

# **Interim Financial Reporting of ING Bank Śląski Group**

for the fourth quarter 2006

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## I. Basic Details of Issuer

### 1. Informational Details of the Bank and Its Capital Group

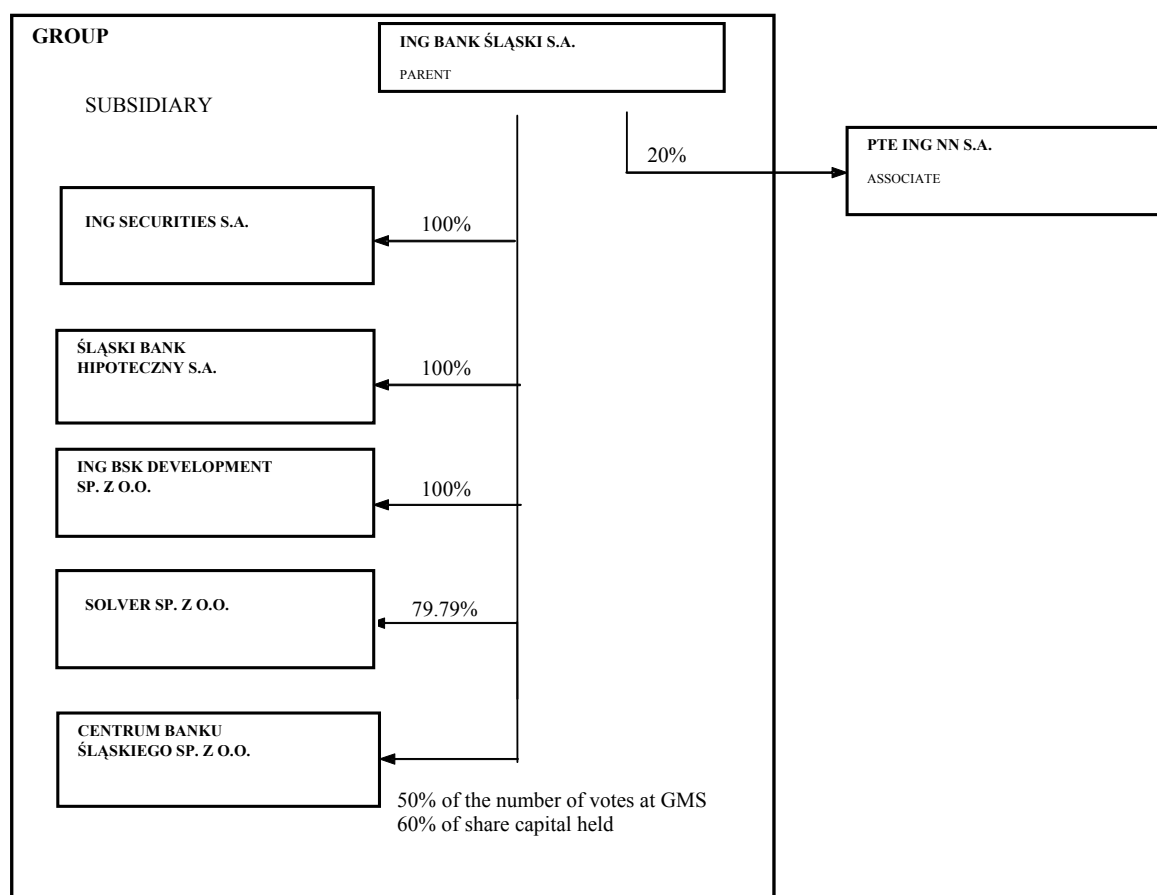
ING Bank Śląski S.A. („Parent company, parent entity, Bank”) with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459.

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

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

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

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



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

## 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 December 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 31.12.2006 including comparable financial data, have been executed upon the application of the same accounting principles for each period.

These financial statements for 4Q 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	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Interest income	2 003 220	1 868 398	513 765	464 394
Commission revenue	738 581	604 076	189 423	150 144
Result on banking activity	1 772 759	1 670 448	454 659	415 193
Gross profit (loss)	753 331	705 840	193 206	175 438
Net profit (loss)	591 355	549 462	151 664	136 570
Net cashflow	3 061 523	-424 685	799 103	-110 028
Earnings (loss) per 1 ordinary share (in PLN/EUR)	45,45	42,23	11,66	10,50
Profitability ratio (%)	31,0	29,8	X	X
Return on assets (%)	1,3	1,4	X	X
Return on equity (%)	18,6	18,2	X	X
Cost / Income ratio (%)	68,3	65,6	X	X
Total assets	48 488 324	42 126 914	12 656 171	10 914 274
Equity	3 755 694	3 548 638	980 292	919 384
Initial capital	130 100	130 100	33 958	33 706
Number of shares	13 010 000	13 010 000	X	X
Book value per 1 share (in PLN/EUR)	288,68	272,76	75,35	70,67
Solvency ratio (%)	15,79	18,60	X	X

**Profitability ratio** – gross profit to total costs.

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

**Return on assets (ROA)** – net profit assigned to shareholders of the holding company to average total assets.

**Return on equity (ROE)** – net profit assigned to shareholders of the holding company to average equity.

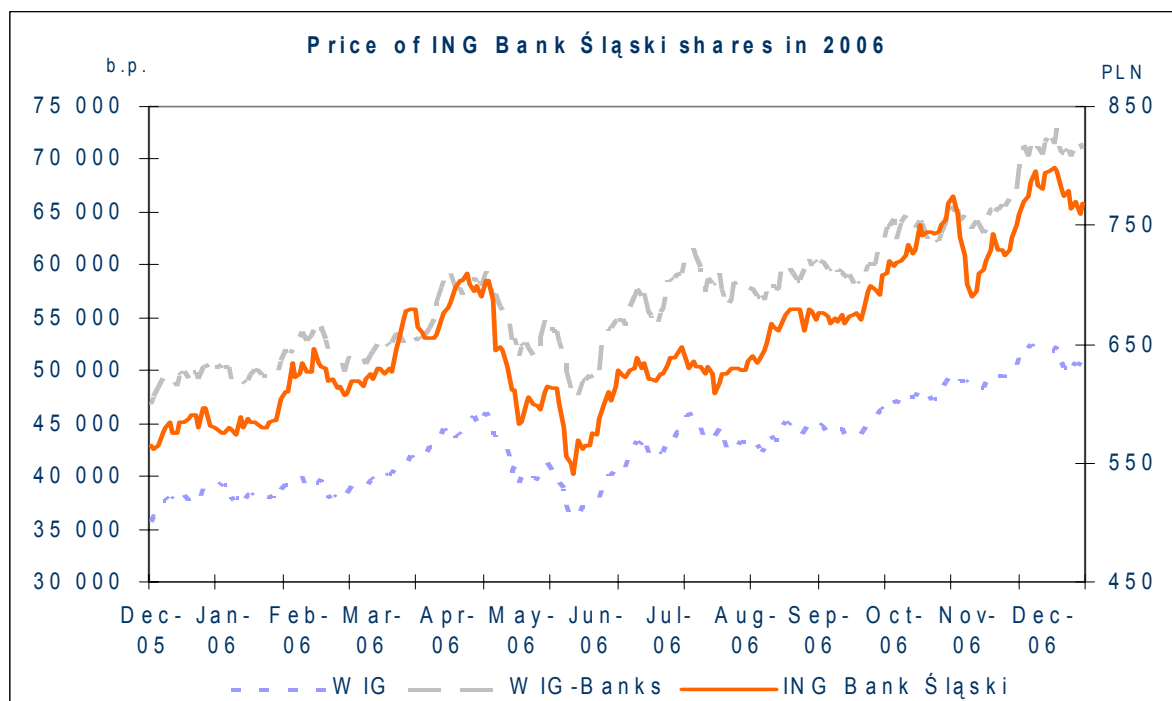
**Solvency ratio** – net equity to risk weighted assets and off-balance sheet liabilities.

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

- for balance-sheet items – PLN 3,8312 NBP exchange rate of 31.12.2006; 3,8598 NBP exchange rate of 31.12.2005,

- for income statement items for 31.12.2006 – PLN 3,8991 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q, 2Q, 3Q and 4Q 2006; 4,0233 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in 1Q, 2Q, 3Q and 4Q 2005.

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



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

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

The macro-economic ratios indicate continuation of strong upward trends in the Polish economy in the fourth quarter 2006. Favourable trends were reported in the area of industrial output as well as construction and assembly output, accompanied by favourable changes on the labour market. The growth rate of the Gross Domestic Product was stimulated by a high consumer demand and revival in terms of investments. The positive influence of net exports on economic growth observed last year was limited in 2006.

In December, sold industrial output went up by 5.7% from the same period last year, whereas in the period January-December 2006 its increase was 11.8%. Compared with last year, the growth of sold industrial output was observed in 26 of 29 industrial segments. The highest growth rate was observed in: the manufacture of motor vehicles, trailers and semi-trailers (up by 22.2%), products made of non-metallic raw materials (up by 19.4%), metal goods (up by 17.8%), metals (up by 14.7%), gum and plastic goods (up by 14.2%), machines and devices (up by 13.8%), machines and electric appliances (up by 13.2%) and furniture and other output activity (up by 12.6%). In the fourth quarter of 2006, the positive trend in the construction sector continued; output in that area went up by 17.9% as compared with December 2005. The construction and assembly output executed in the period January-December 2006 was up by 17.5 from the same period last year.

The positive trends in terms of output were accompanied by improvement on the labour market. Growing demand for new employees among the Polish companies resulted in a systematic decrease of the unemployment rate, which as at the end of December 2006 was 14.9% against 17.6% in the same period last year. In December 2006 2,309,400 people were unemployed, down by 16.7% from a year earlier. The fall of unemployment rate was accompanied by an increase of salaries as well as old-age and disability pensions. After a long stagnation period, the average gross salary in the enterprise sector in December 2006 was higher by 5.1% from 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.

