixed rate debt instruments	6 185 038	840 776	0
- Bonds issued by:	6 185 038	840 776	0
State treasury	*6 185 038*	*840 776*	*0*
Total	**6 185 038**	**840 776**	**0**

Movements in investments

	I half 2008	end of 2007	I half 2007
Opening balance	9 388 273	12 614 914	12 614 914
Increases	12 129 670	4 099 684	1 910 928
- purchase of debt securities	11 769 136	3 586 939	1 620 807
- increase in the value of securities	360 073	512 729	290 105
- purchase of shares	461	10	10
- reversed provision for shares	0	6	6
Decreases	-4 516 682	-7 326 325	-4 932 079
- sales of debt securities	-3 727 420	-5 975 318	-4 016 344
- repurchase of debt securities	-72 620	-465 489	-357 389
- drop in the value of securities	-716 632	-873 536	-546 364
- sales of shares	-10	-11 982	-11 982
Closing balance	**17 001 261**	**9 388 273**	**9 593 763**

In 1H 2008, the Bank sold shares worth PLN 10,000 at the purchase price. That amount comprised the value of shareholding in the following entities:
- Master Card Inc.
- Mostostal Zabrze S.A.

By selling the above shares, the Group earned PLN 25,391,000 in revenue.

In 2007, the Group sold shares of 2 companies whose value as at purchase price totalled PLN 11,982,000; the revenue earned on the transaction totalled PLN 15,036,000.

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 nominal value of bonds is given in the table below. The adjustment following the transaction measurement at fair value was:
- as at 30 June 2008: -PLN 84,000;
- as at 31 Dec 2007: - PLN 298,000;
- as at 30 June 2007: - PLN 6,443,000.

The liabilities secured with the above assets amounted to:
- as at 30 June 2008: PLN 21,466,000;
- as at 31 Dec 2007: PLN 103,014,000;
- as at 30 June 2007: PLN 3,130,334,000.

Nominal value of assets that are collateral for liabilities

	I half 2008	**end of 2007**	**I half 2007**
The portfolio of financial assets held for trading:			
- Treasury bills collateralising the liabilities due to securities sold with a promise of repurchase	22 789	102 939	3 128 240
The portfolio of financial asstes avaible for sale:			
- Treasury bills constituting a collateral to Bank Guarantee Fund	132 710	117 910	109 810

Securities are pledged on the terms provided for by:
- the Banking Guarantee Fund Act (Journal of Laws 183 of 2005, item 1538),
- the basis of the transaction.

19. Derivative hedge instruments

Hedge instruments in hedge accounting

	I half 2008	end of 2007	I half 2007
- Balance sheet valuation of securities fair value hedge instruments	73 919	4 572	935
Interest Rate Swap	*73 872*	*4 572*	*935*
Overnight Index Swap	*47*	*0*	*0*
- Balance sheet valuation of real estate fair value hedge instruments	0	0	2 835
currency forward	*0*	*0*	*2 835*
- Balance sheet valuation of instruments hedging the cash flows	-22 442	0	0
Interest Rate Swap (positive valuation)	*2 073*	*0*	*0*
Interest Rate Swap (negative valuation)	*-24 515*	*0*	*0*
Total	**51 477**	**4 572**	**3 770**

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 receivables to customers

	I half 2008	end of 2007	I half 2007
Loans and other receivables to entities from the financial sector other than banks			
- loans and advances	2 596 843	2 225 200	2 053 482
- in the current account	*519 872*	*378 909*	*436 288*
- term ones	*2 076 971*	*1 846 291*	*1 617 194*
- reverse repo transactions	801 941	0	0
- other receivables	103 069	110 040	69 649
- accrued interest	6 483	7 413	4 048
Total (gross)	**3 508 336**	**2 342 653**	**2 127 179**
Impairment losses	-3 604	-5 840	-4 702
Total (net)	**3 504 732**	**2 336 813**	**2 122 477**
Loans and other receivables to entities from the non-financial sector			
- loans and advances granted to business entities	10 582 004	8 896 590	8 145 620
- in the current account	*4 005 199*	*3 103 368*	*3 044 135*
- term ones	*6 576 805*	*5 793 222*	*5 101 485*
- loans and advances granted to households	5 916 337	4 928 295	4 162 035
- in the current account	*1 097 907*	*965 928*	*997 614*
- term ones	*4 818 430*	*3 962 367*	*3 164 421*
- other receivables	68 919	57 128	135 627
- accrued interest	24 714	18 690	18 946
Total (gross)	**16 591 974**	**13 900 703**	**12 462 228**
Impairment losses	-359 128	-526 101	-590 673
Total (net)	**16 232 846**	**13 374 602**	**11 871 555**
Loans and other receivables to entities from the government and self-government institutions' sector			
- loans and advances	672 647	695 188	603 741
- in the current account	*16 313*	*9 871*	*10 641*
- term ones	*656 334*	*685 317*	*593 100*
- other receivables	30	0	0
- accrued interest	2 348	2 031	2 016
Total (gross)	**675 025**	**697 219**	**605 757**
Impairment losses	-26 863	-29 496	-32 613
Total (net)	**648 162**	**667 723**	**573 144**

Loans and other receivables to customers - TOTAL

- loans and advances	19 767 831	16 745 273	14 964 878
- reverse repo transactions	801 941	0	0
- other receivables	172 018	167 168	205 276
- accrued interest	33 545	28 134	25 010
Loans and other receivables to customers – gross	**20 775 335**	**16 940 575**	**15 195 164**
Impairment losses	-389 595	-561 437	-627 988
Loans and other receivables to customers – net	**20 385 740**	**16 379 138**	**14 567 176**

Reverse purchase transactions are shown under the item “reverse repo transactions”. The Group acquires funds by selling financial instruments with the future buy-back commitment at the same price, increased with the interest determined upfront.
Reverse repo transactions are meant as a liquidity management tool for short-term investment of surplus funds.

The following assets were bought under reverse repo transactions concluded with customers:

I half 2008

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	2008-07-01	481 297	476 266	584
Assets from available-for sale portfolio	2008-07-03	343 000	325 675	55
		824 297	**801 941**	**639**

Loans and receivables to customers by maturity

	I half 2008	end of 2007	I half 2007
- Maturing:	20 741 790	16 912 441	15 170 154
- up to 1 month	8 453 562	6 181 971	5 876 595
- over 1 month and up to 3 months	1 207 531	1 304 595	1 295 841
- over 3 months and up to 1 year	2 417 358	2 427 656	2 422 199
- over 1 year and up to 5 years	4 932 958	4 066 683	3 432 178
- over 5 years	3 730 381	2 931 536	2 143 341
- Accrued interest	33 545	28 134	25 010
Total	**20 775 335**	**16 940 575**	**15 195 164**

Interest accrued as at 30 June 2008 includes the amount of PLN 5,413,000 (PLN 7,436,000 as at 30 December 2007, and PLN 14,316,000 as at 30 June 2007) related to accrued unpaid interest at risk of impairment, recognised before 01 January 2005, fully written off.

Average effective interest rate for loans and advances in %

	I half 2008	end of 2007	I half 2007
- Average effective interest rate for loans and advances in PLN	7,53%	6,47%	6,26%
- Average effective interest rate for loans and advances in foreign currencies	5,32%	5,26%	5,00%

In line with the credit policy, ING Bank Śląski S.A. accepts collateral to secure repayment of the loans extended in the form of blocked borrower’s account funds and the borrower’s assets. More information about collaterals is presented in the chapter "Risk Management in Capital Group of ING Bank Śląski S.A.", item "Repayment Security 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

	I half 2008	end of 2007	I half 2007
Loans and receivables granted to banks and customers (gross)	**29 777 676**	**32 124 931**	**33 274 961**
- impaired	364 775	506 707	587 656
- unimpaired	29 412 901	31 618 224	32 687 305
Impairment losses	**-389 890**	**-562 128**	**-628 842**
- related to impaired portfolio	-296 110	-464 637	-531 269
- related to unimpaired portfolio	-93 780	-97 491	-97 573
Loans and receivables granted to banks and customers (net)	**29 387 786**	**31 562 803**	**32 646 119**

The item "Loans and other receivables to banks and customers" includes the value of deposits at other banks.

Loans and receivables portfolio classified according to impairment estimation methods

	I half 2008	end of 2007	I half 2007
Loans and receivables granted to banks and customers (gross)	**29 777 676**	**32 124 931**	**33 274 961**
- measured individually	165 073	283 342	343 730
- measured as the portfolio	29 612 603	31 841 589	32 931 231
Impairment losses	**-389 890**	**-562 128**	**-628 842**
- impairment loss pertaining to receivables measured individually	-149 283	-276 387	-333 301
- impairment loss pertaining to receivables measured as the portfolio	-240 607	-285 741	-295 541
Loans and receivables granted to banks and customers (net)	**29 387 786**	**31 562 803**	**32 646 119**

22. Movements in impairment losses

	I half 2008	end of 2007	I half 2007
Opening balance	**562 128**	**703 327**	**703 327**
Movements in impairment losses:	-172 238	-141 199	-74 485
Recognised during the period	*298 741*	*177 859*	*93 777*
Reversed during the period	*-352 343*	*-280 014*	*-132 407*
Utilised writte-offs	*-173 219*	*-113 279*	*-77 576*
Amounts recovered from loans previously written off	*46 522*	*85 840*	*46 906*
FX differences	*-1 025*	*-1 460*	*-900*
Unwinding interest	*12 845*	*-3 149*	*-1 544*
Other	*-3 759*	*-6 996*	*-2 741*
Closing balance	**389 890**	**562 128**	**628 842**
due to:			
- loans and receivables to banks	*295*	*691*	*854*
- loans and receivables to customers	*389 595*	*561 437*	*627 988*

The utilised write-offs comprise redemptions of receivables and write-offs of receivables from the balance sheet.

On 5 June 2008, ING Bank Śląski S.A. concluded agreements with Bison Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty and Bison II Sp. z o.o. on sales of non-performing debt claims. The total amount of debt claims sold as part of the above agreements is PLN 47.7 million (the principal, interest and other secondary debt claims). Following the conclusion of these agreements, the Bank released PLN 43.0 million worth of impairment.

23. Investments in controlled entities

The Group has shares in the associated entity ING Powszechne Towarzystwo Emerytalne S.A.:

	Domestic	Type of activities	Share in the equity		
			I half 2008	end of 2007	I half 2007
ING Powszechne Towarzystwo Emerytalne S.A.	Poland	establishment and management of the open pension fund	20%	20%	20%

	I half 2008	end of 2007	I half 2007
- Opening balance	97 326	90 309	90 309
- Profit share	25 830	43 597	23 300
- Dividend paid	-38 297	-36 580	-36 581
Closing balance	**84 859**	**97 326**	**77 028**

General financial information on an associated entity:

	Assets	Liabilities	Net assets	Revenues	Profit/(loss)
I half 2008					
ING Powszechne Towarzystwo Emerytalne S.A.	452 455	33 069	419 386	235 053	129 306
end of 2007					
ING Powszechne Towarzystwo Emerytalne S.A.	523 185	37 155	486 030	404 334	208 139
I half 2007					
ING Powszechne Towarzystwo Emerytalne S.A.	418 504	30 775	387 729	190 977	103 719

In the standalone 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 2008	end of 2007	I half 2007
- ING Securities S.A.	*subsidiary*	30 228	30 228	30 228
- ING Bank Hipoteczny S.A.	*subsidiary*	113 450	113 450	63 450
- ING BSK Development Sp. z o.o.	*subsidiary*	50	50	50
- Solver Sp. z o.o.	*subsidiary*	7 870	7 870	6 682
- Centrum Banku Śląskiego Sp. z o.o. in liquidation	*subsidiary*	18 971	18 971	0
- ING Powszechne Towarzystwo Emerytalne S.A.	*associated company*	40 000	40 000	40 000
Total		**210 569**	**210 569**	**140 410**

ING BSK Development Sp. z o.o. (where ING Bank Śląski S.A. holds 100% of shares) has 60% of shares in the initial capital of Centrum Banku Śląskiego Sp. z o.o. (the balance-sheet value of these shares amounts to PLN 2,645,000). On 19 September 2007, ING Bank Śląski S.A. acquired from the minority shareholders the shares in Centrum Banku Śląskiego Sp. z o.o., equivalent to 40% of the company's initial capital. As a result of the transaction, ING Bank Śląski S.A. directly and indirectly controls 100% of the initial capital of Centrum Banku Śląskiego Sp. z o.o.

On 31 October 2007, the agreement was signed on purchasing by ING Bank Śląski S.A. the company Centrum Banku Śląskiego Sp. z o.o. as well as taking over by ING Bank Śląski S.A. the liabilities connected with operations of the purchased company. The company Centrum Banku Śląskiego Sp. z o.o was the seller.
On 23 November 2007, the Extraordinary General Partners Meeting of Centrum Banku Śląskiego Sp. z o.o. passed a resolution on dissolving that company and putting it into liquidation as of 1 December 2007.

On 10 April 2007, the Bank acquired by way of closed subscription 270 B-shares of ING Bank Hipoteczny. The face value of one share is PLN 50,000, and the total value of the transaction is PLN 13.5 million.
On 22 October 2007, the Bank acquired by way of closed subscription 1,000 C-shares of ING Bank Hipoteczny. The face value of one share is PLN 50,000, and the total value of transaction is PLN 50 million.
Upon registration of the increase, the share capital of ING Bank Hipoteczny will total PLN 113.5 million.

On 30 November 2007, the Extraordinary General Partners Meeting of Solver Sp. z o.o. was held, at which the resolution was passed on increasing the Company's initial capital from PLN 8,374,000 to PLN 9,562,000. All the newly established shares were covered fully by ING Bank Śląski S.A. in the non-financial form (in-kind contribution). Increase of the initial capital resulted in a change of the ownership structure – the share of ING Bank Śląski S.A. in the initial capital of Solver grew from 79.79% to 82.30%.

24. Investment real estates

	I half 2008	end of 2007	I half 2007
a) value at the beginning of period	186 053	181 951	181 951
b) additions (due to)	1 111	4 102	273
- purchase	0	0	0
- other	1 111	4 102	273
c) disposals (due to)	0	0	0
- sale and liquidation	0	0	0
- other	0	0	0
d) value at the end of period	187 164	186 053	182 224
e) evaluation at the fair value at the begining of the period	-41 340	-35 981	-35 981
- increases	0	0	2 884
- decreases	-9 979	-5 359	0
f) evaluation at the fair value at the end of the period	-51 319	-41 340	-33 097
g) net value at the end of period	**135 845**	**144 713**	**149 127**

The Group is the owner of one investment property located in Katowice. The Group 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. Generally adopted market parameters were applied for the appraisal while considering the building occupancy level.
The investment property is measured in EUR (as at 30 June 2008, the estate value was EUR 40,500,000 versus EUR 40,400,000 as at 31 December 2007 and EUR 39,600,000 as at 30 June 2007).

	I half 2008	end of 2007	I half 2007
- Income rental from of the investment property	5 914	14 418	8 354
- Maintance expenses relating to the investment property	-2 640	6 950	-1 791

There are no legal constraints on the investment property, or contractual obligations related to purchase thereof.

25. Property, plant and equipment

	I half 2008	end of 2007	I half 2007
- Real estate and investments in third-party non-current assets	389 903	404 223	414 749
- Computer hardware	41 194	43 273	51 476
- Vehicles	206	335	436
- Other fixtures and fittings	76 309	70 921	71 113
- Constructions in progress	21 536	14 186	14 697
Total	**529 148**	**532 938**	**552 471**

I half 2008

	Real estate and investments in third-party non-current assets	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) gross value at the beginning of period	685 134	225 864	1 992	351 923	14 186	1 279 099
b) additions (due to)	11 752	11 138	9	17 773	30 765	71 437
- purchases	1 987	9 842	9	5 011	30 765	47 614
- investment take-overs	9 696	1 288	0	12 762	0	23 746
- other	69	8	0	0	0	77
c) disposals (due to)	-1 897	-37 715	-771	-12 825	-24 009	-77 217
- sale and liquidation	-1 495	-37 558	-742	-12 781		-52 576
- investment take-overs	0	0	0	0	-23 934	-23 934
- other, of which:	-402	-157	-29	-44	-75	-707
- grants	*0*	*-157*	*0*	*0*	*0*	*-157*
- reclassified to real estate held for sale	*-402*	*0*	*0*	*0*	*0*	*-402*
d) transfers	2 196	-116	0	-2 651	594	23
e) gross value of assets at the end of the period	697 185	199 171	1 230	354 220	21 536	1 273 342
f) accumulated depreciation at the begining of the period	-296 485	-182 591	-1 657	-281 002	0	-761 735
g) amortisation for the period (due to)	-17 698	24 614	633	3 091	0	10 640
- amortisation charges	-17 641	-13 085	-68	-11 218	0	-42 012
- sale and liquidation	1 590	37 534	675	12 616	0	52 415
- transfers	-1 699	18	0	1 681	0	0
- other	52	147	26	12	0	237
- grants	*0*	*157*	*0*	*0*	*0*	*157*
- reclassified to real estate held for sale	*71*	*0*	*0*	*0*	*0*	*71*
h) accumulated depreciation at the end of the period	-314 183	-157 977	-1 024	-277 911	0	-751 095
i) evaluation at the fair value at the begining of the period	15 574	0	0	0	0	15 574
- increases	0	0	0	0	0	0
- decreases	-8 673	0	0	0	0	-8 673
j) evaluation at the fair value at the end of the period	6 901	0	0	0	0	6 901
k) closing balance of net value	**389 903**	**41 194**	**206**	**76 309**	**21 536**	**529 148**

end of 2007

	Real estate and investments in third-party non-current assets	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) gross value at the beginning of period	668 678	267 205	3 957	341 238	3 180	1 284 258
b) additions (due to)	21 961	17 000	231	24 685	46 290	110 167
- purchases	1 518	15 676	231	7 557	46 234	71 216
- investment take-overs	16 997	1 284	0	17 071	0	35 352
- other	3 446	40	0	57	56	3 599
c) disposals (due to)	-3 154	-58 341	-2 196	-14 019	-35 478	-113 188
- sale and liquidation	-1 002	-56 186	-1 854	-8 130	0	-67 172
- investment take-overs	0	0	0	-282	-35 112	-35 394
- other, of which:	-2 152	-2 155	-342	-5 607	-366	-10 622
- grants	*0*	*-49*	*-5*	*-19*	*0*	*-73*
- reclassified to real estate held for sale	*-2 152*	*-2 106*	*-32*	*-5 588*	*0*	*-9 878*
d) transfers	-2 351	0	0	19	194	-2 138
e) gross value of assets at the end of the period	685 134	225 864	1 992	351 923	14 186	1 279 099
f) accumulated depreciation at the begining of the period	-266 205	-206 354	-3 378	-260 800	0	-736 737
g) amortisation for the period (due to)	-30 280	23 763	1 721	-20 202	0	-24 998
- amortisation charges	-32 853	-29 689	-262	-33 706	0	-96 510
- sale and liquidation	414	55 738	1 722	8 440	0	66 314
- transfers	2 351	1 307	21	5 139	0	8 818
- other	-192	-3 593	240	-75	0	-3 620
- grants	*0*	*48*	*5*	*19*	*0*	*72*
- reclassified to real estate held for sale	*216*	*0*	*0*	*0*	*0*	*216*
h) accumulated depreciation at the end of the period	-296 485	-182 591	-1 657	-281 002	0	-761 735
i) evaluation at the fair value at the begining of the period	23 544	0	0	0	0	23 544
- increases	0	0	0	0	0	0
- decreases	-7 970	0	0	0	0	-7 970
j) evaluation at the fair value at the end of the period	15 574	0	0	0	0	15 574
k) closing balance of net value	**404 223**	**43 273**	**335**	**70 921**	**14 186**	**532 938**

I half 2007

	Real estate and investments in third-party non-current assets	Computer hardware	Vehicles	Other fixtures and fittings	Constructions in progress	TOTAL
a) gross value at the beginning of period	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, of which:	-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 depreciation 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 depreciation 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
- 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**

The item "Real estate and leasehold improvements" comprises, among others, land whose value considering the fair value measurement as at 31 June 2008 was PLN 4,742,000 (as at 31 December 2007, it was PLN 4,745,000 and as at 30 June 2007, PLN 5,022,000).

