Interim Financial Reporting of ING Bank Śląski Group

for the third quarter 2005

ING

ING BANK ŚLĄSKI

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I. Basic Details of Issuer

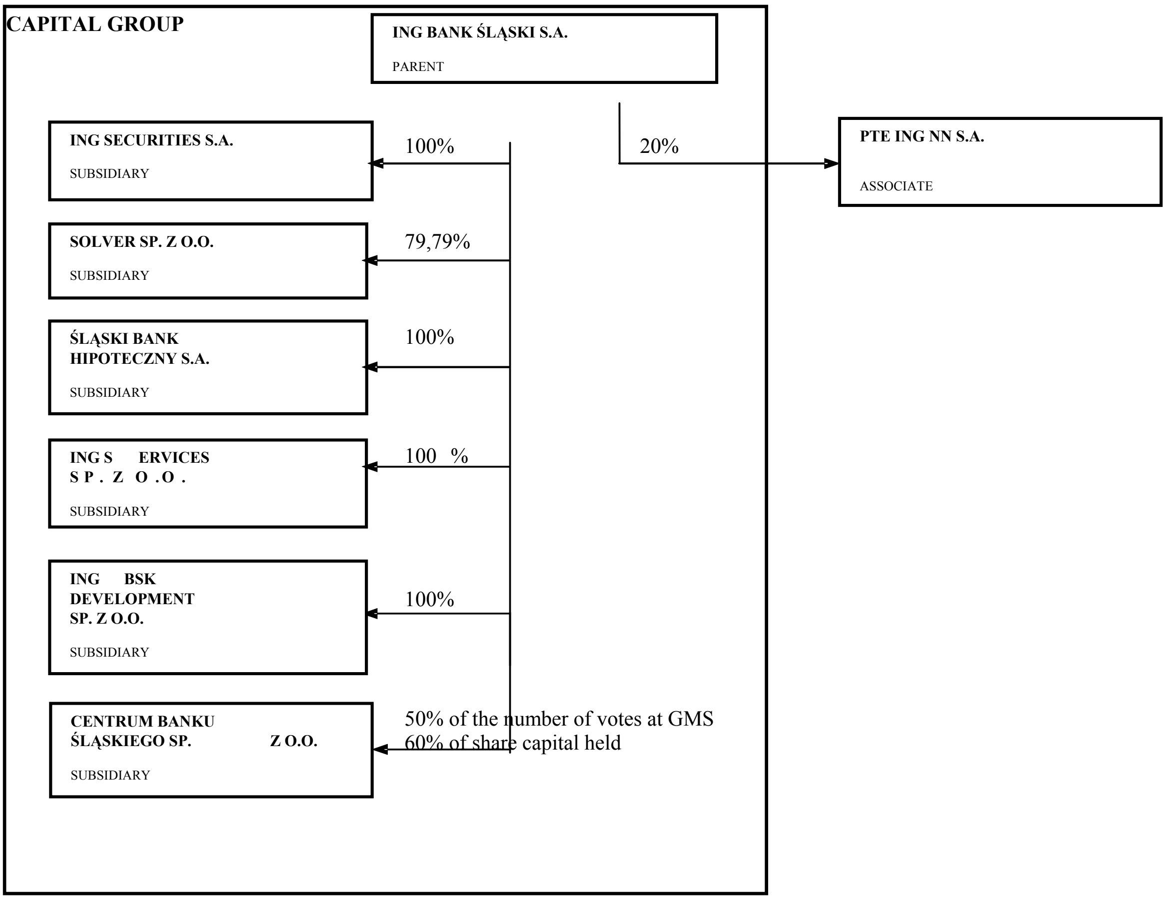
1. Informational Details of the Bank and its Capital Group

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 9 April 2001, Bank Śląski S.A. of Katowice was registered in the National Court Register under the no. KRS-5459.

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

ING Bank Śląski S.A. is the parent entity of the Capital Group of ING Bank Śląski S.A.