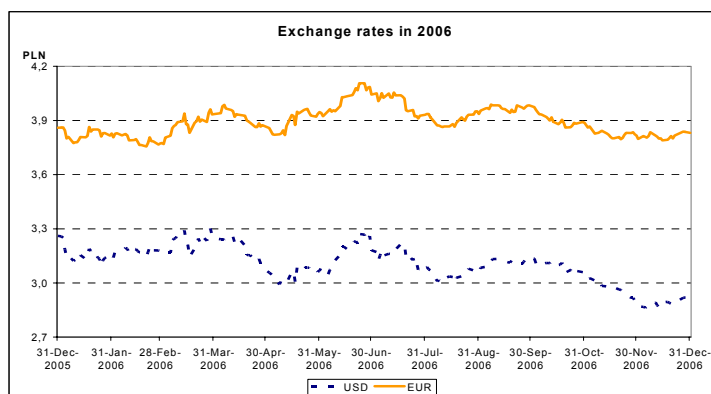
The improving situation on the labour market and growing salaries impacted an increase of the retail sale, which in December 2006 was up by 13.7% from the same period last year. In the period January-December 2006, the retail sales increase was 11.9%. In turn, good financial results of enterprises caused an increase of investment outlays. During the year 2006 the gross outlays for fixed assets were higher by 16.7% against 6.5% in the year 2005. The growing investments along with high sales dynamics represented strong stimuli for the economic growth. It is estimated that GDP growth in the fourth quarter of 2006 will be approximately 6.3%, whereas in the past quarters of 2006 it was, respectively: 5.2% in the first quarter, 5.5% in the second quarter and 5.8% in the third quarter. In line with initial estimations, in the whole year 2006 the GDP growth will be approximately 5.8% against 3.5% last year and 5.3% in 2004.

The prices of consumer goods and services went up by 1.4% against December 2005, which was mainly influenced by an increase of fees related to apartments (up by 3.8%) and increase of prices of food and non-alcoholic beverages (up by 1.8%). The prices of clothing and shoes as well as transportation prices were lower than last year (down by 7.2% and 2.8%, respectively), mainly due to the reduced prices of fuel for the private means of transport. In the period January-December 2006, the increase of prices of consumer goods and services was lower than before a year (1.0% against 2.1%) and lower than assumed in the budget act. Under the circumstances of weakening inflation pressure the Monetary Policy Council (the "Council") decreased interest rates twice in the year 2006 (in February and March), as a result of which 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 subsequent months of 2006, the Council did not change interest rates any further.

In December 2006, an increase of deposits in the banking sector was observed. The households deposits went up by 8.8% from the end of 2005, whereas corporate deposits were higher by 22.1% from the end of last year.

The credit receivables of the banking sector were growing both due to the development of households lending and corporate lending. The credit receivables from households went up by 33.4% from the end of 2005, whereas the loans for housing purposes were growing at the highest rate. An increase was also reported in terms of credit receivables from corporate clients, which went up by 14.4% against December 2005.

Within 12 months of 2006, the PLN rate was subject to considerable fluctuations, being a consequence of the situation on international markets and political situation in Poland. In the first months of the year, the PLN quotations were relatively stable. However, that period was followed by a systematic decrease of the PLN value. The culminating point was in June, when the exchange rate of our currency against EUR went up to 4.1065 (26.06.2006). The next few months witnessed gradual appreciation of the PLN. At the end of December 2006, the PLN/EUR exchange rate was 3.8312 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	12M 2005	12M 2006	12M 2006 / 12M 2005	
<b>Retail banking</b>	<b>805,9</b>	<b>960,1</b>	<b>154,1</b>	<b>119,1%</b>
Cash Management-Lending and settlements	773,0	912,8	139,8	118,1%
Income on Pension Funds shares	26,7	38,2	11,5	143,1%
FM products sales	6,2	9,0	2,9	146,3%
<b>Corporate banking</b>	<b>578,4</b>	<b>583,4</b>	<b>5,0</b>	<b>100,9%</b>
Cash Management-Lending and settlements	415,6	414,7	-0,9	99,8%
FM products sales	123,1	109,0	-14,1	88,5%
Equity Markets	39,8	59,8	20,0	150,4%
<b>Own operations</b>	<b>323,8</b>	<b>282,6</b>	<b>-41,1</b>	<b>87,3%</b>
Proprietary trading	115,5	135,4	19,9	117,3%
ALCO	208,3	147,2	-61,1	70,7%
<b>Income total</b>	<b>1 708,2</b>	<b>1 826,1</b>	<b>118,0</b>	<b>106,9%</b>
<b>Operational expenses, including:</b>	<b>1 120,3</b>	<b>1 246,6</b>	<b>126,3</b>	<b>111,3%</b>
Personnel costs	525,4	579,3	53,9	110,3%
Headcount restructuring cost	11,3	0,0	-11,3	x
Marketing costs	54,9	58,6	3,7	106,8%
Depreciation	128,3	141,6	13,4	110,4%
Other expenses	389,6	454,6	65,0	116,7%
Other operational costs	10,9	12,5	1,6	115,1%
<b>Result before risk costs</b>	<b>587,9</b>	<b>579,5</b>	<b>-8,3</b>	<b>98,6%</b>
Risk costs	118,0	173,8	55,8	147,3%
<b>Result before tax</b>	<b>705,8</b>	<b>753,3</b>	<b>47,5</b>	<b>106,7%</b>
CIT	-139,4	-155,4	-16,0	111,5%
<b>Result after tax</b>	<b>566,4</b>	<b>598,0</b>	<b>31,5</b>	<b>105,6%</b>
- assigned to shareholders of the holding company	549,5	591,4	41,9	107,6%
- assigned to minority shareholders	17,0	6,6	-10,4	38,8%

Result on banking operation as at the end of December 2006 was PLN 1,826.1 million and it went up by PLN 118.0 million or 6.9% YoY.

As at the end of December 2006, income of retail banking totalled PLN 960.1 million and it increased PLN 154.1 million or 19.1% YoY. Result on deposit, lending and settlement activities was at the level of PLN 912.8 million, which means an increase by PLN 139.8 million, or 18.1% YoY. The above is the effect of good commercial results in retail banking area. A significant growth of volume of deposits from retail clients (especially Open Saving Account) was noticed YoY. Furthermore, volume of retail lending increased (mostly, as far as mortgage loans are concerned).



Income on shares in PTE<sup>1</sup> went up by PLN 11.5 million YoY. Income on the sale of FM products for retail segment clients was also higher (by PLN 2.9 million).

As at the end of December 2006, income of wholesale banking segment totalled PLN 583.4 million and was higher by PLN 5.0 million, or 0.9% YoY. In 2006, there was growth of income on capital markets transactions, whereas income on the sale of the FM products for that segment dropped. Income on deposit, lending and settlement activities of wholesale banking decreased slightly YoY, which resulted from undesirable trends in obtained margin. Wholesale clients' lending grew YoY. Volume of deposits also went up in this segment. However, the market pressure had an impact on the obtained margin, which influenced income derived from wholesale banking negatively.

As at the end of December 2006, income on proprietary trading amounted to PLN 282.6 million and it decreased by PLN 41.1 million, or 12.7% YoY. Income generated in FM as at the end of December 2006 was PLN 135.4 million and it went up by PLN 19.9 million, or 17.3% YoY. Income on FM inclusive of the sale of FM products to wholesale and retail segments totalled PLN 253.4 million as at the end of December 2006, whereas the same period last year, it was PLN 244.8 million. As at the end of December 2006, income generated by ALCO<sup>2</sup> amounted to PLN 147.2 million and it decreased by PLN 61.1 million, or by 29.3% YoY. Drop of interest rates that lowered income on depositing own funds by PLN 28.0 million was a significant reason thereof.

As at the end of December 2006, total costs amounted to PLN 1,246.6 million and increased by PLN 126.3 million, or by 11.3% YoY.

As at the end of December 2006, personnel costs totalled PLN 579.3 million and went up by PLN 53.9 million, or by 10.3% YoY. Increase of personnel costs results from payroll indexation since 2Q2006 and higher payroll costs being the consequence of interconnecting the incentive system to the Bank's results.

As at the end of December 2006, marketing costs amounted to PLN 58.6 million and went up by PLN 3.7 million, or by 6.8% YoY.

After 12 months of 2006, depreciation totalled PLN 141.6 million and it increased by PLN 13.4 million, or by 10.4% YoY. The said increase results from starting to depreciate expenditure borne on projects executed in previous years (for instance, rebranding) and higher costs of depreciation of computer hardware in connection with its replacement. Furthermore, in 2006 depreciation of new systems for card products service and credit repayment monitoring was started.

As at the end of December 2006, other costs amounted to PLN 454.6 million and went up by PLN 65.0 million, or by 16.7% YoY. In connection with the sale of ING Services Sp. z o.o. in November 2005 and conclusion of the outsourcing agreement regarding the cashflow service, there was a transfer of costs from other cost items to other costs item.

Furthermore, the consulting services costs increased YoY, which resulted from carrying out projects aimed at further improvement of processes and sales structures optimisation.

As at the end of December 2006, result before risk costs was at the level of PLN 579.5 million, whereas the same period last year it was PLN 587.9 million.

As at the end of December 2006, risk costs were positive and they totalled PLN 173.8 million, of which PLN 164.1 million refers to impairment loss of loans and advances and AFS financial assets, PLN 6.8 million refers to write-downs for the off-balance sheet liabilities provisions, PLN 8.1 million refers to impairment loss of non-current assets and other assets, PLN -5.2 million refers to costs of vindication.

As at the end of December 2006, financial result before taxation amounted to PLN 753.3 million, whereas the same period last year it was PLN 705.8 million. Financial result after taxation for the

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<sup>1</sup> Income on measurement less costs of funding.

<sup>2</sup> ALCO (Assets and Liabilities Committee) income inclusive of result on investment activities.



shareholders of parent company was PLN 591.4 million and it increased by PLN 41.9 million, or by 7.6 % YoY.

### 3. Analysis of Commercial Figures

In 2006, ING Bank Śląski was executing its development strategy, both in terms of assumed commercial goals and further improvement of the efficiency of operations. Also the works aimed at establishing a modern institution, creating firm relationships with clients were continued. The Bank's commercial policy in 2006 focused on creating the deposit portfolio, rendering settlement services and strengthening the Bank's position on the market of PLN mortgage loans.