As at 30 June 2008, the value of fully depreciated tangible non-current assets was PLN 312,089,000 as compared to 323,338,000 as at 31 December 2007 and PLN 252,065,000 as at 30 June 2007.

As at 30 June 2008, PLN 50,786,000, which amount (including deferred tax) refers to the real properties assessed at fair value, is recognised in the revaluation reserve. As at 31 December 2007 and as at 30 June 2007, the same item amounted to PLN 57,998,000 and PLN 53,681,000 respectively.

The real properties were assessed in December 2006 by an independent appraiser. The assessment was carried out in line with the binding principles of the real property appraisal depending on the character of the building (for administrative buildings – reconstruction method was applied, and 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 327,166,000. In 2007, one of the Bank’s recreation centres was appraised for the purpose of the available-for-sale assets valuation model. Another appraisal of the Head Office building in Katowice was made in 2008.

There are no legal constraints on property, plant and equipment.

In 1H 2008, the Group concluded agreements with the contractors for the future purchase of fixed assets of PLN 2,647,000, out of which PLN 500,000 shall be paid in future periods. These agreements refer to the purchase and modernisation of fixed assets, including but not limited to modernisation of the air conditioning system in the Bank’s outlets. The Group also concluded framework agreements on construction and installation works and renovation of the Bank’s outlets. Payments thereunder are not determined in advance – their value shall derive from the cost estimates calculated throughout the year for each outlet separately.

Net value of property, plant and equipment includes, among other things, the net value of assets accepted under financial lease agreements

Net value of assets accepted under financial lease agreements

	I half 2008	end of 2007	I half 2007
- Real estate	1 072	3 288	5 479
- Vehicles	0	0	13
- Other fixtures and fittings	4	47	56
Total	**1 076**	**3 335**	**5 548**

26. Intangible assets

	I half 2008	end of 2007	I half 2007
- Goodwill	223 821	223 821	223 821
- Software	59 622	73 830	79 807
- Other intangible assets	98	451	569
- Outlays for intangible assets	27 475	20 723	15 135
Total	**311 016**	**318 825**	**319 332**

I half 2008

	Goodwill	Software	Other intangible assets	Outlays for intangible assets	TOTAL
a) Gross value at the begining of the period	223 821	244 571	8 620	20 723	497 735
b) additions (due to)	0	10 702	0	13 890	24 592
- purchases	0	4 238	0	13 829	18 067
- investment take-overs	0	5 894	0	0	5 894
- other	0	570	0	61	631
c) disposals (due to)	0	-352	0	-6 872	-7 224
- sale and liquidation	0	-291	0	0	-291
- investment take-overs	0	0	0	-5 894	-5 894
- other	0	-61	0	-978	-1 039
d) transfers	0	718	-1 035	-266	-583
e) gross value at the end of the period	223 821	255 639	7 585	27 475	514 520
f) accumulated depreciction at the begining of the period	0	-170 741	-8 169	0	-178 910
g) amortisation for the period (due to)	0	-25 276	682	0	-24 594
- amortisation charges	0	-24 910	-37	0	-24 947
- sale and liquidation	0	290	0	0	290
- transfers	0	-718	718	0	0
- other	0	62	1	0	63
h) accumulated depreciction at the end of the period	0	-196 017	-7 487	0	-203 504
i) evaluation at the fair value at the begining of the period	0	0	0	0	0
- increases	0	0	0	0	0
- decreases	0	0	0	0	0
j) evaluation at the fair value at the end of the period	0	0	0	0	0
k) Net value at the end of the period	**223 821**	**59 622**	**98**	**27 475**	**311 016**

end of 2007

	Goodwill	Software	Other intangible assets	Outlays for intangible assets	TOTAL
a) Gross value at the begining of the period	223 821	193 465	9 415	13 644	440 345
b) additions (due to)	0	53 595	56	51 038	104 689
- purchases	0	9 697	66	50 640	60 403
- investment take-overs	0	43 898	-10	0	43 888
- other	0	0	0	398	398
c) disposals (due to)	0	-2 530	0	-44 769	-47 299
- sale and liquidation	0	-2 530	0	0	-2 530
- investment take-overs	0	0	0	-43 888	-43 888
- other	0	0	0	-881	-881
d) transfers	0	41	-851	810	0
e) gross value at the end of the period	223 821	244 571	8 620	20 723	497 735
f) accumulated depreciction at the begining of the period	0	-114 678	-8 006	0	-122 684
g) amortisation for the period (due to)	0	-56 063	-163	0	-56 226
- amortisation charges	0	-58 167	-123	0	-58 290
- sale and liquidation	0	2 065	0	0	2 065
- transfers	0	39	-40	0	-1
h) accumulated depreciction at the end of the period	0	-170 741	-8 169	0	-178 910
i) evaluation at the fair value at the begining of the period	0	0	0	0	0
- increases	0	0	0	0	0
- decreases	0	0	0	0	0
j) evaluation at the fair value at the end of the period	0	0	0	0	0
k) Net value at the end of the period	**223 821**	**73 830**	**451**	**20 723**	**318 825**

I half 2007

	Goodwill	Software	Other intangible assets	Outlays for intangible assets	TOTAL
a) Gross value at the begining of the period	223 821	193 465	9 415	13 644	440 345
b) additions (due to)	0	26 143	41	20 972	47 156
- purchases	0	5 933	41	20 966	26 940
- investment take-overs	0	20 210	0	6	20 216
c) disposals (due to)	0	-2 307	0	-20 291	-22 598
- sale and liquidation	0	-2 307	0	0	-2 307
- investment take-overs	0	0	0	-20 216	-20 216
- other	0	0	0	-75	-75
d) transfers	0	0	-810	810	0
e) gross value at the end of the period	223 821	217 301	8 646	15 135	464 903
f) accumulated depreciction at the begining of the period	0	-114 678	-8 006	0	-122 684
g) amortisation for the period (due to)	0	-22 816	-71	0	-22 887
- amortisation charges	0	-24 656	-71	0	-24 727
- sale and liquidation	0	1 841	0	0	1 841
- other	0	-1	0	0	-1
h) accumulated depreciction at the end of the period	0	-137 494	-8 077	0	-145 571
i) evaluation at the fair value at the begining of the period	0	0	0	0	0
- increases	0	0	0	0	0
- decreases	0	0	0	0	0
j) evaluation at the fair value at the end of the period	0	0	0	0	0
k) Net value at the end of the period	**223 821**	**79 807**	**569**	**15 135**	**319 332**

As at 30 June 2008, the value of fully depreciated intangible assets equalled PLN 94,952,000 versus PLN 82,208,000 as at 31 December 2007 and PLN 54,822,000 as at 30 June 2007.

The item "Outlays on intangible assets" includes, among other things, outlays on projects totalling PLN 25,090,000 as at 30 June 2008, compared to PLN 6,587,000 as at 31 December 2007 and PLN 7,650,000 as at 30 June 2007.

In 1H 2008, the Group concluded agreements with the contractors for the future purchase of intangible assets to the amount of PLN 4,287,000 which shall be paid in full by the end of the reporting period. These agreements refer to the purchase of licence and implementation of software.

Impairment test of cash generating units with respective goodwill

The goodwill impairment test is carried out at least twice yearly, irrespective of detecting any objective evidence of impairment.
In the Bank, the impairment test is applied to the goodwill created as the result of the in-kind contribution of ING Bank NV. The smallest identifiable income generating centre was determined and goodwill of PLN 223,343,000 was assigned thereto. No other additional elements of intangible value and 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 cashflow from the centre to the estimated book value of the centre's funds. The free cashflows of the centre are defined as net profits less 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.

The 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 mid-term plan approved by the Bank and the strategy covering the maximum period of the next three years. The data regarding the 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 and its profits will increase by previously determined growth rate. Legitimacy of the assumptions made is verified periodically, and any divergence between the cashflows estimated based on the future cashflows and the actual ones is analysed as appropriate.

3M WIBOR is assumed for the needs of cashflow discounting.

27. Property, plant and equipment held for sale

	I half 2008	end of 2007	I half 2007
a) value at the beginning of period	241	224	224
b) additions (due to)	808	3 174	1 894
- reclassification from property, plant and equipment	783	3 139	1 706
- other	25	35	188
c) disposals (due to)	-783	-3 157	-1 864
- sale and liquidation	-783	-3 157	-1 706
- other	0	0	-158
d) value at the end of period	266	241	254
e) evaluation at the fair value at the begining of the period	0	0	0
- increases	0	0	0
- decreases	0	0	0
f) evaluation at the fair value at the end of the period	0	0	0
g) Net value at the end of year the period	**266**	**241**	**254**

As at 30 June 2008, the amount of "Property, plant and equipment held for sale" includes mainly real properties and means of transportation taken over under the recovery process or no longer in use. The Group intends to sell them by way of tender procedure.

28. Deferred tax asset and provision

Movements in temporary differences during the year

I half 2008

Deferred tax assets

	Balance as of 31 Dec 2007	Changes charged to the financial result	Changes charged to equity	Changes charged to retained earnings	Balance as of 30 Jun 2008
- Interest accrued (expense)	-17 120	-2 394	-	-	**-19 514**
- Revaluation of available-for-sale financial assets	-39 932	-	-17 197	-	**-57 129**
- Revaluation of cash flow hedging instruments	-	-	-4 728	-	**-4 728**
- Provisions for receivables due to loans	-60 869	11 381	-	-	**-49 488**
- Other provisions	-5 838	-22 985	-	-	**-28 823**
- Employee benefits	-19 509	7 554	-	-	**-11 955**
- Retirement and holiday benefits	-3 612	3	-	-	**-3 609**
- Accumulated losses settled	847	-24	-	-	**823**
- Evaluation of own and investment real estate	-6 038	1 564	-	-	**-4 474**
- Correction due to effective interest rate	-12 337	-	-	-	**-12 337**
- Other	-19 827	8	-	-	**-19 819**
	-184 235	**-4 893**	**-21 925**	**0**	**-211 053**

Deferred tax provision

	Balance as of 31 Dec 2007	Changes charged to the financial result	Changes charged to equity	Changes charged to retained earnings	Balance as of 30 Jun 2008
- Interest accrued (expense)	90 019	-7 460	-	-	**82 559**
- Settlement of the difference between tax and balance sheet depreciation	9 964	-960	-	-	**9 004**
- Settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief enjoyed	10 678	-110	-	-	**10 568**
- Revaluation of property, plant and equipment	13 604	-	-1 691	-	**11 913**
- Revaluation of available-for-sale financial assets	4 017	-	-3 672	-	**345**
- Evaluation of own and investment real estate	1 148	182	-	-	**1 330**
- Sale of property, plant and equipment held for sale	-	-	-	184	**184**
- Other	5 513	1 609	-	-	**7 122**
	134 943	**-6 739**	**-5 363**	**184**	**123 025**
Deferred tax disclosed in the balance sheet	**-49 292**	**-11 632**	**-27 288**	**184**	**-88 028**

end of 2007

Deferred tax assets

	Balance as of 31 Dec 2006	Changes charged to the financial result	Changes charged to equity	Changes charged to minority equity	Balance as of 31 Dec 2007
- Interest accrued (expense)	-15 678	-1 442	-	-	**-17 120**
- Revaluation of available-for-sale financial assets	-1 146	-	-38 786	-	**-39 932**
- Provisions for receivables due to loans	-92 536	31 667	-	-	**-60 869**
- Other provisions	-6 213	375	-	-	**-5 838**
- Employee benefits	-11 365	-8 144	-	-	**-19 509**
- Retirement and holiday benefits	-4 328	716	-	-	**-3 612**
- Accumulated losses settled	-359	1 206	-	-	**847**
- Evaluation of own and investment real estate	-	-6 038	-	-	**-6 038**
- Correction due to effective interest rate	-12 337	-	-	-	**-12 337**
- Other	-22 277	2 450	-	-	**-19 827**
	-166 239	**20 790**	**-38 786**	**0**	**-184 235**

Deferred tax provision

	Balance as of 31 Dec 2006	Changes charged to the financial result	Changes charged to equity	Changes charged to minority equity	Balance as of 31 Dec 2007
- Interest accrued (expense)	80 987	9 032	-	-	**90 019**
- Settlement of the difference between tax and balance sheet depreciation	15 016	-5 052	-	-	**9 964**
- Settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief enjoyed	11 126	-448	-	-	**10 678**
- Revaluation of property, plant and equipment	9 490	-	4 114	-	**13 604**
- Revaluation of available-for-sale financial assets	7 000	-	-2 983	-	**4 017**
- Evaluation of own and investment real estate	-	1 148	-	-	**1 148**
- Other	4 488	1 025	-	-	**5 513**
	128 107	**5 705**	**1 131**	**0**	**134 943**
Deferred tax disclosed in the balance sheet	**-38 132**	**26 495**	**-37 655**	**0**	**-49 292**

I half 2007

Deferred tax assets

	Balance as of 31 Dec 2006	Changes charged to the financial result	Changes charged to equity	Changes charged to minority equity	Balance as of 30 Jun 2007
- Interest accrued (expense)	-15 678	-2 594	-	-	**-18 272**
- Revaluation of available-for-sale financial assets	-1 146	-	-18 681	-	**-19 827**
- Provisions for receivables due to loans	-92 536	8 878	-	-	**-83 658**
- Other provisions	-6 213	-16 949	-	-	**-23 162**
- Employee benefits	-11 365	2 771	-	-	**-8 594**
- Retirement and holiday benefits	-4 328	-	-	-	**-4 328**
- Accumulated losses settled	-359	-2 123	-	-	**-2 482**
- Correction due to effective interest rate	-12 337	-	-	-	**-12 337**
- Other	-22 277	395	-1 146	-	**-23 028**
	-166 239	**-9 622**	**-19 827**	**0**	**-195 688**

Deferred tax provision

	Balance as of 31 Dec 2006	Changes charged to the financial result	Changes charged to equity	Changes charged to minority equity	Balance as of 30 Jun 2007
- Interest accrued (expense)	80 987	-31 156	-	-	**49 831**
- Settlement of the difference between tax and balance sheet depreciation	15 016	-1 415	-	-	**13 601**
- Settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief enjoyed	11 126	-250	-	-	**10 876**
- Revaluation of property, plant and equipment	9 490	-	1 582	1 098	**12 170**
- Revaluation of available-for-sale financial assets	7 000	-	-3 366	-	**3 634**
- Other	4 488	415	1 146	-	**6 049**
	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**

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

Deferred tax assets

	I half 2008	end of 2007	I half 2007
- Interest accrued (expense)	-2 394	-1 442	-2 594
- Provisions for receivables due to loans	11 381	31 667	8 878
- Other provisions	-22 985	375	-16 949
- Employee benefits	7 554	-8 144	2 771
- Retirement and holiday benefits	3	716	0
- Accumulated losses settled	-24	1 206	-2 123
- Evaluation of own and investment real estate	1 564	-6 038	0
- Other	8	2 450	395
	-4 893	**20 790**	**-9 622**

Deferred tax provisions

	I half 2008	end of 2007	I half 2007
- Interest accrued (expense)	-7 460	9 032	-31 156
- Settlement of the difference between tax and balance sheet	-960	-5 052	-1 415
- Settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief enjoyed	-110	-448	-250
- Evaluation of own and investment real estate	182	1 148	0
- Other	1 609	1 025	415
	-6 739	**5 705**	**-32 406**
Deferred tax for the reporting period	**-11 632**	**26 495**	**-42 028**

Unrecognised deferred tax assets

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

	I half 2008	end of 2007	I half 2007
- Specific provisions whose recoverability will not be proved	0	1 232	1 275
- Tax losses	507	487	798
Total	**507**	**1 719**	**2 073**

Year of expiration of temporary differences:

	difference amount I half 2008	difference amount end of 2007	difference amount I half 2007
2007	0	0	929
2008	131	747	900
2009	46	662	46
2010	0	0	0
2011	198	198	198
2012	132	112	0
Total	**507**	**1 719**	**2 073**

Deferred tax recognised directly in equity

	I half 2008	end of 2007	I half 2007
- Revaluation of available-for-sale financial assets	-56 783	-35 914	-16 192
- Revaluation of property, plant and equipment	11 913	13 604	11 072
- Revaluation of cash flow hedging instruments	-4 728	0	0
Total	**-49 598**	**-22 310**	**-5 120**

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 associated company, ING Powszechne Towarzystwo Emerytalne S.A. The total amount of temporary differences relating to investments in the associated company, for which provisions due to deferred tax were not established, is PLN 4,908,000.

29. Other assets

	I half 2008	end of 2007	I half 2007
- Prepayments	**48 321**	**43 936**	**55 691**
- prepaid bank operating expenses	*5 371*	*4 642*	*4 738*
- prepayments due to insurance with NN	*13*	*1 535*	*1 511*
- materials and goods in the warehouse	*3 407*	*4 275*	*3 740*
- expenses to be settled	*1 192*	*783*	*58*
- accrued income	*23 753*	*30 586*	*30 800*
- other	*14 585*	*2 115*	*14 844*
- Other assets	**83 620**	**95 313**	**101 430**
- interbank settlements	*3 499*	*3 623*	*2 558*
- interbranch settlements	*435*	*2 147*	*0*
- public and legal settlements	*26 873*	*15 868*	*16 270*
- loans from the Company's Social Benefits Fund	*17 086*	*15 961*	*17 122*
- settlements with off-takers	*19 766*	*20 744*	*22 763*
- settlements due to purchase of materials	*1 262*	*17 618*	*12 449*
- other	*14 699*	*19 352*	*30 268*
Total other assets (gross)	**131 941**	**139 249**	**157 121**
- provision for other assets	-2 079	-1 917	-2 308
Total other assets (net)	**129 862**	**137 332**	**154 813**

The amount of receivables resulting from the EU Guarantee Fund was presented under the item "Public and private settlements". The amount equalled to:
- PLN 11,159,000 as at 30 June 2008,
- PLN 11,506,000 as at 31 Dec 2007,
- PLN 12,371,000 as at 30 June 2007.

30. Employee benefits

The Group participates in the long-term incentive scheme adopted by ING Group. The scheme provides incentives to employees of ING Group entities by tying their financial results with the financial performance of the Group. The scheme is addressed to members of the Management Board of the Bank, senior 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 has retired. The option exercise price is the difference between the initial price and the option exercise price determined by Euronext Amsterdam on the exercise day 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 any 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 ING's peer group. Depending on the position of ING in the ranking, the number of shares to be received can range from 200% in the case of the position in the top three and 0% for positions ranging from 18 to 20. The exercise price is set according to the same principles as for share options.

To operate the aforementioned incentive scheme, the Group incurs costs of financing options and system administration, which in 1H 2008 amounted to PLN 2.4 million compared with PLN 4.8 million in 2007 and PLN 2.2 million in 1H 2007.
The Group measures granted share options and performance shares at fair value. The value measured for the period from 1 January 2007 to 31 December 2007 equalled PLN 3.6 million and was charged to the financial result of the Group (the measurement result for 1H 2007 was PLN 1.6 million). In 1H 2008 the measurement was not made due to its immateriality from the perspective of the Group's financial statements. Currently works are in progress over improving the method of share options and performance shares measurement through fair value. The measurement results will be presented in the 2008 annual report.