2. Compliance with International Financial Reporting Standards

The present report for third quarter of 2005 meets the requirements of International Financial Reporting Standards (IFRS), including IAS 34 (International Accounting Standards) in regard to interim financial statements, and IFRS 1 defining the requirements for statements drafted under IFRS for the first time. This is the abbreviated version of the statement.

The financial statements have been prepared under the International Financial Reporting Standards (IFRS) effective as on 30 September 2005. The consolidated balance sheet and the profit and loss account as at 30 September 2005, including comparable financial data, have been executed upon the application of the same accounting principles for each period. The following two areas of IAS 39 form an exception from the above rule, notably: impairment loss measurement and valuation at amortised cost upon the application of the effective interest rate for loans and cash loans.

The accounting principles applied for these financial statements are the same principles that would be used when preparing the full-year financial statements.

3. Selected Financial Data from the Financial Statements

Item	PLN thousands		EUR thousands	
	30.09.2005	30.09.2004	30.09.2005	30.09.2004
Interest income	1 399 293	1 009 362	344 798	218 410
Commission revenue	443 910	440 926	109 383	95 410
Result on banking activity	1 247 515	1 226 176	307 398	265 326
Gross profit (loss)	523 715	297 625	129 048	64 401
Net profit (loss)	418 203	248 459	103 049	53 763
Net cashflow	1 590 146	3 219 046	391 826	696 552
Earnings (loss) per 1 ordinary share (in PLN/EUR)	43.39	18.95	10,59	4,08
Profitability ratio (%)	29.0	17.9	x	X
Return on assets (%)	1,3	1,0	x	X
Return on equity (%)	18,2	12,1	x	X
Cost / Income ratio (%)	64,8	63,1	x	X
Total assets	41 435 174	33 119 943	10 579 373	7 556 110
Equity	3 478 318	2 979 531	888 096	679 762
Initial capital	130 100	130 100	33 218	29 682
Number of shares	13 010 000	13 010 000	x	X
Book value per 1 share (in PLN/EUR)	267.36	229.02	68.26	52.25
Solvency ratio (%)	15.5	15.3	x	X

Profitability ratio – gross profit[1] to total costs.
Cost to Income ratio (C/I) – total overhead costs of 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 off-balance sheet assets and liabilities including risk weights.

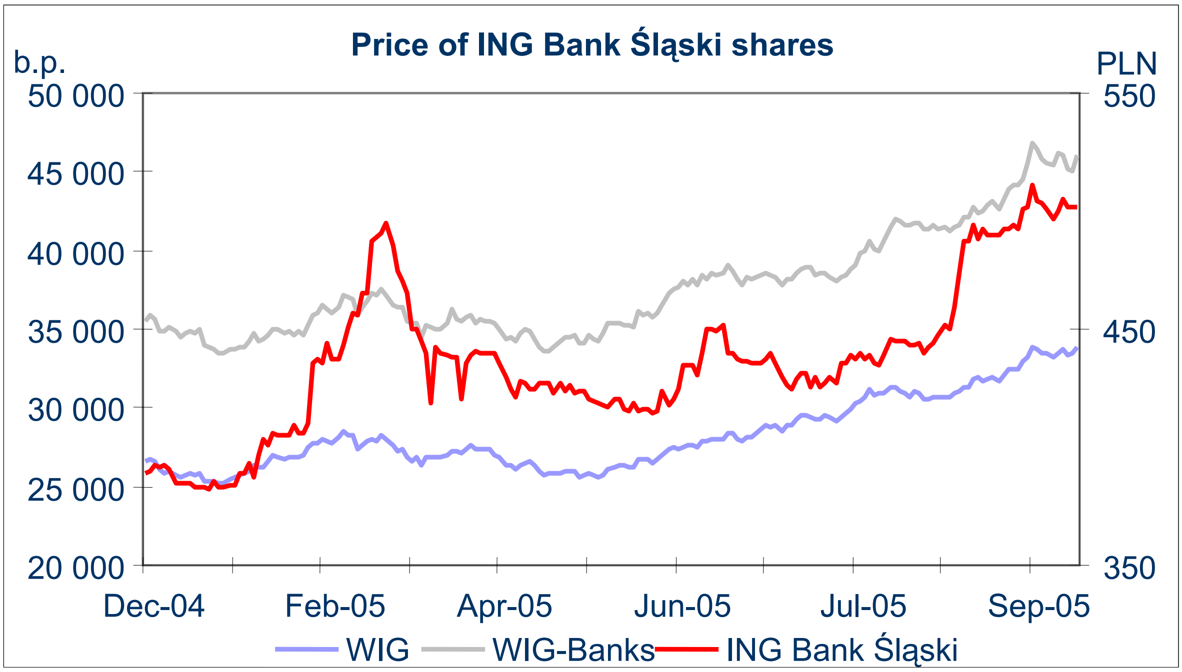
In order to determine the basic figures in EUR, the following exchange rates were applied:

