

**Interim Financial Reporting
of ING Bank Śląski Group
for the first quarter 2006**

ING 

ING  BANK ŚLĄSKI

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I. Basic Details of Issuer

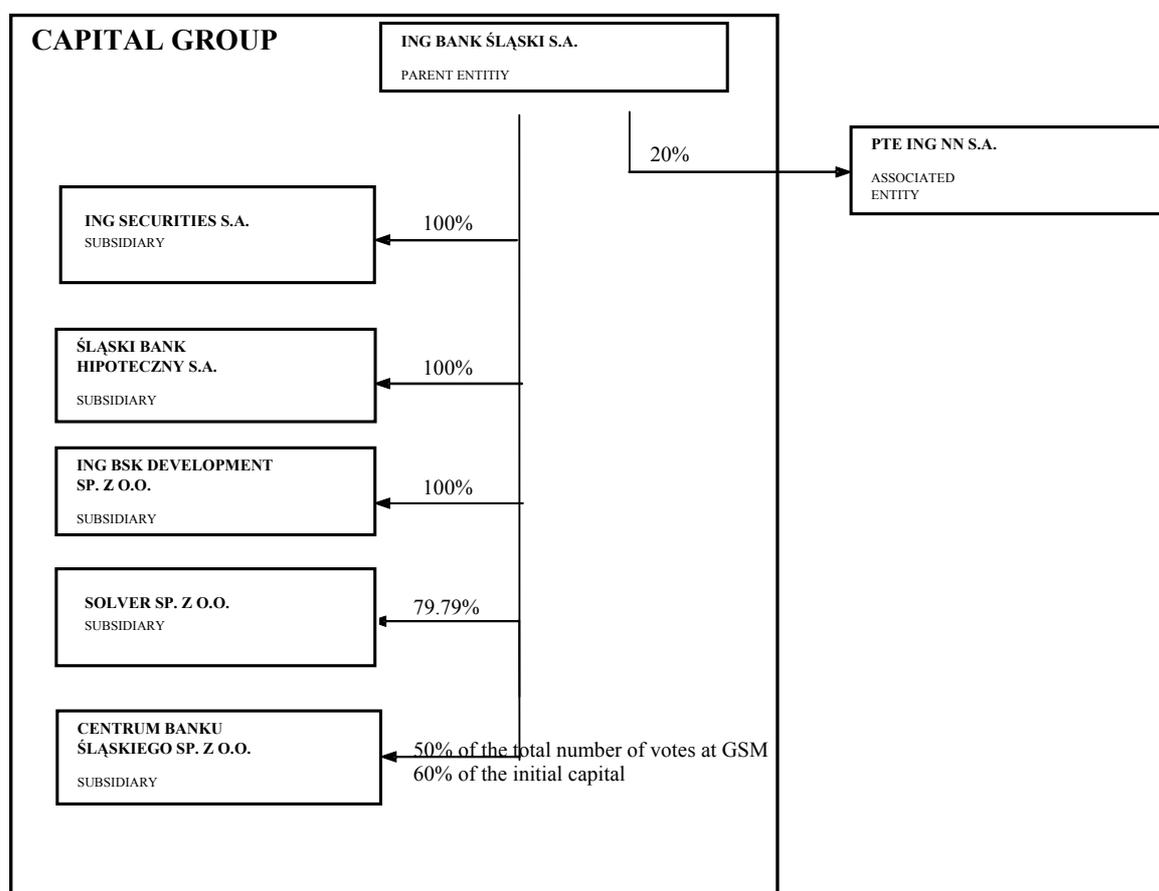
1. Informational Details of the Bank and Its Capital Group

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 09 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 shares 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.



2. Compliance with International Financial Reporting Standards

These financial statements have been prepared under the International Financial Reporting Standards (IFRS) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2006; and the information not covered in those standards has been prepared

in accordance with the Accounting Act of 29 September 1994 (Journal of Laws no.2002/76, item 694 as amended) and secondary legislation thereto, as well as in accordance with the Ordinance of Finance Minister of 19 October 2005 on current and interim information submitted by issuers of securities (Journal of Laws of 2005, no. 209, item 1744). The consolidated balance sheet and the profit and loss account as at 31.03.2006 including comparable financial data, have been executed upon the application of the same accounting principles for each period.

These financial statements for 1Q 2006 meet the requirements of International Financial Reporting Standards (IFRS), including IAS 34 (International Accounting Standards) in regard to interim financial statements. This is the condensed version of the statements.

The accounting principles applied for these financial statements are the same principles that would be used when preparing the full-year financial statements for 2005. The accounting principles were presented in detail in the annual report for 2005.

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

3. Selected Financial Data from Financial Statements

Item	PLN thousands		EUR thousands	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
Interest income	474 120	459 637	123 289	114 471
Commission revenue	163 262	145 326	42 454	36 193
Result on banking activity	441 499	423 555	114 806	105 485
Gross profit (loss)	199 040	173 396	51 758	43 184
Net profit (loss)	162 355	135 662	42 218	33 786
Net cashflow	- 201 565	4 787 308	-52 414	1 192 267
Earnings (loss) per 1 ordinary share (in PLN/EUR)	12,48	10,43	3,25	2,60
Profitability ratio (%)	34,3	28,3	X	X
Return on assets (%)	1,5	1,5	X	X
Return on equity (%)	18,2	16,8	X	X
Cost / Income ratio (%)	66,5	64,3	X	X
Total assets	43 398 513	36 906 236	11 026 885	9 037 450
Equity	3 724 941	3 357 990	946 449	822 291
Initial capital	130 100	130 100	33 056	31 858
Number of shares	13 010 000	13 010 000	x	X
Book value per 1 share (in PLN/EUR)	286,31	258,11	72,75	63,20
Solvency ratio (%)	17,39	13,85	x	X

Profitability ratio – gross profit¹ to total costs.

Cost to Income ratio (C/I) – total overhead costs to the result on banking activity.

Return on assets (ROA) – net profit to total assets.

Return on equity (ROE) – net profit to equity.

Solvency ratio – net equity to risk weighted assets and off-balance sheet liabilities.

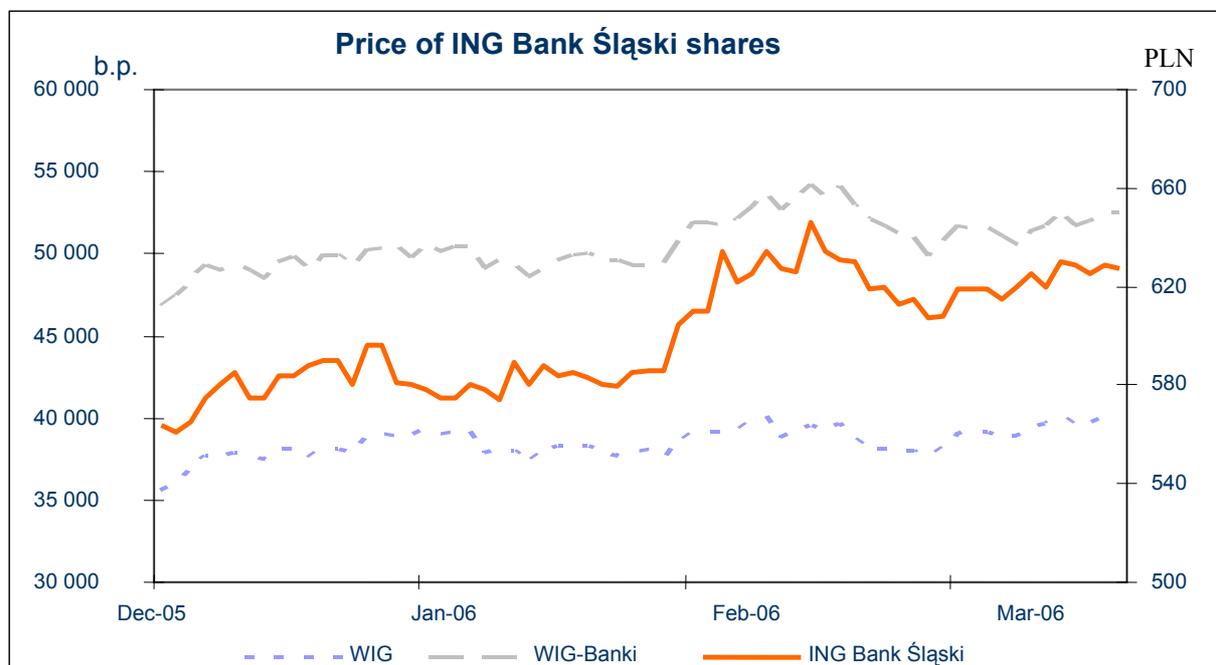
In order to determine the basic figures in EUR, the following exchange rates were applied:

- for balance-sheet items – PLN 3.9357, NBP exchange rate of 31.03.2006; 4.0837 NBP exchange rate of 31. 03.2005,
- for income statement items for 31.03.2006 – PLN 3.8456, exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q 2006; 4.0153 exchange rate

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

calculated as the average of NBP exchange rates as at the last day of each month in 1Q 2005.