Responding to the client needs, ING Bank Śląski has continued to modify and expand its product offer. In the fourth quarter of 2006, the Bank made significant modifications in the investment credit offer for corporate clients, by introducing a new approach to the refinancing and re-investment loans. Following the said changes, the Bank's offer for that group of Clients was enriched with the *Supplementary investment loan*. The product is offered in three options: 1) Supplementary investment loan collateralised with mortgage, 2) Supplementary investment loan collateralised with a fixed asset and 3) Supplementary investment loan collateralised with a promissory note. Starting from November 2006, strategic clients and corporate clients may also use a new service - Electronic Withdrawal System, which is to replace cash cheques as a target.

In October 2006, a new service related to the cash area was introduced, namely *car collection*. That service may be offered only to strategic and corporate clients who hold a current account at ING Bank Śląski and have signed an agreement for cash collection. Apart from these, there is another new product addressed to corporate clients. The product is a prepaid Business MasterCard in EUR, introduced in the fourth quarter of 2006. This is the first prepaid card in Poland settled in EUR. At the beginning of October 2006, a special offer was addressed to the small business clients from prestigious professional groups (doctors and lawyers). In the same period, the Bank also launched the *Cashback* service (possibility of withdrawing cash in shops and points of sale upon paying with VISA Elektron card).

The changes in the product offer were actively supported by numerous advertising campaigns promoting the key products for the Bank (the "*Maestro. The cash of new generation*" campaign promoting Maestro payment card; the "*Fall in love with each trip with the VISA card*" campaign promoting Visa payment card; the campaign supporting credit cards under the theme "*We are giving money away! A credit card + PLN 50 as a gift*"; the campaign for MasterCard payment cards "*The Christmas promotion of MasterCard*"; campaign promoting the offer of Private Banking; promotional campaign for the Profit Lion Account for Small Business; promotional campaign for the Open Savings Account; promotional campaign for the Student Account and campaign promoting the mortgage loan).

Intense activities aimed at improving the client service, simplifying procedures and the product offer brought effects in the form of numerous rewards received by the Bank. Also the activities taken by ING Securities proved to be effective – in 2006, this company introduced the largest number of foreign companies to the Warsaw Stock Exchange, conducted the first public offering of a company from Eastern Europe and achieved the highest total value of the Initial Public Offers (IPO) among all brokerage houses operating in Poland. Those achievements were recognised by the Warsaw Stock Exchange.

Since the start of 2006, ING Bank Śląski has continued actions to improve the processes, increase its efficiency and optimise the sales structures. These actions included in particular further works on two major projects, notably: the *Retail 2006* and *Wholesale 2006*. They primarily aim at establishing a modern institution, which is able to establish long-lasting relations with its clients under the circumstances of growing competition. Other significant actions related to the process and efficiency improvement include the deep restructuring of Śląski Bank Hipoteczny (the mortgage bank). SBH is to be transformed into a Centre of Excellence for Commercial Real Estate Financing operating as part

of the capital group of ING Bank Śląski S.A.

In 2006, as part of the projects aimed at improving the availability of the Bank's products and services and developing alternative distribution channels, the Bank started to establish the network of partner outlets based on the franchising model. Seven outlets of that type have been opened since the beginning of 2006.

The thoroughgoing activities taken up on the deposit market led to further increase of the deposit base and strengthening of the market share in terms of household deposits. As at the end of December 2006, the funds accumulated by ING Bank Śląski S.A. Group totalled PLN 36,257.1 million, up by 18.2% from December 2005.

Structure of deposits of ING Bank Śląski S.A. Group (PLN million)

	31.12.2006	30.09.2006	30.06.2006	31.03.2006	31.12.2005
Households	21,472.3	20,246.3	20,520.4	19,837.7	19,151.0
Corporates	10,375.2	9,447.3	8,553.8	8,286.4	8,513.1
Financial entities (other than banks)	2,881.5	2,076.0	1,722.0	1,854.0	1,624.5
Entities from sector of government and local authorities institutions	1,528.1	1,432.5	1,489.7	1,521.8	1,384.5
<b>Total</b>	<b>36,257.1</b>	<b>33,202.1</b>	<b>32,285.9</b>	<b>31,499.9</b>	<b>30,673.1</b>

The funds obtained from households formed the main component of the deposit base. As at the end of December 2006, they amounted to PLN 21,472.3 million, up by PLN 2,321.4 million, or 12.1%, from the end of 2005. The first 12 months of 2006 saw further activation of sales of OKO, or the Open Savings Account. The value of that product portfolio rose from PLN 12,775.3 million at the end of 2005 to PLN 15,450.3 million as at the end of December 2006; the funds deposited by the households totalled PLN 12,300.1 million as at the end of 2005 versus PLN 15,421.8 million as at the end of December 2006.

The share of ING Bank Śląski in the market of deposits and long-term liabilities amounted to 8.58% (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 8.77% as at the end of December 2006. The share in the market of corporate deposits as at the end of December 2006 totalled 8.32% against 8.09% as at the end of December 2005.

The Bank also distributes units of ING TFI investment funds. The first 12 months of 2006, and the second half in particular, witnessed dynamic growth in the sale of that product. As at the end of December 2006, the balance of acquired units went up to PLN 5,695.2 million against PLN 2,237.8 million as at the end of December 2005.

During 12 months of 2006, the Bank continued actions to rebuild its credit portfolio. Consequently, growth was observed in certain segments and types of loans. As at the end of December 2006, loans and other liabilities from clients totalled PLN 12,988.2 million versus PLN 9,902.9 million in December 2005. Mortgage loans recorded a particularly considerable rise of volume – up by PLN 449.0 million, or 42.3%). As at the end of December 2006, this portfolio was valued at PLN 1,511.4 million, out of which PLN loans and FX ones amounted to PLN 1,226.1 million and PLN 285.3 million respectively. As at 31.12.2005, mortgage loans totalled PLN 1,062.4 million (PLN 653.3 million and PLN 409.1 million of PLN and FX loans respectively).

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

	31.12.2006	30.09.2006	30.06.2006	31.03.2006	31.12.2005
Households	3,617.9	3,511.7	3,419.4	3,229.5	3,238.7
Corporates	7,066.9	6,663.8	6,402.9	6,231.5	5,926.1
Financial entities (other than banks)	2,010.4	1,614.5	1,434.1	1,283.2	829.2

Entities from sector of government and local authorities institutions	668.6	481.3	400.4	392.8	424.8
Other receivables	328.8	355.0	352.1	271.0	289.2
Impairment	-704.4	-699.2	-765.6	-758.3	-805.1
<b>Total</b>	<b>12,988.2</b>	<b>11,927.1</b>	<b>11,243.3</b>	<b>10,649.7</b>	<b>9,902.9</b>

The Bank's share in the credit receivables market as at the end of December 2006 totalled 3.79% (versus 3.73% as at the end of December 2005). The Bank's share in the corporate loans market as at the end of December 2006 totalled 5.80% versus 5.09% as at the end of December 2005. The share in the market of household loans as at the end of December 2006 totalled 1.87% 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 December 2006 totalled 3.83% (versus 3.78% as at the end of December 2005).

The number of personal accounts maintained by the Bank as at the end of December 2006 totalled 1,035,500 compared with 1,002,100 as at 31.12.2005.

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 issued<sup>3</sup> went up from 117,894 as at the end of 2005 to 144,065 cards as at the end of December 2006. Together with VE Credit and VE Credit NN-P cards, the number of credit cards issued as at the end of December 2006 totalled 152,253.

At the end of December 2006, the number of clients using electronic banking systems was 959,753. Compared with December 2005, we recorded a dynamic growth of the number of clients of INGBankOnLine, a key product in the area of electronic banking. In the year 2006, the number of clients using SMS services also went up considerably. The decrease of the number of clients using HaloŚląski services, compared with December 2005, was caused by closing inactive installations. Within the period of 12 months of 2006, we also observed a systematic decrease of the number of clients using the MultiCash system. It was caused by replacing this product with ING OnLine.

The figures for electronic banking clients are as follows:

<b>Electronic banking system</b>	<b>31.12.2006</b>	<b>30.09.2006</b>	<b>30.06.2006</b>	<b>31.03.2006</b>	<b>31.12.2005</b>
MultiCash	7,818	7,927	8,999	9,359	9,404
ING BankOnLine	507,905	461,669	421,649	406,037	361,944
HaloŚląski	295,833	282,054	263,466	249,824	708,864
SMS	148,197	114,499	106,526	95,370	79,789
<b>Total</b>	<b>959,753</b>	<b>866,149</b>	<b>800,640</b>	<b>760,590</b>	<b>1,160,001</b>

In December 2006, the monthly number of transactions made via electronic banking systems totalled 4.8 million. In the same period last year, the number of transactions made via electronic banking systems was 3.9 million.

#### 4. Credit Portfolio – Portfolio Quality and Risk Costs

Under the International Accounting Standards, the Bank estimates impairment write-offs for impaired assets, the incurred but not reported losses reserves and reserves for off-balance sheet liabilities. The amount of impairment loss is calculated as the difference between the total future cash flows

<sup>3</sup> Visa Classic, Visa Credit Gold, MasterCard Credit, Orange Visa Credit Card

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).

Under the International Accounting Standards, the Bank does not have any general provisions.