31. Liabilities due to other banks

	I half 2008	end of 2007	I half 2007
- Current accounts	320 946	82 357	180 446
- Interbank deposits	5 739 552	1 707 059	3 160 610
- Transactions with the buy-back commitment	0	0	481 543
- Other liabilities	14 140	9 457	40 856
- Accrued interest	10 556	11 322	4 981
Total	**6 085 194**	**1 810 195**	**3 868 436**

Repurchase transactions (repo) 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 banks:

I half 2008

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	-	-	-	-
		0	**0**	**0**

end of 2007

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	-	-	-	-
		0	**0**	**0**

I half 2007

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

Liabilities due to other banks by maturity

	I half 2008	end of 2007	I half 2007
- Maturing:	6 074 638	1 798 873	3 863 455
- up to 1 month	5 874 146	1 630 823	3 689 151
- over 1 month and up to 3 months	195 392	123 050	0
- over 3 months and up to 1 year	5 100	45 000	174 304
- Accrued interest	10 556	11 322	4 981
Total	**6 085 194**	**1 810 195**	**3 868 436**

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

	I half 2008	end of 2007	I half 2007
- Financial liabilities held for trading	1 507 874	1 057 294	814 041
Derivative financial instruments	*1 507 874*	*1 057 294*	*814 041*
- Financial liabilities designated as at fair value upon initial recognition	21 382	102 716	3 123 892
Transactions with the buy-back commitment	*21 382*	*102 716*	*3 123 892*
- Book short position in trading securities	108 372	54 971	406 455
Total	**1 637 628**	**1 214 981**	**4 344 388**

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.

33. Liabilities due to customers

	I half 2008	end of 2007	I half 2007
Liabilities due to entities from the financial sector other than banks			
- Deposits	3 586 988	2 226 226	2 703 449
- current accounts	*2 111 392*	*1 229 825*	*2 099 342*
- term deposit	*1 475 596*	*996 401*	*604 107*
- Transactions with the buy-back commitment	191 653	725 974	1 972 999
- Other liabilities	152 961	115 359	71 884
- Accrued interest	1 972	1 650	1 944
Total	**3 933 574**	**3 069 209**	**4 750 276**
Liabilities due to entities from the non-financial sector			
- Business entities' deposits	11 990 707	12 746 659	10 688 271
- current accounts	*7 123 233*	*7 970 381*	*6 202 649*
- term deposit	*4 867 474*	*4 776 278*	*4 485 622*
- Households' deposits	28 227 771	25 356 471	22 024 527
- current accounts	*3 582 617*	*2 603 797*	*2 999 064*
- savings accounts	*19 945 013*	*19 069 974*	*15 427 642*
- term deposit	*4 700 141*	*3 682 700*	*3 597 821*
- Transactions with the buy-back commitment	13 993	128 000	18 727
- Other liabilities	466 321	571 867	579 368
- Accrued interest	68 674	50 559	61 338
Total	**40 767 466**	**38 853 556**	**33 372 231**
Liabilities due to entities from the government and self-government institutions' sector			
- Deposits	2 880 694	2 571 234	2 128 210
- current accounts	*1 695 323*	*2 028 882*	*909 977*
- term deposit	*1 185 371*	*542 352*	*1 218 233*
- Other liabilities	4 646	6 683	703
- Accrued interest	4 677	1 155	1 996
Total	**2 890 017**	**2 579 072**	**2 130 909**

Liabilities due to customers – total

- Deposits	46 686 160	42 900 590	37 544 457
- Transactions with the buy-back commitment	205 646	853 974	1 991 726
- Other liabilities	623 928	693 909	651 955
- Accrued interest	75 323	53 364	65 278
Liabilities due to customers – total	**47 591 057**	**44 501 837**	**40 253 416**

Repurchase transactions (repo) 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 2008

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	2008-07-01	132 765	134 131	156
Assets from available-for sale portfolio	2008-07-04	4 000	3 501	3
Assets from available-for sale portfolio	2008-07-07	68 000	68 014	11
		204 765	**205 646**	**170**

end of 2007

	Repurchase date	Nominal value	Carrying amount	interest
Assets from available-for sale portfolio	2008-01-02	474 668	461 618	270
Assets from available-for sale portfolio	2008-01-03	21 000	20 248	24
Assets from available-for sale portfolio	2008-01-04	16 000	15 418	14
Assets from available-for sale portfolio	2008-01-07	7 000	6 740	11
Assets from available-for sale portfolio	2008-01-08	267 827	273 999	810
Assets from available-for sale portfolio	2008-03-05	37 568	36 165	134
Assets from available-for sale portfolio	2008-03-19	41 294	39 786	119
		865 357	**853 974**	**1 382**

I half 2007

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

Liabilities due to customers by maturity

	I half 2008	end of 2007	I half 2007
- Maturing:	47 515 734	44 448 473	40 188 138
- up to 1 month	41 213 609	40 308 079	35 905 867
- over 1 month and up to 3 months	3 317 495	1 699 354	1 827 754
- over 3 months and up to 1 year	1 979 184	1 594 030	1 668 462
- over 1 year and up to 5 years	946 134	789 143	712 231
- over 5 years	59 312	57 867	73 824
- Accrued interest	75 323	53 364	65 278
Total	**47 591 057**	**44 501 837**	**40 253 416**

Average effective interest rate for deposits in %

	I half 2008	end of 2007	I half 2007
- Average effective interest rate for deposits in PLN	3,68%	2,92%	2,73%
- Average effective interest rate for deposits in foreign currencies	1,98%	2,00%	1,97%

34. Provisions

	I half 2008	end of 2007	I half 2007
- provision for issues in dispute	29 975	29 294	33 152
- provision for off-balance sheet liabilities	20 129	23 933	26 827
- provision for retirement benefits	11 839	11 839	10 899
- provision for unused holidays	7 439	7 441	12 148
Total	**69 382**	**72 507**	**83 026**

I half 2008

	provision for issues in dispute	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*TOTAL*
Closing balance at the end of the previous period	**29 294**	**23 933**	**11 839**	**7 441**	**72 507**
Provisions recognised	4 303	-	-	-	**4 303**
Provisions applied	-2 097	-3 804	-	-	**-5 901**
Provisions reversed	-1 525	-	-	-2	**-1 527**
Closing balance	**29 975**	**20 129**	**11 839**	**7 439**	**69 382**
expected provision settlement period					
- up to 1 year	*1 807*	*-*	*-*	*7 439*	***9 246***
- more than 1 year	*28 168*	*20 129*	*11 839*	*-*	***60 136***

end of 2007

	provision for issues in dispute	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*TOTAL*
Closing balance at the end of the previous period	**42 262**	**25 015**	**10 899**	**12 148**	**90 324**
Provisions recognised	3 493	-	940	310	**4 743**
Provisions applied	-2 148	-1 082	-	-	**-3 230**
Provisions reversed	-14 313	-	-	-5 017	**-19 330**
Closing balance	**29 294**	**23 933**	**11 839**	**7 441**	**72 507**
expected provision settlement period					
- up to 1 year	*5 551*	*-*	*-*	*7 441*	***12 992***
- more than 1 year	*23 743*	*23 933*	*11 839*	*-*	***59 515***

I half 2007

	provision for issues in dispute	*provision for off-balance sheet liabilities*	*provision for retirement benefits*	*provision for unused holidays*	*TOTAL*
Closing balance at the end of the previous period	**42 262**	**25 015**	**10 899**	**12 148**	**90 324**
Provisions recognised	1 163	1 812	-	-	**2 975**
Provisions applied	-9 227	-	-	-	**-9 227**
Provisions reversed	-996	-	-	-	**-996**
Transfers	-50	-	-	-	**-50**
Closing balance	**33 152**	**26 827**	**10 899**	**12 148**	**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***

Provision for issues in dispute

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

The recognised amount of provisions comprises:

1) paying the penalty imposed by the Office of Competition and Consumer Protection: PLN 14,088,000,
2) disputable cases connected with negligent performance of agreements: PLN 14,081,000,
3) criminal cases: PLN 1,750,000,
4) cases relating to claims filed by former employees: PLN 56,000.

The Group recognised provisions for all estimated losses. In some cases, the Group is entitled 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 re-measured on an annual basis.

Starting 2007, the Group changed the accounting methodology as to the recognition of provisions for retirement allowance by adopting the corridor approach for recognising a specific part of the cumulated net actuarial gains and losses. Under this method, when determining an obligation due to certain benefits, the Group recognises some actuarial gains and losses as revenue or costs, when the net value of accumulated unrecognised actuarial gains and losses as at the end of the previous reporting period exceeds the higher of the following two values:
a) 10% of the current value of the obligation due to certain benefits as at that day (before deduction of the plan's assets)
b) 10% of the fair value of the plan's assets as at that day.

A portion of the actuarial gains and losses above the said limit is recognised in the profit and loss account as the quotient of the above named excess and the average expected remaining working life of the Group employees. Following that change, the Group presents in the balance sheet the net value of the liability comprising the current value of the liability and unrecognised actuarial gains/ losses.

Provision for retirement benefits – a revision of the balance-sheet liability

	I half 2008	end of 2007
Opening balance	**11 839**	**10 899**
- Costs included in the profit and loss account, out of which:	0	1 516
- regular employment costs	-	*962*
- costs of interest	-	*554*
- Paid benefits	-	-576
Closing balance, including:	**11 839**	**11 839**
- current value of the liability	-	11 187
- not included actuarial gains/ losses	-	652

35. Other liabilities

	I half 2008	end of 2007	I half 2007
- to employees	**28 360**	**25 486**	**24 896**
- due to leases	**839**	**3 291**	**6 880**
- accruals	**138 739**	**172 366**	**118 170**
- due to operating expenses	*2 352*	*1 497*	*3 938*
- due to employee benefits	*71 189*	*111 572*	*49 519*
- due to loans granted	*446*	*1 019*	*2 085*
- due to commission	*57 195*	*50 748*	*54 272*
- due to distribution of deposit-related funds	*650*	*1 061*	*2 938*
- other	*6 907*	*6 469*	*5 418*
- other liabilities	**918 396**	**369 569**	**802 092**
- interbank settlements	*656 906*	*212 533*	*523 376*
- interbranch settlements	*53 812*	*0*	*38 687*
- public and legal settlements	*49 730*	*36 334*	*32 036*
- settlment due to trading in securities	*3 115*	*1 701*	*78 484*
- settlements with suppliers	*28 619*	*63 663*	*25 611*
- other	*126 214*	*55 338*	*103 898*
Total	**1 086 334**	**570 712**	**952 038**

The amount presented in the 1 half 2007 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

	I half 2008	end of 2007	I half 2007
- up to 1 year	831	3 241	5 972
- over 1 year and up to 5 years	8	59	932
- over 5 years	0	0	0
Total	**839**	**3 300**	**6 904**

Present value of lease instalments due by maturity

	I half 2008	end of 2007	I half 2007
- up to 1 year	832	3 319	6 033
- over 1 year and up to 5 years	8	72	935
- over 5 years	0	0	0
Total	**840**	**3 391**	**6 968**

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

	I half 2008	end of 2007	I half 2007
- Gross liabilities due to financial leases	839	3 300	6 904
- Unrealised financial expenses	1	91	64
- **Present value of minimum lease instalments**	**840**	**3 391**	**6 968**

The Group is a lessee in financial lease agreements concerning a part of the hardware and premises used by the Group. Those agreements do not provide for any contingent fees to be paid by the lessee; no constraints 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 130,100,000 ordinary shares, and is sub-divided into:
- 9,260,000 A-series ordinary bearer's shares with face value of PLN 10.00 each
- 3,750,000 B-series ordinary bearer's shares with face value of PLN 10.00 each.

Each 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 in 1H 2008 and throughout 2007.

37. Revaluation reserve

	I half 2008	end of 2007	I half 2007
- Revaluation reserve from measurement of available-for-sale financial assets	-239 056	-149 591	-65 115
- including deferred tax	*56 783*	*35 914*	*16 192*
- Revaluation reserve from measurement of property, plant and equipment	50 786	57 998	53 681
- including deferred tax	*-11 913*	*-13 604*	*-11 072*
- Revaluation reserve from measurement of cash flow hedging instruments	-20 157	0	0
- including deferred tax	*4 728*	*0*	*0*
Total	**-208 427**	**-91 593**	**-11 434**

I half 2008

	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*	Revaluation reserve from measurement of cash flow hedging instruments	*including deferred tax*	TOTAL
Opening balance of revaluation reserve	**-149 591**	***35 914***	**57 998**	***-13 604***	**0**	***0***	**-91 593**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-132 730	*31 017*	-	-	-	-	**-132 730**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	43 265	*-10 148*	-	-	-	-	**43 265**
- disposal of property, plant and equipment	-	-	-539	*126*	-	-	**-539**
- remeasurement of property, plant and equipment	-	-	-6 673	*1 565*	-	-	**-6 673**
- effective part of cash flow hedging instruments revaluation	-	-			-20 157	*4 728*	**-20 157**
Closing balance of revaluation reserve	**-239 056**	***56 783***	**50 786**	***-11 913***	**-20 157**	***4 728***	**-208 427**

end of 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*	Revaluation reserve from measurement of cash flow hedging instruments	*including deferred tax*	TOTAL
Opening balance of revaluation reserve	**42 830**	***-5 855***	**52 263**	***-9 490***	**0**	***0***	**95 093**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-174 090	*37 469*	-	-	-	-	**-174 090**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-18 331	*4 300*	-	-	-	-	**-18 331**
- disposal of property, plant and equipment	-	-	-257	*62*	-	-	**-257**
- remeasurement of property, plant and equipment	-	-	-2 979	*-3 084*	-	-	**-2 979**
- purchase of shares in subsidiary entity from the minority shareholders	-	-	8 971	*-1 092*	-	-	**8 971**
Closing balance of revaluation reserve	**-149 591**	***35 914***	**57 998**	***-13 604***	**0**	***0***	**-91 593**

I 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*	Revaluation reserve from measurement of cash flow hedging instruments	*including deferred tax*	TOTAL
Opening balance of revaluation reserve	**42 830**	***-5 855***	**52 263**	***-9 490***	**0**	***0***	**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***	**0**	***0***	**-11 434**

38. Retained earnings

	I half 2008	end of 2007	I half 2007
- Other supplementary capital	36 446	36 325	35 867
- Reserve capital	1 763 916	1 505 970	1 505 970
- General risk fund	730 179	530 179	530 179
- Retained earnings	124 192	103 328	102 273
- Result for the current year	407 470	630 724	335 187
Total	**3 062 203**	**2 806 526**	**2 509 476**

I half 2008

	other supplementary capital	reserve capital	general risk fund	retained earnings	result for the current year	TOTAL
Opening balance of retained earnings	**36 325**	**1 505 970**	**530 179**	**734 052**	**0**	**2 806 526**
- disposal of property, plant and equipment	95	-	-	329	-	**424**
- profit allocation, including:	26	257 946	200 000	-610 189	-	**-152 217**
- profit written off to supplementary capital	*26*	-	-	*-26*	-	***0***
- profit written off to reserve capital	-	*257 946*	-	*-257 946*	-	***0***
- profit written off to general risk fund	-	-	*200 000*	*-200 000*	-	***0***
- dividends paid	-	-	-	*-152 217*	-	***-152 217***
- net result for the current period	-	-	-	-	407 469	**407 469**
- share of minority shareholders in the net financial result	-	-	-	-	1	**1**
Closing balance of retained earnings	**36 446**	**1 763 916**	**730 179**	**124 192**	**407 470**	**3 062 203**

end of 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	713	-	-	1 317	-	**2 030**
- 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	-	-	-	-	636 822	**636 822**
- share of minority shareholders in the net financial result	-	-	-	-	-6 098	**-6 098**
Closing balance of retained earnings	**36 325**	**1 505 970**	**530 179**	**103 328**	**630 724**	**2 806 526**

I 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	**35 867**	**1 505 970**	**530 179**	**102 273**	**335 187**	**2 509 476**

Supplementary capital

Supplementary 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 supplementary capital is taken at the General Meeting.

Reserves

Reserves are established regardless of the supplementary capital created from the appropriations from profit after tax, in the amount resolved at the General 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. Balance sheet currency structure

I half 2008

CONSOLIDATED BALANCE SHEET *(PLN'000)*	PLN	EUR		USD		CHF		other currencies	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*	(after translation into PLN)	
ASSETS									
- Cash in hand and balances with the Central Bank	1 486 648	115 994	*34 582*	13 831	*6 526*	188	*90*	6 190	**1 622 851**
- Loans and receivables to other banks	4 419 763	1 653 777	*493 047*	2 621 699	*1 237 001*	56 538	*27 043*	250 269	**9 002 046**
- Financial assets measured at fair value through profit and loss	7 032 337	1 822 687	*543 404*	2 276 657	*1 074 199*	361	*173*	28 087	**11 160 129**
- Investments	16 226 601	772 846	*230 411*	1 814	*856*	0	*0*	0	**17 001 261**
- available-for-sale	*10 041 563*	*772 846*	*230 411*	*1 814*	*856*	*0*	*0*	*0*	***10 816 223***
- held-to-maturity	*6 185 038*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***6 185 038***
- Derivative hedge instruments	60 200	15 792	*4 708*	0	*0*	0	*0*	0	**75 992**
- Loans and receivables to customers	18 359 052	1 600 317	*477 108*	209 999	*99 084*	179 472	*85 843*	36 900	**20 385 740**
- Investments in controlled entities	84 859	0	*0*	0	*0*	0	*0*	0	**84 859**
- Investment real estates	135 845	0	*0*	0	*0*	0	*0*	0	**135 845**
- Property, plant and equipment	529 148	0	*0*	0	*0*	0	*0*	0	**529 148**
- Intangible assets	311 016	0	*0*	0	*0*	0	*0*	0	**311 016**
- Property, plant and equipment held for sale	266	0	*0*	0	*0*	0	*0*	0	**266**
- Current tax asset	13	0	*0*	0	*0*	0	*0*	0	**13**
- Deferred tax asset	88 028	0	*0*	0	*0*	0	*0*	0	**88 028**
- Other assets	127 573	1 852	*552*	893	*421*	11	*5*	-467	**129 862**
Total assets	**48 861 349**	**5 983 265**	***1 783 812***	**5 124 893**	***2 418 087***	**236 570**	***113 154***	**320 979**	**60 527 056**
EQUITY AND LIABILITIES									
LIABILITIES									
- Liabilities due to other banks	1 730 860	2 146 941	*640 075*	1 638 822	*773 248*	263 652	*126 107*	304 919	**6 085 194**
- Financial liabilities measured at fair value through profit and loss	769 346	438 010	*130 586*	383 956	*181 163*	2 492	*1 192*	43 824	**1 637 628**
- Derivative hedge instruments	24 515	0	*0*	0	*0*	0	*0*	0	**24 515**
- Liabilities due to customers	42 416 395	3 810 078	*1 135 913*	1 250 478	*590 015*	1 604	*767*	112 502	**47 591 057**
- Provisions	66 738	1 751	*522*	842	*397*	30	*14*	21	**69 382**
- Current income tax liabilities	53 602	0	*0*	0	*0*	0	*0*	0	**53 602**
- Other liabilities	1 073 452	12 263	*3 656*	604	*285*	0	*0*	15	**1 086 334**
Total liabilities	**46 134 908**	**6 409 043**	***1 910 752***	**3 274 702**	***1 545 108***	**267 778**	***128 080***	**461 281**	**56 547 712**
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	-243 279	2 409	*718*	1 814	*856*	0	*0*	0	**-239 056**
- Revaluation reserve from measurement of property, plant and equipment	50 786	0	*0*	0	*0*	0	*0*	0	**50 786**
- Revaluation reserve from measurement of cash flow hedging instruments	-20 157	0	*0*	0	*0*	0	*0*	0	**-20 157**
- Retained earnings	3 062 203	0	*0*	0	*0*	0	*0*	0	**3 062 203**
Equity attributed to the holding company	**3 973 403**	**2 409**	***718***	**1 814**	***856***	**0**	***0***	**0**	**3 977 626**
- Minority equity	1 718	0	*0*	0	*0*	0	*0*	0	**1 718**
Total equity	**3 975 121**	**2 409**	***718***	**1 814**	***856***	**0**	***0***	**0**	**3 979 344**
Total equity and liabilities	**50 110 029**	**6 411 452**	***1 911 470***	**3 276 516**	***1 545 964***	**267 778**	***128 080***	**461 281**	**60 527 056**

