Interim Financial Reporting of ING Bank Śląski Group

for the second quarter 2005

ING

ING BANK ŚLĄSKI

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I. Basic Details of Issuer

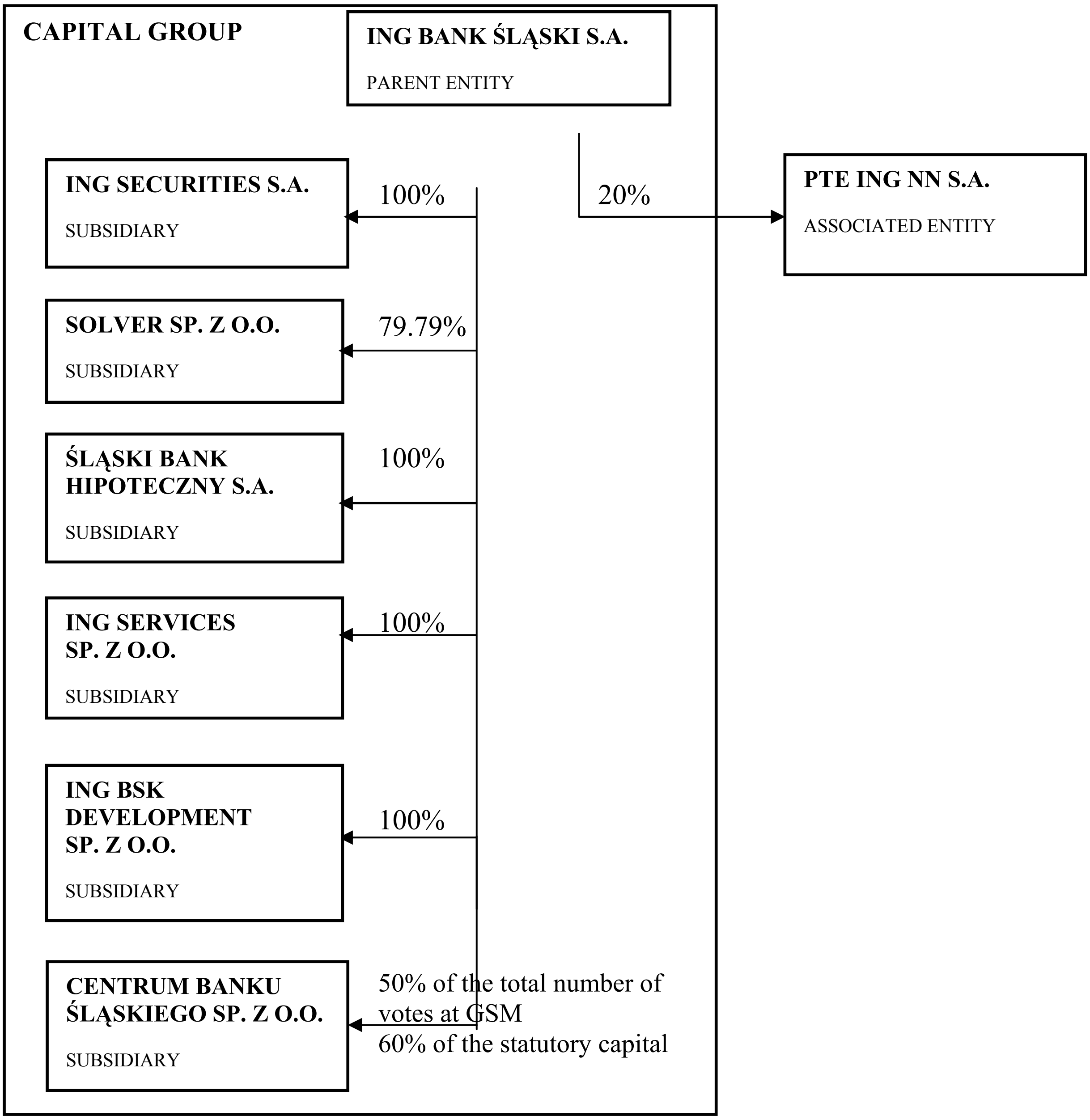
1. Informational Details of the Bank and the Capital Group

ING Bank Śląski Spółka Akcyjna
40-086 Katowice, ul. Sokolska 34
NIP 634-013-54-75
REGON 271514909
Entity authorised to audit financial statements: KPMG Audyt Sp. z o.o.

By the decision of the Commercial Section of the District Court in Katowice of 9 April 2001 Bank Śląski S.A. of Katowice was registered in the National Court Register under the no. KRS-5459.

The share capital of ING Bank Śląski S.A. totals PLN 130,100,000, and is sub-divided into 13,010,000 ordinary bearer's share with face value of PLN 10.00 each.

ING Bank Śląski S.A. is the parent entity of the Capital Group of ING Bank Śląski S.A., which comprises:



2. Compliance with International Financial Reporting Standards

The present report for the second quarter of 2005 meets the requirements of the International Financial Reporting Standards (IFRS), including also the International Accounting Standard 34 (IAS 34) with respect to interim financial reporting, and IFRS 1 regarding first-time adoption of the International Financial Reporting Standards. This is the abbreviated version of the Report.
The financial statements were prepared pursuant to the International Financial Reporting Standards effective as on 30 June 2005.
The accounting principles applied for the annual financial statements were also applied for this Report.

3. Selected Financial Data from the Financial Statements

Item	PLN thousands		EUR thousands	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
Interest income	1 043 233	753 102	255 663	159 181
Commission revenue	291 142	297 354	71 350	62 851
Result on banking activity	840 331	812 897	205 938	171 820
Gross profit (loss)	329 481	181 439	80 745	38 350
Net profit (loss)	258 248	158 952	63 288	33 597
Net cashflow	-1 607 572	885 453	- 393 964	187 156
Earnings (loss) per 1 ordinary share (in PLN/EUR)	37.98	13.68	9.06	2.94
Profitability ratio (%)	26.4	16.9	x	x
Return on assets (%)	1.4	1.0	x	x
Return on equity (%)	16.9	11.8	x	x
Cost / Income ratio (%)	65.2	62.2	x	x
Total assets	37 771 643	30 565 859	9 349 185	6 729 307
Equity	3 321 679	2 854 669	822 177	628 477
Initial capital	130 100	130 100	32 202	28 643
Number of shares	13 010 000	13 010 000	x	X
Book value per 1 share (in PLN/EUR)	255.32	219.42	63.20	48.31
Solvency ratio (%)	17.44	14.94	x	X

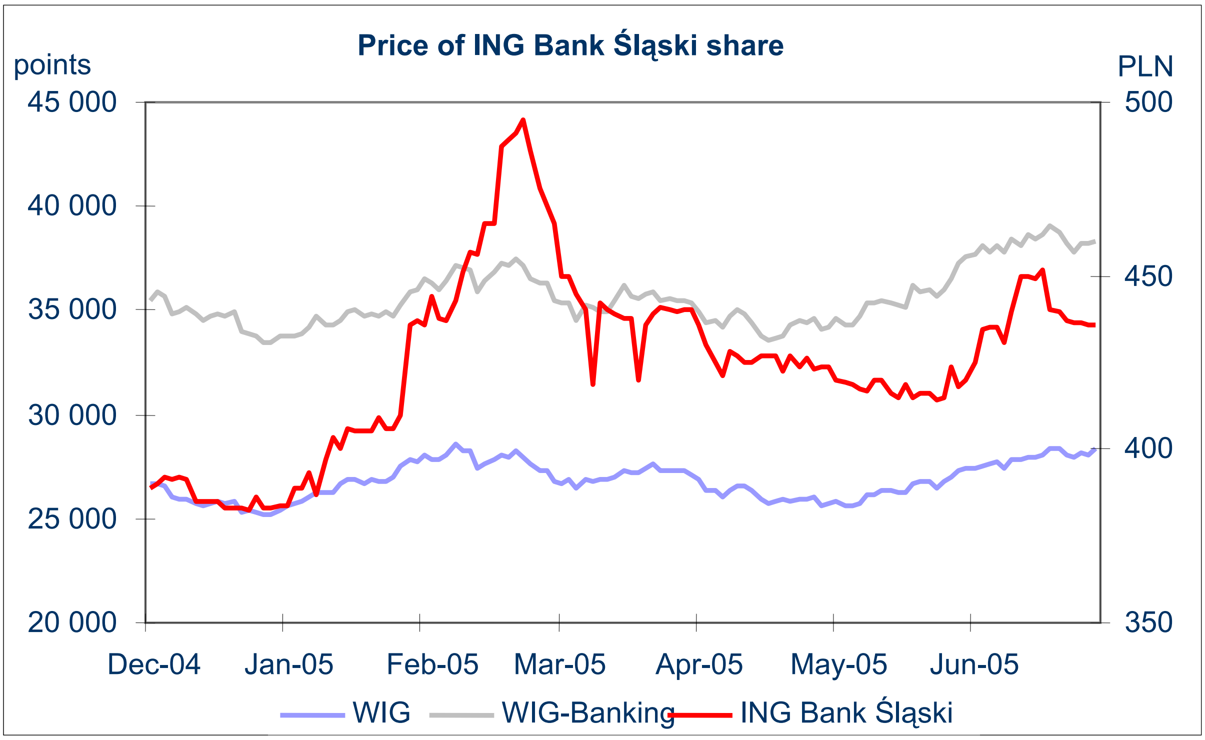
Profitability ratio – gross profit[1] to total costs.
Cost to Income ratio (C/I) – total costs to the result on banking activity in analytical approach.
Return on assets (ROA) – net profit to total assets.
Return on equity (ROE) – net profit to equity and own funds.
Solvency ratio – net equity to off-balance sheet assets and liabilities including risk weights.

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

- for balance-sheet items – PLN 4.0401, NBP exchange rate of 30.06.2005; PLN 4.0790, NBP exchange rate of 31.12.2004,
- for P&L items for 30.06.2005 – PLN 4.0805, exchange rate calculated as the average of NBP exchange rates as at the last day of each month in first and second quarters of 2005; PLN 4.7311 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in first and second quarters of 2004.

[1] Upon adjustment of share in net profit (loss) of subsidiaries valued by equity method

4. Price of ING Bank Śląski S.A. Shares



II. Commentary on Activity of the Capital Group of ING Bank Śląski in the Second Quarter of 2005

1. Economic situation in second quarter of 2005, including factors that may affect operations in the quarters to come

After a period of economic slow-down in the first quarter of 2005 (GDP growth of merely 2.1%), at the end of the second quarter the Polish economy visibly improved. Also in June 2005, a stronger-than-before growth of industrial output was recorded; the construction output also gained considerably. Retail sales improved courtesy of growing internal demand.

Industrial output in the first half of 2005 was up 1.5% on a year-to-year basis, and the increase took place in 18 out of 29 sectors. By comparison, a year ago the industrial output increased by 17.6%. June was the second straight month of high growth in terms of the construction and assembly output. Over the first six months of the year the construction output went up 8.5% on a year-to-year basis.

In the first half of 2005 we observed a slight improvement on the job market. The unemployment rate in June 2005 was 18.0% compared with 19.1% as at the end of 2004. Despite a gradual decrease of the registered unemployed number, 2.8 million people remained jobless at the end of June 2005.

In June 2005, the prices of consumer goods and services went up by 1.4% from a year-earlier period. In view of the low inflation dynamics and weak economic growth forecasts, the Monetary Policy Council decided to ease its approach in terms of the monetary policy. Consequently, there have been four interest rate cuts from the beginning of the year, namely: on 30 March by 0.5 percentage point, on 27 April by 0.5 percentage point, on 29 June 2005 by 0.5 percentage point, and on 27 July by 0.25 percentage point.

Over the first half of 2005, we observed an increase of money aggregates. Household deposits, whose value at the end of June 2005 was 5.4% higher than at the 2004 year-end, were the main driver of growth in the total deposits of the banking sector. After a slight slow-down in the first quarter of 2005, the value of corporate deposits as at the end of June was PLN 128.1 billion, up by 6.1%, from December 2004.

The credit receivables of the banking sector grew for the major part due to the expansion of lending to households. The credit receivables of the banking sector from households went up by 8.8% over the first six months of 2005. The mortgages and housing loans were the growth driver. As at the end of June 2005, the credit receivables from corporate customers remained on the same level as in December 2004.

In regard to the FX-market, the first half of 2005 witnessed significant fluctuations of foreign exchange rates. The beginning of the year on the FX-market showed strong seasonal appreciation of PLN against EUR, but in the following months the Polish zloty depreciated. At the end of December 2004, the PLN exchange rate to EUR amounted to 4.0790, then it went down to 3.9119 as at 28.02.2005. At the end of June 2005, the PLN/EUR exchange rate was 4.0401.

The economic growth rate (whether or not the June recovery will continue), the drop of interest rates and increasing fluctuations in foreign exchange rates can be listed among the most important macroeconomic factors affecting the results in the subsequent quarters.