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

<i>PLN mio</i>	2004	2005	2006
<b>Exposure total</b>	<b>11 349</b>	<b>10 562</b>	<b>13 651</b>
<b>Provisions total</b>	<b>949</b>	<b>813</b>	<b>715</b>
<b>Total coverage ratio (%)</b>	<b>8,4%</b>	<b>7,7%</b>	<b>5,2%</b>
<b>Corporate entities</b>	<b>8 150</b>	<b>7 592</b>	<b>10 323</b>
- unimpaired portfolio	7 331	6 983	9 856
- impaired portfolio	818	609	467
<b>Impairment</b>	<b>593</b>	<b>493</b>	<b>434</b>
<b>IBNR</b>	<b>73</b>	<b>70</b>	<b>74</b>
<b>Provisions for off-balance commitments</b>	<b>33</b>	<b>14</b>	<b>9</b>
<b>Impaired portfolio coverage (%)</b>	<b>72,5%</b>	<b>81,1%</b>	<b>92,8%</b>
<b>Retail</b>	<b>3 199</b>	<b>2 970</b>	<b>3 328</b>
- unimpaired portfolio	2 908	2 698	3 105
- impaired portfolio	291	272	223
<b>Impairment</b>	<b>201</b>	<b>191</b>	<b>170</b>
<b>IBNR</b>	<b>31</b>	<b>28</b>	<b>15</b>
<b>Provisions for off-balance commitments</b>	<b>19</b>	<b>15</b>	<b>13</b>
<b>Impaired portfolio coverage (%)</b>	<b>69,0%</b>	<b>70,1%</b>	<b>76,4%</b>
<b>Share of impaired loans in portfolio (%)</b>	<b>9,78%</b>	<b>8,35%</b>	<b>5,06%</b>

The share of the impairment portfolio in the total loans lowers gradually. A detailed structure of impairment write-offs recognised through profit or loss as at the end of 4Q 2006 is presented in the below table:

PLN million									
Item	Group total	Corporate				Retail			
		Balance sheet		Off-balance sheet		Balance sheet		Off-balance sheet	
		Impairment	IBNR	Impairment	IBNR	Impairment	IBNR	Impairment	IBNR
<b>Impairment losses</b>	165,8	160,3	-2,6	4,3	1,1	-13,5	14,3	0,5	1,4
<i>Increases/decreases of impairment</i>	46,3	71,8	-2,6	4,3	1,1	-44,5	14,3	0,5	1,4
<i>Recoveries</i>	119,5	88,5				31,0			

## 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:

- January 2007, the prestigious American sector quarterly GLOBAL CUSTODIAN awarded ING Bank Śląski with the highest TOP RATED rating for the custody operations conducted in Poland in the year 2006.
- November 2006, *Gazeta Wyborcza* daily and financial portal Bankier.pl recognised ING Bank Śląski S.A. as a bank having one of the best protections for Internet accounts. The Bank was distinguished both for the security of account access and security of transactions performed in the network.
- October 2006, EFFIE 2006 awards for advertisement effectiveness (2 silver and 1 bronze) for campaigns: "Banki są do zarabiania" [Banks are for making money], "Pytania – dzieci" [Questions – children] and "Taki duży, taki internetowy" [So big and so internet].
- October 2006: ING Bank Śląski wins the Best Annual Report 2005 competition in the category "Banks and Financial Institutions".
- October 2006, the Individual Investors Association awarded ING Securities best brokerage house in Poland.
- October 2006, Best Bank for Individual Clients according to Forbes monthly.
- October 2006, II position in the ranking of Newsweek: Friendly Bank.
- September, 2006 Orange Card – Expander and *Gazeta Wyborcza*.
- June 2006, I position in the category: Presence at the Universities in the KOMPAS ranking organised under the patronage of MillwardBrown SMG/KRC and the Student Academic Consulting Association of SGH in Warsaw.
- June 2006, Title "Brand of the high reputation" in the research "Premium Brand 2006" in the category: "Finance".
- May 2006, III position in the ranking of BANK monthly: "universal bank" for the strong position on the deposit's market and good finance results.
- May 2006, III position in the ranking of Home&Market monthly: "The best account for small and midsize companies".
- April 2006, "The Banker of the Year: 2005", title for Brunon Bartkiewicz, President of ING Bank Śląski, granted by *Gazeta Bankowa* weekly.
- April 2006, "Silver Rock 2005" award for the biggest achievements in new card products development (MasterCard Business in EUR), granted by Polish branch of MasterCard Europe.
- April 2006, "CEDRYK" award for the help in organization of "IV Polish Festival of Children Expression", granted by Centre of Children Expression.
- February 2006, I place for the Visa credit card in the www.bankier.pl ranking for "Business credit cards".
- January 2006, Title of "The Entrepreneur-Friendly Bank" in the category of "commercial banks".

### Ratings

In IVQ 2006 the ratings of ING Bank Śląski S.A. remained unchanged. On 22 January 2007, the rating agency Fitch Ratings Ltd. informed the Management Board of ING Bank Śląski S.A. about upgrading the IDR, or the Issuer Default Rating, from "A+" to "AA-" with the "stable" outlook. Furthermore, the agency confirmed other ratings as unchanged:

- individual rating 'C/D',
- rating of short-term liabilities 'F1',
- support rating '1'.

The change is a consequence of upgrading the international rating for Poland for debts in a foreign currency to the level "A-" from "BBB+" and upgrading the Polish cap to the level "AA-" from "A+".

The Bank also has the financial viability rating given by **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:

31.12.2006	7,515 individuals; or 7,286.8 FTEs,
30.06.2006	7,547 individuals; or 7,339.1 FTEs,
31.12.2005	7,446 individuals; or 7,335.3 FTEs.

### Number of Branches and ATMs

As at 31 December 2006, the Bank conducted its operational activity via a network of 330 outlets versus 331 branches as at the end of December 2005. Furthermore, during the first 12 months of 2006, 7 partner branches were opened based on the franchising model. As at the end of December 2006, the Bank had a network of 568 ATMs.



### III. Segmentation of Revenue and Financial Results of the Group

PLN thousand	31.12.2006					31.12.2005				
	Retail customers segment	Corporate customers segment	Own operations		TOTAL	Retail customers segment	Corporate customers segment	Own operations		TOTAL
			Proprietary trading	ALCO				Proprietary trading	ALCO	
<b>Revenue total</b>	<b>982 643</b>	<b>619 037</b>	<b>146 203</b>	<b>78 245</b>	<b>1 826 128</b>	<b>834 438</b>	<b>624 346</b>	<b>125 565</b>	<b>123 803</b>	<b>1 708 151</b>
<b>Core business</b>	<b>960 063</b>	<b>583 422</b>	<b>135 393</b>	<b>147 250</b>	<b>1 826 128</b>	<b>805 919</b>	<b>578 440</b>	<b>115 470</b>	<b>208 322</b>	<b>1 708 151</b>
Income on lending	223 781	166 086			389 868	226 468	170 987			397 455
<i>Interest income external</i>	<i>286 041</i>	<i>444 144</i>				<i>310 802</i>	<i>473 553</i>			
<i>Interest cost internal</i>	<i>-114 504</i>	<i>-334 018</i>				<i>-130 825</i>	<i>-358 123</i>			
<i>Income on fees/ other income</i>	<i>52 245</i>	<i>55 961</i>				<i>46 490</i>	<i>55 557</i>			
Income on deposits	574 880	228 611			803 492	517 129	231 375			748 504
<i>Interest costs external</i>	<i>-290 688</i>	<i>-258 865</i>				<i>-362 241</i>	<i>-310 952</i>			
<i>Interest income internal</i>	<i>696 901</i>	<i>404 632</i>				<i>726 804</i>	<i>456 202</i>			
<i>Income on fees/ other income</i>	<i>168 666</i>	<i>82 845</i>				<i>152 566</i>	<i>86 125</i>			
Income on mutual funds	91 795	1 736			93 531	27 299	399			27 698
Income on brokerage and custody	36 855	78 563			115 418	25 670	56 302			81 972
Other income on core business	-14 546	-527	253 394	147 250	385 571	-23 558	-3 718	244 748	208 322	425 795
FM products sales	9 049	108 952	-118 001		0	6 183	123 095	-129 278		0
Income on Pension Funds shares	38 249				38 249	26 728				26 728
Result on economic capital	22 580	35 615	10 810	-69 005	0	28 519	45 906	10 095	-84 519	0
<b>Expenses total</b>	<b>778 018</b>	<b>411 975</b>	<b>41 500</b>	<b>15 099</b>	<b>1 246 592</b>	<b>712 515</b>	<b>358 110</b>	<b>28 700</b>	<b>20 943</b>	<b>1 120 268</b>
Operational costs	771 701	408 127	41 500	15 099	1 236 426	702 300	357 748	28 505	20 943	1 109 495
<i>including depreciation</i>	<i>111 728</i>	<i>23 099</i>	<i>6 798</i>		<i>141 625</i>	<i>101 191</i>	<i>20 921</i>	<i>6 157</i>		<i>128 269</i>
Other operational costs (operational risk)	6 318	3 849	0	0	10 166	10 216	362	195	0	10 773
<b>Result before risk</b>	<b>204 625</b>	<b>207 062</b>	<b>104 704</b>	<b>63 145</b>	<b>579 536</b>	<b>121 922</b>	<b>266 236</b>	<b>96 865</b>	<b>102 860</b>	<b>587 883</b>
Risk cost	-22 237	-151 558	0	0	-173 795	-52 912	-65 045	0	0	-117 957
<b>Result before tax</b>	<b>226 862</b>	<b>358 620</b>	<b>104 704</b>	<b>63 145</b>	<b>753 331</b>	<b>174 835</b>	<b>331 280</b>	<b>96 865</b>	<b>102 860</b>	<b>705 840</b>
CIT					155 380					139 394
<b>Result after tax</b>					<b>597 951</b>					<b>566 446</b>
<b>- assigned to shareholders of the holding company</b>					<b>591 355</b>					<b>549 462</b>
- assigned to minority shareholders					6 596					16 984



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 (Assets and Liabilities Committee) 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.

The measurement of the segment's assets, liabilities, revenue and costs shall be based on the accounting standards used by the Group. In particular, the internal and external interest revenue and costs for individual segments shall be established with the use of 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.