end of 2007

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
A S S E T S									
- Cash in hand and balances with the Central Bank	1 719 097	94 542	*26 394*	18 412	*7 561*	154	*71*	9 520	**1 841 725**
- Loans and receivables to other banks	5 021 231	4 862 469	*1 357 473*	5 090 746	*2 090 655*	19 199	*8 883*	190 020	**15 183 665**
- Financial assets measured at fair value through profit and loss	6 278 968	1 483 043	*414 027*	134 972	*55 430*	83	*38*	10 498	**7 907 564**
- Investments	9 366 941	258	*72*	21 074	*8 655*	0	*0*	0	**9 388 273**
- available-for-sale	*8 526 165*	*258*	*72*	*21 074*	*8 655*	*0*	*0*	*0*	***8 547 497***
- held-to-maturity	*840 776*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***840 776***
- Derivative hedge instruments	4 572	0	*0*	0	*0*	0	*0*	0	**4 572**
- Loans and receivables to customers	14 559 637	1 565 152	*436 949*	169 233	*69 500*	65 723	*30 408*	19 393	**16 379 138**
- Investments in controlled entities	97 326	0	*0*	0	*0*	0	*0*	0	**97 326**
- Investment real estates	144 713	0	*0*	0	*0*	0	*0*	0	**144 713**
- Property, plant and equipment	532 938	0	*0*	0	*0*	0	*0*	0	**532 938**
- Intangible assets	318 825	0	*0*	0	*0*	0	*0*	0	**318 825**
- Property, plant and equipment held for sale	241	0	*0*	0	*0*	0	*0*	0	**241**
- Current tax asset	25 256	0	*0*	0	*0*	0	*0*	0	**25 256**
- Deferred tax asset	49 292	0	*0*	0	*0*	0	*0*	0	**49 292**
- Other assets	136 970	296	*83*	41	*17*	1	*0*	24	**137 332**
T o t a l a s s e t s	**38 256 007**	**8 005 760**	***2 234 998***	**5 434 478**	***2 231 818***	**85 160**	***39 400***	**229 455**	**52 010 860**
E Q U I T Y A N D L I A B I L I T I E S									
LIABILITIES									
- Liabilities due to other banks	998 330	214 427	*59 862*	376 838	*154 759*	113 397	*52 465*	107 203	**1 810 195**
- Financial liabilities measured at fair value through profit and loss	577 818	352 293	*98 351*	265 860	*109 183*	319	*148*	18 691	**1 214 981**
- Liabilities due to customers	38 945 763	3 897 724	*1 088 142*	1 534 834	*630 322*	1 311	*607*	122 205	**44 501 837**
- Provisions	68 730	3 278	*915*	491	*202*	7	*3*	1	**72 507**
- Current income tax liabilities	126	0	*0*	0	*0*	0	*0*	0	**126**
- Other liabilities	555 891	14 134	*3 946*	609	*250*	0	*0*	78	**570 712**
T o t a l l i a b i l i t i e s	**41 146 658**	**4 481 856**	***1 251 216***	**2 178 632**	***894 716***	**115 034**	***53 223***	**248 178**	**48 170 358**
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	-170 664	0	*0*	21 073	*8 654*	0	*0*	0	**-149 591**
- Revaluation reserve from measurement of property, plant and equipment	57 998	0	*0*	0	*0*	0	*0*	0	**57 998**
- Retained earnings	2 806 526	0	*0*	0	*0*	0	*0*	0	**2 806 526**
Equity attributed to the holding company	**3 817 710**	**0**	***0***	**21 073**	***8 654***	**0**	***0***	**0**	**3 838 783**
- Minority equity	1 719	0	*0*	0	*0*	0	*0*	0	**1 719**
T o t a l e q u i t y	**3 819 429**	**0**	***0***	**21 073**	***8 654***	**0**	***0***	**0**	**3 840 502**
T o t a l e q u i t y a n d l i a b i l i t i e s	**44 966 087**	**4 481 856**	***1 251 216***	**2 199 705**	***903 370***	**115 034**	***53 223***	**248 178**	**52 010 860**

I half 2007

CONSOLIDATED BALANCE SHEET *(PLN'000)*	PLN	EUR		USD		CHF		other currencies	TOTAL
		after translation into PLN	*in currency*	after translation into PLN	*in currency*	after translation into PLN	*in currency*	(after translation into PLN)	
A S S E T S									
- 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**
- Loans and receivables 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 measured at fair value through profit and loss	5 952 849	965 768	*256 458*	78 968	*28 214*	0	*0*	423	**6 998 008**
- Investments	9 574 504	272	*72*	18 987	*6 784*	0	*0*	0	**9 593 763**
- available-for-sale	*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 receivables 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**
- Investment real estates	149 127	0	*0*	0	*0*	0	*0*	0	**149 127**
- Property, plant and equipment	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**
T o t a l a s s e t s	**39 432 991**	**4 598 341**	***1 221 079***	**8 620 158**	***3 079 838***	**166 158**	***73 100***	**385 430**	**53 203 078**
E Q U I T Y A N D L I A B I L I T I E S									
LIABILITIES									
- 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 measured at fair value through profit and loss	3 944 885	276 300	*73 371*	122 492	*43 764*	188	*83*	523	**4 344 388**
- 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**
T o t a l l i a b i l i t i e s	**41 528 177**	**4 167 908**	***1 106 780***	**3 334 664**	***1 191 418***	**155 190**	***68 276***	**366 351**	**49 552 290**
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 attributed to 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**
T o t a l e q u i t y	**3 669 775**	**0**	***0***	**-18 987**	***-6 784***	**0**	***0***	**0**	**3 650 788**
T o t a l e q u i t y a n d l i a b i l i t i e s	**45 197 952**	**4 167 908**	***1 106 780***	**3 315 677**	***1 184 634***	**155 190**	***68 276***	**366 351**	**53 203 078**

40. Off-balance sheet items

	I half 2008	end of 2007	I half 2007
- Contingent liabilities granted	12 528 185	12 833 876	13 043 342
- Contingent liabilities received	14 061 085	14 092 965	12 202 659
- Off-balance sheet financial instruments	241 695 304	207 320 201	178 185 130
Total	**268 284 574**	**234 247 042**	**203 431 131**

41. Contingent liabilities

Contingent liabilities granted

The Group discloses obligations to grant loans. These obligations include approved loans, credit card limits and overdraft limits in current accounts.
The Group issues guarantees and letters of credits to secure 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 specific nature of the particular instrument.

The value of contractual contingent liabilities by category is presented in the table below. The value of guarantees and letters of credit disclosed below reflects maximum loss that can be incurred, and that would be disclosed as at the balance sheet date should the customers fail to fulfil their obligations in full.

	I half 2008	end of 2007	I half 2007
- Credit card limits	645 575	590 568	970 954
- Undrawn credit facilities	8 379 124	6 615 924	6 488 990
- Undrawn overdrafts in current account	1 144 577	2 334 841	1 976 812
- Guarantees and letters of credit	2 027 214	2 079 315	1 860 104
- Deposits to be issued	331 695	1 213 228	1 746 482
Total	**12 528 185**	**12 833 876**	**13 043 342**

Provisions are created for contingent financial liabilities 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 Group 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 the carrying amount of assets and is recognised in the Bank's balance sheet and the 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.

Contingent liabilities received

	I half 2008	end of 2007	I half 2007
Guarantee conditioned liabilities	13 156 449	12 852 292	12 051 803
Financing liabilities	904 636	1 240 673	150 856
Total	**14 061 085**	**14 092 965**	**12 202 659**

Information on issue guarantees granted to other issuers

In 1H 2008, the Group acted as a guarantor for the issue of commercial securities by two budgetary entities, one entity from the fuel sector as well as one from the power generation sector. The guarantee totalled PLN 258.7 million out of which PLN 258.7 million was drawn.

In 2007, the Group was the guarantor for the issue of commercial papers of two budget entities, one entity from the fuel sector and one entity from the energy sector. The total guarantee amount is PLN 228.7 million, out of which PLN 228.2 million was used.

42. Off-balance sheet financial instruments

I half 2008

	Nominal value of instruments with the period remaining to maturity				Fair value measurement	
	up to 3 months	over 3 months and up to 1 year	over 1 year	Total	Assets	Equity and liabilities
Interest rate derivatives						
Forward rate agreements (FRA)	3 500 000	69 682 964	3 800 000	76 982 964	51 243	53 643
Interest rate swaps (IRS)	21 586 188	30 136 465	32 508 271	84 230 924	653 820	540 004
CAP options	0	43 906	929 332	973 238	5 961	5 995
Total	**25 086 188**	**99 863 335**	**37 237 603**	**162 187 126**	**711 024**	**599 642**
FX derivatives						
FX contracts (swap, forward)	26 495 375	17 512 968	1 905 167	45 913 510	1 191 754	631 028
CIRS	0	0	0	0	118 391	37 366
Currency options (purchased)	2 511 329	2 783 003	897 825	6 192 157	127 520	0
Currency options (sold)	2 987 666	2 846 374	671 785	6 505 825	0	157 957
Total	**31 994 370**	**23 142 345**	**3 474 777**	**58 611 492**	**1 437 665**	**826 351**
Current off-balance sheet transactions						
FX operations	16 684 511	0	0	16 684 511	21 471	16 828
Securities operations	2 001 427	0	0	2 001 427	2 887	84
Total	**18 685 938**	**0**	**0**	**18 685 938**	**24 358**	**16 912**
Stock market derivatives						
Options for stock market (buy)	0	391 177	714 180	1 105 357	88 866	0
Options for stock market (sold)	0	391 156	714 235	1 105 391	0	88 791
Total	**0**	**782 333**	**1 428 415**	**2 210 748**	**88 866**	**88 791**
Fair value measurement of other financial instruments	-	-	-	-	0	693
Total	**75 766 496**	**123 788 013**	**42 140 795**	**241 695 304**	**2 261 913**	**1 532 389**

end of 2007

	Nominal value of instruments with the period remaining to maturity				Fair value measurement	
	up to 3 months	over 3 months and up to 1 year	over 1 year	Total	Assets	Equity and liabilities
Interest rate derivatives						
Forward rate agreements (FRA)	8 250 000	43 336 550	500 000	52 086 550	29 335	26 411
Interest rate swaps (IRS)	24 036 359	36 724 226	20 540 206	81 300 791	446 405	318 229
CAP options	0	0	542 219	542 219	1 964	1 964
Total	**32 286 359**	**80 060 776**	**21 582 425**	**133 929 560**	**477 704**	**346 604**
FX derivatives						
FX contracts (swap, forward)	39 954 013	15 174 652	1 293 146	56 421 811	938 541	542 023
CIRS	0	0	0	0	91 843	11 163
Currency options (purchased)	1 412 204	1 569 845	133 870	3 115 919	73 968	0
Currency options (sold)	1 673 213	1 822 910	68 684	3 564 807	0	85 199
Total	**43 039 430**	**18 567 407**	**1 495 700**	**63 102 537**	**1 104 352**	**638 385**
Current off-balance sheet transactions						
FX operations	8 081 443	0	0	8 081 443	5 808	3 944
Securities operations	1 158 065	0	0	1 158 065	-166	474
Total	**9 239 508**	**0**	**0**	**9 239 508**	**5 642**	**4 418**
Stock market derivatives						
Options for stock market (buy)	0	57 629	466 684	524 313	67 900	0
Options for stock market (sold)	0	57 629	466 654	524 283	0	67 887
Total	**0**	**115 258**	**933 338**	**1 048 596**	**67 900**	**67 887**
Total	**84 565 297**	**98 743 441**	**24 011 463**	**207 320 201**	**1 655 598**	**1 057 294**

I half 2007

	Nominal value of instruments with the period remaining to maturity				Fair value measurement	
	up to 3 months	over 3 months and up to 1 year	over 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	0	0	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**

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.

	I half 2008	end of 2007	I half 2007
PLN			
- up to 3 months	12 612 833	15 768 441	9 968 688
- from 3 months to 1 year	7 858 672	7 314 538	7 191 901
- over 1 year	981 244	708 971	933 680
EUR			
- up to 3 months	10 080 649	13 713 816	5 323 858
- from 3 months to 1 year	8 889 035	5 281 947	5 769 428
- over 1 year	1 947 206	559 217	573 270
USD			
- up to 3 months	8 583 841	12 292 308	7 926 357
- from 3 months to 1 year	5 949 520	5 883 226	6 124 149
- over 1 year	483 995	200 375	245 243
GBP			
- up to 3 months	320 032	556 491	22 402
- from 3 months to 1 year	181 981	55 504	2 800
- over 1 year	0	0	0
other currencies			
- up to 3 months	397 015	708 373	193 190
- from 3 months to 1 year	263 136	32 193	20 629
- over 1 year	62 333	27 137	20 900
Total	**58 611 492**	**63 102 537**	**44 316 495**

Embedded derivatives

The Group has deposits in PLN and USD with embedded derivative instruments, such as FX options and stock exchange indices, commodity indices and trust units in investment funds. As at 30 June 2008, the embedded instruments were valued at PLN 76,792,000 (as at 31 December 2007 and 30 June 2007, they totalled, respectively, PLN 48,486,000 and 38,952,000).

43. Hedge accounting

Fair value hedge accounting

In the financial statements as at 30 June 2008, the Group used fair value hedge accounting for securities.

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 debt instrument; 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 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 measurement of the hedging and hedged transactions is shown in the income statement under the note: “ReNet income on investment financial assets”.

The hedged transaction is shown in the balance sheet under the item “Investments”.

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

	I half 2008		end of 2007		I half 2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Hedged items						
- Debt securities available-for-sale	3 208 237	3 112 530	437 000	435 531	50 000	48 541
- Treasury bonds	*3 208 237*	*3 112 530*	*437 000*	*435 531*	*50 000*	*48 541*
Hedging instruments	3 306 537	73 919	437 000	4 572	50 000	935
- Interest Rate Swap	3 206 537	73 872	437 000	4 572	50 000	935
- Overnight Index Swap	100 000	47	0	0	0	0

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

Fair value hedge for real estate

In the financial statements drawn as at 30 June 2008, the Group do not apply the fair value hedge accounting for real estate.

In the financial statements drawn as at 30 June 2007, the Group applied the fair value hedge accounting for real estate. The hedged risk was a change of the real estate fair value (the subsidiary’s building - Centrum Banku Śląskiego Sp. z o.o. accommodating the Head Office of ING Bank Śląski w Katowicach) due to a change of the EUR/PLN spot exchange rate, while FX forward was the hedging instrument. The face value of the hedging transaction was revalued according to the current value of the building as indicated by an independent appraiser.

As at 30 June 2007, the loss on evaluation of the hedged item of PLN 2,672,000 less the deferred income tax of PLN 508,000 decreased the Group’s financial result.

As at 30 June 2007, the hedging transaction stood positive at PLN 2,599,000.

The measurement of the hedging and hedged transactions is shown in the income statement under the item “Other operating income and expenses”.

The hedged transaction is presented in the balance sheet under the item "Property, plant and equipment".

Cash flow hedge accounting

In the financial statements as at 30 June 2008, the Group followed the principles of cash flow hedge accounting for a specific portfolio of assets/ liabilities/ highly likely planned financial transactions of the Bank.

Hedging the cash flows of a specific portfolio of assets/ liabilities/ highly probable planned transactions of the Bank.

The Group applies the principles of hedge accounting to secure future cashflows of the Bank's assets/ liabilities portfolio or the portfolio of highly probable planned transactions (e.g. extrapolation of cashflows resulting from revolving deposits/ overdrafts) from the risk of changes to the future cashflows due to the interest rate risk.
The hedged item includes a specific portfolio of assets and/ or financial liabilities or a portfolio of planned transactions, which includes financial instruments with variable interest rate (financial products based on the WIBOR market interest rate), and is therefore exposed to the risk of changes to the future cashflows due to the change of WIBOR.
Interest rate swaps of the type "pay variable, get fixed" are used as hedging instruments for assets, and interest rate swaps of the type "pay fixed, get variable" are used to secure liabilities.

The measurement of the hedging transactions is shown in the income statement under the note: "Net income on instruments measured at fair value through profit and loss and revaluation".

Fair value of hedging instruments under the cash flow hedge accounting

	I half 2008	
	Carrying amount	**Fair value**
Hedging instruments	4 123 000	-22 442
- Interest Rate Swap	*4 123 000*	*-22 442*

Test of high probability of future cash flows

time bucket	ASSETS Hedging items IRS *(a)*	Hedged items loans *(b)*	Effectiveness test (hedge is effectiv if (a)>0 and (b)-(a)>0)
3M	61 843 323	199 262 065	hedge is effective
6M	68 868 021	205 307 317	hedge is effective
9M	70 081 075	206 021 184	hedge is effective
12M	67 781 528	205 048 755	hedge is effective
15M	35 900 084	187 738 333	hedge is effective
18M	33 402 352	187 171 903	hedge is effective
21M	31 890 724	182 369 793	hedge is effective
24M	32 287 163	178 791 552	hedge is effective
27M	0	165 784 364	hedge is effective

The Group expects that in connection with the occurrence of cash flows their impact on the financial result will be realised over the following 24 months

44. Fair values

The fair value of assets and financial obligations

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

I half 2008

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	1 622 851	1 622 851
- Loans and receivables to other banks	9 002 046	9 002 046
- Financial assets measured at fair value through profit and loss	11 160 129	11 160 129
- Investments	17 001 261	17 001 261
- Derivative hedge instruments	75 992	75 992
- Loans and receivables to customers	20 385 740	20 435 784
- Investments in controlled entities	84 859	84 859
Liabilities		
- Liabilities due to other banks	6 085 194	6 085 194
- Financial liabilities measured at fair value through profit and loss	1 637 628	1 637 628
- Derivative hedge instruments	24 515	24 515
- Liabilities due to customers	47 591 057	47 589 772

end of 2007

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	1 841 725	1 841 725
- Loans and receivables to other banks	15 183 665	15 183 665
- Financial assets measured at fair value through profit and loss	7 907 564	7 907 564
- Investments	9 388 273	9 388 273
- Derivative hedge instruments	4 572	4 572
- Loans and receivables to customers	16 379 138	16 407 744
- Investments in controlled entities	97 326	97 326
Liabilities		
- Liabilities due to other banks	1 810 195	1 810 195
- Financial liabilities measured at fair value through profit and loss	1 214 981	1 214 981
- Liabilities due to customers	44 501 837	44 497 087

I half 2007

	Carrying amount	Fair value
Assets		
- Cash in hand and balances with the Central Bank	2 608 866	2 608 866
- Loans and receivables to other banks	18 078 943	18 078 943
- Financial assets measured at fair value through profit and loss	6 998 008	6 998 008
- Investments	9 593 763	9 593 763
- Derivative hedge instruments	3 770	3 770
- Loans and receivables to customers	14 567 176	14 579 905
- Investments in controlled entities	77 028	77 028
Liabilities		
- Liabilities due to other banks	3 868 436	3 868 436
- Financial liabilities measured at fair value through profit and loss	4 344 388	4 344 388
- Liabilities due to customers	40 253 416	40 248 763

Determination of fair value

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 9.00am, 11.00am, 12.30pm and 2.00pm; 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 onwards – 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 onwards – 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 that do not confirm the prices of verifiable current market transactions referring to the same instrument – the model takes account of neither prepayments nor restructuring-based changes.

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

Loans and receivables to customers
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 the fair value for those loans equals their book value. 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 six month period.
For that purpose the following assumptions are adopted:
- use of the loans granted in the last six 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 loan.

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

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

Liabilities due to customers
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 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 the last two months.

45. Custody activities

As at 30 June 2008, ING Bank Śląski S.A. maintained 3,319 securities accounts for its customers. As at the end of 1H 2008, ING Bank Śląski S.A. was the depository bank for 73 investment funds and 1 employee pension fund.

As at 30 June 2008, ING Bank Śląski S.A. co-operated with 22 Polish brokerage houses.