2. Analysis of Financial Results

PROFIT AND LOSS ACOUNT OF ING BANK ŚLĄSKI (analytical, consolidated)

PLN mio	1H 2004	12M 2004	1H 2005	1H2005/1H2004	
Retail	415,7	839,7	399,2	-16,4	96,0%
Core banking	*413,4*	*835,7*	*396,4*	*-17,0*	95,9%
FM products sales	*2,3*	*4,0*	*2,8*	*0,5*	123,4%
Wholesale	286,3	605,0	298,5	12,3	104,3%
Core banking	*221,7*	*469,5*	*215,7*	*-6,0*	97,3%
FM products sales	*58,2*	*114,4*	*64,2*	*5,9*	110,2%
Equity markets	*6,3*	*21,2*	*18,7*	*12,3*	295,2%
Own operations	117,9	245,3	159,5	41,6	135,2%
Trading	*62,0*	*122,3*	*71,0*	*9,1*	*114,6%*
ALCO and other	*56,0*	*123,0*	*88,5*	*32,5*	*158,0%*
Revenue total	**819,9**	**1 690,0**	**857,2**	**37,4**	**104,6%**
Operational expenses, of which:	**510,2**	**1 068,2**	**559,2**	**49,0**	**109,6%**
Personal	230,2	464,3	265,2	35,0	115,2%
Marketing	17,1	37,2	26,3	9,2	153,5%
Depreciation	63,7	145,6	62,8	-1,0	98,5%
Other expenses	197,5	392,9	194,7	-2,8	98,6%
Other operating expenses	1,6	28,2	10,3	8,7	643,8%
Result before risk cost	**309,7**	**621,8**	**298,0**	**-11,7**	**96,2%**
Risk cost	-133,2	-150,9	24,2	157,3	-18,1%
Result before tax	**176,5**	**470,9**	**322,2**	**145,7**	**182,5%**
CIT	-36,7	-93,3	-61,2	-24,5	166,9%
Net result	**139,8**	**377,6**	**260,9**	**121,1**	**186,6%**
Tax adjustment (FPU Act)	19,1	17,2	-2,7		
Result after tax adjusted	**159,0**	**394,8**	**258,2**	**99,3**	**162,5%**

The financial results generated by the Capital Group of ING Bank Śląski in the first two quarters of 2005 were significantly better than a year ago. The result on banking activity at the end of June 2005 amounted to PLN 857.2 million, up by PLN 37.4 million, or 4.6%, on the year-earlier period.

Income of retail banking generated at the end of June amounted to PLN 399.2 million, down by PLN 16.4 million from a year earlier. In the first half of 2005, the volume of deposits of individual customers went up considerably, while the loans of retail customers decreased in comparison to the status as at 2004 year-end.

Income of wholesale banking generated at the end of June 2005 amounted to PLN 298.5 million, up by PLN 12.3 million as compared to the same period of last year. The first half of 2005 also witnessed growth of income from both sales of financial markets products in that segment and of capital markets. The loans of corporate customers increased compared to the end of 2004 while the volume of corporate deposits went down.

Income generated on proprietary operations as at the end of June totalled PLN 159.5 million, up by PLN 41.6 million from the same period last year. Income generated in the financial markets after the first two quarters of the year amounted to PLN 71.0 million, up by PLN 9.1 million as compared to the same period of last year. Upon including FM sales into the wholesale and retail segments, income of financial markets as at the end of June 2005 was PLN 138.0 million versus PLN 122.5 million in the same period last year. Income generated on proprietary operations (ALCO and others) as at the end of June was PLN 88.5 million, up by PLN 32.5 million on a year-earlier period. Increase of results was also the consequence of higher income being generated from investment of own funds, the valuation of PTE NN and the positive change in the valuation of Centrum Banku Śląskiego resulting from the appreciation of the Polish zloty in January and February 2005.

Total costs for the first two quarters of 2005 amounted to PLN 559.2 million, up by PLN 49.0 million, or 9.6%, from the year-earlier period. Personnel costs at the end of June 2005 amounted to PLN 265.2 million, up by PLN 35.0 million, or 15.2%, from the year-earlier period. The rise of personnel costs was caused by higher costs of remuneration (the incentive system is correlated with the Bank's performance) and growth of headcount in the sales network and the units actively supporting sales of products. The increase of marketing costs from PLN 17.1 million as at the end of June 2004 to 26.3 million as at the end of June 2005 resulted from intensification of marketing activities. Both the increase of headcount and the higher marketing campaign are co-related with the commercial expansion of ING Bank Śląski.

Depreciation after the first two quarters of 2005 was down by 1.0 million compared with the same period of the last year. Other costs as at the end of June 2005 amounted to PLN 194.7 million, down by PLN 2.8 million from a year-earlier period. Other operating costs after two quarters of 2005 amounted to PLN 10.3 million, up by PLN 8.7 million from the end of June 2004.

The result before risk costs as at the end of June 2005 was PLN 298.0 million, down by PLN 11.7 million, or 3.8% from the first half of 2004.

At the end of June 2005, the costs of risk were positive and amounted to PLN 24.2 million, out of which PLN 28.8 million pertained to impairment write-offs, (-PLN 3.5 million) pertained to debt collection costs, (-PLN 0.6 million) pertained to sundry debtors and (-PLN 0.5) to impairment of investment real estate.

Gross financial result after the first two quarters of the year amounted to PLN 322.2 million versus PLN 176.5 million in the same period last year. Net financial result, in turn, was PLN 258.2 million, up by PLN 99.3 million from the first half of 2004.

3. Analysis of Commercial Figures

The commercial policy of ING Bank Śląski in the first half of 2005 focused on building of the deposit portfolio and providing clearing services. The Bank's activities in the deposit market were particularly successful, as the deposit base increase considerably and the Bank's share in the household market was reinforced. In the first half of 2005, ING Bank Śląski bank was also taking actions aimed at rebuilding of the credit portfolio; however, the process of its reactivation has been rather slow.

From the very beginning of 2005, ING Bank Śląski has been introducing substantial changes to its product offer. The changes aimed at the reduction of the number of products, their differentiation and standardisation. The primary change pertained to limitation of personal accounts offer to three options (LION ACCOUNT) that match the needs of various client groups. A new attractive clearing and savings proposal for small businesses was launched as well. The Bank also improved its credit offer for individual clients (loans for vehicles purchase, for the purchase of securities in IPOs), and for small businesses (cash loan for small businesses, loan for purchase of vehicles for small businesses).
ING Bank Śląski regularly encourages its clients to use alternative channels of banking services, including electronic banking as well as payment and credit cards. The Bank ran a pricing promotion in electronic banking, and introduced favourable changes to its credit cards offer.

To activate sales, the Bank conducted in the first half of 2005 a number of advertising campaigns promoting its key products, such as the OKO Open Savings Account and credit cards. There were also advertising campaigns of the new Bank offer addressed to small businesses and wholesale clients.

Expansion on the deposit market was one of the main objectives of the Bank. As at 30 June 2005, the total value of deposits accumulated at the Bank was PLN 30,521.9[2] million versus PLN 28,524.8 million as at the end of December 2004. The funds obtained from households formed the main component of the deposit base. At the end of June 2005, they amounted to PLN 17,854.6 million, up by PLN 2,808.0 million, or 18.7%, from the end of 2004. Enhancement and intense promotion of the OKO Open Savings Account produced visible results, as well as considerable activation of sales. The value of the portfolio of that product rose from PLN 8,109.1 million at the end of 2004 to PLN 10,448.4 million at the end of June 2005. As at the end of June 2005, deposits of corporate customers amounted to PLN 12,667.3 million versus PLN 13,478.2 million as at the end of 2004.

The share in the market of long-term deposits and liabilities amounted to 7.98% (versus 8.07% as at the end of 2004), however, an increase of the share in the household customers' deposits market was recorded from 7.19% as at the end of 2004 to 8.10% as at the end of June 2005. The share in the market of corporate deposits as at the end of June 2005 totalled 7.77% against 9.58% as at the end of December 2004.

The Bank also distributes units of ING TFI investment funds. As at the end of June 2005, the balance of acquired units was PLN 1,343 million versus PLN 1,211 million as at the end of 2004.

The value of credit exposure as at the end of June 2005 totalled PLN11,437.4 million versus PLN 11,370.7 million[3] in December 2004. Loans in the Polish currency went up by PLN 369.3 million from December 2004, whereas FX loans dropped by PLN 302.5 million over that period. Despite actions

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2 The figures cover the deposits of individual customers, business entities from the non-financial and budgetary sector and the financial sector, excluding suspense liabilities and interest.

3 The presented value includes loans granted to business entities from the non-financial and budgetary sector and the financial sector as well as individual customers. The value includes discount loans and the subordinated loan, it does not include the granted inter-bank deposits, suspense receivables and matured and not matured interest

initiated at the Bank in order to rebuild the credit portfolio, growth was only observed in some segments.

As at the end of June 2005, the value of the mortgages portfolio was PLN 774.0 million, with PLN 306.0 million worth of PLN-denominated loans and PLN 468.0 million worth of FX-denominated loans. As at 31.12.2004, mortgages amounted to PLN 750.7 million (where PLN 234.8 million represented PLN loans, and PLN 515.9 worth of FX loans).

The Bank's share in credit receivables market as at the end of June 2005 was 4.15% (versus 4.29% as at the end of December 2004). The Bank's share in the corporate loans market as at the end of June 2005 totalled 5.51% versus 5.34% as at the end of December 2004. The share in the market of household loans as at the end of June 2005 amounted to 2.47% versus 2.87% as at the end of December 2004.

The number of personal accounts maintained by the Bank as at the end of June 2005 totalled 981,800 compared with 974,800 as at the end of December 2004.

ING Bank Śląski is one of the largest issuers of bank cards in the Polish market. The Bank's offer includes debit cards, charge cards, credit cards and pre-paid cards. Credit cards are among priority products in the retail offer. The number of issued newly offered credit cards[4] went up from 31,732 as at the end of 2004 to 65,674 cards as at the end of June 2005. Together with VE Credit and VE Credit NN-P cards, the number of credit cards issued as at the end of June 2005 totalled 78,418.

The number of customers using the electronic banking systems went up from 864,043 as at the end of March 2005 to 985,813 as at the end of June 2005.

The figures for electronic banking clients are as follows:

Electronic banking system	30.06.2005	31.03.2005	31.12.2004
MultiCash	9 260	9 227	9 323
ING BankOnLine	267 446	199 914	152 832
HaloŚląski	648 341	603 763	560 788
SMS	60 766	51 139	40 650
Total	985 813	864 043	763 593

The number of transactions made with the use of the electronic banking systems in June 2005 reached the level of 3.2 million. The volume of electronic transactions in June 2005 exceeded PLN 26 billion. In the same period last year the number of transactions made with the use of the electronic banking systems was 2.5 million, and the volume was PLN 20 billion.

4. Credit Portfolio – Risk Quality and Costs

Under the International Accounting Standards, provisions that have been established for expected (estimated) loss and for risk of loss in future are replaced by an impairment write-off of the assets in regard to which the loss of value was observed and a write-off for losses incurred but not reported and

[4] Visa Classic, Visa Credit Gold, MasterCard Credit

provisions for off-balance-sheet liabilities. The amount of the revaluation write-off is calculated as the difference between the total future cash flows discounted with the effective interest rate and the carrying value of receivables (or the equivalent liability).

The amount of credit losses that have already been incurred but not reported (IBNR) is calculated by means of statistical models using the amounts of exposures for which no impairment was stated based on the PD (probability of default), the estimated period between the occurrence of circumstances that may lead to a loss (e.g. losing capacity to repay liabilities) and the date on which the Bank receives information thereof, and the LGD (loss given default).

The International Accounting Standards do not allow for keeping of general reserves. Consequently, it became necessary to release the general risk reserve which was partially utilised for the creation of IBNR reserves. Following the implementation of IFRS/ IAS, the specific provisions, the general risk reserve and reserved interest established as at 31.12.2004 were moved to equity in the opening balance sheet for 2005.Impairment write-offs and write-offs for incurred but not reported losses (IBNR) were created at the same time. The table below presents a comparison between the closing balance of 2004 and the opening balance of 2005. In order to ensure comparability of data, the value of reserved interest was added to the specific provisions for 2004, and the exposure value was presented inclusive of interest accrued According to the presented data, the level of write-offs in relation to provisions went down by PLN 128 million. The amount of the decrease deviates from the difference presented by the Bank in its annual financial statements for 2004, and it results mainly from non-recognising of write-offs due to impairment of credit lines extended to corporate entities in the calculations.

Furthermore, due to a partial recovery of fully provided for loss receivables, which had been transferred to off-balance sheet records between 2003 and 2004, and in view of the development of problem receivables trading market, the Bank measured – at 01.01.2005 – the (market) value of the portfolio of receivables transferred to the off-balance sheet. It totalled PLN 44,103,000. The amount was recognised in the Bank's balance sheet under assets in correspondence with the equity (undistributed result of previous years), which, in consequence, increased by PLN 38,356,000. The said amount corresponds to the discounted market value of the above-mentioned portfolio. This change relates to the presentation of the portfolio of off-balance sheet receivables as compared to the presentation in 1Q 2005. The Management Board intends to propose that the amount of PLN 31,068,000 (i.e. PLN 38,356,000 less tax burden of PLN 7,288,000) be recognised as an additional component when proposing the dividend for 2005. A similar operation, whereby the equity increased by PLN 120 million following the transfer of some provisions thereto equity, was included by the Management Board in the proposed dividend amount for 2004.
The amounts derived from the portfolio will be first used for the settlement of the activated measurement. Upon the settlement of the amount, all potential future revenues will be added to the result for the financial year.