## IV Consolidated Financial Statement

CONSOLIDATED PROFIT AND LOSS ACCOUNT	IV quarter 2006 period from 01 September 2006 to 31 December 2006	end of 2006 period from 01 January 2005 to 31 December 2006	IV quarter 2005 period from 01 September 2006 to 31 December 2005	end of 2005 period from 01 January 2005 to 31 December 2005
<i>Interest income</i>	546 182	2 003 220	469 105	1 868 398
<i>Interest expenses</i>	300 756	1 066 916	260 725	1 147 177
<b>Net interest income</b>	<b>245 426</b>	<b>936 304</b>	<b>208 380</b>	<b>721 221</b>
<i>Commission income</i>	215 950	738 581	160 166	604 076
<i>Commission expenses</i>	28 529	89 905	18 937	76 398
<b>Net commission income</b>	<b>187 421</b>	<b>648 676</b>	<b>141 229</b>	<b>527 678</b>
Dividend income	14	2 561	0	1 711
Net income on instruments at fair value through profit or loss	-10 056	582	-2 753	212 137
Net income on investment financial assets	14	20 017	709	3 684
Net income from fair value measurement of investing real estate	-5 599	3 652	13 067	17 429
Net income from a subsidiary sold	0	0	0	289
Net income on available-for-sale assets and assets held for sale	160	127	-2	3 632
Net income from fair value measurement for the purposes of hedge accounting	-5 937	-1 260	-1 751	-1 995
Exchange gains or losses	42 784	148 539	48 070	176 442
Other operating income	12 806	52 996	14 992	40 076
Other operating expenses	20 480	39 435	9 370	31 856
<b>Result on basic activities</b>	<b>446 553</b>	<b>1 772 759</b>	<b>412 571</b>	<b>1 670 448</b>
General and administrative expenses	296 849	1 092 446	261 769	981 118
Depreciation and amortisation	35 082	141 625	32 616	128 269
Impairment losses and provisions for off-balance sheet liabilities	-25 281	-173 795	-46 709	-117 957
Result from non-current assets and disposals groups classified as held for sale	1 067	998	-247	122
Share in net profit (loss) of co-subsidiaries and associated entities recognised under the equity method	12 350	39 850	8 985	26 700
<b>Profit (loss) before tax</b>	<b>153 320</b>	<b>753 331</b>	<b>173 633</b>	<b>705 840</b>
Income tax	50 330	155 380	40 958	139 394
<b>Net profit (loss)</b>	<b>102 990</b>	<b>597 951</b>	<b>132 675</b>	<b>566 446</b>
- assigned to shareholders of the holding company	102 480	591 355	131 259	549 462
- assigned to minority shareholders	510	6 596	9 908	16 984
<b>Net profit (loss) assigned to shareholders of the holding company</b>	<b>102 480</b>	<b>591 355</b>	<b>131 259</b>	<b>549 462</b>
<b>Weighted average number of ordinary shares</b>	<b>13 010 000</b>	<b>13 010 000</b>	<b>13 010 001</b>	<b>13 010 002</b>
<b>Earnings per ordinary share (PLN)</b>	<b>7,88</b>	<b>45,45</b>	<b>10,09</b>	<b>42,23</b>
<b>Diluted weighted average number of ordinary shares</b>	<b>13 010 000</b>	<b>13 010 000</b>	<b>13 010 001</b>	<b>13 010 002</b>
<b>Diluted earnings per ordinary share (PLN)</b>	<b>7,88</b>	<b>45,45</b>	<b>10,09</b>	<b>42,23</b>

# CONSOLIDATED BALANCE SHEET

	end of 2006 as of December 2006	III quarter of 2006 as of September 2006	end of 2005 as of 31 December 2005	III quarter of 2005 as of September 2005
<b>ASSETS</b>				
- Cash in hand and balances with the Central Bank	1 027 727	1 231 601	1 176 443	889 481
- Deposit accounts in other banks as well as loans and advances to other banks	13 516 585	12 029 795	12 573 648	12 673 520
- Financial assets at fair value through profit or loss	7 058 559	7 963 442	6 155 240	7 232 006
- Investment financial assets	12 614 914	12 038 554	10 922 919	8 859 399
- Loans and advances to customers	12 988 247	11 927 070	9 902 860	10 220 700
- Investments in controlled entities	90 309	77 961	75 080	66 095
- Property, plant and equipment	571 065	565 410	600 851	666 206
- Investment real estates	145 970	150 576	140 547	93 291
- Intangible assets	317 661	317 690	318 857	315 307
- Property, plant and equipment held for sale	224	274	5 969	5 984
- Current tax asset	0	0	36 453	0
- Deferred tax asset	38 132	135 450	78 125	134 614
- Other assets	118 931	104 646	139 922	176 389
<b>Total assets</b>	<b>48 488 324</b>	<b>46 542 469</b>	<b>42 126 914</b>	<b>41 332 992</b>
<b>EQUITY AND LIABILITIES</b>				
<b>LIABILITIES</b>				
- Liabilities due to the Central Bank	696 000	0	464 000	0
- Liabilities due to other banks	1 401 149	3 758 164	865 301	3 127 290
- Financial liabilities at fair value through profit or loss	3 111 015	3 534 613	3 685 789	4 133 487
- Liabilities due to customers	38 561 423	34 761 741	32 823 596	29 798 439
- Provisions	91 472	64 179	80 519	83 284
- Current income tax liabilities	67 532	92 512	0	128
- Deferred tax liabilities	0	0	0	0
- Other liabilities	781 340	737 834	646 622	698 019
<b>Total liabilities</b>	<b>44 709 931</b>	<b>42 949 043</b>	<b>38 565 827</b>	<b>37 840 647</b>
<b>EQUITY</b>				
- Share capital	130 100	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value	993 750	993 750	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	42 830	-25 789	85 796	126 663
- Revaluation reserve from measurement of property, plant and equipment	50 852	39 905	38 055	47 911
- Retained earnings	2 538 162	2 434 747	2 300 937	2 179 892
<b>Equity assigned to shareholders of the holding company</b>	<b>3 755 694</b>	<b>3 572 713</b>	<b>3 548 638</b>	<b>3 478 316</b>
- Minority equity	22 699	20 713	12 449	14 029
<b>Total equity</b>	<b>3 778 393</b>	<b>3 593 426</b>	<b>3 561 087</b>	<b>3 492 345</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48 488 324</b>	<b>46 542 469</b>	<b>42 126 914</b>	<b>41 332 992</b>
Solvency ratio	15,79%	15,52%	18,60%	15,50%
Book value	3 755 694	3 572 713	3 548 638	3 478 316
Number of shares	13 010 000	13 010 000	13 010 000	13 010 000
Book value per share (PLN)	288,68	274,61	272,76	267,36

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

end of the year 2006

period from 01 January 2006 to 31 December 2006

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of property, plant and equipment	Retained earnings	Minority equity	Total
<b>Opening balance of equity</b>	<b>130 100</b>	<b>993 750</b>	<b>85 796</b>	<b>38 055</b>	<b>2 300 937</b>	<b>12 449</b>	<b>3 561 087</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity			-28 754				-28 754
- reclassified to the financial result as a result of sale of available-for-sale financial assets			-14 212				-14 212
- disposal of property, plant and equipment				-2 132	1 411		-721
- remeasurement of property, plant and equipment				14 929	2 234	3 654	20 817
- dividends paid					-357 775		-357 775
- net result for the current period					597 951		597 951
- share of minority shareholders in the net financial result					-6 596	6 596	0
<b>Total equity (closing balance)</b>	<b>130 100</b>	<b>993 750</b>	<b>42 830</b>	<b>50 852</b>	<b>2 538 162</b>	<b>22 699</b>	<b>3 778 393</b>

end of year 2005

period from 01 January 2005 to 31 December 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	Total
<b>Opening balance of equity</b>	<b>130 100</b>	<b>993 750</b>	<b>67 991</b>	<b>59 551</b>	<b>2 016 205</b>	<b>8 969</b>	<b>3 276 566</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity			19 745				19 745
- reclassified to the financial result as a result of sale of available-for-sale financial assets			-1 940				-1 940
- disposal of property, plant and equipment				-1 309	1 975		666
- remeasurement of property, plant and equipment				-20 187		-13 504	-33 691
- dividends paid					-266 705		-266 705
- net result for the current period					566 446		566 446
- share of minority shareholders in the net financial result					-16 984	16 984	
<b>Total equity (closing balance)</b>	<b>130 100</b>	<b>993 750</b>	<b>85 796</b>	<b>38 055</b>	<b>2 300 937</b>	<b>12 449</b>	<b>3 561 087</b>

# **CONSOLIDATED CASH FLOW STATEMENT - indirect method**

**end of year 2006**  
 period from 01 January 2006  
 to 31 December 2006

**end of year 2005**  
 period from 01 January 2005  
 to 31 December 2005

## **OPERATING ACTIVITIES**

<b>Net profit (loss)</b>	<b>591 355</b>	<b>549 462</b>
<b>Adjustments</b>	<b>2 905 036</b>	<b>-546 209</b>
- Profits (losses) of minority shareholders included in the financial result	6 596	16 984
- Share in net profit (loss) of controlled entities recognised under the equity method	-39 850	-26 700
- Unrealised exchange gains (losses)	12	-4 148
- Depreciation and amortisation	141 625	128 269
- Interest accrued (from the profit and loss account)	936 304	723 781
- Interest received/paid	-1 011 176	-654 737
- Dividends received	-2 561	-1 711
- Gains (losses) on investment activities	1 277	6 181
- Income tax (from the profit and loss account)	155 380	139 394
- Income tax paid	-24 179	-126 946
- Change in provisions	10 953	9 408
- Change in deposits in other banks and in loans and advances to other banks	2 252 757	-2 219 121
- Change in financial assets at fair value through profit or loss	-921 774	-1 030 171
- Change in investment financial assets	-1 610 474	-4 567 445
- Change in loans and advances to customers	-3 088 554	430 656
- Change in other assets	16 879	-15 558
- Change in liabilities due to other banks	764 837	-1 210 663
- Change in liabilities at fair value through profit or loss	-574 774	2 415 747
- Change in liabilities due to customers	5 757 039	5 240 826
- Change in other liabilities	134 719	199 745

**Net cash flow from operating activities** **3 496 391** **3 253**

## **INVESTMENT ACTIVITIES**

- Purchase of property, plant and equipment	-77 015	-110 145
- Disposal of property, plant and equipment	2 360	1 262
- Purchase of intangible assets	-427	-27 325
- Disposal of fixed assets/liabilities held for sale	468	9 313
- Dividends received	27 183	24 273