46. 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 costs 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; no constraints arise from the provisions of the lease agreements.
In some cases the agreements provide for the possibility of prolonging the agreement, using the possibility of purchase or price change.

Lease payments by maturity are disclosed in the table below:

	I half 2008	end of 2007	I half 2007
up to 1 year	140 866	92 452	89 015
over 1 year and up to 5 years	341 222	201 759	203 149
over 5 years – annual payment amount	12 450	20 580	27 253

Group as a lessor

The Group earns 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; no constraints arise from the provisions of the lease agreements. In some cases the agreements provide for the possibility of prolonging the agreement or changing the price; however they do not provide for the possibility of purchase.

Lease payments by maturity are disclosed in the table below:

	I half 2008	end of 2007	I half 2007
up to 1 year	14 107	12 130	14 800
over 1 year and up to 5 years	41 365	26 888	62 977
over 5 years – annual payment amount	4 816	1 438	16 711

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.

47. Cash and cash equivalents

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

	I half 2008	end of 2007	I half 2007
- Cash in hand *(presented in note 14)*	622 989	678 072	454 058
- Balances with the Central Bank *(presented in note 14)*	999 862	1 163 653	2 154 808
- Current accounts in other banks *(presented in note 15)*	341 379	359 874	285 091
- Overnight deposits in other banks *(presented in note 15)*	655 842	2 605 329	1 982 814
- Other receivables *(presented in note 15)*	65 883	65 890	119 629
Total	**2 685 955**	**4 872 818**	**4 996 400**

48. 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 or 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 concern also the dividend received.

Financial activities refer to long-term financial operations (over 1 year) with financial entities. Inflows from financial activities indicate sources of financing of the Group, including for example 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.

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

I half 2008

	changes		differences, of which:	1)	2)	3)	4)	5)
	in balance sheet	in cash flow						
- Change in loans and other receivables to other banks	6 181 619	4 204 177	-1 977 442	*-9 452*	*-1 967 990*			
- Change in financial assets at fair value through profit or loss	-3 252 565	-3 260 176	-7 611	*-7 611*				
- Change in available-for-sale financial assets	-2 268 726	-2 394 662	-125 936	*-36 471*		*-89 465*		
- Change in held-to-maturity financial assets	-5 344 262	-5 404 954	-60 692	*-60 692*				
- Change in loans and other receivables to customers	-4 006 602	-4 015 087	-8 485	*-8 485*				
- Change in liabilities due to other banks	4 274 999	4 287 259	12 260	*12 260*				
- Change in liabilities due to customers	3 089 220	3 156 685	67 465	*67 465*				

end of 2007

	changes		differences, of which:	1)	2)	3)	4)	5)
	in balance sheet	in cash flow						
- Change in loans and other receivables to other banks	-1 669 767	-5 763 762	-4 093 995	*-69 760*	*-4 024 235*			
- Change in financial assets at fair value through profit or loss	-840 142	-877 983	-37 841	*-37 841*				
- Change in available-for-sale financial assets	4 067 417	3 976 334	-91 083	*101 338*		*-192 421*		
- Change in held-to-maturity financial assets	-840 776	-850 837	-10 061	*-10 061*				
- Change in loans and other receivables to customers	-3 511 064	-3 495 251	15 813	*15 813*				
- Change in liabilities due to other banks	409 046	-279 671	-688 717	*7 283*			*-696 000*	
- Change in liabilities due to customers	5 940 414	5 961 332	20 918	*1 619*				*19 299*

I half 2007

	changes		differences, of which:	1)	2)	3)	4)	5)
	in balance sheet	in cash flow						
- Change in loans and other receivables to other banks	-4 565 045	-9 290 753	-4 725 708	*-57 913*	*-4 667 795*			
- Change in financial assets at fair value through profit or loss	69 414	65 185	-4 229	*-4 229*				
- Change in available-for-sale financial assets	3 021 151	3 032 059	10 908	*118 853*		*-107 945*		
- Change in loans and other receivables to customers	-1 699 102	-1 680 165	18 937	*18 937*				
- Change in liabilities due to other banks	2 467 287	1 772 229	-695 058	*942*			*-696 000*	
- Change in liabilities due to customers	1 691 993	1 724 825	32 832	*13 533*				*19 299*

Explanations

1) Changes in the individual assets and liabilities were adjusted with interest disclosed in the position “Interest received/ paid”.
2) Change in the receivables being an equivalent of cash (current accounts and O/N deposits at other banks) was excluded from the position “Change in loans and other receivables to other banks”; it was disclosed in the position “Net increase / decrease in cash and cash equivalents”.
3) “Change in available-for-sale financial assets” does not account for the part of financial assets valuation that was carried through equity (valuation allowance for financial assets available for sale).
4) In the position “Change in liabilities due to other banks”, a change in the amounts due to the Central Bank was recognised.
5) Change in amounts due under long-term loans (above 1Y) received from other financial institutions was excluded from the position “Change in liabilities due to customers”; it was disclosed in the part concerning the financial activity in the position “Long-term loans rapaid”.

50. Related entities

Subsidiaries and Related Entities of ING Bank Śląski:

- ING Securities S.A.
- ING BSK Development Sp. z o.o.
- Solver Sp. z o.o.,
- ING Powszechne Towarzystwo Emerytalne S.A.,
- Centrum Banku Śląskiego (CBS) Sp. z o.o. in liquidation,
- ING Bank Hipoteczny S.A.

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, ING 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 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.

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 1.01.2008 – 30.06.2008 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 of 2008 amounted to PLN 21.3 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 5.6 million (net).

- ING Services Polska provides services to ING Bank Śląski with regard to lease of hardware resources. The costs of service were PLN 10.7 million (gross).

- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 7.2 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 7.8 million in 6 months of 2008 (gross).

Transactions with related entities (in PLN thousands):

30.06.2008

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Receivables				
Deposits	7 216 420	951 350	-	-
Loans	-	1 309 071	150 228	-
Securities	-	-	50 365	-
Other receivables	16 539	15 126	41	-
Liabilities				
Deposits	3 706 885	218 965	223 106	17 822
Other liabilities	1 711	847	3 084	-
Off-balance-sheet operations				
Guarantees granted	-	934	100	-
Credit lines granted	-	689 518	250 158	-
Guarantees received	3 143 434	-	-	-
FX transactions	16 727 226	5 963 555	-	-
Forward transactions	627 931	833 439	-	-
IRS/CIRS	29 819 681	1 524 981	-	-
FRA	491 624	130 009	-	-
Options	1 248 911	1 852 694	-	-
Revenue and costs				
Revenue	199 167	61 859	4 888	114
Costs	29 340	25 202	7 353	2 115

30.06.2007

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Receivables				
Deposits	1 735 047	386 759	-	-
Loans	-	1 070 055	346 047	-
Securities	-	-	30 260	-
Other receivables	208 520	500	2 706	-
Liabilities				
Deposits	1 528 094	233 138	284 102	17 141
Other liabilities	116 465	6 624	17	-
Off-balance-sheet operations				
Guarantees granted	304 493	202 381	-	-
Credit lines granted	-	53 759	217 967	-
Guarantees received	3 436 556	-	-	-
FX transactions	20 084 213	1 456 868	-	-
Forward transactions	276 575	1 569 467	-	-
IRS/CIRS	26 762 366	101 889	-	-
FRA	360 987	-	-	-
Options	1 019 080	631 567	-	-
Revenue and costs				
Revenue	81 302	19 427	9 249	108
Costs	31 200	17 951	16 201	3 014

51. 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 30.06.2008 amounted to PLN 65,882thousand.

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 2008 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 21,514 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 30.06.2008 amounts to PLN 17,086 thousand.

Remuneration paid in 1H 2008 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 2008	6 621	1 643	8 264
1H 2007	7 882	1 984	9 866

The total amount of remuneration and bonuses paid or due for 1H 2008 presented above constitutes the gross amount of remuneration paid or due and payable for the period from January to June 2008 and the 2007 bonus, which was paid out in 2008 at the total amount of PLN 3,205 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 2008	257	0	257
1H 2007	308	0	308

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.

52. Events after the balance sheet date

Significant credit agreements

On 6 August 2008, the credit agreement of PLN 617 million was signed with Philip Morris Polska S.A. (indicated in the agreement as the Borrower), Philip Morris Polska Distribution Sp. z o.o. (indicated in the agreement as the Obligor) and Philip Morris Polska Tobacco sp. z o.o. (indicated in the agreement as the Obligor). The loan was disbursed as a guarantee line. The Borrower is not affiliated with ING Bank Śląski S.A.

On 6 August 2008, an annex was signed to the credit agreement dated 17 March 2005 with the company Europejski Fundusz Leasingowy S.A. to finance current operations. The credit facility totalled PLN 500 million. The Borrower is not affiliated with ING Bank Śląski S.A.

53. Changes to the Business Entity / Capital Group Structure

None.

54. Approval of the report

The report has been approved at the Bank Management Board meeting held on 29 August 2008.

Risk Management in 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 2008	**31 Dec 2007**	**30 Jun 2007**
- Loans and receivables to other banks	9 002 046	15 183 665	18 078 943
- Financial assets measured at fair value through profit and loss	11 160 129	7 907 564	6 998 008
- Investments	17 001 261	9 388 273	9 593 763
- Derivative hedge instruments	75 992	4 572	3 770
- Loans and receivables to customers	20 385 740	16 379 138	14 567 176
- Extended contingent liabilities, including:	12 638 162	12 833 876	13 043 342
- credit card limits	*645 575*	*590 568*	*970 954*
- unutilised credit lines	*8 489 101*	*6 615 924*	*6 488 990*
- unutilised overdraft facilities	*1 144 577*	*2 334 841*	*1 976 812*
- guarantees and letters of credit	*2 027 214*	*2 079 315*	*1 860 104*
- third-party deposits	*331 695*	*1 213 228*	*1 746 482*
Total	**70 263 330**	**61 697 088**	**62 285 002**

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,
- Monitoring and Collection 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 – excluding corporate clients),
  - 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,

With regard to the department responsible for retail credit risk management (Retail Credit Risk Management Department) reporting is performed directly to the Chief Risk Officer.

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

- managing the credit risk via: measurement of risk level, defining the criteria of risk acceptance, monitoring the quality of credit portfolio, evaluating potential losses, recommending the financial provisions and necessary changes in managing the credit process, definitions of products, credit policy having in view decreasing the risk,
- valuing current and expected risk level for fixing the risk appetite,
- development and up-dating calculation models of credit capacity,
- initiating the preparing and up-dating of statistic acceptance models (scoring cards for retail credits) and its implementation,
- creating and implementing the impairment rules,

- increasing, among Bank employees, credit risk consciousness, possibilities and methods of its reducing.

1.9 Monitoring and Collection Departament

- collection of the delinquent retail loans to minimize credit risk and losses for all retail segments by conducting collection actions for delinquent customers,
- co-operation with Retail Credit Risk Management to identify adverse trends and non-performing segments in retail asset portfolios,
- supervision of outsourced collection entities and legal agencies.

1.10 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 Risk Management Sections (WZR) in respect for restructuring and recovery of problem loans.

1.11 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.

1.12 Operational Units and Credit Analysts

They represent expert knowledge on the risk characteristics of clients

1.13 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

As of 19 May 2008 with regard to corporate clients there was implemented dual signatory approval processs (SAP), that is as well currently used in case of strategic clients. The only difference in SAP for corporate clients is preservation of KKB as the highest level of delegated authority.

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.

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.

Similar changes were also introduced for retail customers, where the Credit Committee decisions for largest exposure customers were replaced with two officers' decisions.

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.

Bank's greatest exposures (exceeding 10% of own funds)

	Exposure in PLN million		
	30 Jun 2008	**31 Dec 2007**	**30 Jun 2007**
Client 1 (group)	340,4	363,4	383,4
Client 2 (group)	520,0	362,4	392,3
Client 3	1 562,6	1 133,3	1 006,8
Client 4	400,1	427,3	389,0
Client 5	300,0	300,8	327,3
Client 6 (group)	423,5	484,1	-
Client 7	600,3	410,2	379,8
Client 8 (group)	342,3	-	-
Client 9	-	276,6	-
Client 10	-	335,3	345,2
Client 11	-	351,5	-
Client 12	-	-	379,8

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.

Industry concentration of exposures to corporate clients

industry	exposure (on-balance and off-balance)					
	30 Jun 2008		31 Dec 2007		30 Jun 2007	
	exposure in PLN million	*share in total exposure (%)*	*exposure in PLN million*	*share in total exposure (%)*	*exposure in PLN million*	*share in total exposure (%)*
trade	4 460,0	18,4%	3 923,7	17,9%	3 700,0	17,9%
financial intermediation	3 846,8	15,8%	3 234,2	14,8%	3 144,1	15,2%
real estate services, rental of equipment	1 567,6	6,5%	1 499,6	6,9%	1 054,0	5,1%
constructions industry	1 494,9	6,2%	1 382,5	6,3%	1 305,7	6,3%
foodstuff and beverage production	1 248,5	5,1%	1 273,5	5,8%	1 237,5	6,0%
power industry	1 175,9	4,8%	930,0	4,2%	1 040,5	5,0%
remaining services connected with running business	889,9	3,7%	798,5	3,6%	644,7	3,1%
public administration and national defense	861,9	3,5%	714,9	3,3%	658,9	3,2%
transport	861,5	3,5%	761,7	3,5%	739,2	3,6%
engineering industry	686,8	2,8%	707,5	3,2%	544,4	2,6%
ready-made metal goods productions	668,5	2,8%	468,9	2,1%	486,4	2,4%
mechanical vehicles sale, repair and service	656,3	2,7%	508,2	2,3%	453,9	2,2%
remaining non-metal raw materials industries	610,3	2,5%	495,9	2,3%	483,8	2,3%
post office and telecommunications	584,8	2,4%	464,1	2,1%	483,7	2,3%
chemical industry	498,3	2,1%	415,9	1,9%	473,4	2,3%
fuel industry	460,6	1,9%	529,1	2,4%	566,2	2,7%
rubber industry	393,3	1,6%	423,6	1,9%	407,1	2,0%
agriculture, forestry, fishery	296,0	1,2%	341,9	1,6%	294,2	1,4%
metals productions	275,7	1,1%	413,1	1,9%	288,0	1,4%
wood and paper industry	266,2	1,1%	233,6	1,1%	234,6	1,1%
water intake, treatment and distributions	255,4	1,1%	247,1	1,1%	255,5	1,2%
tobacco industry	246,3	1,0%	347,7	1,6%	371,0	1,8%
other industries	1 986,0	8,2%	1 768,7	8,2%	1 782,7	8,9%
Total	**24 291,5**	**100,0%**	**21 883,9**	**100,0%**	**20 649,5**	**100,0%**

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. Repayment Security and Other Forms of Credit Risk Mitigation

Even though repayment security is a major factor that allows the Bank to mitigate the lending 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 security.

The Bank accepts all types of repayment security permitted by the law; however, the choice in 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 security offered (the ability to cash it easily)
- the collateral value

Bank has internal regulations compliant with Banking Supervision Commission (KNB) Resolution No. 1/2007 dated 13 March 2007 with regard to credit mitigation techniques. This area is governed by *Collateral Policy* that rules, among others, the following areas:

- indications of the criteria for accepting the collateral in the capital requirement for credit risk calculation process,
- setting the general rules for the Bank to observe when choosing the collateral forms, inclusive of the acceptable credit risk level,
- adjustment to the collateral-related procedures to the requirements of the new LGD models that are in harmony with the advanced internal ratings' method (the so-called AIRB).

The Collateral Policy takes into account in particular those aspects of the Resolution No. 1/2007 which concern the application of LGD models, legal reliability of security and its monitoring. The process of security review according to the new regulations takes place gradually and shall be finished in the second half of 2008.

The LGD models developed for corporate assets are based on statistically estimated recovery ratios for specific groups of security. The estimations are based on an analysis of historical recovery processes at the Bank. The rates of recover for specific types of security determine their fair value.

The recovery rate for a specific type of security depends on the character of the security item, the legal form of the security and the efficiency of the security liquidation process. The final level of the recovery is also influenced by the costs of debt-collection and the costs of keeping a classified exposure in the Bank's books (until the debt is recovered or cancelled).

Apart from the classic types of security (tangible and personal), the Bank also applies additional instruments to mitigate the risk of loss, namely additional covenants in loan agreements. As part of the basic, or standard, 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 lending 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 of the repayment security.

The structure of individual security types is diversified.

The following types of collateral have the biggest share:

- suretyships and corporate guarantees – there are guarantors from different industry 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.

Collaterals accepted from wholesale clients at fair value per the main four types of collaterals

Type of collateral	Fair value of collaterals in PLN million
	30 Jun 2008
Mortgages	1 984,5
Pledges	935,2
Guarantees, of which:	706,7
- banking guarantees	*39,9*
- governmental guarantees	*41,4*
Cash collaterals	192,6
Assignment of debt claims	95,8
Total	**3 914,8**

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, using 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 ths. 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 economic capital allowing its level 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 2008		31 Dec 2007		30 Jun 2007	
	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	0,0	0,0	2,3	0,0	2,3
03	1 737,6	807,2	1 548,4	409,2	1 742,8	478,9
04	1,0	23,1	0,0	2,0	0,0	0,6
05	0,0	4,4	0,0	4,7	0,2	4,9
06	58,4	1,7	56,7	3,3	224,8	75,2
07	829,3	638,3	420,0	470,6	8,9	45,7
08	1 172,1	949,6	1 017,9	596,7	412,9	762,6
09	1 214,9	844,5	1 116,2	1 104,9	578,3	1 084,9
10	976,1	1 489,2	792,3	1 501,2	1 274,9	1 744,7
11	1 351,0	1 033,2	860,8	1 094,6	899,3	973,7
12	1 460,4	1 487,7	1 030,7	1 273,9	1 192,0	1 072,1
13	1 761,7	891,3	1 444,2	1 327,9	1 330,0	850,3
14	1 431,3	773,7	1 423,8	791,6	1 426,3	1 007,4
15	1 375,8	467,1	1 343,4	611,8	1 158,7	590,1
16	586,5	212,9	542,8	268,1	509,0	277,7
17	259,8	70,0	287,7	66,8	303,0	49,3
18	111,8	34,3	41,6	23,1	57,2	17,9
19	19,9	4,8	23,3	3,9	49,2	6,2
20	70,8	1,1	87,9	4,3	87,6	1,7
21	4,0	0,0	4,0	0,0	5,0	0,0
22	135,0	0,0	281,3	0,0	342,8	0,4
Total	**14 557,4**	**9 734,1**	**12 323,0**	**9 560,9**	**11 602,9**	**9 046,6**

Credit exposures to corporate clients by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*on-balance*	*off-balance*	*on-balance*
0	14 313,7	9 734,0	11 929,4	9 542,3	11 155,4	9 021,1
1-30	78,2	0,1	40,8	14,6	73,1	25,2
31-60	3,4	0,0	28,2	4,0	4,3	0,0
61-90	2,1	0,0	16,3	0,0	0,9	0,0
91-180	30,4	0,0	22,1	0,0	2,4	0,3
181-365	43,4	0,0	19,9	0,0	15,5	0,0
>365	86,2	0,0	266,3	0,0	351,3	0,0
Total	**14 557,4**	**9 734,1**	**12 323,0**	**9 560,9**	**11 602,9**	**9 046,6**

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

Number of days overdue	Exposure in PLN million					
	30 Jun 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	14 272,0	9 732,9	11 882,7	9 540,9	11 082,0	9 019,4
1-30	68,8	0,1	39,0	14,6	67,6	25,1
31-60	1,6	0,0	3,3	1,1	3,5	0,0
61-90	1,2	0,0	10,6	0,0	0,0	0,0
91-180	0,1	0,0	0,1	0,0	0,4	0,0
181-365	0,1	0,0	13,3	0,0	0,2	0,0
>365	3,8	0,0	0,8	0,0	13,8	0,0
Total	**14 347,6**	**9 733,0**	**11 949,8**	**9 556,6**	**11 167,5**	**9 044,5**

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

Risk rating	Exposure in PLN million					
	30 Jun 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
20	57,6	0,0	75,8	3,0	65,7	0,0
22	101,2	0,0	195,0	0,0	257,0	0,0
Total	**158,8**	**0,0**	**270,8**	**3,0**	**322,7**	**0,0**

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 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	37,0	0,0	41,4	0,0	60,8	0,0
1-30	4,5	0,0	0,8	0,0	4,3	0,0
31-60	0,0	0,0	22,3	3,0	0,0	0,0
61-90	0,0	0,0	0,0	0,0	0,0	0,0
91-180	28,1	0,0	17,5	0,0	0,0	0,0
181-365	34,7	0,0	4,5	0,0	4,8	0,0
>365	54,5	0,0	184,3	0,0	252,8	0,0
Razem	**158,8**	**0,0**	**270,8**	**3,0**	**322,7**	**0,0**

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 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
20	13,2	1,1	12,1	1,4	21,8	1,7
21	4,0	0,0	4,0	0,0	5,1	0,0
22	33,8	0,0	86,3	0,0	85,8	0,3
Total	**51,0**	**1,1**	**102,4**	**1,4**	**112,7**	**2,0**

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 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	4,7	1,1	5,2	1,4	12,7	1,7
1-30	4,9	0,0	1,0	0,0	1,1	0,0
31-60	1,8	0,0	2,6	0,0	0,8	0,0
61-90	0,9	0,0	5,7	0,0	0,9	0,0
91-180	2,2	0,0	4,5	0,0	2,0	0,3
181-365	8,6	0,0	2,2	0,0	10,6	0,0
>365	27,9	0,0	81,2	0,0	84,6	0,0
Total	**51,0**	**1,1**	**102,4**	**1,4**	**112,7**	**2,0**

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.