- for balance-sheet items – PLN 3.9166, NBP exchange rate of 30.09.2005, PLN 4.3832, NBP exchange rate of 30.09.2004,
- for P&L items for 30.09.2005 – PLN 4.0583, exchange rate calculated as the average of NBP exchange rates as at the last day of each month in first, second and third quarters of 2005; PLN 4.6214 exchange rate calculated as the average of NBP exchange rates as at the last day of each month in first, second and third quarters of 2004.

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

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

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



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

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

After a visible revival in 2004, the growth rate of the Polish economy over the first 9 months of 2005 was much slower. It was particularly evident in the first two quarters when the pace of economic growth was slower than a year earlier. In 3Q 2005, the growth rate improved, especially in terms of industrial output and retail sales. As a result, the GDP gains in 3Q 2005 are estimated at approx. 3.4% compared with 2.1% in 1Q and 2.8% in 2Q.

Sold industrial output in third quarter of 2005 went up by 4.3% on a year-to-year basis, compared with 0.7% in 1Q and 2.3% in 2Q. Between January and September 2005, manufacturing figures exceeded last year's result by 2.5%. Better-than-last year results were recorded in 16 out of 29 industry sectors, including machine and equipment manufacturing, metal goods manufacturing, rubber and plastic goods manufacturing, or foods and beverages sector, where the results were significantly higher than a year ago. Construction and assembly output between January and September 2005 was 8.0% than a year earlier.

Retail sales over the first 9 months of the year were only slightly higher (up by 0.1%) than in the same period last year; however, while during the first two quarters of the year sales were going down, in 3Q 2005 it started to grow at a rate similar to the one last year (4.1%).

The first three quarters of 2005 saw further improvement on the job market. The unemployment rate in September 2005 was 17.6% compared with 19.1% at the end of 2004. Despite a gradual decrease of the registered unemployed, 2.8 million people remained jobless at the end of September 2005.

During the first 9 months of the year, the prices of consumer goods and services grew at a considerably slower rate than a year earlier. In September 2005, consumer prices went up by 0.7% on a year-earlier. In view of the low inflation dynamics and weak economic growth forecasts, the Monetary Policy Council cut the NBP interest rates five times. As a result, the reference rate went down from 6.5% early this year to 4.5% in September.

The banking sector's deposits went up during the first nine months of 2005. Household deposits were 5.6% higher than at the 2004 year-end. After a slight slow-down in the first quarter of 2005, the value of corporate deposits as at the end of September was PLN 138.0 billion, up by 14.3% from December 2004.

The credit receivables of the banking sector grew for the major part due to the expansion of lending to households. The credit receivables of the banking sector from households went up by 15.8% over the first nine months of 2005. The mortgages and housing loans were the growth driver. As at the end of September 2005, the credit receivables from corporate customers remained on the same level as in December 2004.