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



II. Commentary on Activity of the Capital Group of ING Bank Śląski in First Quarter of 2006

1. Economic Situation in First Quarter of 2006, Including Factors That May Affect Operations in the Quarters to Come

In 1Q 2006, significant strengthening of the growing tendencies was observed in Polish economy. Good results in the field of production, retail sale and foreign trading were accompanied by desirable changes on the labour market and decreasing inflation.

In March 2006, sold industrial output went up by 16.4% from the same period last year. This has been the highest level since the middle of 2004; i.e. the time of the production boom prior to the accession of Poland to the European Union. As at the end of 1Q this year, the growth of output was observed in 28 of 29 industrial segments. The highest increase took place as regards the production of radio, television and telecommunication hardware and equipment, metals, motor vehicles, trailers and semi-trailers as well as machines and equipment. In the period from January to March this year, the sold industrial output was higher by 12.4% than the same period last year. Construction industry had also very good results, where output went up by 15.5% from March 2005. The construction and assembly output executed in the period from January to March this year increased by 4.5% from the same period last year.

A high dynamics of retail sale (up by 9.4%) and increase of investment expenditure of the corporates accompanied positive tendencies in respect of output. Good results were also observed in foreign trade where international commodity turnover went up, mostly on the part of export. As the effect of the said tendencies, the economic growth rate accelerated. It is estimated that the growth of GDP in 1Q 2006 will be approximately 5% as compared to 2.1% in the same period last year. It is foreseen that the mentioned growth will be based on growing domestic demand, especially on revival of investment

expenditure. Such an alteration of the GDP structure is very beneficial, because it gives more stable fundamentals for further development of the Polish economy.

The acceleration of the economic growth rate was reflected in the increase of work places. As at the end of March 2006, the number of the unemployed totalled 2,822,000, down by 7.6% from a year earlier. As a result, unemployment went down to 17.8% (compared with 19.2% a year earlier). Improvement on the labour market was accompanied with the increase of salaries as well as old-age and disability pensions. In 1Q 2006, the average gross remuneration in the sector of enterprises was higher by 4.7% than in the same period last year. The sustained low inflation had an impact on the increase of the purchasing power of salaries as well as old-age and disability pensions.

In 1Q 2006, the inflation phenomena slowed down even more. The growth of prices of consumer goods on a yearly basis totalled 0.4%, mainly as a result of deflation of food and non-alcoholic beverages market and deceleration of the dynamics of prices connected – among others – with transport. In view of the low inflation pressure, the Monetary Policy Council cut the NBP interest rates twice in 1Q 2006. As a result, the reference rate went down from 4.5% as at the end of 2005 to 4.0% as at the end of March 2006.

In 1Q 2006, the banking sector's deposits increased. Household deposits went up by 1.8% from the 2005 year-end, and the corporate deposits remained on the same level as in December 2005.

The credit receivables of the banking sector grew due to the expansion of lending to households and corporates. The credit receivables from households went up by 4.6% over 1Q 2006. The housing loans were the growth driver. Credit receivables from corporate clients also went up by 3.3% from December 2005.

In regard to the FX-market, 1Q 2006 witnessed a visible depreciation of the Polish Zloty due to a political uncertainty in Poland and changing conditions on the global markets. As a result, at the end of March 2006, the PLN/EUR exchange rate was 3.9357 compared with 3.8598 as at 31.12.2005.

The economic growth rate in Poland and 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

ING BANK ŚLĄSKI PROFIT AND LOSS ACCOUNT (analytical layout, consolidated)

PLN million	3M 2005	12M 2005	3M 2006	3M 2006 / 3M 2005	
Retail banking	197,2	805,9	225,4	28,1	114,3%
Cash Management-Lending and settlements	191,9	773,0	219,0	27,1	114,1%
Income on Pension Funds shares	4,0	26,7	4,5	0,6	114,4%
FM products sales	1,4	6,2	1,9	0,5	133,6%
Corporate banking	151,3	579,8	141,4	-9,9	93,5%
Cash Management-Lending and settlements	103,7	416,9	95,3	-8,4	91,9%
FM products sales	34,8	123,1	35,6	0,9	102,4%
Equity Markets	12,8	39,8	10,5	-2,3	81,7%
Own operations	80,8	305,5	81,1	0,3	100,3%
Proprietary trading	38,1	106,4	41,5	3,5	109,1%
ALCO	42,8	199,1	39,5	-3,2	92,5%
Income total	429,3	1 691,2	447,8	18,5	104,3%
Operational expenses, including:	276,1	1 120,3	297,7	21,6	107,8%
Personnel costs	133,6	516,6	139,8	6,2	104,6%
Headcount restructuring cost	0,0	11,3	0,0	0,0	x
Marketing costs	10,7	54,9	11,8	1,2	110,9%
Depreciation	31,4	128,3	36,6	5,2	116,6%
Other expenses	100,4	398,4	109,4	9,0	109,0%
Other operational costs	0,0	10,9	0,0	0,0	x
Result before risk costs	153,2	570,9	150,1	-3,1	98,0%
Risk costs	16,7	118,0	47,5	30,8	284,2%
Result before tax	169,9	688,9	197,6	27,7	116,3%
CIT	-32,5	-136,1	-35,0	-2,5	107,8%
Result after tax	137,5	552,8	162,6	25,2	118,3%
Tax adjustment (FPU Act)	-1,8	-3,3	-0,3	1,5	15,1%
Result after tax adjusted	135,7	549,5	162,4	26,7	119,7%

The result on banking activity at the end of March 2006 was PLN 447.8 million, up by PLN 18.5 million; i.e. 4.3%, from the same period last year.

Income of retail banking generated at the end of March 2006 totalled PLN 225.4 million, up by PLN 28.1 million, or 14.3%, from the same period last year. Compared with March 2005 the volume of deposits of individual clients went up considerably, while the total retail loan portfolio went down. In consequence, the result on Cash Management-Lending and settlements was up by PLN 27.1 million on a year-to-year basis. 1Q 2006 also saw higher income on shares in the Pension Fund Company (PTE) (income on valuation less costs of financing) and on sales of Financial Markets products to the clients from the retail segment.

Income of the wholesale banking segment generated at the end of March 2006 amounted to PLN 141.4 million, down by PLN 9.9 million, or 6.5%, from the same period last year. In 1Q 2006, a slight increase of income on sale of FM products to this segment was observed, whereas income on Cash Management-Lending and settlements of wholesale banking and income on capital markets went down. Lending to corporates grew from March 2005, whereas there was a drop of deposit volume. Market pressure resulted in the decrease of margin taken, which was reflected in the drop of income on core activity as regards wholesale banking.

Income generated from proprietary operations as at the end of March 2006 was PLN 81.1 million, up by PLN 0.3 million, or 0.3%, on a year-earlier period. Income of financial markets as at the end of March 2006 totalled PLN 41.5 million, up by PLN 3.5 million, or 9.1%, from the same period last year. Upon including FM sales into the wholesale and retail segments, the income of financial markets as at the end of March 2006 totalled PLN 79.0 million versus PLN 74.3 million in the same

period last year. Income generated in terms of ALCO² as at the end of March 2006 totalled PLN 39.5 million, down by PLN 3.2 million, or 7.5% from the income on a year-earlier period.