Loan impairment triggers

- 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 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	5 094,1	2 219,5	4 228,9	2 178,2	3 475,1	2 248,2
1-30	190,3	8,8	202,3	22,3	126,5	11,2
31-60	17,3	0,6	16,3	2,4	11,6	1,2
61-90	5,4	0,2	41,6	8,3	42,6	7,4
91-120	5,7	0,1	4,3	0,1	3,8	0,2
121-150	3,9	0,6	3,8	0,4	3,3	0,6
151-180	3,0	0,0	2,7	0,1	2,4	0,0
>180	84,4	0,5	77,6	0,7	79,5	0,6
Total	**5 404,1**	**2 230,3**	**4 577,5**	**2 212,5**	**3 744,8**	**2 269,4**

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

Type of product	Exposure in PLN million					
	30 Jun 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
Mortgage loans	3 066,0	490,8	2 544,2	478,1	1 912,1	396,5
SME Loans	982,6	528,2	773,9	538,3	680,8	427,7
Other loans	1 221,2	1 202,9	1 134,0	1 187,2	1 024,2	1 436,8
Total	**5 269,8**	**2 221,9**	**4 452,1**	**2 203,6**	**3 617,1**	**2 261,0**

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

Number of days overdue	Exposure in PLN million					
	30 Jun 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
0	5 069,4	2 213,1	4 228,9	2 178,2	3 475,1	2 248,2
1-30	183,4	8,3	202,3	22,3	126,5	11,2
31-60	13,8	0,4	16,3	2,4	11,6	1,2
61-90	3,1	0,1	4,6	0,7	3,9	0,4
91-120	0,1	0,0	0,0	0,0	0,0	0,0
Total	**5 269,8**	**2 221,9**	**4 452,1**	**2 203,6**	**3 617,1**	**2 261,0**

Credit exposure to retail clients (individuals and small business) under INSFA (Individually Not-Significant Financial Asset) impairment provision by overdue days

Number of days overdue	Exposure in PLN million					
	30 Jun 2008		31 Dec 2007		30 Jun 2007	
	on-balance	*off-balance*	*on-balance*	*off-balance*	*on-balance*	*off-balance*
<90	37,5	7,1	37,0	7,6	38,7	7,0
91-120	5,6	0,1	4,3	0,1	3,8	0,2
121-150	3,9	0,6	3,8	0,4	3,3	0,6
151-180	3,0	0,0	2,7	0,1	2,4	0,0
>180	84,3	0,6	77,6	0,7	79,5	0,6
Total	**134,3**	**8,4**	**125,4**	**8,9**	**127,7**	**8,4**

8. Restructuring of credit exposures

In some cases, ING Bank Śląski S.A. will work with an obligor and its other creditors (if any) to restructure the obligor's business and its financial obligations in order to minimize any financial losses to the creditors as a whole, and ING Bank Śląski S.A. in particular. This can be accomplished through many means available to the creditors, the most common of which are:

- extending the repayment period,
- selling assets,
- selling business lines of the obligor,
- forgoing part of the financial obligations,
- a combination of the above.

The decision to enter into such a restructuring is done only after careful internal assessment and approval by the appropriate (internal) delegated authorities. Once a restructuring is completed, the obligor is again subject to normal credit risk monitoring procedures.

During 1 half of 2008, ING Bank Śląski S.A. restructured impaired Wholesale clients' loans totaling PLN 2,0 million, which as a result of the restructuring are now considered to be performing. Additionally, ING Bank Śląski S.A. restructured performing loans totaling PLN 41,8 million, that we believe would have become impaired if we had not restructured them.

9. 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.

10. Management of Credit Risk of the Group Companies

The Capital Group of ING Bank Śląski comprises the following entities:
Subsidiaries:

- ING Bank Hipoteczny S.A. (until December 16, 2007 - 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,
- ING BSK Development Sp. z o.o. – operating since 2004 (100% of shares),
- Centrum Banku Śląskiego Sp. z o.o. in liquidation – the company was established in 1997 and its liquidation was declared in 2007 (100% shares),
- Solver sp. z o.o. - the company established in 2002 (82,3% of shares).

Affiliated entities:

- ING Powszechne Towarzystwo Emerytalne 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: ING 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.

11. 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 (Credient Risk 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 2008	**31 Dec 2007**	**30 Jun 2007**
Money Market	3 092,9	4 363,8	5 056,8
MtM	234,5	3 156,4	4 476,7
PFE	1 682,9	1 190,1	1 063,8
Present Value + FM Value	2 232,1	5 692,0	5 852,8

**) In the year 2008, the Group changed approach to the risk monitoring, therefore the data presented in the table above as at 30.06.2008 are not comparable with the figures for previous terms.*

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. Approach to market risk management in subsidiaries

It is the policy of ING Bank Śląski S.A. for its subsidiaries to maintain market risk at low levels. The main categories of market risk which can arise as a result of subsidiaries' activities are Foreign Exchange risk and Interest Rate risk. This policy is ensured by periodic measurements and monitoring of the market risks of the bank's subsidiaries. The Management Board, ALCO Committee, Market Risk Management Department and Accounting Department and subsidiaries are involved in the management risk process. One of the major element of the management risk process on the capital group of ING Bank Śląski level is the determination of the limits constrain the risk of each subsidiaries and on the capital group level. The market risk is measured by the same techniques and methods as in the ING Bank Śląski. According to bank's policy the monitoring of the level of market risks and the comparison of these risks to low limits are done on monthly basis.

4. 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 in 1H2008 (in PLN)

Area	Limit	As at 30 Jun 2008	Average	Min	Max
Interest Rate	3 143 201	386 266	586 342	383 788	927 457
FX**	1 955 769	33 443	90 787	19 921	206 778
FX Options	1 746 223	496 422	363 877	158 730	650 808

VaR numbers in 2007 (in PLN)

Area	Limit	As at 31 Dec 2007	Average	Min	Max
Interest Rate	3 405 870	672 818	359 267	175 953	1 424 258
FX**	2 119 208	16 692	506 475	16 692	1 185 349
FX Options	1 892 150	222 084	359 047	135 679	982 722

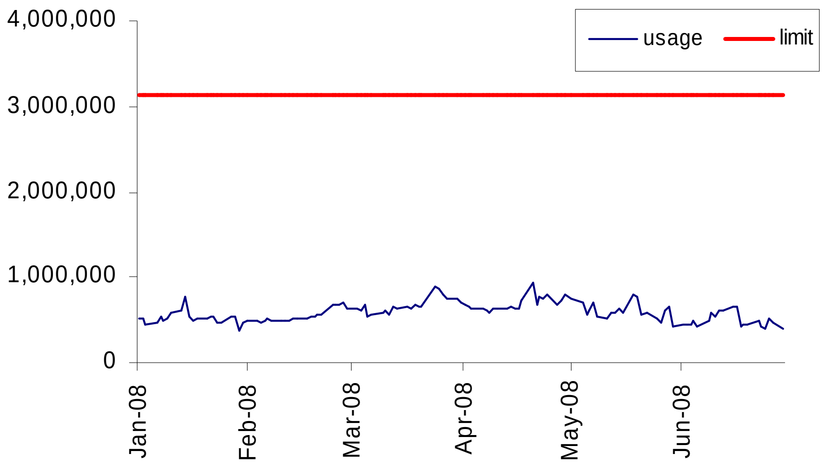
VaR numbers in 1H2007 (in PLN)

Area	Limit	As at 30 Jun 2007	Average	Min	Max
Interest Rate	3 460 620	384 123	438 190	202 041	1 424 258
FX**	2 153 274	49 825	618 220	49 825	1 185 348
FX Options	1 992 566	150 632	488 031	143 526	982 722

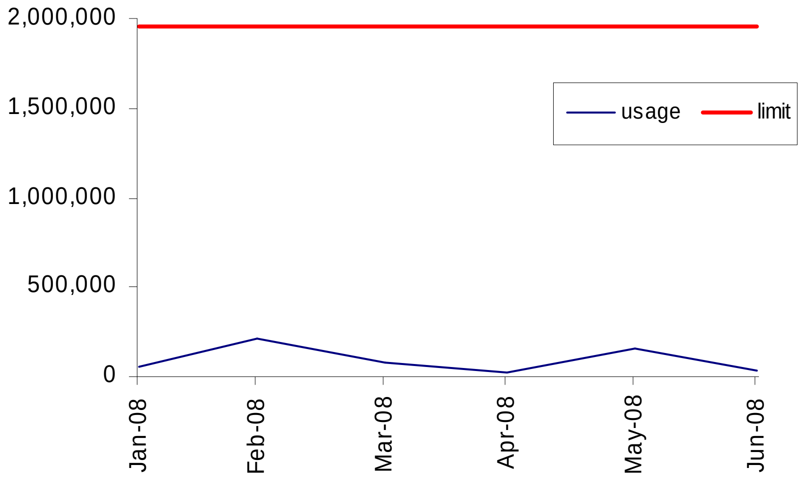
* *All VaR limits and their usage in ING Bank Śląski are denominated in EUR. Limit levels in tables and graphs PLN for the purpose of this document were converted into PLN using average NBP fixing rate. The usage is converted into PLN using daily NBP fixing rates.*

*** including subsidiaries, based on monthly measurement*

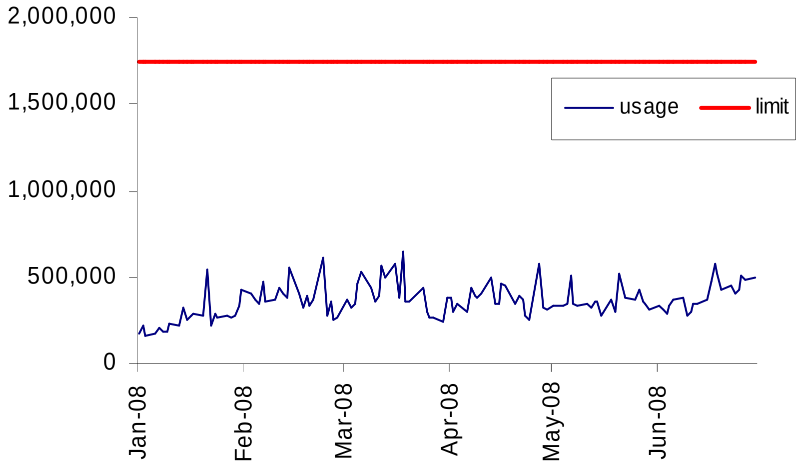
Interest Rate VaR (PLN)



FX VaR (PLN)



FX Options VaR (PLN)



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

VaR numbers in 1H2008 (in PLN)

Area	Limit	As at 30 Jun 2008	Average	Min	Max
LMF	3 492 445	1 453 546	1 255 066	588 301	2 221 316
ALM	3 492 445	965 594	984 977	510 465	2 184 759

VaR numbers in 2007 (in PLN)

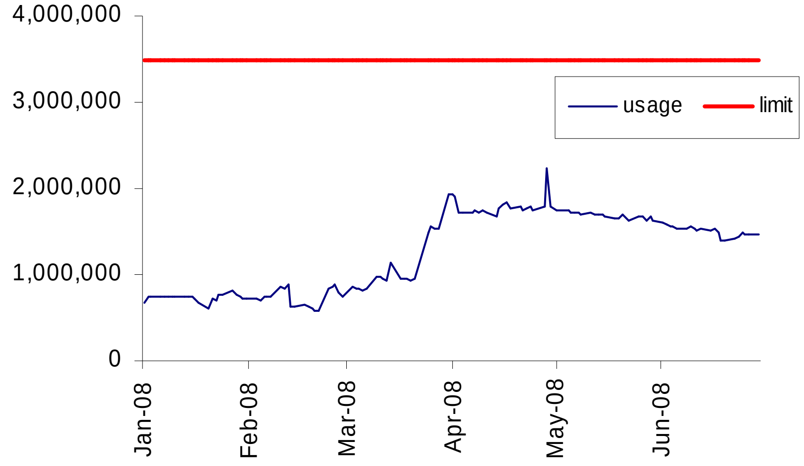
Area	Limit	As at 31 Dec 2007	Average	Min	Max
LMF	3 784 300	714 276	749 507	214 458	1 432 153
ALM	3 784 300	1 395 945	533 356	144 281	1 755 009

VaR numbers in 1H2007 (in PLN)

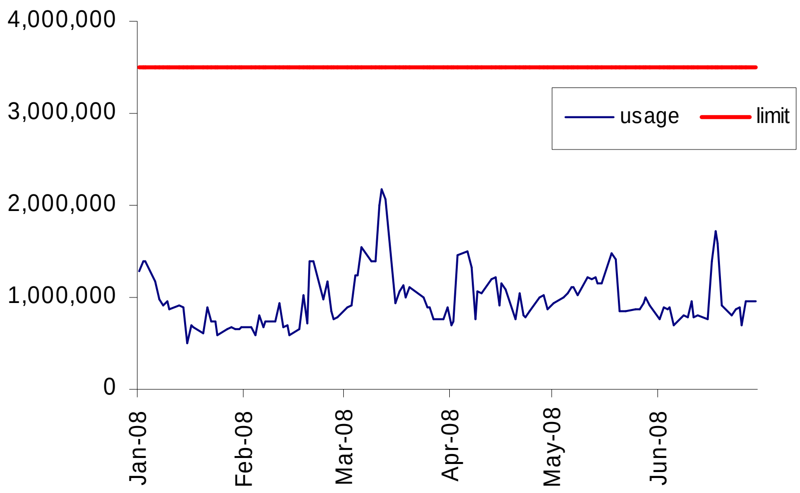
Area	Limit	As at 30 Jun 2007	Average	Min	Max
LMF	3 845 133	681 655	893 244	333 537	1 432 153
ALM	3 845 133	704 394	527 745	144 281	1 755 009

*** 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)



Non Financial Markes Banking Books VaR statistics*

VaR numbers in 1H2008 (in PLN)

Area	Limit	As at 30 Jun 2008	Average	Min	Max
Interest Rate	670 840	54 539	58 942	43 867	73 305

VaR numbers in 2007 (in PLN)

Area	Limit	As at 31 Dec 2007	Average	Min	Max
Interest Rate	756 860	34 573	25 278	12 642	50 593

VaR numbers in 1H2007 (in PLN)

Area	Limit	As at 30 Jun 2007	Average	Min	Max
Interest Rate	753 160	17 240	26 672	12 642	50 593

** including subsidiary positions*

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).

5. 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. 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 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 consolidated results to Changes in Interest Rates

June 2008

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	-0.41	85.95	41.85	-39.85	-77.90	85.95	41.85	-39.85	-77.90
	Accrual	0.32	-67.55	-33.05	31.71	62.19	332.50	166.25	-166.25	-332.50
	Total	*-0.08*	*18.40*	*8.80*	*-8.14*	*-15.71*	*418.45*	*208.10*	*-206.10*	*-410.40*
TRADING	MTM	0.01	-1.39	-0.70	0.70	1.39	-1.39	-0.70	0.70	1.39
BANK TOTAL	MTM	-0.40	84.56	41.15	-39.15	-76.51	84.56	41.15	-39.15	-76.51
	Accrual	0.32	-67.55	-33.05	31.71	62.19	332.5	166.25	-166.25	-332.5
ALL		**-0.08**	**17.01**	**8.10**	**-7.44**	**-14.32**	**417.06**	**207.40**	**-205.40**	**-409.01**

All figures in PLN millions

December 2007

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	-0.83	172.22	84.61	-81.79	-160.95	172.22	84.61	-81.79	-160.95
	Accrual	0.82	-168.54	-83.07	80.75	159.26	-18.21	-9.00	9.00	18.00
	Total	*-0.01*	*3.69*	*1.54*	*-1.04*	*-1.69*	*154.02*	*75.61*	*-72.80*	*-142.96*
TRADING	MTM	0.04	-8.94	-4.47	4.47	8.94	-8.94	-4.47	4.47	8.94
BANK TOTAL	MTM	-0.79	163.28	80.13	-77.32	-152.01	163.28	80.13	-77.32	-152.01
	Accrual	0.82	-168.54	-83.07	80.75	159.26	-18.21	-9.00	9.00	18.00
ALL		**0.03**	**-5.26**	**-2.94**	**3.43**	**7.25**	**145.07**	**71.14**	**-68.32**	**-134.01**

All figures in PLN millions

June 2007

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	-0.71	147.38	72.36	-69.84	-137.31	147.38	72.36	-69.84	-137.31
	Accrual	1.09	-108.76	-53.68	52.31	103.25	130.61	66.68	-66.68	-133.36
	Total	0.38	38.62	18.67	-17.54	-34.06	277.99	139.04	-136.52	-270.67
TRADING	MTM	0.06	-12.93	-6.47	6.47	12.93	-12.93	-6.47	6.47	12.93
BANK TOTAL	MTM	-0.65	134.45	65.89	-63.38	-124.38	134.45	65.89	-63.38	-124.38
	Accrual	1.09	-108.76	-53.68	52.31	103.25	130.61	66.68	-66.68	-133.36
ALL		**0.44**	**25.68**	**12.21**	**-11.07**	**-21.12**	**265.06**	**132.57**	**-130.06**	**-257.74**

All figures in PLN millions

Sensitivity of Capital Accounts to Changes in Interest Rates

June 2008

Position	BPV	Approximate Change in Regulatory Capital Base for Yield Curve Move			
		-2%	**-1%**	**+1%**	**-2%**
FM AFS Portfolio	-1.91	382.20	191.10	-191.10	-382.20
IRS classified to macro cash flow hedge portfolio	-0.44	87.80	43.90	-43.90	-87.80
All	**-2.35**	**470.00**	**235.00**	**-235.00**	**-470.00**

All figures in PLN millions

December 2007

Position	BPV	Approximate Change in Regulatory Capital Base for Yield Curve Move			
		-2%	**-1%**	**+1%**	**+2%**
FM AFS Portfolio	-2.24	447.50	223.75	-223.75	-447.50

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.