In regard to the FX-market, the first 9 months of 2005 witnessed significant fluctuations of foreign exchange rates. The beginning of the year on the FX-market showed strong seasonal appreciation of PLN against EUR, but in the following months the Polish zloty depreciated. In September 2005, the PLN appreciated again. At the end of December 2004 the PLN exchange rate to EUR amounted to 4.0790, then it went down to 3.9119 as at 28.02.2005. At the end of June 2005, the PLN/EUR exchange rate was 4.0401, while at the end of September it dropped to 3.9166.

The economic growth rate, the change of interest rates and increasing fluctuations in foreign exchange rates can be listed among the most important macroeconomic factors affecting the results in the subsequent quarters.

2. Analysis of Financial Results

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

PLN million	**IAS /IFRS 9M 2004**	**IAS /IFRS 12M 2004**	**IAS /IFRS 9M 2005**	**9M 2005 /9M 2004**	
Retail banking	621,1	839,7	606,7	-14,4	97,7%
Core business	*618,0*	*835,7*	*602,1*	*-15,8*	*97,4%*
FM products sales	*3,1*	*4,0*	*4,5*	*1,4*	*143,9%*
Corporate banking	449,2	605,0	448,2	-1,0	99,8%
Core business	*352,0*	*469,5*	*320,2*	*-31,9*	*91,0%*
FM products sales	*86,2*	*114,4*	*100,0*	*13,8*	*116,1%*
Equity Markets	*11,0*	*21,2*	*28,0*	*17,0*	*255,2%*
Own operations	175,2	245,3	220,1	44,8	125,6%
Proprietary trading	*89,7*	*122,3*	*108,2*	*18,5*	*120,6%*
ALCO and other	*85,5*	*123,0*	*111,9*	*26,3*	*130,8%*
Revenue total	**1 245,5**	**1 690,0**	**1 274,9**	**29,4**	**102,4%**
Operational expenses, including:	**785,4**	**1 068,2**	**826,5**	**41,1**	**105,2%**
Personnel cost	351,6	464,3	390,7	39,1	111,1%
Marketing cost	24,7	37,2	41,4	16,6	167,1%
Depreciation	95,4	145,6	95,7	0,3	100,3%
Other expenses	305,5	392,9	288,7	-16,9	94,5%
Other operating expenses	8,2	28,2	10,2	2,0	124,6%
Result before risk cost	**460,1**	**621,8**	**448,4**	**-11,7**	**97,5%**
Risk cost	-171,7	-150,9	68,2	240,0	-39,7%
Result before tax	**288,4**	**470,9**	**516,6**	**228,3**	**179,2%**
CIT	-58,3	-93,3	-95,4	-37,1	163,7%
Result after tax	**230,1**	**377,6**	**421,2**	**191,2**	**183,1%**
Tax adjustment (FPU Act)	18,4	17,2	-3,0	-21,4	
Result after tax adjusted	**248,5**	**394,8**	**418,2**	**169,7**	**168,3%**

The financial results generated by the Capital Group of ING Bank Śląski in the first third quarters of 2005 were significantly better than a year ago. The result on banking activity at the end of September 2005 amounted to PLN 1,274.9 million, up by PLN 29.4 million, or 2.4%, on the year-earlier period.

Income of retail banking generated at the end of September amounted to PLN 607.0 million, down by PLN 14.1 million from a year earlier. During the first 9 months of 2005, the volume of deposits of individual customers went up, while the retail loan portfolio decreased in comparison to its status as at 2004 year-end.

Income of the wholesale banking segment generated at the end of September 2005 amounted to PLN 450.7 million, up by PLN 1.5 million as compared to the same period of last year. The first 9 months of 2005 also witnessed growth of income from both sales of financial markets products in that segment and from capital markets. The loans of corporate customers decreased compared to the end of 2004; the volume of corporate deposits went down as well. The observed drop referred to the strategic clients, while the lower revenue deriving from the volume decrease was compensated by higher revenue on the sale of Financial Markets products and structured products. A growth of revenue was recorded on the corporate banking portfolios in the segment of large and mid-size companies.