Total costs of 1Q 2006 amounted to PLN 297.7 million, up by PLN 21.6 million, or 7.8%, from the same period last year.

Personnel costs at the end of March 2006 totalled PLN 139.8 million, up by PLN 6.2 million, or 4.6%, from the year-earlier period. The rise of personnel costs was caused by indexation of salaries from 2Q 2005 and higher costs of remuneration as the incentive system was correlated with the Bank's performance. The effects of the headcount restructuring, which we announced last year, are expected in the second half of the current year.

The increase of marketing costs from PLN 10.7 million as at the end of March 2005 to PLN 11.8 million as at the end of March 2006 resulted from intensification of marketing activities aimed at promoting Bank's key products, especially mortgages.

Depreciation after 1Q 2006 was PLN 36.6 million, up by PLN 5.2 million from the same period last year. The growth results from starting the depreciation of the outlays for visualisation of branches and higher costs of IT hardware depreciation in connection with its replacement in the entire branch network.

Other costs as at the end of March 2006 totalled PLN 109.4 million, up by PLN 9.0 million, or 9.0%, from a year earlier. In connection with the sale of ING Services Sp. z o.o. in November 2005 and signing the outsourcing agreement for cash stream service there was a move from other cost items to remaining costs.

The result before risk costs as at the end of March 2006 was PLN 150.1 million, down by PLN 3.1 million, or 2.0%, from a year earlier.

As at the end of March 2006, the costs of risk were positive and amounted to PLN 47.5 million, out of which PLN 47.2 million pertained to impairment write-offs due to loans and advances; PLN 1.8 million was related to write-offs for provisions on off-balance sheet liabilities; PLN 0.4 million pertained to impairment loss of property, plant and equipment and other assets and (-) PLN 1.9 million related to debt collection costs.

Gross financial result after 1Q 2006 totalled PLN 197.6 million versus PLN 169.9 million in the same period last year. Net financial result, in turn, was at PLN 162.4 million, up by 26.7 million, or 19.7%, from March 2005.

3. Analysis of Commercial Figures

In 1Q 2006, the commercial policy of ING Bank Śląski focused on the creation of deposit portfolio and providing clearing services as well as strengthening the Bank's position on the PLN mortgages market. To satisfy the needs of the clients, the Bank developed and modified its product offer; among others, the changes in the mortgages offer were introduced (the possibility of financing 100% of the investment) and the offer of Treasury bonds for wholesale clients was broadened. The Bank started also ING Online Internet Banking System dedicated to strategic clients. The said system is offered by ING Group in seven countries of the Central and Eastern Europe, and its further development is planned. The changes in the product offer were actively supported by advertising campaigns promoting the key products of the Bank. Moreover, ING Bank Śląski carried out the activities aimed at further improvement of the credit process, optimisation of the sales structures and development of alternative distribution channels. In 1Q 2006, the new principles of serving the transactions executed at the Bank branches were introduced. A new model of transaction service developed under the Retail 2006 Project is aimed at optimising transactional processes and improvement of efficiency of serving the clients. Within the development of alternative distribution channels the Bank made preparations for opening its first franchise outlet (opened in April 2006 in Poznań).

² Income of ALCO inclusive of the result on investment activities.

Intensive actions taken on the deposit market result in the further growth of the deposit base and strengthening the market share. At the end of March 2006, the total value of deposits accumulated by the ING Bank Śląski S.A. Group amounted to PLN 31,499.9 million, up by 2.7% from December 2005.

Structure of deposits of ING Bank Śląski S.A. Group

	31.12.2005	31.03.2006
Households	19,151.0	19,837.7
Corporates	8,513.1	8,286.4
Financial entities (other than banks)	1,624.5	1,854.0
Entities from sector of government and local authorities institutions	1,384.5	1,521.8
Total	30,673.1	31,499.9

The funds obtained from households formed the main component of the deposit base. As at the end of March 2006, they amounted to PLN 19,837.7 million, up by PLN 686.7 million, or 3.6%, from the end of 2005. The first quarter of 2006 saw further activation of sales of OKO (the Open Savings Account). The value of the portfolio of that product rose from PLN 12,775.3 million as at the end of 2005 to PLN 13,261.1 million as at the end of March 2006.

The share of ING Bank Śląski in the market of long-term deposits and liabilities amounted to 8.50% (versus 8.35% as at the end of 2005); an increase of the share in the household deposits market was recorded from 8.52 % as at the end of 2005 to 8.67% as at the end of March 2006. The share in the market of corporate deposits as at the end of March 2006 totalled 8.22% against 8.09% as at the end of December 2005.

The Bank also distributes units of ING TFI investment funds. As at the end of March 2006, the balance of acquired units was PLN 2,947 million versus PLN 2,238 million as at the end of December 2005.

In 1Q 2006, the Bank took actions to rebuild the credit portfolio. As a result, growth was observed in certain segments and types of loans. Total value of loans and other receivables from clients as at the end of March 2006 amounted to PLN 10,649.7 million against PLN 9,902.9 million in December 2005. As at the end of March 2006, the value of the mortgages portfolio was PLN 1,126.5 million, with PLN 738.2 million worth of PLN loans and PLN 388.3 million worth of FX loans. As at 31.12.2005, mortgages amounted to PLN 1,102.5 million (where PLN 683.4 million represented PLN loans, and PLN 419.1 million worth of FX loans).

Structure of loans and other receivables from the clients of ING Bank Śląski S.A. Group

	31.12.2005	31.03.2006
Households	3,238.7	3,229.5
Corporates	5,926.1	6,231.5
Financial entities (other than banks)	829.2	1,283.2
Entities from sector of government and local authorities institutions	426.0	392.8
Other receivables	288.0	271.0
Impairment	-805.1	-758.3
Total	9,902.9	10,649.7

The Bank's share in the credit receivables market as at the end of March 2006 totalled 3.83% (versus 3.73% as at the end of December 2005). The Bank's share in the corporate loans market as at the end of March 2006 was 5.40% compared with 5.09% as at the end of December 2005. The share in the market of household loans as at the end of March 2006 totalled 2.12% versus 2.22% as at the end of December 2005.

The share of ING Bank Śląski S.A. Group in credit receivables market as at the end of March 2006 totalled 3.88% (versus 3.78% as at the end of December 2005).

The number of personal accounts maintained by the Bank as at the end of March 2006 totalled 999,700 compared with 1,002,100 as at 31.12.2005. In 1Q 2006, 37,900 new accounts were opened. At the same time, 40,300 dormant accounts were closed.

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 newly offered credit cards issued³ went up from 117,894 as at the end of 2005 to 126,838 cards as at the end of March 2006. Together with VE Credit and VE Credit NN-P cards, the number of credit cards issued as at the end of March this year totalled 136,781.

The number of clients using the electronic banking systems as at the end of March 2006 totalled 760,590. A drop from December 2005 results from closing inactive HaloŚląski installations.

The figures for electronic banking clients are as follows:

Electronic banking system	31.03.2006	31.12.2005
MultiCash	9,359	9,404
ING BankOnLine	406,037	361,944
HaloŚląski	249,824	708,864
SMS	95,370	79,789
Total	760,590	1,160,001

In March 2006, the monthly number of transactions made via electronic banking systems totalled 4.0 million. The volume of electronic transactions amounted to PLN 24.6 billion in March 2006. In the same period last year the number of transactions made via electronic banking systems was 2.9 million, and the volume was PLN 21.1 billion.

4. Credit Portfolio – Portfolio Quality and Risk 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 impairment of loans in regard to which the loss of value was observed and a write-off for losses incurred but not reported and provisions for off-balance-sheet liabilities. The amount of impairment loss 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 PD (probability of default), the estimated period (emergence 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 LGD (loss given default).

The International Accounting Standards do not allow for keeping of general reserves.

³ Visa Classic, Visa Credit Gold, MasterCard Credit

The table below presents the quality of the credit portfolio of ING Bank Śląski according to IAS/IFRS.