PLN mio	2003	2004	2004 IFRS	2005 2Q
Exposure total / Exposure under IFRS	**13 720**	**11 307**	**11 349**	**11 272**
Provisions total	**1 255**	**1 072**	**945**	**896**
Total coverage ratio (%)	**8,9%**	**9,5%**	**8,3%**	**8,0%**
Corporate entities	**10 211**	**8 134**	**8 150**	**8 331**
- regular / unimpaired portfolio	7 113	7 021	7 331	7 559
- sub-standard / impaired portfolio	866	144		
- doubtful / impaired portfolio	1 489	430	818	773
- lost / impaired portfolio	742	539		
Provisions / Impairment	**752**	**601**	**588**	**555**
Allocation of general reserves / IBNR	**178**	**153**	**68**	**55**
Provisions for off-balance commitments	**35**	**17**	**35**	**28**
Irregular portfolio coverage (%) / Impaired portfolio coverage	**30,0%**	**67,7%**	**71,8%**	**71,9%**
Retail	**3 510**	**3 172**	**3 199**	**2 941**
- regular / unimpaired portfolio	3 079	2 865	2 908	2 676
- sub-standard / impaired portfolio	103	68		
- doubtful / impaired portfolio	69	20	291	264
- lost / impaired portfolio	259	219		
Provisions / Impairment	**264**	**245**	**184**	**189**
Allocation of general reserves / IBNR	**26**	**56**	**42**	**39**
Provisions for off-balance commitments			**30**	**31**
Irregular portfolio coverage (%) / Impaired portfolio coverage	**67,4%**	**97,9%**	**63,3%**	**71,3%**
Share of irregular loans in portfolio	**25,72%**	**12,56%**		
Share of impaired loans in portfolio			**9,78%**	**9,20%**

The risk costs in the income statement after the first two quarters of 2005 were positive (more releases), and totalled PLN 24.2 million, out of which PLN 28.8 million pertained to impairment write-offs, and (-PLN 3.5) million pertained to debt collection costs, (-PLN 0.6 million) pertained to sundry debtors and (-PLN 0.5) to impairment of investment real estate.
The detailed structure of the impairment write-offs in the two quarters has been presented in the below table.

million

Item	Group total	Corporate				Retail			
		Balance sheet		Off-balance sheet		Balance sheet		Off-balance sheet	
		Impairment	IBNR	Impairment	IBNR	Impairment	IBNR	Impairment	IBNR
Increases/decreases of impairment	28,8	13,4	12,9	7,8	-1,2	-5,4	2,7	0,7	-2,1

5. Major Events and Achievements in the Quarter

Major Events

On 29 April 2005, the Bank Supervisory Board appointed for the new term of office the Management Board of ING Bank Śląski S.A., composed of the current members:

Brunon Bartkiewicz	- President of Bank Management Board,
Krzysztof Brejdak	- Vice-President of Bank Management Board
Ian B. Clyne	- Vice-President of Bank Management Board
Grzegorz Cywiński	- Vice-President of Bank Management Board
Donald Koch	- Vice-President of Bank Management Board
Michał Szczurek	- Vice-President of Bank Management Board

Benjamin van de Vrie	- Vice-President of Bank Management Board
Maciej Węgrzyński	- Vice-President of Bank Management Board

The term of office of the Bank Management Board started as of the date of the General Shareholders Meeting of ING Bank Śląski S.A., approving the financial statement of the Bank for the year 2004, i.e. 9 June 2005, and it will end as of the date of the General Shareholders Meeting of ING Bank Śląski S.A., approving the financial statement of the Bank for the year 2009.

On 9 June 2005, the General Shareholders Meeting of ING Bank Śląski S.A. accepted the resignation of Mr. Erik Dralans from his capacity as member of the Supervisory Board. At the same time, the following individuals were appointed to the Supervisory Board: Ms. Anna Fornalczyk, Mr. Hans van der Noordaa, Mr. Marc van der Ploeg and Mr. Igno van Waesberghe.

The present composition of the Supervisory Board is as follows:
Andrzej Wróblewski, Chairman
Eli Leenaars, Deputy Chairman
Jerzy Rokita, Secretary
Lech Węclewski, Member
Anna Fornalczyk, Member
Hans van der Noordaa, Member
Marc van der Ploeg, Member
Igno van Waesberghe, Member.

Awards

Ever since its establishment, ING Bank Śląski S.A. has been recognised as one of the top banks in Poland, which is proven by high positions it received in various rankings:

- June 2005, first place in the KOMPAS competition, category ‘Visibility in Universities’, a ranking organised under the auspices of *Rzeczpospolita* daily, MillwardBrown SMG/KRC and the Student Research and Consulting Group of the Warsaw School of Economics (SGH) in Warsaw.
- April 2005, Silver Rock 2004 for the greatest achievements in the development of new product cards, awarded by the Polish agency of MasterCard Europe.
- April 2005, CEDRYK Prize, awarded by Centrum Ekspresji Dziecięcej [Children’s Expression Centre], functioning at the Library of Silesia, for help and commitment in the organisation of the 3rd Poland-wide Festival of Children’s Expression.
- April 2005, Diamond Sponsor for supporting the program of the President of the Republic of Poland ‘Internet in Schools’.
- January 2005, Promotional Label “Entrepreneur-friendly Bank” in two categories: ‘commercial banks’ and ‘bank branches’.

Ratings

In second quarter of 2005, the ratings of ING Bank Śląski S.A. remained unchanged. At present, the Bank’s financial credibility is rated as follows by the top rating agencies:

Fitch Ratings Ltd.

Long-term liabilities	A
Long-term outlook	Positive
Short-term liabilities	F1

Individual rating	D
Support rating	1

Moody's Investors Service Ltd.

Long-term deposits	A2
Short-term deposits	P-1
Financial strength	D
Long-term and short-term deposits rating outlook	Positive

6. Other Information

Headcount

The headcount in the Capital Group was as follows:
30.06.2005 7,684 persons, or 7,481.0 FTEs,
31.12.2004 7,388 persons, or 7,175.2 FTEs,
30.06.2004 7,213 persons, or 6,968.8 FTEs.

The headcount increase results from an increased number of employees in the Sales Network and the units actively supporting the sale of products. At the same time, the Bank runs a number of projects to enhance the operating procedures, which should contribute to the improvement of effectiveness of operation in the second half of 2005 and in 2006.

Number of Branches and ATMs

As at 30.06.2005, the Bank conducted its operational activity via a network of 332 branches as compared with 330 branches on 30.06.2004. As at the end of June 2005, the Bank had a network of 561 ATMs.

III. Segmentation of Revenue and Financial Results

PLN thousand	The 1st half of 2005					The 1st half of 2004				
	Retail customers segment	Corporate customers segment	Own operations		TOTAL	Retail customers segment	Corporate customers segment	Own operations		TOTAL
			Proprietary trading	ALCO				Proprietary trading	ALCO	
Revenue total	**412 323**	**319 004**	**76 211**	**49 703**	**857 241**	**427 456**	**311 129**	**66 578**	**14 703**	**819 865**
Core business	396 423	234 361	137 977	85 403	854 164	413 402	228 036	122 433	55 450	819 321
Share in profits (losses) of minority shareholders	0	0	0	3 077	3 077	0	0	0	544	544
FM products sales	2 789	64 164	-66 953	0	0	2 259	58 222	-60 481	0	0
Result on economic capital	13 112	20 479	5 187	-38 777	0	11 795	24 871	4 625	-41 291	0
Expenses total	369 604	162 575	15 870	11 157	559 206	319 568	156 387	12 508	21 697	510 160
Operational costs	**359 615**	**162 264**	**15 870**	**11 157**	**548 906**	**319 474**	**155 593**	**12 508**	**20 985**	**508 560**
Other operational costs (operational risk)	9 989	311	0	0	10 300	94	794	0	712	1 600
Result before risk	**42 719**	**156 429**	**60 341**	**38 546**	**298 035**	**107 888**	**154 742**	**54 069**	**-6 994**	**309 705**
Risk cost	-6 036	-18 118	0	0	-24 154	82 600	50 571	0	0	133 171
Result before tax	**48 755**	**174 547**	**60 341**	**38 546**	**322 189**	**25 288**	**104 171**	**54 069**	**-6 994**	**176 534**
CIT					63 941					17 582
Result after tax					**258 248**					**158 952**

The basic division applied by the Group is the division by sector. The Group of ING Bank Śląski is managed by means of division of activity into the following sector segments:

- retail,
- wholesale,
- Financial Markets, ALCO.

Sector division, defined with the internal regulations of the Bank, constitutes the basis for separation of wholesale and retail segments. As of 01.01.2005, ING Bank Śląski implemented resegmentation of clients under the separated sector segments. Consequently, 4,606 clients with PLN 159 million-worth of deposits were shifted from the wholesale to retail segment.

The below table shows the Group's deposit and loan volumes, broken into the retail and wholesale segments (in line with the segmentation rules applied by the Group and upon including the consolidation adjustments/ eliminations).

PLN million

	30.06.2005			30.06.2004		
	Retail Clients Segment	Wholesale Clients Segment	Total	Retail Clients Segment	Wholesale Clients Segment	Total
Deposits	18 580	9 842	28 422	12 947	9 997	22 944
Loans	2 860	8 667	11 527	3 528	9 818	13 346

IV. Accounting Principles Applied and Changes to the Principles of Financial Statements Presentation

General Principles of Financial Statements Preparation - IAS 1, IAS 27 and IAS 34, IFRS 5

The financial statements are presented in PLN, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss and financial instruments classified as available-for-sale.
Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The Bank applied the same accounting principles that will be employed in the annual statements.
The consolidated statements do not cover the eliminated intra-group balances and unrealised profits and losses and costs incurred as a result of intra-group transactions.

Hyperinflation – IAS 29

The Bank analyses balance sheet and income statement items in terms of observance of the requirements deriving from the financial reporting under hyperinflation conditions.

Foreign Currency – IAS 21

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

Hedge Accounting and Derivative Financial Instruments - IAS 39

Derivative financial instruments are measured at fair value without any deduction for transactions costs to be incurred on sale.
The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).
Certain derivative embedded in other financial instruments shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the host contract is not carried at fair value through profit or loss. Embedded derivatives are measured at fair value with changes recognised through the profit and loss account.

The Bank uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and recognised at fair value.

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.
The Bank designates certain derivatives as, a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The Bank also documents, at inception and on going basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Fair Value Hedge

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

Cash Flow Hedge

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

Financial Assets and Financial Liabilities – IAS 39

Classification

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

(a) Financial Asset or Financial Liability at Fair Value through Profit or Loss

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

Classified as held for trading. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; it is part of a portfolio of identified financial instruments that are managed only to generate profit on a short-term basis. Derivatives are also categorised as held for trading unless the derivative is a designated and effective hedging instrument.

Upon initial recognition it is designated by the Bank as at fair value through profit or loss.

(b) Held-to-Maturity Investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank's management has the positive intention and ability to hold to maturity.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity, the entire category would be tainted and reclassified as available for sale and for a two year period the Bank would not utilise the held to maturity classification

(c) **Loans and Receivables**

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

(d) **Available-for-Sale Financial Assets**

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

Recognition

A regular way purchase or sale of a financial asset classified at fair value through profit or loss, held to maturity and available for sale are recognised using trade date accounting [or settlement date accounting]. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrowers.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the Bank transfers the contractual rights to receive the cash flows.

Measurement

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

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

After initial recognition, financial liabilities at measured at amortised cost using the effective interest method, except for (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which is measured at cost, as its fair value cannot be measured in a reliable manner; (b) financial liabilities created as a result of transfer of financial assets not qualifying for derecognition from the balance sheet or recognised with the method being the result of maintaining the exposure. If a Bank's liability being a deposit is characterised by frequent compounding of interest accrued, and thus it is a short-term liability, then the difference between the measurement amount deriving from the application of effective interest rate and of interest calculated on an accrual basis using contractual rate is non-material. In that case, due to non-material differences in the result, the Bank may withdraw from discounting future cash flows using the effective interest rate and recognise the interest calculated on an accrual basis using contractual rate in the result instead.

Gains and Losses on 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) 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.

(b) A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, 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.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the Bank establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Offsetting Financial Instruments – IAS 39

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

Sale and Repurchase Agreements – IAS 39

The Bank acquires funds by sale of financial instruments while committing itself to their future repurchase at the same price, increased with the rate of interest defined a priori.
Securities sold subject to repurchase agreements (“repos”) are not derecognised but are reclassified in the financial statements as repurchased receivable [or loaned asset, or pledged assets] when the transferee has the right by contract or custom to sell or repledge the collateral, the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (“reverse repos”) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.
Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

Impairment – IAS 39

Assets Carried at Amortised Cost

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

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments of above 90 days;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

  - adverse changes in the payment status of borrowers in the group, or
  - national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The reported loss directly decreases the balance sheet value of those assets. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Bank states objective reasons of value loss of the asset assessed individually and makes an impairment loss there due, then the said assets are not included in a collective assessment of impairment

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting the balance sheet value of the assets. The amount of the reversal is recognised in profit or loss.

Available for Sale Financial Assets

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

Property, Plant, Equipment - IAS 16, IAS 17, IAS 36, IFRS 1, IFRS 5

Owned Assets

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses.

Certain owned assets (buildings, grounds and usufructary rights) were measured at the fair value as at 1 January 2004 (day of transition to IASs) and are measured at the assumed cost, resulting from the revaluation value as at the revaluation date. These items are recognised as at their fair value, decreased with the value of accumulated depreciation and impairment losses.

Leased Assets

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases.

Subsequent Costs

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

Depreciation

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

• buildings	50 years
• expenditure related to real estate assets plant and equipment	10 years
• fixtures and fittings	3 - 5 years
• major components	5 years

Intangible Assets – IAS 38

Goodwill
Goodwill is stated at purchase cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested as at the balance sheet date for impairment.

Computer Software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

Other Intangible Assets
Other intangible assets that are acquired by the Bank are stated at cost less accumulated amortisation and impairment losses.

Subsequent Expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

• software development costs	3 years
• computer software	3 years

Other Items

Other Trade and Other Receivables
Trade and other receivables are stated at their cost less impairment losses.