**Net cash flow from investment activities** **-47 431** **-102 622**

## **FINANCIAL ACTIVITIES**

- Long-term loans repaid	-27 887	-55 616
- Interest on long-term loans repaid	-1 775	-2 995
- Dividends paid	-357 775	-266 705

**Net cash flow from financial activities** **-387 437** **-325 316**

**Effect of exchange rate changes on cash and cash equivalents** **-2 006** **-36 341**

**Net increase/decrease in cash and cash equivalents** **3 061 523** **-424 685**

**Opening balance of cash and cash equivalents** **4 979 567** **5 404 252**

**Closing balance of cash and cash equivalents** **8 041 090** **4 979 567**

## 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

	31.12.2006	31.12.2005
<b>Deposit accounts in other banks as well as loans and advances to other banks</b>		
- Nostro accounts	289 163	156 026
- interbank deposits	12 878 268	12 332 697
- other receivables	307 971	58 160
- loans and advances	263 904	30 981
- other receivables	44 067	27 179
- accrued interest	41 609	27 064
<b>Total (gross)</b>	<b>13 517 011</b>	<b>12 573 947</b>
Impairment losses	-426	-299
<b>Total (net)</b>	<b>13 516 585</b>	<b>12 573 648</b>
<b>Loans and advances to customers</b>		
<i>Loans and advances granted to entities from the financial sector other than banks</i>		
- loans and advances	2 010 466	829 205
overdrafts in current account	493 093	77 312
term	1 517 373	751 893
- other receivables	172 344	135 274
- accrued interest	3 892	2 368
<b>Total (gross)</b>	<b>2 186 702</b>	<b>966 847</b>
Impairment losses	-11 334	-10 153
<b>Total (net)</b>	<b>2 175 368</b>	<b>956 694</b>
<i>Loans and advances granted to entities from the non-financial sector</i>		
- loans and advances granted to corporate customers	7 066 928	5 926 102
overdrafts in current account	2 386 690	2 160 295
term	4 680 238	3 765 807
- loans and advances granted to households	3 617 879	3 238 685
overdrafts in current account	962 607	953 809
term	2 655 272	2 284 876
- other receivables	112 473	114 820
- accrued interest	37 594	34 863
<b>Total (gross)</b>	<b>10 834 874</b>	<b>9 314 470</b>
Impairment losses	-666 384	-762 658
<b>Total (net)</b>	<b>10 168 490</b>	<b>8 551 812</b>
<i>Loans and advances granted government and local government institutions</i>		
- loans and advances	668 637	424 821
overdrafts in current account	2 575	3 051
term	666 062	421 770
- accrued interest	2 459	1 799
<b>Total (gross)</b>	<b>671 096</b>	<b>426 620</b>
Impairment losses	-26 707	-32 266
<b>Total (net)</b>	<b>644 389</b>	<b>394 354</b>
<b>Loans and advances to customers - total</b>		
- loans and advances	13 363 910	10 418 813
- other receivables	284 817	250 094
- accrued interest	43 945	39 030
<b>Loans and advances to customers - gross</b>	<b>13 692 672</b>	<b>10 707 937</b>
Impairment losses	-704 425	-805 077
<b>Loans and advances to customers - net</b>	<b>12 988 247</b>	<b>9 902 860</b>



- Financial liabilities measured at the depreciated cost

	31.12.2006	31.12.2005
<b>Liabilities due to other banks</b>		
- Current accounts	178 315	178 903
- Interbank deposits	1 086 758	599 713
- Repo transactions	105 805	65 337
- Other liabilities	26 236	15 040
- Accrued interest	4 035	6 308
<b>TOTAL</b>	<b>1 401 149</b>	<b>865 301</b>
<b>Liabilities to customers</b>		
<i>Liabilities to entities from the financial sector other than banks</i>		
- Deposits	2 881 493	1 624 456
current accounts	2 265 816	884 202
term accounts	615 677	740 254
- Repo transactions	1 429 242	1 430 734
- Other liabilities	45 344	93 234
- Accrued interest	1 768	4 398
<b>TOTAL</b>	<b>4 357 847</b>	<b>3 152 822</b>
<i>Liabilities to entities from the non-financial sector</i>		
- Deposits of corporate customers	10 375 183	8 513 141
current accounts	5 871 320	5 378 090
term accounts	4 503 863	3 135 051
- Deposits of households	21 472 351	19 150 998
current accounts	3 095 614	2 292 935
saving accounts	15 421 774	12 300 085
term accounts	2 954 963	4 557 978
- Repo transactions	371 824	18 178
- Other liabilities	407 102	549 722
- Accrued interest	46 307	51 410
<b>TOTAL</b>	<b>32 672 767</b>	<b>28 283 449</b>
<i>Liabilities to government and local government institutions</i>		
- Deposits	1 528 107	1 384 457
current accounts	1 190 267	831 559
term accounts	337 840	552 898
- Other liabilities	714	2 019
- Accrued interest	1 988	849
<b>TOTAL</b>	<b>1 530 809</b>	<b>1 387 325</b>
<b>Liabilities to customers - total</b>		
- Deposits	36 257 134	30 673 052
- Repo transactions	1 801 066	1 448 912
- Other liabilities	453 160	644 975
- Accrued interest	50 063	56 657
<b>Liabilities to customers - total</b>	<b>38 561 423</b>	<b>32 823 596</b>

- Property, Plant and Equipment

	31.12.2006	31.12.2005
- Real properties	426 891	419 942
- Computer hardware	60 758	78 709
- Vehicles	577	1 827
- Other fixtures and fittings	79 658	86 492
- Investment real properties	3 181	13 881
<b>TOTAL</b>	<b>571 065</b>	<b>600 851</b>

- Financial assets carried at fair value through profit or loss

	31.12.2006	31.12.2005
- Financial assets held for trading	6 835 041	5 910 339
<i>Debt instruments</i>	5 856 674	4 951 262
<i>Equity instruments</i>	16 679	1 282
<i>Derivative financial instruments</i>	961 688	957 795
- Financial assets designated as at fair value upon initial recognition	223 518	244 901
<i>Debt instruments</i>	142 559	147 852
<i>Repo transactions</i>	80 959	97 049
<b>TOTAL</b>	<b>7 058 559</b>	<b>6 155 240</b>

- Financial assets for trading

	31.12.2006	31.12.2005
- Available-for-sale financial assets		
<i>Debt instruments</i>	12 588 855	10 920 701
<i>Equity instruments</i>	26 059	2 218
<b>TOTAL</b>	<b>12 614 914</b>	<b>10 922 919</b>

- Financial liabilities carried at fair value through profit or loss

	31.12.2006	31.12.2005
- Financial liabilities held for trading	828 724	1 095 899
<i>Derivative financial instruments</i>	828 724	1 095 899
- Financial liabilities designated as at fair value upon initial recognition	2 282 291	2 589 890
<i>Repo transactions</i>	2 282 291	2 589 890
<b>TOTAL</b>	<b>3 111 015</b>	<b>3 685 789</b>

- Provisions

	31.12.2006	31.12.2005
- litigation reserves	42 212	19 340
- provision for off-balance sheet liabilities	25 015	29 638
- provision for retirement benefits	10 897	11 063
- provision for unused holidays	12 148	9 824
- provision for headcount restructuring	580	10 654
- general risk provision	620	0
<b>TOTAL</b>	<b>91 472</b>	<b>80 519</b>

• Net interest income

	IV Q 2006	4 Q 2006 YTD	IV Q 2005	4 Q 2005 YTD
<b>Interest and similar income</b>				
- Loans and advances to banks	158 160	537 426	113 421	416 865
- Loans and advances to customers	190 909	708 707	178 190	770 083
- Interest on debt securities held for trading	42 687	140 031	38 051	158 322
- Interest on available-for-sale debt securities	154 081	614 786	139 338	522 363
- Reverse repos	217	1 727	0	0
- Other	128	543	105	765
<b>TOTAL</b>	<b>546 182</b>	<b>2 003 220</b>	<b>469 105</b>	<b>1 868 398</b>
<b>Interest expense and similar charges</b>				
- Deposits from banks	18 460	64 880	10 335	112 615
- Deposits from customers	253 014	942 682	256 562	1 009 924
- Loans and advances	8 613	17 132	-5 699	2 998
- Reverse repos	20 669	42 222	5 851	21 640
- Other	0	0	-6 324	0
<b>TOTAL</b>	<b>300 756</b>	<b>1 066 916</b>	<b>260 725</b>	<b>1 147 177</b>
<b>Net interest income</b>	<b>245 426</b>	<b>936 304</b>	<b>208 380</b>	<b>721 221</b>

• Net commission income

	IV Q 2006	4 Q 2006 YTD	IV Q 2005	4 Q 2005 YTD
<b>Commission income</b>				
- Brokerage fees	36 586	113 657	21 006	76 614
- Fiduciary and custodian fees	7 227	23 550	6 782	20 228
- Foreign commercial business	5 444	20 032	4 773	17 947
- Commission for transfers, cash payments and other payment transactions	26 886	103 686	26 562	104 014
- Commission and fees for payment and credit cards	32 288	120 152	29 224	87 486
- Commission for loans and advances	22 335	75 579	13 684	79 353
- Commission and fees related to keeping accounts	37 428	147 520	36 676	148 212
- Commission and fees related to electronic banking systems	3 064	11 600	2 899	11 523
- Commission and fees for guarantees, sureties and letters of credit	4 803	17 863	4 056	16 391
- Commission and fees due to distribution of participation units	35 698	91 199	10 121	29 752
- Other	4 191	13 743	4 383	12 556
<b>TOTAL</b>	<b>215 950</b>	<b>738 581</b>	<b>160 166</b>	<b>604 076</b>
<b>Commission expense</b>				
- Brokerage fees	8 795	27 369	4 305	20 651
- Other commission, including:	19 734	62 536	14 632	55 747
- costs of the Bank Guarantee Fund (BFG)	877	3 448	859	3 422
- costs of the National Clearing House (KIR)	1 224	3 402	956	4 244
- commission paid related to securities trading	1 670	4 322	1 268	5 372
- commission paid on the VISA card system	8 288	26 777	6 115	23 785
<b>TOTAL</b>	<b>28 529</b>	<b>89 905</b>	<b>18 937</b>	<b>76 398</b>
<b>Net commission income</b>	<b>187 421</b>	<b>648 676</b>	<b>141 229</b>	<b>527 678</b>