<i>PLN mio</i>	2004	I Q 2005	2005	I Q 2006
Exposure total	11 349	11 253	10 562	11 362
Provisions total	944	944	813	789
Total coverage ratio (%)	8,3%	8,4%	7,7%	6,9%
Corporate entities	8 150	8 306	7 592	8 425
- unimpaired portfolio	7 331	7 496	6 983	7 876
- impaired portfolio	818	810	609	549
Impairment	588	560	493	480
IBNR	73	84	70	71
Provisions for off-balance commitments	33	33	14	12
Impaired portfolio coverage (%)	71,8%	69,2%	81,1%	87,5%
Retail	3 199	2 947	2 970	2 937
- unimpaired portfolio	2 908	2 694	2 698	2 672
- impaired portfolio	291	254	272	265
Impairment	201	198	191	184
IBNR	31	39	28	27
Provisions for off-balance commitments	19	31	15	16
Impaired portfolio coverage (%)	69,0%	78,1%	70,1%	69,2%
Share of impaired loans in portfolio	9,78%	9,45%	8,35%	7,16%

The share of the impairment portfolio in the total loans lowers gradually. The table below shows the detailed structure of impairment write-offs in 1Q 2006:

Item	Group total	Corporate				Retail			
		Balance sheet		Off-balance sheet		Balance sheet		Off-balance sheet	
		Impairment	IBNR	Impairment	IBNR	Impairment	IBNR	Impairment	IBNR
		million							
Impairment losses	47,1	28,8	-1,1	2,4	0,4	15,9	1,8	0,0	-1,0
<i>Increases/decreases of impairment</i>	18,9	11,9	-1,1	2,4	0,4	4,6	1,8	0,0	-1,0
<i>Recoveries</i>	28,1	16,9				11,2			

5. Major Achievements in the Quarter

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, as well as various awards and distinctions.

- April 2006, 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 4th Poland-wide Festival of Children's Expression.
- February 2006, 1st place for Visa credit card for small business at the ranking of www.bankier.pl "credit cards for corporates".
- January 2006, Promotional Label "Entrepreneur-friendly Bank" in class: "Commercial Banks"
- November 2005, Distinction in the "Złote Spinacze" competition in the Corporate Social Responsibility (CSR) class for the "In the Company of the Lion" social programme;

- November 2005, Special Distinction in the “Arts & Business Awards” for overall activities to promote and develop art and culture in Poland.
- October 2005, awarded the title of the Benefactor of the National Museum in Cracow by the Minister of Culture in recognition of the co-operation with the Museum on two exhibitions “Leon Wyczółkowski 1852-1936”, an exhibition celebrating the 150th Anniversary of the Artist’s Birthday and “Painters of Reality”.
- September 2005, awarded a diploma of the President of the Republic of Poland for supporting entrepreneur initiatives of young people as part of the “Entrepreneurship Day 2005”.
- September 2005, Ranking of *Forbes* monthly: ranked number one in “Top Corporate Bank” class and number three in “Top Retail Bank” class.
- September 2005, ranked number four in the ranking by Newsweek weekly “Client-Friendly Bank”.
- June 2005, first place in the KOMPAS competition, “Visibility in Universities” class, 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 classes: “Commercial Banks” and “Bank Branches”.

Ratings

In 1Q 2006 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	Stable

6. Other Information

Headcount

The headcount in the Capital Group was as follows:

31.03.2006	7,562 persons; or 7,379.1 FTEs,
31.12.2005	7,446 persons; or 7,335.3 FTEs,
31.03.2005	7,604 persons; or 7,397.7 FTEs.

An insignificant growth of headcount, observed in the last quarter, results from increasing the number of persons working in the sales network and units actively supporting the sale of products. In addition, the termination notice period connected with the headcount restructuring, announced in November 2005, did not end yet. The restructuring is an effect of the projects implemented at the Bank which aim at optimisation of the operations area. Centralisation of selected activities, consolidation of operations units and reduction of field debt recovery activities due to signing outsourcing agreements allowed to reduce the headcount by approx. 400 persons. Therefore, the real decrease in expected at the turn of the second and third quarters.

Number of Branches and ATMs

As at 31.03.2006, the Bank conducted its operational activity via a network of 330 branches compared with 332 outlets as at 31 March 2005. As at the end of March 2005, the Bank had a network of 563 ATMs.

III. Segmentation of Revenue and Financial Results of the Group

w tysiącach zł	31.03.2006					31.03.2005				
	Segment klientów detalicznych	Segment klientów korporacyjnych	Operacje własne		RAZEM	Segment klientów detalicznych	Segment klientów korporacyjnych	Operacje własne		RAZEM
			Trading	ALCO				Trading	ALCO	
Revenue total	230 391	149 514	43 220	24 691	447 816	204 951	163 278	40 724	20 368	429 321
Core business	225 358	141 396	41 529	39 533	447 816	197 226	151 288	38 055	42 752	429 321
Income on lending	58 611	37 560			96 170	55 626	40 322			95 948
<i>Interest income external</i>	<i>71 506</i>	<i>98 238</i>				<i>80 136</i>	<i>131 879</i>			
<i>Interest cost internal</i>	<i>-27 032</i>	<i>-75 612</i>				<i>-36 628</i>	<i>-103 894</i>			
<i>Income on fees/ other income</i>	<i>14 137</i>	<i>14 933</i>				<i>12 119</i>	<i>12 336</i>			
Income on deposits	139 390	54 814			194 204	131 687	58 622			190 309
<i>Interest costs external</i>	<i>-145 291</i>	<i>-80 665</i>				<i>-165 020</i>	<i>-118 452</i>			
<i>Interest income internal</i>	<i>230 784</i>	<i>108 837</i>				<i>243 212</i>	<i>149 545</i>			
<i>Income on fees/ other income</i>	<i>53 897</i>	<i>26 642</i>				<i>53 495</i>	<i>27 530</i>			
Income on mutual funds	14 171	199			14 370	4 177	0			4 178
Income on brokerage and custody	9 525	14 678			24 204	5 970	15 829			21 799
Other income on core business	-2 746	-1 505	79 061	34 592	109 401	-5 601	1 716	74 263	38 166	108 545
FM products sales	1 882	35 650	-37 532		0	1 409	34 799	-36 208		0
Income on Pension Funds shares	4 526				4 526	3 956				3 956
Share in profits (losses) of minority shareholders				4 941	4 941				4 586	4 586
Result on economic capital	5 033	8 117	1 691	-14 841	0	7 726	11 990	2 668	-22 384	0
Expenses total	194 221	91 005	9 917	2 600	297 743	171 562	85 664	7 460	11 449	276 135
Operational costs	194 216	90 975	9 917	2 600	297 709	171 562	85 664	7 460	11 449	276 135
<i>including depreciation</i>	<i>28 905</i>	<i>5 976</i>	<i>1 759</i>		<i>36 640</i>	<i>24 793</i>	<i>5 126</i>	<i>1 508</i>		<i>31 427</i>
Other operational costs (operational risk)	5	30	0	0	34	0	0	0	0	0
Result before risk	36 170	58 508	33 303	22 092	150 073	33 389	77 614	33 264	8 919	153 186
Risk cost	-18 256	-29 285	0	0	-47 541	-8 147	-8 582	0	0	-16 729
Result before tax	54 426	87 793	33 303	22 092	197 614	41 537	86 195	33 264	8 919	169 915
CIT					35 259					34 253
Result after tax					162 355					135 662

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

- Retail,
- Wholesale,
- FM, ALCO.

As part of its retail operations, the Bank's capital group provides service to private individuals (mass clients and affluent clients segment) and small businesses.

These operations are analysed in terms of the following products: credit facilities (current account overdraft, loans related to cards, instalment loans, residential loans and mortgage loans), contract loans granted by the Loans and Savings Unit, mortgage loans granted by Śląski Bank Hipoteczny, deposit products (current accounts, term deposits, savings accounts), participation units of ING funds, brokerage services provided by ING Securities SA and bank cards.

Wholesale encompasses service of institutional clients within the following segments: strategic clients, large corporates and mid-sized companies.

The capital group maintains reporting for its wholesale operations broken down into the following types of products: credit products (working capital loans, and investment loans), deposit products (current accounts, term and negotiable deposits and savings accounts), custody-related services, and operations in the capital market performed by the dominant entity and ING Securities, as well as intermediation in leasing-related services.

Financial markets cover both proprietary and client operations in money and capital markets.