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

Impairment of Assets other than Financial Assets – IAS 36

The carrying amounts of the Bank's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

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

Share Capital – IAS 32

Repurchase of Share Capital
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

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

Employee Benefits – IAS 19

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

Short-term Service Benefits
The Bank's short term employment benefits includes wages, bonuses, holiday pay and social insurance payments are recognised as an expense as incurred.

Log-term Service Benefits
The Bank's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus granted under the provisions of the Labour Code was estimated on the basis of an actuarial valuation. The actuarial valuation of those accruals is recognised and updated on an annual basis. In addition, the provision is adjusted quarterly on the basis of estimates made.

<u>Provisions – IAS 37</u>

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

Dispute Claims

The process of provision recognition for pending litigations is preceded by the appraisal of the occurrence probability. If in the opinion of the Bank the probability of occurrence is higher than the one of non-occurrence, a provision in the amount adequately assessed is recognised.

Restructuring

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, defining at least the operations or their part concerned, basic locations, place of employment, functions and approximate number of employees covered with indemnity, amount of expenses to bear and realisation time. Commencement of restructuring process or its public announcement is a prerequisite of provision recognition. Future operating costs are not provided for.

<u>Net Interest Income – IAS 18, IAS 39</u>

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

<u>Fee and Commission Income and Expenses – IAS 18</u>

Fee and commission income arises on financial services provided by the Bank including loan origination, commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services.
Fee and commission directly attributable to the financial asset or liability origination (both income and expense) is recognised in the income statement as an element of the effective interest rate calculation. Loan commitments fees that are likely to be drawn down, are deferred, together with the related direct costs, and are recognised as an element of the effective interest rate of the loan.

Other fee and commission income arising on the financial services provided by the Bank including cash management services, brokerage services, investment advice, financial planning, investment banking services, project and structured finance transactions, asset management services, is recognized in the income statement on the accrual basis i.e. when the corresponding service is provided.

Net Trading Income – IAS 30

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

Dividend Income – IAS 18

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

Other Revenue and Expenses – IAS 17

Operating Lease Payments

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

Financial Lease Payments

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

Income Tax – IAS 12

Income tax is recognised as the current and deferred tax. Current income tax is recognised in the income statement. Deferred income tax, depending on the source of temporary differences, is recognised in the income statement or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The differences that will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Non-current Assets held for Sale and Discontinued Operations – IFRS 5

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Bank's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

Comparability of Data and Impact of Amended Accounting Principles

In line with the International Financial Reporting Standards / International Accounting Standards the comparability of the financial statements for the second quarter of 2004 and the 2004 year with the data presented in the statements for the above periods was ensured.

Making the data comparable pertained to:

1. Loss of value of the company as a result of takeover of Wielkopolski Bank Rolniczy S.A.,
2. Measurement of financial instruments due to the long-term incentive system
3. Revaluations to the estate fair value.
4. In the Bank's statements presentation changes also pertained to the valuation of subsidiaries at the acquisition price

Exemption pursuant to par. 36A IFRS 1 from the obligation to present comparable data pertaining to the accounting rules governed by IAS 39 (measurement using depreciated cost considering the effective interest rate, impairment losses of financial assets listed according to the depreciated cost using the effective interest rate) is an exception.

In the table below reconciliation of equity and financial result as per 01.01.2004, 30.06.2004 and 31.12.2004 (data in thousand PLN) is presented. The following areas were modified: (1) Loss of the goodwill value of the company acquired as a result of the takeover of Wielkopolski Bank Rolniczy S.A., (2) Measurement of financial instruments in relation to the long-term incentive system, (3) Real estate revaluation to the fair value, (4) Valuation of subsidiaries at the acquisition price.

RECONCILIATION OF CONSOLIDATED NET ASSETS **PLN thous.**

	Equity and minority interest					
	Net result	**Result of previous year**	**Revaluation reserve**	**Minority interest**	**Other**	**TOTAL**
PAS 01.01.2004	-	16 448	22 447	-4 511	2 669 917	2 704 301
(1)		-4 584				-4 584
(3)	0	-47 036	52 169	19 023	0	24 156
IFRS/IAS 01.01.2004	**-**	**-35 172**	**74 616**	**14 512**	**2 669 917**	**2 723 873**
PAS 30.06.2004	144 039	-9 390	18 942	394	2 685 616	2 839 601
(1)	14 913	-4 584				10 329
(3)	0	-47 036	52 169	19 023	0	24 156
IFRS/IAS 30.06.2004	**158 952**	**-61 010**	**71 111**	**19 417**	**2 685 616**	**2 874 086**
PAS 31.12.2004	366 255	-17 405	92 886	-5 969	2 694 222	3 129 989
(1)	29 825	-4 584				25 241
(2)	-724					-724
(3)	0	-47 036	43 022	12 925	0	8 911
IFRS/IAS 31.12.2004	**395 356**	**-69 025**	**135 908**	**6 956**	**2 694 222**	**3 163 417**

RECONCILIATION OF NET ASSETS

PLN thous.

	Equity and minority interest				
	Net result	**Result of previous year**	**Revaluation reserve**	**Minority interest**	**TOTAL**
PAS 01.01.2004	-	22 253	22 447	2 664 112	2 708 812
(1)		-4 584			-4 584
(3)		-47 036	23 634		-23 402
(4)		-2 102	-321		-2 423
IFRS/IAS 01.01.2004	**-**	**-31 469**	**45 760**	**2 664 112**	**2 678 403**
PAS 30.06.2004	144 039	6 486	18 942	2 669 740	2 839 207
(1)	14 913	-4 584			10 329
(3)		-47 036	23 634		-23 402
(4)	-16 712	-2 102	-210		-19 024
IFRS/IAS 30.06.2004	**142 240**	**-47 236**	**42 366**	**2 669 740**	**2 807 109**
PAS 31.12.2004	366 255	6 486	92 886	2 670 331	3 135 958
(1)	29 825	-4 584			25 241
(2)	-724				-724
(3)		-47 036	23 634		-23 402
(4)	-63 079	-2 102	0		-65 182
IFRS/IAS 31.12.2004	**332 277**	**-47 236**	**116 520**	**2 670 331**	**3 071 891**

The opening balance sheet of the Group for the Bank statements as per 01.01.2005 being the result of adoption of the International Financial Reporting Standards / International Accounting Standards (data in PLN 000) is given below.

TRANSFORMATION OF OPENING BALANCE AS AT 01.01.2005

CONSOLIDATED BALANCE SHEET	31.12.2004	Loan impairment	Amortised cost	Goodwill	Recognition of option	Revaluation of building to fair value	01.01.2005
A S S E T S							
Cash and cash balances with central banks	**895 332**	**0**	**0**			**0**	**895 332**
Financial assets held for trading	**4 355 202**	**0**	**0**	**0**	**0**	**0**	**4 355 202**
Available-for-sale financial assets	**6 539 378**	**0**	**0**	**0**	**0**	**0**	**6 539 378**
Loans and receivables (including finance lease)	**21 659 326**	**-190 024**	**-27 906**	**0**	**0**	**0**	**21 441 396**
Tangible assets	**765 690**	**0**	**0**	**0**	**0**	**10 129**	**775 819**
property, plant and equipment	644 275	**0**	**0**	0	0	**10 129**	**654 404**
investment property	121 415	**0**	**0**			**0**	**121 415**
Intangible assets	**268 097**	**0**	**0**	25 241		**0**	**293 338**
of which goodwill	198 420	**0**	**0**	25 241		**0**	**223 661**
Investments in subsidiaries accounted for using the equity method	**70 944**	**0**	**0**			**0**	**70 944**
Tax assets	**275 300**	**1 296**	**12 336**	**0**	**243**	**11 033**	**300 208**
Other assets	**136 878**	**0**	**0**	**0**	**0**	**0**	**136 878**
Non-current assets held for sale	**1 514**	**0**	**0**			**0**	**1 514**
A s s e t s t o t a l	**34 967 661**	**-188 728**	**-15 570**	**25 241**	**243**	**21 162**	**34 810 009**
							0
L I A B I L I T I E S A N D E Q U I T Y							
LIABILITIES							
Deposits from central banks	-	**0**	**0**			**0**	**0**
Financial liabilities held for trading	**1 257 334**	**0**	**0**	**0**	**0**	**0**	**1 257 334**
Financial liabilities measured at amortised cost	**29 557 613**	**0**	**-442**	**0**	**0**	**0**	**29 557 171**
Provisions	**317 109**	**-176 207**	**0**	**0**	**0**	**0**	**140 902**
Tax liabilities	**129 039**	**18 642**	**84**	**0**	**0**	**12 251**	**160 016**
Other liabilities	**576 577**	**-192 523**	**38 778**	**0**	**967**	**0**	**423 799**
L i a b i l i t i e s t o t a l	**31 837 672**	**-350 088**	**38 420**	**0**	**967**	**12 251**	**31 539 222**
EQUITY							
Issued capital	**130 100**	**0**	**0**			**0**	**130 100**
Supplementary capital	**1 010 644**	**0**	**0**			**0**	**1 010 644**
Revaluation reserves	**92 886**	**0**	**3 865**	**0**	**0**	**43 022**	**139 773**
- fair value revaluation reserve on available for sale financial assets	64 126	**0**	**3 865**			**0**	**67 991**
- tangible assets revaluation reserve	28 760	**0**	**0**			**43 022**	**71 782**
Other reserve capital	**1 536 073**	**161 360**	**-57 855**	**-4 584**	**0**	**-47 036**	**1 587 958**
- result of previous year	-17 405	**161 360**	**-57 855**	-4 584	0	**-47 036**	**34 480**
- general bank risk fund	400 179	**0**	**0**			**0**	**400 179**
Net result of current year	**366 255**	**0**	**0**	**29 825**	**-724**	**0**	**395 356**
Minority interest	**-5 969**	**0**	**0**	**0**	**0**	**12 925**	**6 956**
- revaluation reserve	-	**0**	**0**			**12 925**	**12 925**
- other	-5 969	**0**	**0**			**0**	**-5 969**
E q u i t y t o t a l	**3 129 989**	**161 360**	**-53 990**	**25 241**	**-724**	**8 911**	**3 270 787**
L i a b i l i t i e s t o t a l	**34 967 661**	**-188 728**	**-15 570**	**25 241**	**243**	**21 162**	**34 810 009**

TRANSFORMATION OF OPENING BALANCE AS AT 01.01.2005

BALANCE SHEET	31.12.2004	Loan impairment	Amortised cost	Goodwill	Recognition of option	Revaluation of building to fair value	Measurement of subsidiaries at cost value	01.01.2005
A S S E T S								
Cash and cash balances with central banks	**895 324**	**0**	**0**	**0**				**895 324**
Financial assets held for trading	**4 366 463**	**0**	**0**	**0**	**0**	**0**	**0**	**4 366 463**
Available-for-sale financial assets	**6 565 207**	**0**	**0**	**0**	**0**	**0**	**0**	**6 565 207**
Loans and receivables (including finance lease)	**21 848 736**	**-185 401**	**-26 150**	**0**	**0**	**0**	**0**	**21 637 185**
Tangible assets	**492 963**	**0**	**0**	**0**	**0**	**-26 198**	**0**	**466 765**
property, plant and equipment	492 963	**0**	**0**	**0**	0	-26 198	0	**466 765**
investment property	-	**0**	**0**	**0**				**0**
Intangible assets	**264 587**	**0**	**0**	**25 241**				**289 828**
of which goodwill	198 101	**0**	**0**	**25 241**				**223 342**
Investments in subsidiaries accounted for using the equity method	**211 926**	**0**	**0**	**0**			**-71 061**	**140 865**
Tax assets	**262 210**	**1 296**	**12 336**	**0**	**243**	**11 033**	**0**	**287 118**
Other assets	**134 956**	**0**	**0**	**0**	**0**	**0**	**0**	**134 956**
Non-current assets held for sale	**1 514**	**0**	**0**	**0**				**1 514**
A s s e t s t o t a l	**35 043 886**	**-184 105**	**-13 814**	**25 241**	**243**	**-15 165**	**-71 061**	**34 785 225**
								0
L I A B I L I T I E S A N D E Q U I T Y								
LIABILITIES		**0**	**0**	**0**				
Deposits from central banks	-	**0**	**0**	**0**				**0**
Financial liabilities held for trading	**1 257 334**	**0**	**0**	**0**	**0**	**0**	**0**	**1 257 334**
Financial liabilities measured at amortised cost	**29 603 539**	**0**	**-442**	**0**	**0**	**0**	**0**	**29 603 097**
Provisions	**350 489**	**-176 180**	**0**	**0**	**0**	**0**	**0**	**174 309**
Tax liabilities	**127 553**	**18 642**	**84**	**0**	**0**	**8 237**	**-5 881**	**148 635**
- bieżące	-	**0**	**0**	**0**				**0**
- odroczone	127 553	**18 642**	**84**	**0**		8 237	-5 881	**148 635**
Other liabilities	**569 013**	**-192 456**	**38 778**	**0**	**967**	**0**	**0**	**416 302**
L i a b i l i t i e s t o t a l	**31 907 928**	**-349 994**	**38 420**	**0**	**967**	**8 237**	**-5 881**	**31 599 677**
EQUITY								
Issued capital	**130 100**	**0**	**0**	**0**				**130 100**
Supplementary capital	**1 003 152**	**0**	**0**	**0**				**1 003 152**
Revaluation reserves	**92 886**	**0**	**3 865**	**0**	**0**	**23 634**	**0**	**120 385**
- fair value revaluation reserve on available for sale financial assets	64 126	**0**	**3 865**	**0**				**67 991**
- tangible assets revaluation reserve	28 760	**0**	**0**	**0**		23 634		**52 394**
Other reserve capital	**1 543 565**	**165 889**	**-56 099**	**-4 584**	**0**	**-47 036**	**-2 102**	**1 599 633**
- result of previous year	6 486	**165 889**	**-56 099**	**-4 584**	0	-47 036	-2 102	**62 554**
- general bank risk fund	400 152	**0**	**0**	**0**				**400 152**
Net result of current year	**366 255**	**0**	**0**	**29 825**	**-724**		**-63 078**	**332 278**
Minority interest	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- revaluation reserve		**0**	**0**	**0**				**0**
- other	-	**0**	**0**	**0**				**0**
E q u i t y t o t a l	**3 135 958**	**165 889**	**-52 234**	**25 241**	**-724**	**-23 402**	**-65 180**	**3 185 548**
L i a b i l i t i e s t o t a l	**35 043 886**	**-184 105**	**-13 814**	**25 241**	**243**	**-15 165**	**-71 061**	**34 785 225**

Change of Presentation Rules

In the year 2005, the presentation of certain items of the Profit and Loss Account was changed. In particular, the costs borne by the Bank towards the Banking Guarantee Fund and for the services provided by the National Clearing Chamber were presented as the costs due to commissions. In addition, the costs and revenue due to predicted losses were presented as the costs and revenue due to provisions, whereas the costs and revenue due to debt collection and the court-related costs were presented as the costs and revenue due to impairment.