• Impairment losses and provisions

	IV Q 2006	4 Q 2006 YTD	IV Q 2005	4 Q 2005 YTD
<b>Impairment losses on financial assets other than assets at fair value recognised through the profit and loss account</b>				
impairment losses on available-for-sale financial assets:	0	-79	-16	-16
- securities	0	0	0	0
- shares in subsidiaries, co-subsiaries and associated entities, as well as minority interests	0	-79	-16	-16
impairment losses on loans and advances:	-11 451	-158 804	-45 527	-106 203
- impairment losses on loans and advances	-12 708	-164 012	-28 081	-110 448
- collection and process costs related to recovery of receivables due to loans and advances	1 257	5 208	-17 446	4 245
impairment losses/ fair value valuation:	-9 772	-8 111	10 556	10 775
- property, plant and equipment	-10 468	-10 904	2 951	2 951
- other assets	696	2 793	7 605	7 824
<b>Total impairment losses</b>	<b>-21 223</b>	<b>-166 994</b>	<b>-34 987</b>	<b>-95 444</b>
<b>Provisions for off-balance sheet commitments</b>	<b>-4 058</b>	<b>-6 801</b>	<b>-11 722</b>	<b>-22 513</b>
<b>Total impairment losses and provisions</b>	<b>-25 281</b>	<b>-173 795</b>	<b>-46 709</b>	<b>-117 957</b>

- Costs of bank operations and administrative expenses

	IV Q 2006	4 Q 2006 YTD	IV Q 2005	4 Q 2005 YTD
<b>personnel expenses</b>	<b>159 702</b>	<b>579 317</b>	<b>145 842</b>	<b>536 507</b>
wages and salaries	132 179	484 741	123 323	448 456
employee benefits	27 523	94 576	22 519	88 051
<b>general administrative expenses</b>	<b>137 147</b>	<b>513 129</b>	<b>115 927</b>	<b>444 611</b>
<b>General administrative expenses</b>	<b>296 849</b>	<b>1 092 446</b>	<b>261 769</b>	<b>981 118</b>

## 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

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

## 5.4 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***

Fair value of unquoted financial instruments is estimated by means of alternate methods of value measurement. 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. If possible, only empirical data from the active market are entered to the model, however under certain circumstances the Group's estimations of the risk elements (such are credit risk, volatility risk and market correlations) are used. 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 provisions for top executive staff bonuses are estimated by the Management Board of the Group's dominant entity which is estimating the amount of benefits as of the balance-sheet date.

The ultimate amount of the abovementioned employee benefits is determined by the decisions of Supervisory Boards of the Group's Companies.

## 5.5 Issues, Redemption or Repayments of Debt Securities and Equities

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

## 5.6 Dividends Paid

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

## 5.7 Significant Developments after the Closing of the Interim Period

### *Change of Rating*

On 22 January 2007, the rating agency Fitch Ratings Ltd. informed the Management Board of ING Bank Śląski S.A. about upgrading the IDR, or the Issuer Default Rating, from "A+" to "AA-" with the "stable" outlook. Furthermore, the agency confirmed other ratings as unchanged:

- individual rating 'C/D',
- rating of short-term liabilities 'F1',
- support rating '1'.

The change is a consequence of upgrading the international rating for Poland for debts in a foreign currency to the level "A-" from "BBB+" and upgrading the Polish cap to the level "AA-" from "A+".

## 5.8 Changes to the Business Entity / Capital Group Structure

In 4Q 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

OFF-BALANCE SHEET ITEMS (PLN thousands)	as of 31 Dec 2006	as of 31 Dec 2005
- Contingent liabilities granted	13 849 906	9 337 610
- Contingent liabilities received	10 835 821	10 544 625
- Off-balance sheet financial instruments	145 635 176	128 607 312
<b>Total off-balance sheet items</b>	<b>170 320 903</b>	<b>148 489 547</b>

The increase of the balance of contingent liabilities granted as at 31.12.2006 vis-à-vis 31.12.2005 by PLN 4,512.3 million resulted mainly from the increase of the item of deposits to be released in inter-bank transactions. On the other hand, the increase of contingent liabilities received by PLN 291.2 million resulted mostly from the increase of the item of deposits to be received in inter-bank transactions.

## 5.10 Acquisition or Sale of a Component of Property, Plant and Equipment (Sale of Real Estate)

During the first 12 months of 2006, the Bank completed the sales of its real properties located in: Cieszyn at Mennicza, in Tarnów at Słowackiego, in Gliwice at Górnych Wałów, as well as some dwelling units. Sales were priced at arm's length. As a result of these sales, the Bank earned a profit of PLN 2.6 million recognised under retained profits.

## 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				
	31.12.2006	30.09.2006	30.06.2006	31.03.2006	31.12.2005
<b>Status at the period beginning:</b>	<b>15,4</b>	<b>13,6</b>	<b>15,8</b>	<b>19,3</b>	<b>18,9</b>
Establishment of provisions as costs	29,9	2,3	0,2	0,2	1,9
Release of provisions as income	-2,4	0,0	-0,5	-0,1	-0,8
Utilisation of provision due to dispute loss or settlement	-0,7	-0,5	-1,9	-3,6	-0,7
<b>Status as at the period end</b>	<b>42,2</b>	<b>15,4</b>	<b>13,6</b>	<b>15,8</b>	<b>19,3</b>

In January 2007, the Office for Competition and Consumer Protection (UOKiK) imposed fines on 20 banks of the value of PLN 164.7 million due to the collusion relating to the interchange fees charged for payment card transactions. Therefore, for the part ING Bank Śląski is responsible for some PLN 14.1 million worth of provisions were established for expected loss.

## 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 – 31.12.2006 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 in 12 months 2006 amounted to PLN 36.5 million (net).
- Following the implementation of the agreement for provision of data processing and financial information analysis services, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the remuneration for implementation and pilot run of the integrated IT environment was PLN 5.4 million (net). The fee for data processing and financial information analysis services used by ING Bank Śląski amounted to PLN 11.1 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 20.9 million (gross) in monthly instalments. In addition, the Bank paid PLN 1.7 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 14.9 million (gross).
- ING Bank Śląski made a transaction with ING Lease due to sublease of functional rooms totalling PLN 15.2 million (gross).
- ING Bank Śląski co-operates with ING Car Lease as to leasing of cars and management of car fleet. The derivative amount of payment was PLN 9.4 million in 12 months 2006.

Transactions with related parties (in PLN thousands)

31.12.2006

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
<b>Balances of receivables and payables</b>				
Deposits given	2 875 621	452 874	-	-
Loans	9 565	950 817	370 983	202
Deposits taken (current & term)	236 360	225 935	359 137	123 129
Securities	-	-	41 959	-
Other receivables	6 358	2 007	2 715	-
Other liabilities	-	13 419	14	-
<b>Off-balance sheet commitments and transactions</b>				
Guarantees issued	482 517	206 155	-	-
Undrawn credit lines granted	2 080 919	1 437 135	305 576	-
FX spot	21 928 730	2 664 027	-	-
FX forward	2 638	1 430 478	-	-
IRS/CIRS	23 419 946	70 321	-	-
FRA	4 289 330	-	-	-
Options	853 227	32 805	-	-
<b>Income and expenses</b>				
Income	759 005	31 242	16 109	341
Expenses	696 191	28 141	30 590	2 943

## V Standalone Financial Statement of the Bank

PROFIT AND LOSS ACCOUNT	IV quarter of 2006	end of 2006	IV quarter of 2005	end of 2005
	period from 01 September 2006 to 31 December 2006	period from 01 January 2005 to 31 December 2006	period from 01 September 2006 to 31 December 2005	period from 01 January 2005 to 31 December 2005
<i>Interest income</i>	547 709	2 007 792	469 684	1 870 269
<i>Interest expenses</i>	303 041	1 075 139	262 690	1 155 628
<b>Net interest income</b>	<b>244 668</b>	<b>932 653</b>	<b>206 994</b>	<b>714 641</b>
<i>Commission income</i>	177 948	620 296	138 422	524 701
<i>Commission expenses</i>	19 777	62 533	14 579	55 510
<b>Net commission income</b>	<b>158 171</b>	<b>557 763</b>	<b>123 843</b>	<b>469 191</b>
Dividend income	11	57 621	0	41 611
Net income on instruments at fair value through profit or loss	-10 186	134	-2 882	211 766
Net income on investment financial assets	14	20 017	699	3 674
Net income from a subsidiary sold	0	0	0	1 838
Net income from fair value measurement of investing real estate	0	0	4 362	0
Net income on available-for-sale assets and assets held for sale	160	127	-2	3 632
Exchange gains or losses	31 689	146 697	43 975	160 121
Other operating income	4 929	26 993	10 456	20 094
Other operating expenses	17 374	32 113	9 233	30 153
<b>Result on basic activities</b>	<b>412 082</b>	<b>1 709 892</b>	<b>378 212</b>	<b>1 596 415</b>
General and administrative expenses	287 009	1 061 986	253 012	959 529
Depreciation and amortisation	34 007	137 268	34 584	120 430
Net income on disposal of assets other than held for sale	1 067	998	-247	120
Impairment losses and provisions for off-balance sheet liabilities	-26 031	-171 422	-45 981	-120 207
<b>Profit (loss) before tax</b>	<b>118 164</b>	<b>683 058</b>	<b>136 350</b>	<b>636 783</b>
Income tax	44 817	142 501	33 081	129 999
<b>Net profit (loss)</b>	<b>73 347</b>	<b>540 557</b>	<b>103 269</b>	<b>506 784</b>
<b>Net profit (loss) assigned to shareholders of the holding company</b>	<b>73 347</b>	<b>540 557</b>	<b>103 269</b>	<b>506 784</b>
Weighted average number of ordinary shares	13 010 000	13 010 000	13 010 001	13 010 002
Earnings per ordinary share (PLN)	5,64	41,55	7,94	38,95
Diluted weighted average number of ordinary shares	13 010 000	13 010 000	13 010 001	13 010 002
Diluted earnings per ordinary share (PLN)	5,64	41,55	7,94	38,95