The following types of products are distinguished in this type of activity: FX market products, money market products and derivatives, operations in securities (Treasury bills, shares and bonds). The item of *Financial Markets – total segment revenue* presents income from proprietary trading. The income from the sale of FM products to the corporate and retail segments is recognised in the incomes of those segments.

ALCO deals predominantly with the investment of own funds and funding of some of the Bank's assets. The main element of revenue from ALCO's core operations is the revenue from the investment of own funds (book capital). The revenue is then adjusted for interest accrued on the economic capital required by individual business lines (retail segment, wholesale segment, and financial markets segment). Interest on economic capital is re-allocated from the ALCO line to the individual business lines, depending on their demand for economic capital.

Sectoral division, defined with the internal regulations of the Bank, constitutes the basis for separation of wholesale and retail segments.

Segment assets and liabilities, revenues and result are measured in accordance with the accounting standards applied by the Group.

Internal and external interest income and costs are determined for individual segments using the transfer pricing system. Transfer prices are defined based on the yield curve for a given currency that is common for assets and liabilities. The transfer price that is determined for the products being assets and liabilities with the same position on the yield curve is identical. The original transfer price – coming from the product measurement regarding the yield curve can be modified and the factors adjusting the transfer price can be the following: a premium for obtainment of long-term liquidity, matching of the Bank's position, a hedging cost for sophisticated products and the pricing policy. Thereafter, based on quotation rates available at news services, yield curves are developed using mathematical equations.

Revenue, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	I quarter 2006 period from 01 January 2006 to 31 March 2006	I quarter 2005 period from 01 January 2005 to 31 March 2005
<i>Interest income</i>	474 120	459 637
<i>Interest expenses</i>	255 145	314 363
Net interest income	218 975	145 274
<i>Commission income</i>	163 262	145 326
<i>Commission expenses</i>	18 396	21 361
Net commission income	144 866	123 965
Net income on instruments at fair value through profit or loss	37 578	106 746
Net income from fair value measurement for the purposes of hedge accounting	2 899	6 875
Exchange gains or losses	28 349	33 191
Other operating income	13 024	12 315
Other operating expenses	4 192	4 811
Result on basic activities	441 499	423 555
General and administrative expenses	261 069	244 708
Depreciation and amortisation	36 640	31 427
Net income from fair value measurement of investment real estate	2 763	811
Net income on disposal of assets other than held for sale	38	115
Impairment losses and provisions for off-balance sheet liabilities	-47 541	-16 729
Net income on available-for-sale assets and assets held for sale	-33	3 735
Share in net profit (loss) of co-subsiidiaries and associated entities recognised under the equity method	4 941	4 586
Profit (loss) before tax	199 040	173 396
Income tax	35 259	34 253
Net profit (loss)	163 781	139 143
- assigned to shareholders of the holding company	162 355	135 662
- assigned to minority shareholders	1 426	3 481
Net profit (loss)	162 355	135 662
Weighted average number of ordinary shares	13 010 000	13 010 000
Earnings per ordinary share (PLN)	12,48	10,43
Diluted weighted average number of ordinary shares	13 010 000	13 010 000
Diluted earnings per ordinary share (PLN)	12,48	10,43

CONSOLIDATED BALANCE SHEET

	I quarter 2006 as of 31 March 2006	end of 2005 as of 31 Dec 2005	I quarter 2005 as of 31 March 2005
ASSETS			
- Cash in hand and balances with the Central Bank	1 412 426	1 176 443	942 535
- Deposit accounts in other banks as well as loans and advances to other banks	11 070 734	12 573 648	12 265 771
- Financial assets at fair value through profit or loss	7 372 020	6 155 240	4 860 393
- Investment financial assets	11 572 759	10 922 919	7 215 142
- Loans and advances to customers	10 649 674	9 902 860	10 143 486
- Investments in controlled entities	80 021	75 080	75 530
- Property, plant and equipment	599 953	600 851	640 908
- Investment real estates	143 494	140 547	133 160
- Intangible assets	317 604	318 857	278 484
- Property, plant and equipment held for sale	245	5 969	2 796
- Current tax asset	16 452	50 349	65 853
- Deferred tax asset	76 744	78 125	139 555
- Other assets	86 387	126 026	142 623
Total assets	43 398 513	42 126 914	36 906 236
EQUITY AND LIABILITIES			
LIABILITIES			
- Liabilities due to the Central Bank	0	464 000	0
- Liabilities due to other banks	2 146 121	865 301	3 060 373
- Financial liabilities at fair value through profit or loss	4 024 239	3 685 789	1 465 781
- Liabilities due to customers	32 790 022	32 823 596	28 168 792
- Provisions	71 206	80 519	116 549
- Current income tax liabilities	0	0	1 452
- Deferred tax provision	0	0	1 571
- Other liabilities	628 104	646 621	723 292
Total liabilities	39 659 692	38 565 826	33 537 810
EQUITY			
- Share capital	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value	993 750	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	99 069	85 797	98 519
- Revaluation reserve from measurement of property, plant and equipment	38 023	38 055	56 759
- Retained earnings	2 463 999	2 300 937	2 078 862
Equity assigned to shareholders of the holding company	3 724 941	3 548 639	3 357 990
- Minority equity	13 880	12 449	10 436
Total equity	3 738 821	3 561 088	3 368 426
TOTAL EQUITY AND LIABILITIES	43 398 513	42 126 914	36 906 236
Solvency ratio	17,39%	18,60%	13,85%
Book value	3 724 941	3 548 639	3 357 990
Number of shares	13 010 000	13 010 000	13 010 000
Book value per share (PLN)	286,31	272,76	258,11

CONSOLIDATED OFF-BALANCE SHEET ITEMS

	I quarter 2006 as of 31 March 2006	end of 2005 as of 31 Dec 2005	I quarter 2005 as of 31 March 2005
- Contingent liabilities granted	10 350 837	9 377 610	16 550 932
- Contingent liabilities received	10 323 884	10 544 625	10 547 363
- Off-balance sheet financial instruments	107 036 089	108 831 552	118 965 426
Total off-balance sheet items	127 710 810	128 753 787	146 063 721

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

I quarter 2006

period from 01 January 2006 to 31 March 2006

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for- sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings	Minority equity
Closing balance of equity at the end of the previous period	130 100	993 750	85 797	38 055	2 300 937	12 449
- changes in adopted accounting principles	-	-	-	-	-	-
Opening balance of equity	130 100	993 750	85 797	38 055	2 300 937	12 449
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	19 264	-	-	-
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-5 992	-	-	-
- disposal of property, plant and equipment	-	-	-	-32	707	5
- net result for the current period	-	-	-	-	163 781	-
- share of minority shareholders in the net financial result	-	-	-	-	-1 426	1 426
Total equity (closing balance)	130 100	993 750	99 069	38 023	2 463 999	13 880

I quarter 2005

period from 01 January 2005 to 31 March 2005

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for- sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings	Minority equity
Closing balance of equity at the end of the previous period	130 100	993 750	64 127	59 551	1 913 622	8 969
- changes in adopted accounting principles	-	-	3 865	-2 792	29 578	-2 014
Opening balance of equity	130 100	993 750	67 992	56 759	1 943 200	6 955
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	30 527	-	-	-
- net result for the current period	-	-	-	-	139 143	-
- share of minority shareholders in the net financial result	-	-	-	-	-3 481	3 481
Total equity (closing balance)	130 100	993 750	98 519	56 759	2 078 862	10 436