CONSOLIDATED BALANCE SHEET

	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
A S S E T S					
Cash and cash balances tith central banks	**1 062 993**	**942 535**	**895 332**	**521 129**	**1 265 253**
Financial assets held for trading	**6 366 114**	**4 094 311**	**4 355 202**	**4 188 612**	**3 552 797**
- equity instruments	244	602	1 122	1 340	2 013
- debt instruments	5 245 251	3 510 480	3 538 931	3 287 941	2 753 808
- receivables subject to securities sale and repurchase agreements	838 443	344 695	344 476	447 721	338 516
- derivatives	282 176	238 534	470 673	451 610	458 460
Financial assets designated at fair value through profit and loss	**0**	**0**	**0**	**0**	**0**
Available for sale financial assets	**8 885 588**	**7 215 142**	**6 539 378**	**766 208**	**781 485**
- equity instruments	19 781	19 681	19 665	22 442	23 225
- debt instruments	8 865 807	7 195 461	6 519 713	743 766	758 260
Loans and receivables	**19 909 447**	**22 569 486**	**21 659 326**	**23 490 625**	**22 767 311**
- financial sector	10 204 094	12 674 623	11 380 569	11 621 961	10 668 530
of which: interbank deposits	8 851 648	11 671 682	10 403 669	10 664 407	9 631 393
- non financial sector	9 377 146	9 524 307	9 899 594	11 465 445	11 675 499
- budget sector	328 207	370 556	379 163	403 219	423 282
Held-to-maturity investments	**0**	**0**	**0**	**0**	**0**
Derivatives used for hedging	**0**	**0**	**0**	**0**	**0**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**0**	**0**	**0**	**0**	**0**
Tangible assets	**756 722**	**774 068**	**768 719**	**856 534**	**841 878**
property, plant and equipment, of which:	634 518	647 603	647 304	759 751	745 668
- owner occupied land and buildings	391 789	405 958	394 821	485 831	459 781
- IT equipment	75 005	70 681	66 834	62 235	65 819
- means of transport	2 435	2 762	3 288	4 419	4 377
- other equipment	165 289	168 202	182 361	207 266	215 691
investments property	122 204	126 465	121 415	96 783	96 210
Intangible assets	**294 713**	**292 136**	**293 338**	**296 582**	**303 354**
of which: goodwill	223 661	223 661	223 661	223 742	228 037
Investments in subsidiaries accounted for using the equity method	**58 749**	**75 530**	**70 944**	**53 673**	**55 933**
Tax assets	**254 294**	**297 690**	**286 576**	**290 178**	**462 031**
- current	26 883	65 853	62 254	46 548	228 198
- deferred	227 411	231 837	224 322	243 630	233 833
Other assets	**180 366**	**158 312**	**136 878**	**101 610**	**66 725**
- interperiod settlements	61 723	53 492	44 366	46 943	39 057
- sundry debtor	118 341	104 054	89 167	54 029	27 037
- other	302	766	3 345	638	631
Non-current assets held for sale	**2 657**	**2 796**	**8 614**	**708**	**702**
T o t a l a s s e t s	**37 771 643**	**36 422 006**	**35 014 307**	**30 565 859**	**30 097 469**

L I A B I L I T I E S A N D E Q U I T Y

LIABILITIES

Deposits form central banks	**0**	**0**	**0**	**0**	**0**
Financial liabilities held for trading	**1 747 001**	**1 612 223**	**1 257 334**	**947 777**	**1 142 989**
- derivatives	564 726	404 368	209 795	224 925	220 042
- liabilities in respect of securities subject to sale and repurchase agreements	1 182 275	1 207 855	1 047 539	722 852	922 947
Other financial liabilities designated at fair value through profit and loss	**0**	**0**	**0**	**0**	**0**
Financial liabilities measured at amortised cost	**31 541 680**	**30 472 203**	**29 557 613**	**25 509 590**	**24 979 422**
deposits	30 590 176	29 545 222	28 525 843	24 162 435	23 685 926
- financial sector	3 893 723	3 597 287	3 082 173	2 820 328	3 354 426
of which: interbank deposits	2 566 540	2 497 790	1 908 775	1 807 941	1 741 846
- non financial sector	25 302 460	24 606 659	24 247 430	20 167 627	19 172 136
- budget sector	1 393 993	1 341 276	1 196 240	1 174 480	1 159 364
- other liabilities	951 504	926 981	1 031 770	1 347 155	1 293 496
Financial liabilities associated to transferred assets	**0**	**0**	**0**	**0**	**0**
Derivatives used for hedging	**0**	**0**	**0**	**0**	**0**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**0**	**0**	**0**	**0**	**0**
Provisions	**139 794**	**132 216**	**317 109**	**307 089**	**350 572**
- pending legal issues	27 381	18 041	27 963	13 742	13 013
- pensions and other post retirement benefit obligations	53 710	50 329	49 106	41 320	45 245
- off-balance sheet commitments	58 703	63 826	17 446	38 545	37 228
- other	-	20	222 594	213 482	255 086
Tax liabilities	**91 588**	**95 306**	**141 290**	**100 184**	**77 309**
- current	682	1 452	0	431	533
- deferred	90 906	93 854	141 290	99 753	76 776
Other liabilities	**915 653**	**699 121**	**577 544**	**827 133**	**783 232**
- employees settlements	27 459	28 934	24 854	28 836	30 313
- lease commitments	32 920	45 126	50 184	61 008	66 060
- interperiod settlements	63 530	60 990	222 386	265 229	248 546
- sundry creditor	791 649	553 102	274 308	472 021	438 275
- other	95	10 969	5 812	39	38
Share capital payable on demand	**0**	**0**	**0**	**0**	**0**
Liabilities classified as held for sale	**0**	**0**	**0**	**0**	**0**
L i a b i l i t i e s t o t a l	**34 435 716**	**33 011 069**	**31 850 890**	**27 691 773**	**27 333 524**

EQUITY					
Issued capital	**130 100**	**130 100**	**130 100**	**130 100**	**130 100**
Supplementary capital	**1 013 559**	**1 010 648**	**1 010 644**	**1 002 038**	**998 185**
Revaluation reserves	**205 120**	**170 298**	**135 908**	**71 111**	**22 703**
- fair value revaluation reserve on available for sale financial assets	165 406	98 519	64 126	-10 408	-6 917
- tangible assets revaluation reserve	70 902	71 779	71 782	81 519	29 620
- other	-31 188	-	-	-	-
Other capital reserve	**1 714 652**	**1 953 793**	**1 484 453**	**1 492 468**	**1 558 080**
- reserve capital	1 227 011	1 153 299	1 153 299	1 153 299	1 159 780
- general bank risk fund	430 179	400 179	400 179	400 179	381 852
- result of previous year	57 462	400 315	-69 025	-61 010	16 448
Net result of current year	**258 248**	**135 662**	**395 356**	**158 952**	**59 845**
Minority interest	**14 248**	**10 436**	**6 956**	**19 417**	**-4 968**
Equity total	**3 335 927**	**3 410 937**	**3 163 417**	**2 874 086**	**2 763 945**
Liabilities and equity total	**37 771 643**	**36 422 006**	**35 014 307**	**30 565 859**	**30 097 469**
Solvency ratio	**17,44%**	**13,93%**	**15,66%**	**14,94%**	**14,49%**
Net book value	**3 321 679**	**3 400 501**	**3 156 461**	**2 854 669**	**2 768 913**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (in PLN)	**255,32**	**261,38**	**242,62**	**219,42**	**212,83**
Assumed number of shares	-	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-	-

CONSOLIDATED OFF-BALANCE SHEET ITEMS

	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
Contingent liabilities granted and received	**19 139 692**	**27 098 295**	**23 302 800**	**20 428 814**	**19 031 355**
Contingent liabilities granted	8 198 838	16 550 932	11 220 722	7 972 368	6 540 941
lending commitments	7 129 936	15 613 033	10 238 280	6 771 831	5 477 981
- financial sector	729 792	10 331 244	4 880 663	1 647 190	487 323
- non-financial sector	6 334 763	5 215 949	5 303 020	5 084 052	4 942 197
- bugdet sector	65 381	65 840	54 597	40 589	48 461
guarantees	1 068 902	937 899	982 442	1 200 537	1 062 960
- financial sector	32 532	33 405	35 614	10 522	26 253
- non-financial sector	1 014 425	881 554	923 069	1 164 504	1 010 561
- bugdet sector	21 945	22 940	23 759	25 511	26 146
Contingent liabilities received	10 940 854	10 547 363	12 082 078	12 456 446	12 490 414
lending commitments	319 842	466 831	207 220	50 993	155 007
- financial sector	251 993	408 483	202 493	49 954	63 556
- non-financial sector	67 849	58 348	4 727	1 039	91 451
- bugdet sector	-	-	-	-	-
guarantees	10 621 012	10 080 532	11 874 858	12 405 453	12 335 407
- financial sector	555 962	999 485	1 167 395	1 520 446	1 517 987
- non-financial sector	7 268 586	7 411 725	8 736 268	8 854 226	8 785 226
- bugdet sector	2 796 464	1 669 322	1 971 195	2 030 781	2 032 194
Commitments resulting from sale/purchase transactions	**61 045 387**	**74 428 735**	**59 158 291**	**65 956 141**	**62 304 148**
Other, including	**50 838 726**	**44 536 691**	**32 309 662**	**63 066 200**	**79 400 979**
- liabilities due to transactions on FRA	44 344 603	38 133 000	27 226 000	57 446 990	73 211 691
- liabilities due to transactions on options	3 119 445	4 859 177	4 681 743	5 011 201	5 612 435
- liabilities due to transactions on securities	3 374 678	1 544 514	401 919	608 009	576 853
Off-balance total	**131 023 805**	**146 063 721**	**114 770 753**	**149 451 155**	**160 736 482**

CONSOLIDATED PROFIT AND LOSS ACCOUNT	II quarter 2005 the period from 01 Apr 2005 to 30 Jun 2005	2 quarters 2005 the period from 01 Jan 2005 to 30 Jun 2005	II quarter 2004 the period from 01 Apr 2004 to 30 Jun 2004	2 quarters 2004 the period from 01 Jan 2004 to 30 Jun 2004
Interest income	527 398	1 043 233	389 084	753 102
Interest result	301 580	615 944	181 297	345 061
Interest result	**225 818**	**427 289**	**207 787**	**408 041**
Dividend income	**1 603**	**1 603**	**10**	**10**
Fees and commission income	145 816	291 142	151 750	297 354
Fees and commission expense	16 489	37 844	23 646	45 802
Fees and commission result	**129 327**	**253 298**	**128 104**	**251 552**
Realised gains and losses on financial assets & liabilities not measured at fair value through profit and loss	**0**	**0**	**80**	**1 994**
Gains and losses on financial assets and liabilities held for trading	**14 836**	**65 384**	**-1 251**	**22 498**
Fair value adjustments in hedge accounting	**-1 658**	**5 217**	**0**	**0**
Exchange rate differences	**54 363**	**87 540**	**93 555**	**128 802**
Result on banking activity	**424 289**	**840 331**	**428 285**	**812 897**
Other operating income	-428	17 678	4 111	14 286
Other operating expenses	11 129	17 987	2 224	9 522
Result on other operating income and expenses	**-11 557**	**-309**	**1 887**	**4 764**
General expenses	**242 604**	**486 147**	**234 427**	**444 826**
Staff expenses	131 539	265 182	114 249	230 219
- salaries	109 204	219 471	95 217	191 243
- social securities and other employee benefits	22 335	45 711	19 032	38 976
General and administrative expenses	111 065	220 965	120 178	214 607
Depreciation	**31 332**	**62 759**	**32 222**	**63 734**
- depreciation of tangible fixed assets	24 639	49 543	26 507	53 682
- depreciation of intangible assets	6 693	13 216	5 715	10 052
Gains on disposals of assets other than held for sale	457	457	2 603	2 603
Losses on disposals of assets other than held for sale	300	300	2 206	2 206
Result on disposals of assets other than held for sale	**157**	**157**	**397**	**397**
Provisions	**2 706**	**4 345**	**735**	**4 012**
Impairment	**-14 234**	**-28 499**	**60 059**	**129 159**
Impairment losses on financial assets not measured at fair value through profit and loss	-17 569	-32 359	56 976	128 513
- available for sale financial assets	0	-15	5	-282
- loans and receivables measured at amortised cost, including finance lease	-17 569	-32 344	56 971	128 795
Impairment on	3 335	3 860	3 083	646
- tangible fixed assets	-9	1	1	215
- investment property	1 353	542	0	0
- other assets	1 991	3 317	3 082	431
Share of profit and loss of associates and joint ventures accounted for using equity method	**5 783**	**10 369**	**2 724**	**5 449**
Result form non-current assets and disposals groups classified as held for sale	**-179**	**3 685**	**-1 047**	**-337**
Net result before tax	**156 085**	**329 481**	**104 803**	**181 439**
Income tax	**29 688**	**63 941**	**663**	**17 582**
current	39 582	139 560	12 463	18 115
deferred	-9 894	-75 619	-11 800	-533
Net result	**126 397**	**265 540**	**104 140**	**163 857**
Minority interest	**-3 811**	**-7 292**	**-5 362**	**-4 905**
Net result	**122 586**	**258 248**	**98 778**	**158 952**