Polish Financial Supervision Authority regulation number 9/2007 dated 13, March 2007 regarding the liquidity risk came into effect at January 2008. Above-mentioned regulation introduced 4 liquidity measures: short term liquidity gap (minimum: zero), short term liquidity ratio (minimum amount: 1.00), own funds to non-liquid assets ratio (minimum amount: 1.00) and own funds and core deposits to non-liquid and semi-liquid assets ratio (minimum amount: 1.00). The bank is obliged to measure monitor above ratios on daily basis and keep these ratios with predefined limits in the PFSA regulation.. In the transitory period of being in force of the regulation and also as of 30, June 2008 the bank kept all liquidity measures over their minimum amounts. As of 30 June 2008 liquidity measures of ING Bank Śląski amounted as follows:

Liquidity measurement		Minimum	Amounts
M1	Short term liquidity gap (in PLN mio)	0.00	14 322 .74
M2	Short term liquidity ratio	1.00	1.38
M3	Own Funds to Non-Liquid Assets Ratio	1.00	2.38
M4	Own Funds and Core Deposits to Non-Liquid and Semi-Liquid Assets Ratio	1.00	2.46

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 June, 2008. The reports are presented in two contexts: contractual liquidity positions and stressed liquidity positions, as described below:

Contractual Liquidity Positions: 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 2008

	1M	*1- 3 M*	*3 - 12 M*	*Over 1Y*	***TOTAL***
BALANCE SHEET ASSETS					
- Cash in hand and balances with the Central Bank	1 622.9	0.0	0.0	0.0	**1 622.9**
- Loans and receivables to other banks	3 764.2	1 235.4	3 462.7	539.7	**9 002.0**
- Financial assets measured at fair value through profit and loss	1 101.3	533.6	3 413.6	6 111.6	**11 160.1**
- Investments	784.4	540.9	7 057.5	8 618.5	**17 001.3**
- Derivative hedge instruments	0.0	0.0	2.0	74.0	**76.0**
- Loans and receivables to customers	8 097.5	1 207.5	2 417.4	8 663.3	**20 385.7**
BALANCE SHEET LIABILITIES					
- Liabilities due to other banks	5 884.7	195.4	5.1	0.0	**6 085.2**
- Financial liabilities measured at fair value through profit and loss	277.2	186.1	568.5	605.8	**1 637.6**
- Derivative hedge instruments	0.0	0.0	1.9	22.6	**24.5**
- Liabilities due to customers	41 288.9	3 317.5	1 979.2	1 005.5	**47 591.1**
OFF BALANCE SHEET ITEMS					
- Contingent liabilities granted	10 352.3	247.8	906.7	1 021.4	**12 528.2**

NET GAP	**-42 432.8**	**-429.4**	**12 891.8**	**21 351.8**	**X**
CUMULATIVE GAP	**-42 432.8**	**-42 862.2**	**-29 970.4**	**-8 618.6**	**X**

2007 year-end

	1M	*1- 3 M*	*3 - 12 M*	*Over 1Y*	***TOTAL***
BALANCE SHEET ASSETS					
- Cash in hand and balances with the Central Bank	1 841.7	0.0	0.0	0.0	**1 841.7**
- Loans and receivables to other banks	11 932.0	737.6	2 512.4	1.7	**15 183.7**
- Financial assets measured at fair value through profit and loss	872.9	192.7	743.8	6 098.2	**7 907.6**
- Investments	8.0	0.0	1 877.2	7 503.1	**9 388.3**
- Derivative hedge instruments	0.0	0.0	0.0	4.6	**4.6**
- Loans and receivables to customers	5 648.7	1 304.6	2 427.6	6 998.2	**16 379.1**
BALANCE SHEET LIABILITIES					
- Liabilities due to other banks	1 642.1	123.1	45.0	0.0	**1 810.2**
- Financial liabilities measured at fair value through profit and loss	248.9	155.5	431.4	379.2	**1 215.0**
- Liabilities due to customers	40 361.4	1 699.4	1 594.0	847.0	**44 501.8**
OFF BALANCE SHEET ITEMS					
- Contingent liabilities granted	10 242.5	168.1	781.7	1 641.6	**12 833.9**

NET GAP	**-32 191.6**	**88.8**	**4 708.9**	**17 738.0**	**X**
CUMULATIVE GAP	**-32 191.6**	**-32 102.8**	**-27 393.9**	**-9 655.9**	**X**

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**
- Loans and receivables 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	5 522.5	**6 998.0**
- Investments	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 receivables to customers	5 273.6	1 295.9	2 422.2	5 575.5	**14 567.2**
BALANCE SHEET LIABILITIES					
- 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	843.5	**4 344.4**
- 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**	**14 874.9**	**X**
CUMULATIVE GAP	**-34 194.2**	**-26 305.6**	**-24 533.8**	**-9 658.9**	**X**

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

IH 2008

	1M	***1- 3 M***	***3 - 12 M***	***Over 1Y***
BALANCE-SHEET ASSETS				
- Securities	19 849.7	75.0	43.5	323.9
- Money market (given)	4 523.0	1 098.4	5 196.3	230.8
- Term/demand loans	2 886.1	935.0	2 182.3	13 737.4
- Other assets	145.2	0.0	0.0	1 095.6
LIABILITIES				
- Money market (taken)	5 165.7	195.4	5.0	83.9
- Term deposits	12 270.9	2 478.1	1 206.1	2 322.7
- Demand deposits	1 808.3	1 952.6	3 707.9	819.1
- Savings accounts retail	1 662.0	4 243.8	9 425.1	5 467.8
- Other liabilities	316.3	0.0	0.0	0.0
OFF BALANCE SHEET ITEMS ASSETS				
- FX SWAPS / CC-IRS	14 734.4	4 281.0	7 402.5	1 466.2
- Money market / depo strategic clients	840.2	20.0	0.0	0.0
- Repayment of contingent assets	1 160.6	170.8	455.6	1 623.6
LIABILITIES				
- FX SWAPS / CC-IRS	14 713.7	4 028.5	6 826.6	1 558.1
- Money market / depo strategic clients	860.2	0.0	0.0	0.0
- Funding of contingent assets	3 342.9	0.0	0.0	0.0
NET GAP	**3 999.3**	**-6 318.3**	**-5 890.7**	**8 226.0**
CUMULATIVE GAP	**3 999.3**	**-2 319.0**	**-8 209.7**	**16.3**

2007 year-end

	1M	*1- 3 M*	*3 - 12 M*	*Over 1Y*
BALANCE-SHEET				
ASSETS				
- Securities	12 883.8	0.0	94.7	319.3
- Money market (given)	11 024.0	760.1	2 410.7	0.0
- Term/demand loans	2 639.4	1 048.4	2 189.5	10 700.0
- Other assets	114.6	0.0	0.0	1 371.8
LIABILITIES				
- Money market (taken)	1 390.6	123.1	45.0	0.0
- Term deposits	12 407.4	1 313.9	928.1	1 961.9
- Demand deposits	2 213.7	1 710.9	3 832.9	843.2
- Savings accounts retail	3 193.9	2 221.4	8 642.4	5 013.7
- Other liabilities	76.9	0.0	0.0	0.0
OFF BALANCE SHEET ITEMS				
ASSETS				
- FX SWAPS / CC-IRS	14 355.0	3 282.1	5 866.2	380.5
- Money market / depo strategic clients	2 358.7	0.0	0.0	0.0
- Repayment of contingent assets	937.3	115.8	252.7	1 571.2
LIABILITIES				
- FX SWAPS / CC-IRS	14 059.4	3 249.4	5 501.2	466.3
- Money market / depo strategic clients	2 358.6	0.0	0.0	0.0
- Funding of contingent assets	2 876.9	0.0	0.0	0.0
NET GAP	**5 735.5**	**-3 412.3**	**-8 135.8**	**6 057.6**
CUMULATIVE GAP	**5 735.5**	**2 323.2**	**-5 812.6**	**245.0**

IH 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/demand loans	1 334.6	774.8	2 092.8	5 960.5
- Other assets	1 054.3	122.9	0.0	3 483.6
LIABILITIES	944.3	0.0	0.0	1 374.9
- Money market (taken)				
- Term deposits	3 433.2	0.0	174.3	0.0
- Demand deposits	11 972.7	1 193.6	1 127.8	2 000.7
- Savings accounts retail	1 637.4	1 707.0	3 312.9	736.5
- Other liabilities	1 247.2	3 352.6	7 340.9	4 258.6
OFF BALANCE SHEET ITEMS	167.5	0.0	0.0	0.0
ASSETS				
- FX SWAPS / CC-IRS				
- Money market / depo strategic clients	12 328.8	4 247.1	7 264.0	629.7
- Repayment of contingent assets	147.7	300.0	521.8	0.0
LIABILITIES	801.3	123.9	250.9	1 277.0
- FX SWAPS / CC-IRS				
- Money market / depo strategic clients	12 219.0	4 238.5	7 235.4	695.4
- Funding of contingent assets	1 869.5	0.0	0.0	0.0
	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**

As regards the Capital Group of ING Bank Śląski S.A. the Bank's approach to the liquidity risk management, the liquidity characteristics of the specific balance sheet items with difficult liquidity-related standing, are calculated in line with the regulatory reporting requirements for the liquidity risk of the Dutch Central Bank. In order to measure the Group's liquidity risk there are set obligatory limits for the weekly and monthly liquidity gap for capital group and the subsidiaries as well. Below there are presented the weekly and monthly liquidity gaps at the consolidated level.

Liquidity risk in the 1H2008

Area	As at 30 Jun 2008	Average	Min	Max
1week gap	18 185 882	17 758 777	15 976 365	19 260 432
1month gap	12 777 334	13 326 038	11 256 453	16 583 155

In thousand PLN

Liquidity risk in the year 2007

Area	As at 31 Dec 2007	Average	Min	Max
1week gap	19 734 014	11 642 737	7 404 877	19 734 014
1month gap	19 282 546	11 678 353	8 439 852	18 544 512

In thousand PLN

Liquidity risk in the 1H2007

Area	As at 30 Jun 2007	Average	Min	Max
1week gap	7 404 877	11 117 935	7 404 877	14 610 364
1month gap	8 439 852	10 722 555	8 439 852	13 545 587

In thousand PLN

IV. Regulatory and Economic Capital Management

In accordance with capital policy Bank maintains a capital base which is sufficient in terms of regulatory and economic capital requirements. Capital base and capital requirements are calculated according to valid legal regulations (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 above mentioned 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.

the New Capital Accord (NUK)

Bank implemented the requirements of the New Capital Accord/Basel II (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). These requirements are divided into the three "pillars":

- Pillar 1 of reflects regulatory requirements.

  In the area of credit risk for the purpose of 2008 and 2009 reporting Standardised Approach including the use of regulatory parameters set in the abovementioned Directives and in Resolution 1/2007 KNB is to be used. This area is managed and monitored by Departments from the Risk Division.

  Works are continued on compliance with the requirements of A-IRB approach (Advanced Internal Rating Based Approach). The A-IRB approach will be used commencing from August 2009. Compliance with Basel II requirements was achieved by the implementation of:

  - 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.

  In the area of operational risk the Bank uses methodology of BIA (Basic Indicator Approach). This area is managed and monitored by Operational Risk and Compliance Department.

  The stipulations of the New Capital Accord do not impose significant changes as regards market risk measurement, management and modelling. All requirements of the new regulations have been implemented and are executed 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 achieved compliance with Basel II requirements by building Financial Data Mart (FDM) and implementation of Finrep and Corep reporting towards KNF (Polish Financial Supervision Authority).

The table below presents the detailed calculation of base figures of regulatory capital and solvency ratio as at 30 June 2008. In the current situation, the Group maintains an adequate capital level which is illustrated by the solvency ratio exceeding 8% (regulatory requirement).

Consolidated regulatory capital base and solvency ratio

	30 Jun 2008
Capital components	
Share capital	130 100
Issue premium	993 750
Other supplementary capital	36 466
Capital reserve including retained profit of past years	1 888 108
Minority equity	1 718
General risk fund	730 152
Revaluation reserve	-239 644
Funds adjustment by intangibles	-311 016
Funds adjustment by capital commitments in financial institutions	-40 000
Short-term capital	58 432
Total own funds	**3 248 066**
Capital requirements	
Capital requirements for credit risk, credit counterparty, dilution and delivery of instruments for future settlement	1 983 364
Capital requirements for the capital securities rate risk, debt instruments rates risk, FX risk and commodity rates risk	22 847
Capital requirement for operational risk	274 247
Capital requirement for general interest rate risk	35 585
Total capital requirement	**2 316 043**
Solvency ratio	**11,22%**

The table below present detailed calculation of solvency ratio as of the end of 2007 and the end of I half of 2007.

Until the end of 2007, the Bank calculated the capital base and capital requirements according to Basel I requirements and thus the solvency ratios as at 31 December 2007 and 30 June 2007 are not comparable with the solvency ratio as at 30 June 2008 presented in the table above.

	31 Dec 2007	30 Jun 2007
Capital componenets		
Share capital	130 100	130 100
Issue premium	993 750	993 750
Other supplementary capital	36 325	35 867
Capital reserve	1 505 970	1 505 970
General risk fund	530 179	530 179
Retained profit/loss of past years	103 328	102 273
Revaluation reserve from measurement of available-for-sale financial assets	-149 591	-65 115
Revaluation reserve from measurement of property, plant and equipment	57 998	53 681
Funds adjustment by intangibles	-318 825	-319 333
Minority equity	1 719	28 896
Short-term capital	91 761	9 013
Total own funds	**2 982 714**	**3 005 281**
Capital requirements		
Credit risk	1 727 660	1 666 549
Market risk	64 078	100 642
Risk of delivery settlement and of counterparty	27 683	25 152
Total capital requirement	**1 819 421**	**1 792 343**
Solvency ratio	**13,12%**	**13,41%**

Regulatory and economic capital requirements

The process of the Bank's preparations for Basel II includes, among others, comprehensive assessment of all risks run by the Bank. This process results 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.

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

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2008-08-29	**Brunon Bartkiewicz**	Chief Executive Officer	*(signed on the Polish original)*
2008-08-29	**Mirosław Boda**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Michał Bolesławski**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Justyna Kesler**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Małgorzata Kołakowska**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Oscar Edward Swan**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Michał Szczurek**	Executive Vice-President	*(signed on the Polish original)*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2008-08-29	**Eugenia Sikora**	Director of the Bank Chief Accountant	*(signed on the Polish original)*

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 29 August 2008.

PROFIT AND LOSS ACCOUNT (PLN '000)	*Note*	**I half 2008** the period from 01 Jan 2008 to 30 Jun 2008	**I half 2007** the period from 01 Jan 2007 to 30 Jun 2007
Interest income	*2.1*	*1 551 006*	*1 181 413*
Interest expenses	*2.1*	*1 013 855*	*664 333*
Net interest income	*2.1*	**537 151**	**517 080**
Commission income	*2.2*	*448 173*	*437 506*
Commission expenses	*2.2*	*59 032*	*36 489*
Net commission income	*2.2*	**389 141**	**401 017**
Net income on investment financial assets		128 358	114 560
Net income on instruments measured at fair value through profit and loss and revaluation	*2.3*	182 590	15 308
Other operating income and expenses		-12 369	7 917
Result on basic activities		**1 224 871**	**1 055 882**
General and administrative expenses	*2.4*	725 276	662 822
Other expenses		5 377	1 418
Impairment losses and provisions for off-balance sheet liabilities	*2.5*	-58 555	-33 482
Profit (loss) before tax		**552 773**	**425 124**
Income tax		95 340	65 502
Net result for the current year		**457 433**	**359 622**

Net profit (loss)	**457 433**	**359 622**
Weighted average number of ordinary shares	**13 010 000**	**13 010 000**
Earnings per ordinary share (PLN)	**35,16**	**27,64**
Diluted weighted average number of ordinary shares	13 010 000	13 010 000
Diluted earnings per ordinary share (PLN)	35,16	27,64

BALANCE SHEET (PLN '000)	Note	I half 2008 as of 30 Jun 2008	end of year 2007 stan na 31 Dec 2007	I half 2007 as of 30 Jun 2007
ASSETS				
- Cash in hand and balances with the Central Bank		1 622 834	1 841 720	2 608 856
- Loans and receivables to other banks	*2.6*	9 097 930	15 238 778	18 044 598
- Financial assets measured at fair value through profit and loss	*2.7*	11 158 062	7 869 034	6 998 735
- Investments	*2.8*	17 051 441	9 418 393	9 623 837
- available-for-sale		*10 866 403*	*8 577 617*	*9 623 837*
- held-to-maturity		*6 185 038*	*840 776*	*0*
- Derivative hedge instruments		75 992	4 572	935
- Loans and receivables to customers	*2.9*	20 053 851	16 049 702	14 636 720
- Investments in controlled entities		210 569	210 569	140 410
- Investment real estates		135 845	144 713	0
- Property, plant and equipment	*2.10*	518 148	521 243	387 117
- Intangible assets		309 648	317 801	318 301
- Property, plant and equipment held for sale		266	241	254
- Current tax asset		0	25 256	0
- Deferred tax asset		84 605	45 001	93 477
- Other assets		129 454	139 403	154 642
Total assets		**60 448 645**	**51 826 426**	**53 007 882**
EQUITY AND LIABILITIES				
LIABILITIES				
- Liabilities due to the Central Bank		0	0	0
- Liabilities due to other banks	*2.11*	6 083 870	1 812 283	3 841 456
- Financial liabilities measured at fair value through profit and loss	*2.12*	1 637 628	1 214 981	4 344 388
- Derivative hedge instruments		24 515	0	0
- Liabilities due to customers	*2.13*	47 646 143	44 502 189	40 244 236
- Provisions	*2.14*	67 782	70 904	81 715
- Current income tax liabilities		53 001	0	49 621
- Other liabilities		1 070 773	556 615	941 509
Total liabilities		**56 583 712**	**48 156 972**	**49 502 925**
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		-239 056	-149 591	-65 115
- Revaluation reserve from measurement of property, plant and equipment		36 615	37 154	40 225
- Revaluation reserve from measurement of cash flow hedging instruments		-20 157	0	0
- Retained earnings		2 963 681	2 658 041	2 405 997
Total equity		**3 864 933**	**3 669 454**	**3 504 957**
Total equity and liabilities		**60 448 645**	**51 826 426**	**53 007 882**

Solvency ratio	**10,33%**	**12,03%**	**12,55%**

Book value	**3 864 933**	**3 669 454**	**3 504 957**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**
Book value per share (PLN)	**297,07**	**282,05**	**269,40**

STATEMENT OF CHANGES IN EQUITY (PLN '000)

I half 2008
the period from 01 Jan 2008 to 30 Jun 2008

	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	Revaluation reserve from measurement of cash flow hedging instruments	Retained earnings	**Total equity**
Opening balance of equity	**130 100**	**993 750**	**-149 591**	**37 154**	**0**	**2 658 041**	**3 669 454**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-132 730	-	-	-	**-132 730**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	43 265	-	-	-	**43 265**
- disposal of property, plant and equipment	-	-	-	-539	-	424	**-115**
- remeasurement of property, plant and equipment	-	-	-	-	-	-	**0**
- effective part of cash flow hedging instruments revaluation	-	-	-	-	-20 157	-	**-20 157**
- dividends paid	-	-	-	-	-	-152 217	**-152 217**
- net result for the current period	-	-	-	-	-	457 433	**457 433**
Closing balance of equity	**130 100**	**993 750**	**-239 056**	**36 615**	**-20 157**	**2 963 681**	**3 864 933**

end of year 2007
the period from 01 Jan 2007 to 31 Dec 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	Revaluation reserve from measurement of cash flow hedging instruments	Retained earnings	**Total equity**
Opening balance of equity	**130 100**	**993 750**	**42 830**	**40 458**	**0**	**2 408 836**	**3 615 974**
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	-174 090	-	-	-	**-174 090**
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-18 331	-	-	-	**-18 331**
- disposal of property, plant and equipment	-	-	-	-258	-	2 031	**1 773**
- remeasurement of property, plant and equipment	-	-	-	-3 046	-	-	**-3 046**
- dividends paid	-	-	-	-	-	-362 979	**-362 979**
- net result for the current period	-	-	-	-	-	610 153	**610 153**
Closing balance of equity	**130 100**	**993 750**	**-149 591**	**37 154**	**0**	**2 658 041**	**3 669 454**