CONSOLIDATED CASH FLOW STATEMENT - indirect method

I quarter 2006
period from 01 January 2006 to 31 March 2006

I quarter 2005
period from 01 January 2005 to 31 March 2005

OPERATING ACTIVITIES

Net profit (loss)	162 355	135 662
Adjustments	-340 452	4 683 527
- Profits (losses) of minority shareholders included in the financial result	1 426	3 481
- Share in net profit (loss) of controlled entities recognised under the equity method	-4 941	-4 586
- Unrealised exchange gains (losses)	1 139	105
- Depreciation and amortisation	36 640	31 427
- Interest accrued (from the profit and loss account)	218 975	145 274
- Interest received/paid	-386 672	-430 445
- Dividends received	0	0
- Gains (losses) on investment activities	2 444	-3 675
- Income tax (from the profit and loss account)	35 259	34 253
- Income tax paid	19	-92 554
- Change in provisions	-9 313	-171 659
- Change in deposits in other banks and in loans and advances to other banks	1 066 029	3 554 814
- Change in financial assets at fair value through profit or loss	-1 200 052	282 816
- Change in investment financial assets	-490 561	-551 366
- Change in loans and advances to customers	-742 308	428 277
- Change in other assets	29 491	39 132
- Change in liabilities due to other banks	816 862	539 490
- Change in liabilities at fair value through profit or loss	338 450	195 739
- Change in liabilities due to customers	-34 822	560 775
- Change in other liabilities	-18 517	122 229
Net cash flow from operating activities	-178 097	4 819 189

INVESTMENT ACTIVITIES

- Purchase of property, plant and equipment	-17 133	-23 405
- Disposal of property, plant and equipment	51	7 708
- Purchase of intangible assets	-6 412	-5 250
- Disposal of fixed assets/liabilities held for sale	166	0
Net cash flow from investment activities	-23 328	-20 947

FINANCIAL ACTIVITIES

- Long-term loans repaid	0	-10 686
- Interest on long-term loans repaid	-140	-248
Net cash flow from financial activities	-140	-10 934

<i>Effect of exchange rate changes on cash and cash equivalents</i>	36 929	164 606
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Net increase/decrease in cash and cash equivalents	-201 565	4 787 308
Opening balance of cash and cash equivalents	4 979 567	5 392 626
Closing balance of cash and cash equivalents	4 778 002	10 179 934

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

	31.03.2006	31.12.2005	31.03.2005
Deposit accounts in other banks as well as loans and advances to other banks			
- Nostro accounts	87 203	156 026	164 041
- interbank deposits	10 800 938	12 332 697	11 671 682
- other receivables	156 408	58 160	423 141
- loans and advances	123 646	30 981	17 650
- repo transactions	0	0	326 890
- other receivables	32 762	27 179	78 601
- accrued interest	26 401	27 064	6 907
Total (gross)	11 070 950	12 573 947	12 265 771
Impairment losses	-216	-299	0
Total (net)	11 070 734	12 573 648	12 265 771
Loans and advances to customers			
<i>Loans and advances granted to entities from the financial sector other than banks</i>			
- loans and advances	1 283 233	829 205	621 668
overdrafts in current account	339 414	77 312	110 053
term	943 819	751 893	511 615
- reverse-repo transactions	0	0	17 805
- other receivables	138 166	135 274	42 056
- accrued interest	2 577	2 368	4 677
Total (gross)	1 423 976	966 847	686 206
Impairment losses	-8 532	-10 153	-1 994
Total (net)	1 415 444	956 694	684 212
<i>Loans and advances granted to entities from the non-financial sector</i>			
- loans and advances granted to corporate customers	6 231 531	5 926 102	6 701 394
overdrafts in current account	2 359 207	2 160 295	2 460 410
term	3 872 324	3 765 807	4 240 984
- loans and advances granted to households	3 229 535	3 238 685	3 178 104
overdrafts in current account	950 820	953 809	980 843
term	2 278 715	2 284 876	2 197 261
- reverse-repo transactions	0	0	0
- other receivables	99 429	114 820	23 303
- accrued interest	31 864	34 863	56 097
Total (gross)	9 592 359	9 314 470	9 958 898
Impairment losses	-718 072	-762 658	-870 180
Total (net)	8 874 287	8 551 812	9 088 718
<i>Loans and advances granted government and local government institutions</i>			
- loans and advances	392 756	425 979	378 346
overdrafts in current account	4 285	3 051	5 178
term	388 471	422 928	373 168
- accrued interest	-1 075	641	2 524
Total (gross)	391 681	426 620	380 870
Impairment losses	-31 738	-32 266	-10 314
Total (net)	359 943	394 354	370 556
Loans and advances to customers - total			
- loans and advances	11 137 055	10 419 971	10 879 512
- reverse-repo transactions	0	0	17 805
- other receivables	237 595	250 094	65 359
- accrued interest	33 366	37 872	63 298
Loans and advances to customers - gross	11 408 016	10 707 937	11 025 974
Impairment losses	-758 342	-805 077	-882 488
Loans and advances to customers - net	10 649 674	9 902 860	10 143 486

- Financial liabilities measured at the depreciated cost

	31.03.2006	31.12.2005	31.03.2005
Liabilities due to other banks			
- Current accounts	69 830	178 903	151 170
- Interbank deposits	1 931 663	599 713	2 497 790
- Repo transactions	96 830	65 337	351 896
- Other liabilities	38 973	15 040	31 654
- Accrued interest	8 825	6 308	27 863
TOTAL	2 146 121	865 301	3 060 373
Liabilities to customers			
<i>Liabilities to entities from the financial sector other than banks</i>			
- Deposits	1 854 024	1 624 456	899 435
current accounts	810 715	884 202	505 417
term accounts	1 043 309	740 254	394 018
- Repo transactions	575 895	1 430 734	501 416
- Other liabilities	94 531	93 234	149 060
- Accrued interest	2 834	4 398	1 955
TOTAL	2 527 284	3 152 822	1 551 866
<i>Liabilities to entities from the non-financial sector</i>			
- Deposits of corporate customers	8 286 394	8 513 141	8 158 030
current accounts	4 877 201	5 378 090	5 593 794
term accounts	3 409 193	3 135 051	2 564 236
- Deposits of households	19 837 683	19 150 998	16 234 670
current accounts	2 598 062	2 292 935	2 101 486
saving accounts	12 766 931	12 300 085	8 417 672
term accounts	4 472 690	4 557 978	5 715 512
- Repo transactions	90 703	18 178	338 294
- Other liabilities	469 322	549 722	463 777
- Accrued interest	55 141	51 410	79 527
TOTAL	28 739 243	28 283 449	25 274 298
<i>Liabilities to government and local government institutions</i>			
- Deposits	1 521 813	1 384 457	1 340 008
current accounts	762 759	831 559	736 817
term accounts	759 054	552 898	603 191
- Other liabilities	765	2 019	1 352
- Accrued interest	917	849	1 268
TOTAL	1 523 495	1 387 325	1 342 628
Liabilities to customers - total			
- Deposits	31 499 914	30 673 052	26 632 143
- Repo transactions	666 598	1 448 912	839 710
- Other liabilities	564 618	644 975	614 189
- Accrued interest	58 892	56 657	82 750
Liabilities to customers - total	32 790 022	32 823 596	28 168 792

- Property, Plant and Equipment

	31.03.2006	31.12.2005	31.03.2005
- Real properties	419 869	419 942	460 451
- Computer hardware	77 199	78 709	57 088
- Vehicles	1 556	1 827	2 409
- Other fixtures and fittings	80 518	86 492	110 596
- Investment real properties	20 811	13 881	10 364
TOTAL	599 953	600 851	640 908

- Financial assets carried at fair value through profit or loss

	31.03.2006	31.12.2005	31.03.2005
- Financial assets held for trading	7 049 306	5 910 339	4 860 393
<i>Debt instruments</i>	6 141 495	4 951 262	3 510 480
<i>Equity instruments</i>	571	1 282	602
<i>Derivative financial instruments</i>	907 240	957 795	1 349 311
- Financial assets designated as at fair value upon initial recognition	322 714	244 901	0
<i>Debt instruments</i>	150 639	147 852	0
<i>Repo transactions</i>	172 075	97 049	0
TOTAL	7 372 020	6 155 240	4 860 393

- Financial assets for trading

	31.03.2006	31.12.2005	31.03.2005
- Available-for-sale financial assets			
<i>Debt instruments</i>	11 570 529	10 920 701	7 195 461
<i>Equity instruments</i>	2 230	2 218	19 681
TOTAL	11 572 759	10 922 919	7 215 142

- Financial liabilities carried at fair value through profit or loss

	31.03.2006	31.12.2005	31.03.2005
- Financial liabilities held for trading	1 085 079	1 095 899	1 465 781
<i>Derivative financial instruments</i>	1 085 079	1 095 899	1 465 781
- Financial liabilities designated as at fair value upon initial recognition	2 939 160	2 589 890	0
<i>Repo transactions</i>	2 939 160	2 589 890	0
TOTAL	4 024 239	3 685 789	1 465 781