Net profit (for 12 months)	-	**494 062**	-	**177 969**
Weighted average number of ordinary shares	-	**13 010 000**	-	**13 010 000**
Net profit (loss) per ordinary share (PLN)	-	**37,98**	-	**13,68**
Weighted average anticipated number of ordinary shares	-	-	-	-
Diluted profit (loss) per ordinary share (PLN)	-	-	-	-

MOVEMENTS IN CONSOLIDATED OWN EQUITY	2 quarters 2005 the period from 01 Jan 2005 to 30 Jun 2005	2 quarters 2004 the period from 01 Jan 2004 to 30 Jun 2004
EQUITY COMPONENTS		
Issued capital	**130 100**	**130 100**
Unpaid capital which has been called up	-	-
Other capital instruments	-	-
of which: component of compound financial instruments	-	-
Supplementary capital	**1 013 559**	**1 002 038**
of which: share premium	-	-
Revaluation reserves	**205 120**	**71 111**
- fair value revaluation reserve on available for sale financial assets	165 406	-10 408
- cash flow hedges reserve	-	-
- foreign currency translation reserve	-	-
- hedge of net investments in foreign operations reserve	-	-
- intangible assets revaluation reserve	-	-
- tangible assets revaluation reserve	70 902	81 519
- relating to non-current assets or disposal groups held for sale	-	-
- other	-31 188	-
Other capital reserve	**1 714 652**	**1 492 468**
- reserve capital	1 227 011	1 153 299
- general bank risk fund	430 179	400 179
- result of previous year	57 462	-61 010
Own shares	-	-
Net result of current year	**258 248**	**158 952**
Dividends paid	-	-
Minority interest	**14 248**	**19 417**
Equity total	**3 335 927**	**2 874 086**

SOURCES OF EQUITY CHANGES

2 quarters 2005
the period from 01 Jan 2005 to 30 Jun 2005

	Issued capital	Supplementary capital	Revaluation reserves	Reserve capital	General bank risk fund	Result of previous year	Net result of current year	Minority interest	TOTAL
Closing balance (last year)	**130 100**	**1 010 644**	**135 908**	**1 153 299**	**400 179**	**326 331**	**0**	**6 956**	**3 163 417**
- changes in adopted accounting principles	-	-	3 865	-	-	103 281	-	-	**107 146**
Opening balance (current year)	**130 100**	**1 010 644**	**139 773**	**1 153 299**	**400 179**	**429 612**	**0**	**6 956**	**3 270 563**
- valuation of assets available for sale	-	-	66 224	-	-	-	-	-	**66 224**
- liquidation or sale of fixed assets	-	1 182	-1 182	-	-	-	-	-	**0**
- revaluation of tangible assets	-	-	305	-	-	-	-	-	**305**
- covering of prior period losses	-	-	-	-	0	0	-	-	**0**
- profit distribution	-	1 733	-	73 712	30 000	-372 150	-	-	**-266 705**
- net result of current period	-	-	-	-	-	-	265 540	-	**265 540**
- minority participation in financial result	-	-	-	-	-	-	-7 292	7 292	**0**
Closing balance (current year)	**130 100**	**1 013 559**	**205 120**	**1 227 011**	**430 179**	**57 462**	**258 248**	**14 248**	**3 335 927**

2 quarters 2004
the period from 01 Jan 2004 to 30 Jun 2004

	Issued capital	Supplementary capital	Revaluation reserves	Reserve capital	General bank risk fund	Result of previous year	Net result of current year	Minority interest	TOTAL
Closing balance (last year)	**130 100**	**998 185**	**22 447**	**1 159 779**	**381 852**	**16 449**	**0**	**-4 511**	**2 704 301**
- changes in adopted accounting principles	-	-	52 169	-	-	-51 620	-	19 023	**19 572**
Opening balance (current year)	**130 100**	**998 185**	**74 616**	**1 159 779**	**381 852**	**-35 171**	**0**	**14 512**	**2 723 873**
- valuation of assets available for sale	-	-	-4 767	-	-	-	-	-	**-4 767**
- liquidation or sale of fixed assets	-	269	-269	-	-	-	-	-	**0**
- hedge accounting	-	-	1 531	-	-	-	-	-	**1 531**
- covering of prior period losses	-	-	-	-12 977	-	12 977	-	-	**0**
- profit distribution	-	3 584	-	6 497	18 327	-38 816	-	-	**-10 408**
- net result of current period	-	-	-	-	-	-	163 047	-	**163 047**
- minority participation in financial result	-	-	-	-	-	-	-4 095	4 905	**810**
Closing balance (current year)	**130 100**	**1 002 038**	**71 111**	**1 153 299**	**400 179**	**-61 010**	**158 952**	**19 417**	**2 874 086**

CONSOLIDATED CASH FLOW STATEMENT

	2 quarters 2005 the period from 01 Jan 2005 to 30 Jun 2005	2 quarters 2004 the period from 01 Jan 2004 to 30 Jun 2004
OPERATING ACTIVITIES		
Net profit (loss)	**258 248**	**158 952**
Adjustments	**-1 777 480**	**632 069**
- Minority shareholders' profit (loss)	7 292	4 905
- Participation in net profit (loss) of subordinated entities valuated on equity basis	-10 369	-5 449
- Unrealised foreign exchange gains (losses)	-729	-4 472
- Depreciation	62 759	63 734
- Change in provisions	45 279	30 161
- Profit or loss on investment activity	6 033	-349
- Change in financial assets held for trading	-2 010 912	1 012 285
- Change in available-for-sale financial assets	-2 279 986	90 159
- change in loans and receivables	-289 895	-1 950 542
- Change in other assets	-23 832	-11 889
- Change in financial liabilities held for trading	489 667	-396 173
- Change in deposits	2 081 888	1 541 368
- financial sector	829 105	225 185
- of which: interbank deposits	657 765	448 555
- non financial sector	1 055 030	1 198 624
- budget sector	197 753	117 559
- Change in other liabilities	145 325	258 331
Cash flow from operating activities	**-1 519 232**	**791 021**
Change in tax assets / liabilities	-22 514	150 021
Net cash flow from operating activities	**-1 541 746**	**941 042**
INVESTING ACTIVITIES		
- Acquisition of tangible assets	-42 571	-38 587
- Sale of tangible assets	47	2 603
- Acquisition of intangible assets	-12 292	-4 973
- Sale of intangible assets	-	-
- Acquisition of investments in subordinated entities	-	-
- Sale of investments in subordinated entities	-	-
- Acquisition of non-current assets or liabilities held for sale	-	-
- Sale of non-current assets or liabilities held for sale	5 816	-
- Other cash payments related to investing activities	-	-
- Other cash receipts related to investing activities	-	4 985
Net cash flow from investing activities	**-49 000**	**-35 972**
FINANCING ACTIVITIES		
- Dividends paid	-	-
- Other cash payments related to financing activities	-16 826	-19 617
- Other cash receipts related to financing activities	-	-
Net cash flow from financing activities	**-16 826**	**-19 617**
Effect of exchange rate changes on cash and cash equivalents	***159 582***	***-9 746***
Net increase in cash and cash equivalents	**-1 607 572**	**885 453**
Cash and cash equivalents at the beginning of the perioc	**5 404 252**	**4 766 281**
Cash and cash equivalents at the end of the perioc	**3 796 680**	**5 651 734**
Components of cash and cash equivalents:		
- Cash on hand	346 313	303 180
- Coupons	1 540	1 678
- Bank cheques	326	680
- Traveller's cheque	56	123
- Current account in the Central Bank	714 758	215 468
- Current accounts in other banks	2 733 687	5 130 605
Total cash and cash equivalents at the end of the perioc	**3 796 680**	**5 651 734**
of which: amount of cash and cash equivalents held by the Bank, but not available for use by group	*993 136*	*800 343*

5. Supplementary Data under IAS 34

5.1 Supplementary Data to Balance Sheet Items

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

Generic structure	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
financial sector	**10 207 875**	**12 676 617**	**11 384 154**	**11 624 389**	**10 670 939**
nostro accounts	209 537	164 041	257 655	192 792	145 468
interbank deposits	8 851 648	11 671 682	10 403 669	10 664 407	9 631 393
other receivables from financial institutions	1 129 182	826 979	708 330	754 250	874 831
interest accrued	17 508	13 915	14 500	12 940	19 247
non-financial sector	**10 175 138**	**10 394 487**	**10 680 957**	**12 566 154**	**12 743 680**
corporates	6 908 451	7 130 042	7 056 864	8 509 866	8 736 175
in current account	2 435 272	2 460 410	2 107 167	2 206 634	2 056 494
term loans	4 473 179	4 669 632	4 949 697	6 303 232	6 679 681
households	3 206 290	3 180 710	3 385 312	3 730 374	3 735 038
in current account	985 292	980 843	977 465	1 022 973	996 422
term loans	2 220 998	2 199 867	2 407 847	2 707 401	2 738 616
interest accrued	46 208	64 157	225 015	262 635	257 979
other receivables	14 189	19 578	13 766	63 279	14 488
budget sector	**364 119**	**380 870**	**389 500**	**413 283**	**437 245**
in current account	6 426	5 178	233	11 498	2 540
term loans	354 749	373 168	386 163	398 288	429 986
interest accrued	2 944	2 524	3 104	3 497	4 571
other	0	0	0	0	148
loan loss impairment	-837 685	-882 488	-795 285	-1 113 201	-1 084 553
TOTAL	**19 909 447**	**22 569 486**	**21 659 326**	**23 490 625**	**22 767 311**

Structure per currency	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
in PLN	10 675 847	10 379 729	10 574 467	11 268 213	11 247 699
in foireign currencies converted into PLN	10 071 285	13 072 245	11 880 144	13 335 613	12 604 165

Structure of loan impairment losses	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
Loan loss imapirment	743 657	758 610	795 285	1 113 201	1 084 553
IBNR	94 028	123 878	222 594*)	222 594*)	222 594*)

**) presented as general risk reserve*

Movement in loan impairment / specific provisions

	Loan impairment	IBNR	Provision for off-balance sheet liabilities incl. IBNR	Provisions	Provision for off-balance sheet liabilities	Provision for general risk
	30 Jun 2005			31 Dec 2004		
Balance of the beginning of the period	**1 017 879**	**0**	**17 443**	**1 049 472**	**34 720**	**204 267**
Transfer of deferred income	52 272	0	0	0	0	0
Change in opening balance according to IFRS/IAS	-298 813	109 643	46 387	0	0	0
As at 01.01.2005	**771 338**	**109 643**	**63 830**	**1 049 472**	**34 720**	**204 267**
Increases/decreases	-27 681	-15 615	-5 127	124 520	-17 311	18 327
Impairment/Provision transfer	0	0	0	26 597	34	0
Sale of subsidiary undertaking	0	0	0	-21 190	0	0
Receivables written-off	0	0	0	-37 807	0	0
Reversals	0	0	0	64 360	0	0
Impairment/Provision transfer to off-balance	0	0	0	-410 667	0	0
Balance at the end of the period	**743 657**	**94 028**	**58 703**	**795 285**	**17 443**	**222 594**

- Financial liabilities measured using the depreciated cost

Generic structures	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
Deposits					
financial sector	**3 893 723**	**3 597 287**	**3 082 173**	**2 820 328**	**3 354 426**
banks	2 718 291	2 648 960	2 015 915	1 897 102	1 938 408
current account	151 751	151 170	107 140	89 161	196 562
interbank deposits	2 566 540	2 497 790	1 908 775	1 807 941	1 741 846
other financial institutions	1 166 115	934 426	1 042 936	910 007	1 404 426
current account	697 950	505 382	422 343	571 966	432 714
term accounts	468 165	429 044	620 593	338 041	971 712
interest accrued	9 317	13 901	23 322	13 219	11 592
non-financial sector	**25 302 460**	**24 606 659**	**24 247 430**	**20 167 627**	**19 172 136**
corporates	7 252 265	8 158 065	9 076 223	7 444 780	6 275 315
current account	4 015 985	5 593 829	4 577 224	3 949 932	3 571 143
term accounts	3 236 280	2 564 236	4 498 999	3 494 848	2 704 172
households	17 953 355	16 362 497	15 100 955	12 680 612	12 854 004
current accounts	2 176 450	2 229 313	2 184 629	2 477 015	2 363 187
savings accounts	10 790 965	8 109 052	5 924 203	5 159 164	5 238 466
term deposits	4 985 940	6 024 132	6 992 123	5 044 433	5 252 351
interest accrued	96 840	86 097	70 252	42 235	42 817
budget sector	**1 393 993**	**1 341 276**	**1 196 240**	**1 174 480**	**1 159 364**
current account	694 776	736 817	828 779	675 503	625 501
term accounts	697 629	603 191	366 319	497 363	532 529
interest accrued	1 588	1 268	1 142	1 614	1 334
Other liabilities	**951 504**	**926 981**	**1 031 770**	**1 347 155**	**1 293 496**
TOTAL	**31 541 680**	**30 472 203**	**29 557 613**	**25 509 590**	**24 979 422**

Structure per currency	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
in PLN	26 959 091	25 432 225	24 726 190	21 175 200	20 921 828
in foireign currencies converted into PLN	4 582 589	5 039 978	4 831 423	4 334 390	4 057 594

5.2 Seasonality or Cyclicity of Activity

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

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

On 1 February 2005, while performing the obligations deriving from the Co-operation Agreement between ING Bank Śląski and Finplus, ING Bank Śląski transferred the portfolio of receivables for the benefit of Sygma Banque. The said portfolio was created as a result of a long-term co-operation with the Finplus Company that was selling *private label* payment cards. The portfolio was owned by Finplus, the Bank was only its administrator. Consequently, the amounts due from individuals were reduced with the amount of PLN 148,530 thousand. This operation does not significantly affect the financial result of the Bank.