BALANCE SHEET	end of 2006	III quarter of 2006	end of 2005	III quarter of 2005
	as of December 2006	as of September 2006	as of 31 December 2005	as of September 2005
<b>ASSETS</b>				
- Cash in hand and balances with the Central Bank	1 027 718	1 231 591	1 176 436	889 465
- Deposit accounts in other banks as well as loans and advances to other banks	13 562 860	12 094 273	12 626 500	12 707 811
- Financial assets at fair value through profit or loss	7 053 839	7 974 720	6 165 686	7 243 625
- Investment financial assets	12 644 728	12 068 378	10 952 027	8 884 930
- Loans and advances to customers	13 082 578	11 940 750	10 026 137	10 330 275
- Investments in controlled entities	126 910	126 911	126 910	140 865
- Property, plant and equipment	408 453	399 403	443 093	445 435
- Investment real estates	0	0	0	0
- Intangible assets	316 753	316 821	317 800	310 792
- Property, plant and equipment held for sale	224	274	5 969	5 984
- Current tax asset	0	12 975	35 213	6 337
- Deferred tax asset	30 209	126 922	71 645	122 520
- Other assets	118 797	104 097	136 616	170 606
<b>Total assets</b>	<b>48 373 069</b>	<b>46 397 115</b>	<b>42 084 032</b>	<b>41 258 645</b>
<b>EQUITY AND LIABILITIES</b>				
<b>LIABILITIES</b>				
- Liabilities due to the Central Bank	696 000	0	464 000	0
- Liabilities due to other banks	1 400 239	3 688 512	877 038	3 109 380
- Financial liabilities at fair value through profit or loss	3 111 015	3 534 613	3 685 789	4 133 487
- Liabilities due to customers	38 626 434	34 814 549	32 878 020	29 836 746
- Provisions	89 413	62 842	79 490	119 302
- Current income tax liabilities	65 815	104 649	0	0
- Deferred tax liabilities	0	0	0	0
- Other liabilities	768 179	727 614	634 506	676 884
<b>Total liabilities</b>	<b>44 757 095</b>	<b>42 932 779</b>	<b>38 618 843</b>	<b>37 875 799</b>
<b>EQUITY</b>				
- Share capital	130 100	130 100	130 100	130 100
- Supplementary capital - issuance of shares over nominal value	993 750	993 750	993 750	993 750
- Revaluation reserve from measurement of available-for-sale financial assets	42 830	-25 789	85 796	126 658
- Revaluation reserve from measurement of property, plant and equipment	39 047	30 313	31 725	12 224
- Retained earnings	2 410 247	2 335 962	2 223 818	2 120 114
<b>Equity assigned to shareholders of the holding company</b>	<b>3 615 974</b>	<b>3 464 336</b>	<b>3 465 189</b>	<b>3 382 846</b>
- Minority equity				
<b>Total equity</b>	<b>3 615 974</b>	<b>3 464 336</b>	<b>3 465 189</b>	<b>3 382 846</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48 373 069</b>	<b>46 397 115</b>	<b>42 084 032</b>	<b>41 258 645</b>
Solvency ratio	15,14%	14,68%	17,96%	15,07%
Book value	3 615 974	3 464 336	3 465 189	3 382 846
Number of shares	13 010 000	13 010 000	13 010 000	13 010 000
Book value per share (PLN)	277,94	266,28	266,35	260,02

## STATEMENT OF CHANGES IN EQUITY

end of the year 2006

period from 01 January 2006 to 31 December 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
<b>Opening balance of equity</b>	<b>130 100</b>	<b>993 750</b>	<b>85 796</b>	<b>31 725</b>	<b>2 223 818</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity			-28 754		
- reclassified to the financial result as a result of sale of available-for-sale financial assets			-14 212		
- disposal of property, plant and equipment				-2 132	3 647
- remeasurement of property, plant and equipment				9 454	
- dividends paid					-357 775
- net result for the current period					540 557
<b>Total equity (closing balance)</b>	<b>130 100</b>	<b>993 750</b>	<b>42 830</b>	<b>39 047</b>	<b>2 410 247</b>

end of year 2005

period from 01 January 2005 to 31 December 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
<b>Opening balance of equity</b>	<b>130 100</b>	<b>993 750</b>	<b>67 992</b>	<b>32 967</b>	<b>1 981 770</b>
- gains/losses on remeasurement of available-for-sale financial assets charged to equity			19 744		
- reclassified to the financial result as a result of sale of available-for-sale financial assets			-1 940		
- disposal of property, plant and equipment				-1 309	1 969
- remeasurement of property, plant and equipment				67	
- dividends paid					-266 705
- net result for the current period					506 784
<b>Total equity (closing balance)</b>	<b>130 100</b>	<b>993 750</b>	<b>85 796</b>	<b>31 725</b>	<b>2 223 818</b>

# CASH

## FLOW STATEMENT - indirect method

end of year 2006  
period from 01 January 2006  
to 31 December 2006

end of year 2005  
period from 01 January 2005  
to 31 December 2005

### OPERATING ACTIVITIES

<b>Net profit (loss)</b>	<b>540 557</b>	<b>506 784</b>
<b>Adjustments</b>	<b>2 942 222</b>	<b>-541 002</b>
- Profits (losses) of minority shareholders included in the financial result	0	0
- Share in net profit (loss) of controlled entities recognised under the equity method	0	0
- Unrealised exchange gains (losses)	13	-4 148
- Depreciation and amortisation	137 268	120 430
- Interest accrued (from the profit and loss account)	932 653	717 966
- Interest received/paid	-1 008 279	-648 043
- Dividends received	-56 640	-41 611
- Gains (losses) on investment activities	1 277	-5 005
- Income tax (from the profit and loss account)	142 501	129 999
- Income tax paid	-12 814	-113 607
- Change in provisions	9 923	-25 027
- Change in deposits in other banks and in loans and advances to other banks	2 282 497	-2 187 146
- Change in financial assets at fair value through profit or loss	-906 608	-1 029 356
- Change in investment financial assets	-1 611 180	-4 570 725
- Change in loans and advances to customers	-3 059 185	457 517
- Change in other assets	14 107	-3 559
- Change in liabilities due to other banks	750 227	-1 206 191
- Change in liabilities at fair value through profit or loss	-574 774	2 415 747
- Change in liabilities due to customers	5 767 563	5 256 627
- Change in other liabilities	133 673	195 130
<b>Net cash flow from operating activities</b>	<b>3 482 779</b>	<b>-34 218</b>

### INVESTMENT ACTIVITIES

- Purchase of property, plant and equipment	-72 055	-98 653
- Disposal of property, plant and equipment	2 360	1 262
- Purchase of intangible assets	-427	-27 282
- Disposal of shares in controlled entities	0	16 000
- Disposal of fixed assets/liabilities held for sale	468	9 313
- Dividends received	56 640	41 611
<b>Net cash flow from investment activities</b>	<b>-13 014</b>	<b>-57 749</b>

### FINANCIAL ACTIVITIES

- Long-term loans repaid	-27 887	-55 616
- Interest on long-term loans repaid	-1 775	-2 995
- Dividends paid	-357 775	-266 705
<b>Net cash flow from financial activities</b>	<b>-387 437</b>	<b>-325 316</b>

*Effect of exchange rate changes on cash and cash equivalents*

**-2 006**      **-36 341**

**Net increase/decrease in cash and cash equivalents**

**3 082 328**      **-417 283**

**Opening balance of cash and cash equivalents**

**4 970 079**      **5 387 362**

**Closing balance of cash and cash equivalents**

**8 052 407**      **4 970 079**

## **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 third 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)**

As regards members of the Bank Supervisory Board, the following individuals have held shares of ING Bank Śląski: Mr. Mirosław Kośmider – 3 shares; Mr. Wojciech Popiołek – 9 shares. The other members of the Bank Management Board and the Bank Supervisory Board do not hold any shares of ING Bank Śląski S.A. As of the date of publication of the report for Q2 2006, the status of ING Bank Śląski's shares, held by the Members of the Bank Management Board and Supervisory Board, was similar.

### **3. Indicating the court proceedings of value at least 10% of the equity or totally at least 10% of the equity (para. 91 section 6 item 7)**

In 4Q 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 for the loan, cash loan or guarantees equal at least 10% of the 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 01 February 2006, the Bank signed an addendum to the credit agreement of 30 December 1999 with Handlowy-Heller S.A. (now ING Commercial Finance Polska S.A.), whereby the loan amount was increased to PLN 350 million. Due to the changes in the shareholding structure of Handlowy-Heller S.A., on 03 February 2006 the Bank signed a credit agreement with that company for the amount of PLN 350,000,000.00. The agreement superseded the then-effective credit agreement with Handlowy-Heller S.A. of 30 December 1999, as amended. Following the changes in its shareholding structure, Handlowy-Heller S.A. is now a member of ING Group.

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 10 August 2006, the Bank entered into an agreement for a syndicated credit facility with a company engaged in the power sector. The target exposure of ING Bank Śląski in the syndicate is up to EUR 75,000,000 (or, PLN 289,762,500 according to the average NBP exchange rate as on 10 August 2006, where EUR 1 = PLN 3.8635). The loan may be taken out in EUR or PLN. The borrower is not related to ING Bank Śląski S.A.

On 08 September 2006, the Bank signed a credit agreement with ING Commercial Finance Polska S.A. (the legal successor of Handlowy-Heller S.A.). The loan amount totals PLN 500,000,000.00. The said agreement supersedes the credit agreement of 03 February 2006. The borrower is related to ING Bank Śląski S.A.