- Provisions

	31.03.2006	31.12.2005	31.03.2005
- litigation reserves	15 781	19 340	18 041
- provision for off-balance sheet liabilities	27 863	29 638	63 826
- provision for retirement benefits	10 584	11 063	9 471
- provision for unused holidays	9 815	9 824	11 211
- provision for headcount restructuring	7 163	10 654	0
- general risk provision	0	0	14 000
TOTAL	71 206	80 519	116 549

- Impairment losses and provisions

	I Q 2006	I Q 2005
Impairment losses on financial assets other than assets at fair value recognised through the profit and loss account		
impairment losses on available-for-sale financial assets:		
- securities	-79	-15
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	-79	0
	0	-15
impairment losses on loans and advances:		
- impairment losses on loans and advances	-45 297	-18 724
- collection and process costs related to recovery of receivables due to loans and advances	-47 240	-19 698
	1 943	974
impairment losses/ fair value valuation:		
- property, plant and equipment	-396	1 246
- other assets	-643	10
	247	1 236
Total impairment losses	-45 772	-17 493
Provisions for off-balance sheet commitments	-1 769	764
Total impairment losses and provisions	-47 541	-16 729

- Costs of bank operations and administrative expenses

	I Q 2006	I Q 2005
General administrative expenses	261 069	244 708
personnel expenses	139 836	133 643
wages and salaries	115 869	110 267
employee benefits	23 967	23 376
general administrative expenses	121 233	111 065

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

None.

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

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

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

Estimations and assumptions applied to the presentation of value of assets, liabilities, revenues and costs, are made on basis of historical data available and other factors considered to be relevant in given circumstances. Applied assumptions related to the future and available data sources are the base for making estimations regarding carrying value of assets and liabilities, which cannot be determined explicitly on basis of other sources. The estimates take account of the causes / sources of uncertainty as projected at the balance sheet date.

The actual results may differ from those estimates.

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

Major accounting estimations made by the Group as at the reporting date of and for each balance sheet date are as follows:

Impairment of loans

For each balance sheet date, the Group assesses, whether there is objective evidence of impairment of a given financial asset or of a group of such assets. Impairment of a financial asset or of a group of financial assets was incurred only if there is objective evidence for the impairment due to one or many events. The occurrence of such event or group of such events affects the estimation of expected cash flows regarding these assets. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets.

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

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

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

Impairment of other non- current assets

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

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

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

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

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

Retirement and sick pension severance payments provision

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

Provision for bonuses granted to directors and key management personnel

The provision for bonuses granted to directors and key management personnel is estimated by the Management Board, who calculates the amount of benefits as at the balance sheet date. The final amount of bonuses granted is established by the Supervisory Board.

5.5 Issues, Redemption or Repayments of Debt Securities and Equities

None.

5.6 Dividends Paid

None.

5.7 Significant Developments after the Closing of the Interim Period

At the meeting of the Supervisory Board held on 31.03.2006 Mr. Andrzej Wróblewski – Chairman of the Supervisory Board and Mr. Jerzy Rokita – Secretary of the Supervisory Board, submitted resignations from their functions in the Supervisory Board as of the date of the General Meeting of Shareholders approving the financial statements for the year 2005; i.e. 27 April 2006.

Submitting the resignations, the above mentioned Members of the Supervisory Board were following the rules of Corporate Governance adopted by the Bank in the Declaration on applying the “Best Practices in Public Companies 2005” regarding criteria that must be met to have the status of Independent Member of Supervisory Board – in connection with new provisions of the Bank Charter valid as of 1 May 2006 and including, among other things, the criterion of maximum twelve years' period of holding a function in a Supervisory Board.

On 19.04.2006, Mr. Hans van der Noordaa and Mr. Lech Węclewski submitted resignations from their functions in the Supervisory Board of ING Bank Śląskiego S.A. The resignations came into force as of the date of the General Meeting of Shareholders approving the financial statements for the year 2005; i.e. 27 April 2006.

On 27 April 2006, the General Shareholders Meeting of ING Bank Śląski acknowledged the resignation of Mr. Andrzej Wróblewski from the function of the Chairman of the Supervisory Board, Mr. Jerzy Rokita from the function of the Secretary of the Supervisory Board as well as Mr. Lech Węclewski and Mr. Hans van der Noordaa from the function of Supervisory Board Members.

Simultaneously, Mr. Ralph Hamers, Mr. Jerzy Hausner, Mr. Mirosław Kośmider and Mr. Wojciech Popiołek were appointed as the Supervisory Board Members.

During the first meeting of the Supervisory Board, held immediately after the Ordinary General Shareholders Meeting, the Supervisory Board defined its internal organisation. Ms. Anna Fornalczyk was elected the Chairwoman of the Supervisory Board and, at the same time, of the Compliance and Remuneration Committee. Mr. Wojciech Popiołek was elected the Secretary of the Supervisory Board, while Mr Mirosław Kośmider the Chairman of the Audit Committee.

5.8 Changes to the Business Entity / Capital Group Structure

In 1Q 2006, no changes occurred in the composition of the Capital Group.

5.9 Changes to Contingent Liabilities or Assets that Occurred after 31.12.2005

An increase of PLN 973.2 million in the contingent liabilities extended as per 31.03.2006 versus 31.12.2005 results mainly from an increase in the deposits position in inter-banking transactions. A decrease of PLN 220.7 million in contingent liabilities received 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 Property, Plant and Equipment (Sale of Real Estate)

None.

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.

Changes to the litigation reserves were presented below:

	in million	
	31.03.2006	31.12.2005
Status at the period beginning:	19,3	18,9
Establishment of provisions as costs	0,2	1,9
Release of provisions as income	-0,1	-0,8
Utilisation of provision due to dispute loss or settlement	-3,6	-0,7
Status as at the period end	15,8	19,3

5.12 Transactions with Related Entities

Subsidiaries and Related Entities of ING Bank Śląski:

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

as part of their business hold current accounts at ING Bank Śląski, via which they perform standard clearing operations and also invest cash funds using term deposits. Furthermore, CBS and Śląski Bank Hipoteczny took loans from ING Bank Śląski. 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, as well as operations in derivatives: Forex Spot and Forex Forward, FX options and SWAP transactions. They are all performed on the arm's length basis.

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

In the period 1.01.2006 – 31.03.2006 the following transactions were made of the total value exceeding EURO 500,000:

- In connection with execution of the co-operation agreement concluded by ING Bank Śląski S.A. and ING Bank NV, the remuneration for the services provided as to financial consulting amounted to PLN 7.1 million (net).
- Under the agreement of lease of office rooms in the building owned by CBS, ING Bank Śląski paid a rent (through ING BSK Development) of PLN 5.1 million (gross) in monthly instalments. In addition, the Bank paid PLN 0.4 million for adaptation works.
- ING Services Polska provides services to ING Bank Śląski in regard to lease of hardware resources. The costs of service were PLN 3.4 million (gross).
- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 3.7 million (gross).
- ING Bank Śląski co-operates with ING Car Lease as to leasing of cars and management of car fleet. The derivative amount of payment was PLN 2.1 million in 1Q 2006.