5.4 Type and Amounts of Changes to Estimated Amounts that Were Listed in Previous Interim Periods of the Current Accounting Year or Changes to the Estimates Listed in Previous Accounting Years, if They Are of Significant Impact on the Current Interim Period

Apart from the estimates due to impairment losses, described in detail in item II.4, no other changes occurred.

5.5 Issues, Redemption or Repayments of Debt and Equities

Did not occur.

5.6 Dividends Paid

On 9 June 2005, the General Shareholders Meeting approved the payment of dividend for the year 2004 in the amount of PLN 20.50 gross per 1 share which represents PLN 266,705,000. The dividend was disbursed on 11 July 2005.

5.7 Significant Developments after the Closing of the Interim Period

Did not occur

5.8 Changes to the Business Entity / Capital Group Structure

In the first half of 2005, the composition of the Capital Group was not changed.

5.9 Changes to Contingent Liabilities or Assets that Occurred after 31.12.2004

A decrease of PLN 3,021.9 million in the status of contingent liabilities extended as per 30.06.2005 versus 31.12.2004 is in major part the result of the decrease of the deposit position in inter-banking transactions. A decrease of PLN 1,141.2 million in received contingent liabilities is, in turn, mainly the consequence of a drop in received guarantees to secure credit receivables.

5.10 Acquisition or Sale of a Component of Tangible Fixed Assets (Sale of Real Estates)

In 1H2005, the real estate of the Bank located in Cracow at Św. Tomasz Street was sold on an arm's length basis. Consequently, the Bank generated the income of PLN 3.7 million.

5.11 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.

Change to the provisioning level due to disputable claims was presented below:

In PLN million

	30.06.2005	31.03.2005	31.12.2004
Status at the period beginning:	**18.0**	**28.0**	**12.1**
Establishment of provisions as costs	9.8	0.5	27.9
Booking moves	0.0	-3.4	
Release of provisions as income	-0.2		
Provision utilisation due to dispute lost or composition agreement concluded	-0.2	-7.1	-12.2
Status as at the period end	**27.4**	**18.0**	**28.0**

5.12 Transactions with Related Entities

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

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

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 and also operations in derivatives: Forex Spot and Forex Forward, FX options and SWAP transactions. They are all performed on the arm's length basis.

There were also other transactions between the related 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 fixed assets and intangible assets as well as car fleet leasing and management.

In the period 1.01.2005 – 30.06.2005 the following transactions were made of the total value exceeding EURO 500,000:

- Under the agreement concluded on 1 February 2005 as to settlement of the costs of improvements between: Centrum Banku Śląskiego Sp. z o.o., ING Lease (Polska) Spółka z o.o. and ING Bank Śląski S.A., in the first quarter there were made transactions repaying the liability totalling PLN 8.5 million (net). The objective of the said agreement was to settle with the building owner the costs of tenant's improvements made in the building of the Bank Head Office at 34 Sokolska St.

- Due to the agreement for lease of office premises, being the property of CBS, ING Bank Śląski paid the rent (via ING BSK Development) in the amount of PLN 9.0 million (gross) in monthly instalments**.** In addition, the Bank paid PLN 0.4 million due to conversion works.

- ING Services Polska provides services to ING Bank Śląski in regard to lease of hardware resources. The costs of service was PLN 5.3 million (gross).

- Under the Co-operation Agreement of 31 January 1997, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the fees for financial advisory services amounted to PLN 18.7 million (net). The expected amount of fees for advisory services in the year 2005 is EUR 6.75 million (or PLN 27.9 million).

- On 25 March 2005, the annex to the credit agreement was signed, as a result of which the PLN credit line for ING Lease amounts to PLN 375 million. The agreement provides for interest rate: Wibor + Bank margin.

- ING Bank Śląski made the transaction with ING Lease in regard to sub-lease of rentable premises of the total value of PLN 7.9 million (gross).

Transactions with related parties

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	2 334 135	186 714	-	225
Loans	-	336 434	411 514	49 341
Deposits taken	374 449	55 524	170 539	-
Securities	-	-	42 603	-
Other receivables	-	11 539	37	-
Other liabilities	6 438	32 303	12	-
Off-balance derivatives revaluation	-34 438	58 249	-	-
Off-balance sheet commitments and transactions				
Guarantees issued	22 249	6 583	-	-
Guarantees received	801 303	191 134	-	-
Undrawn credit lines granted	335 322	94 468	300 006	-
FX spot	2 478 065	62 618	-	-
FX forward	12 583	-	-	-
IRS/CIRS	19 400 302	1 083 520	-	-
FRA	1 469 603	-	-	-
Options	-	11 972	-	-
Income and expenses				
Income	77 478	55 021	9 199	87
Expenses	52 805	14 467	20 303	2 037

BALANCE SHEET	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
A S S E T S					
Cash and cash balances tith central banks	**1 062 987**	**942 526**	**895 324**	**521 094**	**1 265 216**
Financial assets held for trading	**6 378 142**	**4 106 011**	**4 366 463**	**4 201 043**	**3 565 068**
- debt instruments	5 245 251	3 522 798	3 551 330	3 301 740	2 768 120
- receivables subject to securities sale and repurchase agreements	850 722	344 695	344 476	447 721	338 516
- derivatives	282 169	238 518	470 657	451 582	458 432
Financial assets designated at fair value through profit and loss	**0**	**0**	**0**	**0**	**0**
Available for sale financial assets	**8 911 174**	**7 240 191**	**6 565 207**	**760 800**	**776 016**
- equity instruments	16 009	15 909	15 893	17 993	18 706
- debt instruments	8 895 165	7 224 282	6 549 314	742 807	757 310
Loans and receivables	**20 089 954**	**22 738 930**	**21 848 736**	**23 681 626**	**22 936 115**
- financial sector	10 252 367	12 711 746	11 446 900	12 038 942	11 060 468
of which: interbank deposits	8 851 648	11 671 682	10 403 669	10 664 407	9 631 393
- non financial sector	9 509 380	9 656 628	10 022 673	11 239 465	11 452 365
- budget sector	328 207	370 556	379 163	403 219	423 282
Held-to-maturity investments	**0**	**0**	**0**	**0**	**0**
Derivatives used for hedging	**0**	**0**	**0**	**0**	**0**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**0**	**0**	**0**	**0**	**0**
Tangible assets	**438 337**	**451 708**	**459 665**	**490 220**	**532 071**
property, plant and equipment, of which:	438 337	451 708	459 665	490 220	532 071
- owner occupied land and buildings	209 000	223 826	220 295	232 344	261 487
- IT equipment	63 984	59 278	54 965	49 581	53 793
- means of transport	1 639	1 984	2 550	3 508	3 732
- other equipment	163 714	166 620	181 855	204 787	213 059
investments property	-	-	-	-	-
Intangible assets	**290 754**	**288 477**	**289 828**	**293 343**	**300 174**
of which: goodwill	223 342	223 342	223 342	223 343	227 598
Investments in subsidiaries accounted for using the equity method	**140 865**	**142 192**	**140 865**	**185 815**	**218 257**
Tax assets	**239 684**	**283 924**	**273 486**	**273 455**	**442 786**
- current	25 520	65 659	62 060	46 113	228 126
- deferred	214 164	218 265	211 426	227 342	214 660
Other assets	**179 087**	**154 696**	**134 956**	**95 575**	**59 628**
- interperiod settlements	62 033	53 716	42 779	44 131	35 395
- sundry debtor	116 774	100 304	91 608	51 138	23 937
- other	280	676	569	306	296
Non-current assets held for sale	**2 657**	**2 796**	**8 614**	**509**	**556**
T o t a l a s s e t s	**37 733 641**	**36 351 451**	**34 983 144**	**30 503 480**	**30 095 887**

L I A B I L I T I E S   A N D   E Q U I T Y

LIABILITIES					
Deposits form central banks	**0**	**0**	**0**	**0**	**0**
Financial liabilities held for trading	**1 747 001**	**1 612 223**	**1 257 334**	**947 777**	**1 142 989**
- derivatives	564 726	404 368	209 795	224 925	220 042
- liabilities in respect of securities subject to sale and repurchase agreements	1 182 275	1 207 855	1 047 539	722 852	922 947
Other financial liabilities designated at fair value through profit and loss	**0**	**0**	**0**	**0**	**0**
Financial liabilities measured at amortised cost	**31 577 523**	**30 509 515**	**29 603 539**	**25 542 639**	**24 991 712**
deposits	30 626 617	29 582 869	28 605 099	24 214 143	23 720 182
- financial sector	4 019 788	3 750 444	3 229 329	3 045 309	3 448 631
of which: interbank deposits	2 584 840	2 517 160	1 927 775	1 825 861	1 762 656
- non financial sector	25 212 836	24 491 149	24 179 530	19 994 354	19 112 187
- budget sector	1 393 993	1 341 276	1 196 240	1 174 480	1 159 364
- other liabilities	950 906	926 646	998 440	1 328 496	1 271 530
Financial liabilities associated to transferred assets	**0**	**0**	**0**	**0**	**0**
Derivatives used for hedging	**0**	**0**	**0**	**0**	**0**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**0**	**0**	**0**	**0**	**0**
Provisions	**172 765**	**160 184**	**350 489**	**301 232**	**345 196**
- pending legal issues	27 381	18 041	27 963	13 742	13 013
- pensions and other post retirement benefit obligations	52 119	48 691	48 276	40 123	44 200
- off-balance sheet commitments	58 703	63 826	17 446	38 545	37 228
- other	34 562	29 626	256 804	208 822	250 755
Tax liabilities	**81 561**	**81 525**	**129 911**	**84 682**	**73 534**
- current	-	-	-	-	-
- deferred	81 561	81 525	129 911	84 682	73 534
Other liabilities	**905 936**	**683 477**	**569 980**	**820 039**	**773 543**
- employees settlements	27 372	28 843	24 814	28 836	30 313
- lease commitments	32 304	44 466	48 865	59 453	64 418
- interperiod settlements	59 712	57 496	219 098	258 153	241 307
- sundry creditor	786 453	542 910	271 762	473 558	437 467
- other	95	9 762	5 441	39	38
Share capital payable on demand	**0**	**0**	**0**	**0**	**0**
Liabilities classified as held for sale	**0**	**0**	**0**	**0**	**0**
L i a b i l i t i e s t o t a l	**34 484 786**	**33 046 924**	**31 911 253**	**27 696 369**	**27 326 974**
EQUITY					
Issued capital	**130 100**	**130 100**	**130 100**	**130 100**	**130 100**
Supplementary capital	**1 004 334**	**1 003 152**	**1 003 152**	**1 002 561**	**1 002 292**
Revaluation reserves	**185 729**	**150 912**	**116 520**	**42 366**	**22 703**
- fair value revaluation reserve on available for sale financial assets	165 401	98 519	64 127	-10 618	-6 917
- tangible assets revaluation reserve	51 516	52 393	52 393	52 984	29 620
- other	-31 188	-	-	-	-
Other capital reserve	**1 665 205**	**1 902 201**	**1 489 841**	**1 489 843**	**1 553 973**
- reserve capital	1 206 477	1 136 927	1 136 927	1 136 927	1 149 895
- general bank risk fund	430 152	400 152	400 152	400 152	381 825
- result of previous year	28 576	365 122	-47 238	-47 236	22 253
Net result of current year	**263 487**	**118 162**	**332 278**	**142 241**	**59 845**
E q u i t y t o t a l	**3 248 855**	**3 304 527**	**3 071 891**	**2 807 111**	**2 768 913**
L i a b i l i t i e s a n d e q u i t y t o t a l	**37 733 641**	**36 351 451**	**34 983 144**	**30 503 480**	**30 095 887**
Solvency ratio	**17,00%**	**13,70%**	**15,24%**	**14,36%**	**14,49%**
Net book value	**3 248 855**	**3 304 527**	**3 071 891**	**2 807 111**	**2 768 913**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (in PLN)	**249,72**	**254,00**	**236,12**	**215,77**	**212,83**
Assumed number of shares	-	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-	-