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	Revaluation reserve from measurement of cash flow hedging instruments	Retained earnings	**Total equity**
Opening balance of equity	**130 100**	**993 750**	**42 830**	**40 458**	**0**	**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**
- remeasurement of property, plant and equipment	-	-	-	-	-	-	**0**
- dividends paid	-	-	-	-	-	-362 979	**-362 979**
- net result for the current period	-	-	-	-	-	359 622	**359 622**
Closing balance of equity	**130 100**	**993 750**	**-65 115**	**40 225**	**0**	**2 405 997**	**3 504 957**

CASH FLOW STATEMENT (PLN '000)	**I half 2008** the period from 01 Jan 2008 to 30 Jun 2008	**I half 2007** the period from 01 Jan 2007 to 30 Jun 2007
OPERATING ACTIVITIES		
Net profit (loss)	**457 433**	**359 622**
Adjustments	**-2 530 679**	**-3 275 898**
- Unrealised exchange gains (losses)	0	-159
- Depreciation and amortisation	65 923	68 649
- Interest accrued (from the profit and loss account)	537 151	517 080
- Interest received/paid	-494 613	-605 078
- Dividends received	-105 243	-93 086
- Gains (losses) on investment activities	-60	291
- Income tax (from the profit and loss account)	95 340	65 502
- Income tax paid	-56 687	-144 964
- Change in provisions	-3 122	-7 118
- Change in loans and other receivables to other banks	4 165 688	-9 273 063
- Change in financial assets at fair value through profit or loss	-3 296 639	63 067
- Change in available-for-sale financial assets	-2 414 722	3 031 799
- Change in held-to-maturity financial assets	-5 404 954	0
- Change in derivative hedge instruments	-67 062	-935
- Change in loans and other receivables to customers	-4 012 523	-1 655 458
- Change in other assets	28 731	-57 567
- Change in liabilities due to other banks	4 283 835	1 746 040
- Change in liabilities at fair value through profit or loss	422 647	1 223 868
- Change in liabilities due to customers	3 211 473	1 650 668
- Change in other liabilities	514 158	194 566
Net cash flow from operating activities	**-2 073 246**	**-2 916 276**
INVESTMENT ACTIVITIES		
- Purchase of property plant and equipment	-47 386	-24 044
- Purchase investment property	0	0
- Disposal of property, plant and equipment	176	128
- Purchase of intangible assets	-17 610	-26 720
- Purchase of investments in subordinated entities	0	-13 500
- Disposal of fixed assets held for sale	151	1 644
- Dividends received	105 243	93 086
Net cash flow from investment activities	**40 574**	**30 594**
FINANCIAL ACTIVITIES		
- Long-term loans repaid	0	-19 140
- Interest on long-term loans repaid	0	-1 921
- Dividends paid	-152 217	-362 979
Net cash flow from financial activities	**-152 217**	**-384 040**
Effect of exchange rate changes on cash and cash equivalents	***-57 677***	***46 211***
Net increase/decrease in cash and cash equivalents	**-2 184 889**	**-3 269 722**
Opening balance of cash and cash equivalents	**4 816 455**	**8 154 193**
Closing balance of cash and cash equivalents	**2 631 566**	**4 884 471**

1. Accounting polices

Statement of compliance

The condensed interim unconsolidated financial statements of ING Bank Śląski S.A. for the period from 1 January 2008 to 30 June 2008 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 2007.

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 "Impairment losses and provisions for off-balance sheet liabilities". Dividends are recognized in the profit and loss account when the Bank obtains legal rights to receive them.

2. Supplementary data to balance sheet and profit and loss account items

2.1 Net interest income	I half 2008	I half 2007
Interest and similar income		
- Loans and advances to banks	459 793	417 399
- Loans and advances to customers	573 404	411 065
- Debt securities	509 295	352 470
- Other	8 514	479
	1 551 006	**1 181 413**
Interest expense and similar charges		
- Deposits from banks	92 247	47 364
- Deposits from customers	901 974	561 793
- Loans and advances	9	233
- Repos	19 625	54 943
	1 013 855	**664 333**
Net interest income	**537 151**	**517 080**

2.2 Net commission income	I half 2008	I half 2007
Commission income		
- Commission related to brokerage activity	18	81
- Commission related to keeping accounts	139 888	131 872
- Commission related to loans and advances	63 832	52 575
- Commission related to payment and credit cards	85 757	66 502
- Commission related to distribution of participation units	59 955	102 336
- Fiduciary and custodian fees	14 891	15 498
- Foreign commercial business	8 048	11 237
- Commission related to subscription of structured products	14 458	0
- The transaction margin on currency exchange transactions	45 621	52 029
- Other	15 705	5 376
	448 173	**437 506**
Commission expense		
- Brokerage fees	2 115	1 052
- Other commission	56 917	35 437
	59 032	**36 489**
Net commission income	**389 141**	**401 017**

2.3 Result on financial instruments carried through profit and loss and revaluation	I half 2008	I half 2007
- Net income on financial assets and liabilities held for trading	158 621	-8 052
- Net income on financial assets and liabilities measured at fair value upon initial recognition	3 718	3 014
- Result on the revaluation of balance sheet items	20 251	20 346
Result on financial instruments carried through profit and loss and revaluation	**182 590**	**15 308**

2.4 General and administrative expenses	I half 2008	I half 2007
- Personnel expenses	346 968	312 474
- General and administrative expenses, including:	312 385	281 699
marketing	*37 973*	*31 615*
other	*274 412*	*250 084*
- Depreciation and amortisation	65 923	68 649
Total	**725 276**	**662 822**

2.5 Impairment losses and provisions for off-balance sheet liabilities	I half 2008	I half 2007
Impairment losses	307 365	167 308
Reversed impairment losses	-365 920	-200 790
Net impairment losses and provisions for off-balance sheet liabilities	**-58 555**	**-33 482**

2.6 Loans and receivables to other banks	I half 2008	end of 2007	I half 2007
- Current accounts	341 379	359 874	285 091
- interbank deposits	7 594 688	14 347 480	17 322 487
- other receivables	1 042 600	421 645	338 427
- loans and advances	*625 348*	*412 113*	*330 717*
- reverse repo transactions	*405 740*	*0*	*0*
- other receivables	*11 512*	*9 532*	*7 710*
- accrued interest	119 558	110 470	99 447
Total (gross)	**9 098 225**	**15 239 469**	**18 045 452**
Impairment losses	-295	-691	-854
Total (net)	**9 097 930**	**15 238 778**	**18 044 598**

2.7 Financial assets at fair value through profit or loss	I half 2008	end of 2007	I half 2007
- Financial assets held for trading	6 999 952	6 024 256	5 176 037
Debt instruments	*4 814 031*	*4 373 230*	*4 323 453*
Derivative financial instruments	*2 185 921*	*1 651 026*	*852 584*
- Financial assets designated as at fair value upon initial recognition	4 158 110	1 844 778	1 822 698
Deposits	*2 470 683*	*0*	*0*
Debt instruments	*1 432 459*	*1 513 211*	*1 035 805*
Repo transactions	*254 968*	*331 567*	*786 893*
Total	**11 158 062**	**7 869 034**	**6 998 735**

2.8 Investments	I half 2008	end of 2007	I half 2007
- Available-for-sale financial assets	10 866 403	8 577 617	9 623 837
Debt instruments, including:	*10 862 124*	*8 554 444*	*9 602 663*
- hedged items in fair value hedging	*3 112 530*	*435 531*	*48 541*
Equity instruments	*4 279*	*23 173*	*21 174*
- Held-to-maturity financial assets	6 185 038	840 776	0
Debt instruments	*6 185 038*	*840 776*	*0*
Total	**17 051 441**	**9 418 393**	**9 623 837**

2.9 Loans and receivables to customers	**I half 2008**	**end of 2007**	**I half 2007**
Loans and other receivables to entities from the financial sector other than banks			
- loans and advances	2 596 843	2 225 209	2 053 487
- in the current account	*519 872*	*378 918*	*436 293*
- term ones	*2 076 971*	*1 846 291*	*1 617 194*
- reverse repo transactions	801 941	0	0
- other receivables	68 120	30 687	33 790
- accrued interest	6 483	7 413	4 048
Total (gross)	**3 473 387**	**2 263 309**	**2 091 325**
Impairment losses	-3 604	-5 840	-4 702
Total (net)	**3 469 783**	**2 257 469**	**2 086 623**
Loans and other receivables to entities from the non-financial sector			
- loans and advances granted to business entities	10 347 351	8 727 278	8 333 721
- in the current account	*4 005 199*	*3 103 368*	*3 044 135*
- term ones	*6 342 152*	*5 623 910*	*5 289 586*
- loans and advances granted to households	5 850 678	4 861 978	4 093 004
- in the current account	*1 097 907*	*965 928*	*997 614*
- term ones	*4 752 771*	*3 896 050*	*3 095 390*
- other receivables	67 916	41 060	120 930
- accrued interest	26 438	18 090	18 531
Total (gross)	**16 292 383**	**13 648 406**	**12 566 186**
Impairment losses	-356 477	-523 896	-589 233
Total (net)	**15 935 906**	**13 124 510**	**11 976 953**
Loans and other receivables to entities from the government and self-government institutions' sector			
- loans and advances	672 647	695 188	603 741
- in the current account	*16 313*	*9 871*	*10 642*
- term ones	*656 334*	*685 317*	*593 099*
- other receivables	30	0	0
- accrued interest	2 348	2 031	2 016
Total (gross)	**675 025**	**697 219**	**605 757**
Impairment losses	-26 863	-29 496	-32 613
Total (net)	**648 162**	**667 723**	**573 144**
Loans and other receivables to customers - TOTAL			
- loans and advances	19 467 519	16 509 653	15 083 953
- reverse repo transaction	801 941	0	0
- other receivables	136 066	71 747	154 720
- accrued interest	35 269	27 534	24 595
Loans and other receivables to customers – gross	**20 440 795**	**16 608 934**	**15 263 268**
Impairment losses	-386 944	-559 232	-626 548
Loans and other receivables to customers – net	**20 053 851**	**16 049 702**	**14 636 720**

2.10 Property, plant and equipment	**I half 2008**	**end of 2007**	**I half 2007**
- Real estate and investments in third-party non-current assets	381 427	396 039	253 211
- Computer hardware	39 338	41 048	49 171
- Vehicles	34	101	35
- Other fixtures and fittings	75 858	69 879	70 003
- Constructions in progress	21 491	14 176	14 697
Total	**518 148**	**521 243**	**387 117**

2.11 Liabilities due to other banks	**I half 2008**	**end of 2007**	**I half 2007**
- Current accounts	326 703	87 017	180 551
- Interbank deposits	5 743 552	1 710 059	3 169 390
- Transactions with the buy-back commitment	0	0	481 543
- Other liabilities	3 053	3 899	4 998
- Accrued interest	10 562	11 308	4 974
Total	**6 083 870**	**1 812 283**	**3 841 456**

2.12 Financial liabilities at fair value	**I half 2008**	**end of 2007**	**I half 2007**
- Financial liabilities held for trading	1 507 874	1 057 294	814 041
Derivative financial instruments	*1 507 874*	*1 057 294*	*814 041*
- Financial liabilities designated as at fair value upon initial recognition	21 382	102 716	3 123 892
Transactions with the buy-back commitment	*21 382*	*102 716*	*3 123 892*
- Book short position in trading securities	108 372	54 971	406 455
Total	**1 637 628**	**1 214 981**	**4 344 388**

2.13 Liabilities due to customers	**I half 2008**	**end of 2007**	**I half 2007**
Liabilities due to entities from the financial sector other than banks			
- Deposits	3 743 747	2 423 249	2 960 242
- current accounts	*2 268 051*	*1 426 848*	*2 251 141*
- term deposit	*1 475 696*	*996 401*	*709 101*
- Transactions with the buy-back commitment	191 653	725 974	1 972 999
- Other liabilities	107 169	44 486	46 350
- Accrued interest	1 995	1 709	1 994
Total	**4 044 564**	**3 195 418**	**4 981 585**
Liabilities due to entities from the non-financial sector			
- Business entities' deposits	12 046 777	12 801 992	10 706 628
- current accounts	*7 124 295*	*8 025 714*	*6 221 006*
- term deposit	*4 922 482*	*4 776 278*	*4 485 622*
- Households' deposits	28 116 133	25 356 471	22 024 527
- current accounts	*3 470 979*	*2 603 797*	*2 999 064*
- savings accounts	*19 945 013*	*19 069 974*	*15 427 642*
- term deposit	*4 700 141*	*3 682 700*	*3 597 821*
- Transactions with the buy-back commitment	13 993	128 000	18 727
- Other liabilities	465 991	390 677	320 522
- Accrued interest	68 668	50 559	61 338
Total	**40 711 562**	**38 727 699**	**33 131 742**
Liabilities due to entities from the government and self-government institutions' sector			
- Deposits	2 880 694	2 571 234	2 128 210
- current accounts	*1 695 323*	*2 028 882*	*909 977*
- term deposit	*1 185 371*	*542 352*	*1 218 233*
- Other liabilities	4 646	6 683	703
- Accrued interest	4 677	1 155	1 996
Total	**2 890 017**	**2 579 072**	**2 130 909**
Liabilities due to customers – TOTAL			
- Deposits	46 787 351	43 152 946	37 819 607
- Transactions with the buy-back commitment	205 646	853 974	1 991 726
- Other liabilities	577 806	441 846	367 575
- Accrued interest	75 340	53 423	65 328
Total	**47 646 143**	**44 502 189**	**40 244 236**

2.14 Provisions	**I half 2008**	**end of 2007**	**I half 2007**
- provision for disputes	29 975	29 294	33 152
- provision for off-balance sheet liabilities	20 129	23 933	26 827
- provision for retirement benefits	11 523	11 522	10 602
- provision for unused holidays	6 155	6 155	11 134
Total	**67 782**	**70 904**	**81 715**

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. Issues, redemption or repayments of debt securities and equities

None.

5. Dividends paid

On 24 April 2008, the General Shareholders Meeting approved the payout of dividend for 2007 in the amount of PLN 11.70 gross per 1 share, or PLN 152,217,000 in total. The dividend was paid out on 2 June 2008.

6. Acquisitions

In IH 2008, the ING Bank Śląski did not make any acquisitions, as in 2007.

7. Off-balance sheet items

PLN million	30.06.2008	31.12.2007	30.06.2007
Contingent liabilities granted	12 781.6	12 976.0	13 227.2
Contingent liabilities received	14 061.1	14 093.0	12 202.7
Off-balance sheet financial instruments	241 695.3	207 320.2	178 185.1
Total off-balance sheet items	**268 538.0**	**234 389.2**	**203 615.0**

The decrease of the balance of contingent liabilities granted as at 30.06.2008 vis-à-vis 31.12.2007 by PLN 194.4 million resulted mainly from the decrease of the item of “deposits to be released in inter-bank transactions”. On the other hand, the decrease of contingent liabilities received by PLN 31.9 million resulted mostly from the decrease of the item of “deposits to be received in inter-bank transactions”.

On 17 June 2008, an annex to the credit agreement was signed with ING Commercial Finance Polska S.A. dated 8 September 2007 which increased the amount of the credit limit by PLN 200 million. The total credit limit rose to PLN 700 million.

8. Acquisition or sale of a component of property, plant and equipment (sale of real estate)

In the period of 6 months of 2008, the Bank’s properties were sold. The properties were sold on an arm’s length basis. As a result of these sales, the Bank earned a profit of PLN 737,000 recognised under retained profits.

9. 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:

PLN million	2Q2008	1Q2008	4Q2007	3Q2007	2Q2007
Status at the period beginning:	**29.3**	**29.3**	**29.5**	**33.2**	**35.2**
Establishment of provisions as costs	3.0	1.3	2.2	0.1	0.9
Release of provisions as income	-1.3	-0.3	-1.2	0.0	0.0
Utilisation of provision due to dispute loss or settlement	-1.0	-1.0	-1.3	-3.8	-2.9
Status as at the period end	**30.0**	**29.3**	**29.3**	**29.5**	**33.2**

Either in 1H of 2008 or 1H of 2007, 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.

10. Related entities

Subsidiaries and Related Entities of ING Bank Śląski:
- ING Securities S.A.
- ING BSK Development Sp. z o.o.
- Solver Sp. z o.o.,
- ING Powszechne Towarzystwo Emerytalne S.A.,
- Centrum Banku Śląskiego (CBS) Sp. z o.o. in liquidation,
- ING Bank Hipoteczny S.A.

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, ING 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 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.

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 1.01.2008 – 30.06.2008 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 of 2008 amounted to PLN 21.3 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 5.6 million (net).

- ING Services Polska provides services to ING Bank Śląski with regard to lease of hardware resources. The costs of service were PLN 10.7 million (gross).
- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 7.2 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 7.8 million in 6 months of 2008 (gross).

Transactions with related entities (in PLN thousands):

30.06.2007

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Receivables				
Deposits	1 735 047	386 759	-	-
Loans	-	1 070 055	346 047	-
Securities	-	-	30 260	-
Other receivables	208 520	500	2 706	-
Liabilities				
Deposits	1 528 094	233 138	284 102	17 141
Other liabilities	116 465	6 624	17	-
Off-balance-sheet operations				
Guarantees granted	304 493	202 381	-	-
Credit lines granted	-	53 759	217 967	-
Guarantees received	3 436 556	-	-	-
FX transactions	20 084 213	1 456 868	-	-
Forward transactions	276 575	1 569 467	-	-
IRS/CIRS	26 762 366	101 889	-	-
FRA	360 987	-	-	-
Options	1 019 080	631 567	-	-
Revenue and costs				
Revenue	81 302	19 427	9 249	108
Costs	31 200	17 951	16 201	3 014

30.06.2008

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Receivables				
Deposits	7 216 420	951 350	-	-
Loans	-	1 309 071	150 228	-
Securities	-	-	50 365	-
Other receivables	16 539	15 126	41	-
Liabilities				
Deposits	3 706 885	218 965	223 106	17 822
Other liabilities	1 711	847	3 084	-
Off-balance-sheet operations				
Guarantees granted	-	934	100	-
Credit lines granted	-	689 518	250 158	-
Guarantees received	3 143 434	-	-	-
FX transactions	16 727 226	5 963 555	-	-
Forward transactions	627 931	833 439	-	-
IRS/CIRS	29 819 681	1 524 981	-	-
FRA	491 624	130 009	-	-
Options	1 248 911	1 852 694	-	-
Revenue and costs				
Revenue	199 167	61 859	4 888	114
Costs	29 340	25 202	7 353	2 115

11. Significant developments after the closing of the interim period

Significant credit agreements

On 6 August 2008, the credit agreement of PLN 617 million was signed with Philip Morris Polska S.A. (indicated in the agreement as the Borrower), Philip Morris Polska Distribution Sp. z o.o. (indicated in the agreement as the Obligor) and Philip Morris Polska Tobacco sp. z o.o. (indicated in the agreement as the Obligor). The loan was disbursed as a guarantee line. The Borrower is not affiliated with ING Bank Śląski S.A.

On 6 August 2008, an annex was signed to the credit agreement dated 17 March 2005 with the company Europejski Fundusz Leasingowy S.A. to finance current operations. The credit facility totalled PLN 500 million. The Borrower is not affiliated with ING Bank Śląski S.A.

12. 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 2008, 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	700,000	5.38

13. 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 2008, the members of the Supervisory Board and Management Board were not in the possession of any shares of ING Bank Śląski S.A.

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

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2008-08-29	**Brunon Bartkiewicz**	Chief Executive Officer	*(signed on the Polish original)*
2008-08-29	**Mirosław Boda**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Michał Bolesławski**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Justyna Kesler**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Małgorzata Kołakowska**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Oscar Edward Swan**	Executive Vice-President	*(signed on the Polish original)*
2008-08-29	**Michał Szczurek**	Executive Vice-President	*(signed on the Polish original)*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2008-08-29	**Eugenia Sikora**	Director of the Bank Chief Accountant	*(signed on the Polish original)*