Transactions with related parties

31.03.2006

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given				
Loans	2 385 306	1 883	-	-
Deposits taken	100 796	1 134 088	359 240	-
Securities	179 820	615 063	250 828	25 676
Other receivables	-	-	42 143	-
Other liabilities	15 015	7 708	2 706	-
Off-balance derivatives revaluation	39	380 737	2	-
Off-balance sheet commitments and transactions				
Guarantees issued	379 939	183 218	-	-
Undrawn credit lines granted	2 267 604	2 121 460	334 152	-
FX spot	7 549 792	3 378 863	-	-
FX forward	58 031	1 024 175	-	-
IRS/CIRS	26 832 075	78 618	-	-
FRA	1 000 432	0	-	-
Options	451 719	0	-	-
Income and expenses				
Income	200 599	6 629	3 704	59
Expenses	190 481	1 147	7 523	513

PROFIT AND LOSS ACCOUNT

	I quarter 2006 period from 01 January 2006 to 31 March 2006	I quarter 2005 period from 01 January 2005 to 31 March 2005
<i>Interest income</i>	474 823	460 044
<i>Interest expenses</i>	257 070	316 417
Net interest income	217 753	143 627
<i>Commission income</i>	139 091	120 684
<i>Commission expenses</i>	12 717	13 630
Net commission income	126 374	107 054
Net income on instruments at fair value through profit or loss	37 433	110 766
Exchange gains or losses	34 000	33 563
Other operating income	7 522	7 077
Other operating expenses	3 089	4 493
Result on basic activities	419 993	397 594
General and administrative expenses	255 451	240 293
Depreciation and amortisation	35 595	28 291
Net income on disposal of assets other than held for sale	38	115
Impairment losses and provisions for off-balance sheet liabilities	-48 646	-16 124
Net income on available-for-sale assets and assets held for sale	-33	3 735
Profit (loss) before tax	177 598	148 984
Income tax	33 897	30 822
Net result for the current year	143 701	118 162
Net profit (loss)	143 701	118 162
Weighted average number of ordinary shares	13 010 000	13 010 000
Earnings per ordinary share (PLN)	11,05	9,08
Diluted weighted average number of ordinary shares	13 010 000	13 010 000
Diluted earnings per ordinary share (PLN)	11,05	9,08

BALANCE SHEET	I quarter 2006 as of 31 March 2006	end of 2005 as of 31 Dec 2005	I quarter 2005 as of 31 March 2005
ASSETS			
- Cash in hand and balances with the Central Bank	1 412 419	1 176 436	942 526
- Deposit accounts in other banks as well as loans and advances to other banks	11 117 602	12 626 500	12 313 930
- Financial assets at fair value through profit or loss	7 383 328	6 165 686	4 872 093
- Investment financial assets	11 601 844	10 952 027	7 240 191
- Loans and advances to customers	10 755 731	10 026 137	10 264 447
- Investments in controlled entities	126 910	126 910	142 192
- Property, plant and equipment	439 910	443 093	451 708
- Intangible assets	316 576	317 800	274 825
- Property, plant and equipment held for sale	245	5 969	2 796
- Current tax asset	16 184	49 109	65 659
- Deferred tax asset	69 193	71 645	136 740
- Other assets	85 496	122 720	139 837
Total assets	43 325 438	42 084 032	36 846 944
EQUITY AND LIABILITIES			
LIABILITIES			
- Liabilities due to the Central Bank	0	464 000	0
- Liabilities due to other banks	2 133 214	877 038	3 053 546
- Financial liabilities at fair value through profit or loss	4 024 239	3 685 789	1 465 781
- Liabilities due to customers	32 853 881	32 878 020	28 207 940
- Provisions	70 171	79 490	145 344
- Current income tax liabilities	0	0	0
- Deferred tax provision	0	0	0
- Other liabilities	621 092	634 506	712 317
Total liabilities	39 702 597	38 618 843	33 584 928
EQUITY			
- Share capital	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value	993 750	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	99 069	85 796	98 519
- Revaluation reserve from measurement of property, plant and equipment	31 694	31 725	37 373
- Retained earnings	2 368 228	2 223 818	2 002 274
Total equity	3 622 841	3 465 189	3 262 016
TOTAL EQUITY AND LIABILITIES	43 325 438	42 084 032	36 846 944
Solvency ratio	16,68%	17,96%	13,62%
Book value	3 622 841	3 465 189	3 262 016
Number of shares	13 010 000	13 010 000	13 010 000
Book value per share (PLN)	278,47	266,35	250,73
OFF-BALANCE SHEET ITEMS			
- Contingent liabilities granted	10 669 479	9 689 063	16 835 508
- Contingent liabilities received	10 323 884	10 544 625	10 547 363
- Off-balance sheet financial instruments	107 029 886	108 825 349	118 932 420
Total off-balance sheet items	128 023 249	129 059 037	146 315 291

STATEMENT OF CHANGES IN EQUITY

1 quarter 2006

period from 01 January 2006 to 31 March 2006

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings
Closing balance of equity at the end of the previous period	130 100	993 750	85 796	31 724	2 223 818
- changes in adopted accounting principles	-	-	-	-	-
Opening balance of equity	130 100	993 750	85 796	31 724	2 223 818
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	19 265	-	-
- reclassified to the financial result as a result of sale of available-for-sale financial assets	-	-	-5 992	-	-
- disposal of property, plant and equipment	-	-	-	-30	709
- net result for the current period	-	-	-	-	143 701
Total equity (closing balance)	130 100	993 750	99 069	31 694	2 368 228

1 quarter 2005

period from 01 January 2005 to 31 March 2005

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings
Closing balance of equity at the end of the previous period	130 100	993 750	64 127	32 967	1 840 073
- changes in adopted accounting principles	-	-	3 865	4 406	44 039
Opening balance of equity	130 100	993 750	67 992	37 373	1 884 112
- gains/losses on remeasurement of available-for-sale financial assets charged to equity	-	-	30 527	-	-
- net result for the current period	-	-	-	-	118 162
Total equity (closing balance)	130 100	993 750	98 519	37 373	2 002 274

CASH FLOW STATEMENT

- indirect method

I quarter 2006

I quarter 2005

period from 01 January 2006 to 31 March 2006 period from 01 January 2005 to 31 March 2005

OPERATING ACTIVITIES

Net profit (loss)	143 701	118 162
Adjustments	-324 957	4 688 157
- Unrealised exchange gains (losses)	1 139	105
- Depreciation and amortisation	35 595	28 291
- Interest accrued (from the profit and loss account)	217 753	143 627
- Interest received/paid	-386 123	-428 560
- Dividends received	0	0
- Gains (losses) on investment activities	2 462	-3 675
- Income tax (from the profit and loss account)	33 897	30 822
- Income tax paid	1 480	-93 127
- Change in provisions	-9 319	-176 244
- Change in deposits in other banks and in loans and advances to other banks	1 069 882	3 579 921
- Change in financial assets at fair value through profit or loss	-1 200 914	282 377
- Change in investment financial assets	-490 537	-480 553
- Change in loans and advances to customers	-725 103	348 964
- Change in other assets	32 968	54 969
- Change in liabilities due to other banks	792 223	525 419
- Change in liabilities at fair value through profit or loss	338 450	195 739
- Change in liabilities due to customers	-25 396	561 261
- Change in other liabilities	-13 414	118 821
Net cash flow from operating activities	-181 256	4 806 319

INVESTMENT ACTIVITIES

- Purchase of property plant and equipment	-16 872	-14 825
- Disposal of property, plant and equipment	51	7 708
- Purchase of intangible assets	-6 337	-5 244
- Disposal of fixed assets/liabilities held for sale	166	0
Net cash flow from investment activities	-22 992	-12 361

FINANCIAL ACTIVITIES

- Long-term loans repaid	0	-10 686
- Interest on long-term loans repaid	-140	-248
Net cash flow from financial activities	-140	-10 934

<i>Effect of exchange rate changes on cash and cash equivalents</i>	36 929	164 606
Net increase/decrease in cash and cash equivalents	-204 388	4 783 024
Opening balance of cash and cash equivalents	4 970 079	5 387 362
Closing balance of cash and cash equivalents	4 765 691	10 170 386

VI. Additional Information Required under the Ordinance of the Minister of Finance of 19 October 2005 on Current and Periodic Information Submitted by Securities Issuers That Has Not Been Discussed Elsewhere

1. Indication of Shareholders Holding Directly or Indirectly > 5% of Total Number of Votes at GSM (para. 91 section. 6 item 5)

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

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

2. Specification of Changes in Shares Held by Senior Executives (para. 91 section 6 item 6)

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 4Q2005, the Members of the Supervisory Board and Management Board were not in the possession of any shares of ING Bank Śląski S.A. either.

3. Information on Proceedings Before Court of the Value > 10% of Equity or Jointly > 10% of Equity (para. 91 section 6 item 7)

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

4. Information on Extending Sureties to Loans, Advances or Guarantees of the Value > 10% of Equity (para. 91 section 6 item 9)

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

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

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