OFF-BALANCE SHEET ITEMS	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Jun 2004	31 Mar 2004
Contingent liabilities granted and received	**19 437 524**	**27 382 871**	**23 585 766**	**20 564 188**	**19 159 698**
Contingent liabilities granted	8 496 670	16 835 508	11 503 688	8 097 742	6 669 284
lending commitments	7 427 902	15 897 843	10 521 480	6 897 574	5 606 558
- financial sector	1 029 778	10 623 231	5 166 721	1 782 229	629 114
- non-financial sector	6 332 743	5 208 772	5 300 162	5 074 756	4 928 983
- bugdet sector	65 381	65 840	54 597	40 589	48 461
guarantees	1 068 768	937 665	982 208	1 200 168	1 062 726
- financial sector	32 532	33 405	35 614	10 522	26 253
- non-financial sector	1 014 291	881 320	922 835	1 164 135	1 010 327
- bugdet sector	21 945	22 940	23 759	25 511	26 146
Contingent liabilities received	10 940 854	10 547 363	12 082 078	12 466 446	12 490 414
lending commitments	319 842	466 831	207 220	60 993	155 007
- financial sector	251 993	408 483	202 493	59 954	63 556
- non-financial sector	67 849	58 348	4 727	1 039	91 451
- bugdet sector	0	0	0	0	0
guarantees	10 621 012	10 080 532	11 874 858	12 405 453	12 335 407
- financial sector	555 962	999 485	1 167 395	1 520 446	1 517 987
- non-financial sector	7 268 586	7 411 725	8 736 268	8 854 226	8 785 226
- bugdet sector	2 796 464	1 669 322	1 971 195	2 030 781	2 032 194
Commitments resulting from sale/purchase transactions	**61 045 387**	**74 428 735**	**59 158 291**	**65 956 141**	**62 304 148**
Other, including	**50 814 134**	**44 503 685**	**32 276 656**	**63 018 253**	**79 351 066**
- liabilities due to transactions on FRA	44 344 603	38 133 000	27 226 000	57 446 990	73 211 691
- liabilities due to transactions on options	3 119 445	4 859 177	4 681 743	5 011 201	5 612 435
- liabilities due to transactions on securities	3 350 086	1 511 508	368 913	560 062	526 940
Off-balance total	**131 297 045**	**146 315 291**	**115 020 713**	**149 538 582**	**160 814 912**

PROFIT AND LOSS ACCOUNT	II quarter 2005 the period from 01 Apr 2005 to 30 Jun 2005	2 quarters 2005 the period from 01 Jan 2005 to 30 Jun 2005	II quarter 2004 the period from 01 Apr 2004 to 30 Jun 2004	2 quarters 2004 the period from 01 Jan 2004 to 30 Jun 2004
Interest income	528 082	1 044 324	384 268	745 380
Interest result	303 837	620 254	182 243	346 800
Interest result	**224 245**	**424 070**	**202 025**	**398 580**
Dividend income	**41 506**	**41 506**	**4 985**	**4 985**
Fees and commission income	132 601	253 285	139 612	274 571
Fees and commission expense	12 958	26 588	19 542	38 869
Fees and commission result	**119 643**	**226 697**	**120 070**	**235 702**
Realised gains and losses on financial assets & liabilities not measured at fair value through profit and loss	**0**	**0**	**-6**	**949**
Gains and losses on financial assets and liabilities held for trading	**14 777**	**65 220**	**-1 281**	**22 280**
Fair value adjustments in hedge accounting	**-4 125**	**0**	**0**	**0**
Exchange rate differences	**50 949**	**84 512**	**77 701**	**114 965**
Result on banking activity	**446 995**	**842 005**	**403 494**	**777 461**
Other operating income	-4 995	7 748	1 766	8 014
Other operating expenses	12 476	17 311	4 522	9 044
Result on other operating income and expenses	**-17 471**	**-9 563**	**-2 756**	**-1 030**
General expenses	**236 728**	**477 445**	**226 829**	**436 687**
Staff expenses	126 107	254 039	109 175	221 337
- salaries	104 502	209 984	90 706	183 564
- social securities and other employee benefits	21 605	44 055	18 469	37 773
General and administrative expenses	110 621	223 406	117 654	215 350
Depreciation	**28 153**	**56 444**	**29 241**	**58 131**
- depreciation of tangible fixed assets	21 753	43 787	23 720	48 435
- depreciation of intangible assets	6 400	12 657	5 521	9 696
Gains on disposals of assets other than held for sale	454	454	2 603	2 603
Losses on disposals of assets other than held for sale	300	300	2 206	2 206
Result on disposals of assets other than held for sale	**154**	**154**	**397**	**397**
Provisions	**2 904**	**4 345**	**1 067**	**4 094**
Impairment	**-15 702**	**-28 353**	**54 485**	**124 088**
Impairment losses on financial assets not measured at fair value through profit and loss	-18 104	-31 604	52 088	123 625
- available for sale financial assets	0	-15	5	-282
- loans and receivables measured at amortised cost, including finance lease	-18 104	-31 589	52 083	123 907
Impairment on	2 402	3 251	2 397	463
- tangible fixed assets	-9	1	1	215
- investment property	812	325	0	0
- investments in associates and joint-ventures accounted for using the equity method	0	0	-503	0
- other assets	1 599	2 925	2 899	248
Result form non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations	**-179**	**3 685**	**-1 047**	**-337**
Net result before tax	**177 416**	**326 400**	**88 466**	**153 491**
Income tax	**32 091**	**62 913**	**-3 040**	**11 250**
current	38 535	135 490	11 031	14 879
deferred	-6 444	-72 577	-14 071	-3 629
Net result	**145 325**	**263 487**	**91 506**	**142 241**
Net profit (for 12 months)	-	**516 012**	-	**161 250**
Weighted average number of ordinary shares	-	**13 010 000**	-	**13 010 000**
Net profit (loss) per ordinary share (PLN)	-	**39,66**	-	**12,39**
Weighted average anticipated number of ordinary shares	-	-	-	-
Diluted profit (loss) per ordinary share (PLN)	-	-	-	-

MOVEMENTS IN OWN EQUITY	2 quarters 2005 the period from 01 Jan 2005 to 30 Jun 2005	2 quarters 2004 the period from 01 Jan 2004 to 30 Jun 2004
EQUITY COMPONENTS		
Issued capital	**130 100**	**130 100**
Unpaid capital which has been called up	-	-
Other capital instruments	-	-
of which: component of compound financial instruments	-	-
Supplementary capital	**1 004 334**	**1 002 561**
of which: share premium	-	-
Revaluation reserves	**185 729**	**42 366**
- fair value revaluation reserve on available for sale financial assets	165 401	-10 618
- cash flow hedges reserve	-	-
- foreign currency translation reserve	-	-
- hedge of net investments in foreign operations reserve	-	-
- intangible assets revaluation reserve	-	-
- tangible assets revaluation reserve	51 516	52 984
- relating to non-current assets or disposal groups held for sale	-	-
- other	-31 188	-
Other capital reserve	**1 665 205**	**1 489 843**
- reserve capital	1 206 477	1 136 927
- general bank risk fund	430 152	400 152
- result of previous year	28 576	-47 236
Own shares	-	-
Net result of current year	**263 487**	**142 241**
Dividends paid	-	-
Minority interest	**0**	**0**
E q u i t y t o t a l	**3 248 855**	**2 807 111**

SOURCES OF EQUITY CHANGES

2 quarters 2005
the period from 01 Jan 2005 to 30 Jun 2005

	Issued capital	Supplementary capital	Revaluation reserves	Reserve capital	General bank risk fund	Result of previous year	Net result of current year	TOTAL
Closing balance (last year)	**130 100**	**1 003 152**	**116 520**	**1 136 927**	**400 152**	**285 040**	**0**	**3 071 891**
- changes in adopted accounting principles	-	-	3 865	-	-	109 791	-	**113 656**
Opening balance (current year)	**130 100**	**1 003 152**	**120 385**	**1 136 927**	**400 152**	**394 831**	**0**	**3 185 547**
- valuation of assets available for sale	-	-	66 221	-	-	-	-	**66 221**
- liquidation or sale of fixed assets	-	1 182	-1 182	-	-	-	-	**0**
- revaluation of tangible assets	-	-	305	-	-	-	-	**305**
- profit distribution	-	-	-	69 550	30 000	-366 255	-	**-266 705**
- net result of current period	-	-	-	-	-	-	263 487	**263 487**
Closing balance (current year)	**130 100**	**1 004 334**	**185 729**	**1 206 477**	**430 152**	**28 576**	**263 487**	**3 248 855**

2 quarters 2004
the period from 01 Jan 2004 to 30 Jun 2004

	Issued capital	Supplementary capital	Revaluation reserves	Reserve capital	General bank risk fund	Result of previous year	Net result of current year	TOTAL
Closing balance (last year)	**130 100**	**1 002 292**	**22 447**	**1 149 895**	**381 825**	**22 253**	**0**	**2 708 812**
- changes in adopted accounting principles	-	-	23 313	-	-	-53 722	-	**-30 409**
Opening balance (current year)	**130 100**	**1 002 292**	**45 760**	**1 149 895**	**381 825**	**-31 469**	**0**	**2 678 403**
- valuation of assets available for sale	-	-	-4 656	-	-	-	-	**-4 656**
- liquidation or sale of fixed assets	-	269	-269	-	-	-	-	**0**
- hedge accounting	-	-	1 531	-	-	-	-	**1 531**
- covering of prior period losses	-	-	-	-12 968	-	12 968	-	**0**
- profit distribution	-	-	-	-	18 327	-28 735	-	**-10 408**
- net result of current period	-	-	-	-	-	-	142 241	**142 241**
Closing balance (current year)	**130 100**	**1 002 561**	**42 366**	**1 136 927**	**400 152**	**-47 236**	**142 241**	**2 807 111**

CASH FLOW STATEMENT	2 quarters 2005 the period from 01 Jan 2005 to 30 Jun 2005	2 quarters 2004 the period from 01 Jan 2004 to 30 Jun 2004
OPERATING ACTIVITIES		
Net profit (loss)	**263 487**	**142 241**
Adjustments	**-1 793 527**	**666 703**
- Minority shareholders' profit (loss)	-	-
- Participation in net profit (loss) of subordinated entities valuated on equity basis	-	-
- Unrealised foreign exchange gains (losses)	-729	-4 472
- Depreciation	56 444	58 131
- Change in provisions	44 843	29 672
- Profit or loss on investment activity	101	-396
- Change in financial assets held for trading	-2 011 679	1 010 442
- Change in available-for-sale financial assets	-2 279 746	90 859
- change in loans and receivables	-273 312	-1 912 654
- Change in other assets	-34 026	-12 997
- Change in financial liabilities held for trading	489 667	-396 173
- Change in deposits	2 039 073	1 513 523
- financial sector	808 014	316 140
- of which: interbank deposits	657 065	336 282
- non financial sector	1 033 306	1 079 824
- budget sector	197 753	117 559
- Change in other liabilities	175 837	290 768
Cash flow from operating activities	**-1 530 040**	**808 944**
Change in tax assets / liabilities	-19 641	140 334
Net cash flow from operating activities	**-1 549 681**	**949 278**
INVESTING ACTIVITIES		
- Acquisition of tangible assets	-33 570	-26 705
- Sale of tangible assets	47	2 603
- Acquisition of intangible assets	-12 279	-4 070
- Sale of intangible assets	-	-
- Acquisition of investments in subordinated entities	-	-13 900
- Sale of investments in subordinated entities	-	-
- Acquisition of non-current assets or liabilities held for sale	-	-
- Sale of non-current assets or liabilities held for sale	5 816	-
- Other cash payments related to investing activities	-	-
- Other cash receipts related to investing activities	-	4 985
Net cash flow from investing activities	**-39 986**	**-37 087**
FINANCING ACTIVITIES		
- Dividends paid	-	-
- Other cash payments related to financing activities	-16 826	-19 617
- Other cash receipts related to financing activities	-	-
Net cash flow from financing activities	**-16 826**	**-19 617**
Effect of exchange rate changes on cash and cash equivalents	***159 582***	***-9 746***
Net increase in cash and cash equivalents	**-1 606 493**	**892 574**
Cash and cash equivalents at the beginning of the period	**5 387 362**	**4 755 946**
Cash and cash equivalents at the end of the period	**3 780 869**	**5 648 520**
Components of cash and cash equivalents:		
- Cash on hand	346 307	303 145
- Coupons	1 540	1 678
- Bank cheques	326	680
- Traveller's cheque	56	123
- Current account in the Central Bank	714 758	215 468
- Current accounts in other banks	2 717 882	5 127 426
Total cash and cash equivalents at the end of the period	**3 780 869**	**5 648 520**
of which: amount of cash and cash equivalents held by the Bank, but not available for use by group	*993 136*	*800 343*

VII. Additional information that is required under the Ordinance of the Council of Ministers of 21 March 2005 on current and periodic information submitted by securities issuers and that has not been discussed elsewhere

1. Indication of shareholders holding directly or indirectly > 5% of total number of votes at GSM (para. 98 section 6 item 3)

As at the date of submission of the report for the 2nd quarter of 2005, 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 Open Pension Fund BPH CU WBK	700,000	5.38

2. Specification of changes in shares held by senior executives (para. 98 sec. 6 item 4)

The Members of the Bank Management Board and the Bank Supervisory Board do not hold any shares of ING Bank Śląski S.A. As at the date of disclosing the report for the 1st quarter of 2005, the Members of the Supervisory Board and Management Board were not in the possession of any shares of ING Bank Śląski S.A.

3. Information on proceedings before court of the value > 10% of equity or jointly > 10% of equity (para. 98 sec. 6 item 5)

In 2Q 2005, 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.

4. Information on extending sureties to a loan, cash loan or a guarantee of the value > 10% of equity (para. 98 sec. 6 item 7)

On 25 March 2005, an annex was signed to the credit agreement with ING Lease (Poland) Sp. z o.o. As a result thereof, the PLN credit line amounts to PLN 375,000,000. The tenor is until 17/10/2005 with the option of roll-over for one more year. The interest rate is Wibor + Bank margin. ING Lease (Polska) Sp. z o.o. is a member of the ING Group.