Income generated on own operations as at the end of September 2005 was PLN 217.3 million, up by PLN 42.0 million on a year-earlier period. Income of financial markets generated after the first third quarters of the year amounted to PLN 108.2 million, up by PLN 18.5 million as compared to the same period of last year. Upon including FM sales into the wholesale and retail segments, the income of financial markets as at the end of September 2005 was PLN 212.7 million versus PLN 179.0 million in the same period last year. Income generated on proprietary operations (ALCO and similar) as at the end of September 2005 was PLN 109.1 million, up by PLN 23.5 million on a year-earlier period. Increase of results was also the consequence of higher income being generated from investment of own funds, valuation of PTE NN and a positive change in the valuation of Centrum Banku Śląskiego subsidiary, due to the PLN appreciation early 2005.

Total costs for the first three quarters of 2005 amounted to PLN 826.5 million, up by PLN 41.1 million, or 5.2 %, from the year-earlier period. Personnel costs at the end of September 2005 amounted to PLN 390.7 million, up by PLN 39.1 million, or 11.1%, from the year-earlier period. The rise of personnel costs was caused by higher costs of remuneration as the incentive system has been correlated with the Bank's performance, and growth of headcount in the sales network and the units actively supporting sales of products.
The increase of marketing costs from PLN 24.7 million as at the end of September 2004 to PLN 41.4 million as at the end of September 2005 resulted from intensification of marketing activities. The higher marketing campaign costs are co-related with the commercial expansion of ING Bank Śląski.

Depreciation after the first three quarters of 2005 was up by PLN 0.3 million compared with the same period of the last year. Other costs as at the end of September 2005 amounted to PLN 288.7 million, down by PLN 16.9 million from a year-earlier period. Other operating costs after three quarters of 2005 amounted to PLN 10.2 million, up by PLN 2.0 million from the end of September 2004.

The result before risk costs as at the end of September 2005 was PLN 448.4 million, down by PLN 11.7 million, or 2.5%, from the same period last year.

As at the end of September 2005, the costs of risk were positive and amounted to PLN 68.2 million, out of which PLN 74.4 million pertained to impairment write-offs, PLN 4.9 million to interest recovery, PLN 1.0 million to impairment loss of tangible fixed assets, (–PLN 6.2 million) related to debt collection costs, (–PLN 1.6 million) pertaining to sundry debtors, and (-PLN 4.3 million) related to impairment loss of investment real properties.

Gross financial result after the first three quarters of the year amounted to PLN 516.6 million versus PLN 288.4 million in the same period last year. Net financial result, in turn, was PLN 418.2 million, up by PLN 169.7 million from September 2004.

3. Analysis of Commercial Figures

The commercial policy of ING Bank Śląski in the first 9 months of 2005 focused on building of the deposit portfolio and providing clearing services. The Bank took intense activities in the retail market, which proved very successful. Over the first 9 months of 2005, ING Bank Śląski considerably increased its deposit base and reinforced its share in the household market. The Bank was also taking actions aimed at rebuilding of the credit portfolio; however, during the first 9 months of 2005 exposure gained only in some segments and loan types.

From the very beginning of 2005, ING Bank Śląski has been introducing substantial changes to its product offer. Within the new strategy of deposits acquisition ING Bank Śląski S.A. fundamentally altered the offer addressed to individual clients, laying focus on the simple and transparent product construction as well as competitive interest rates. The primary change pertained to limitation of personal accounts offer to three options (LION ACCOUNT) that match the needs of various client groups. A new attractive clearing and savings proposal for small businesses was launched as well.

Only recently, the individual and corporate clients may open the LION ACCOUNT and Open Savings Account via phone or Internet, without a visit to the branch. During the first 9 months of the year, the Bank has also improved its credit offer for individual clients (loans for vehicles purchase, for the purchase of securities in IPOs), and for small businesses (cash loan for small businesses, loan for purchase of vehicles for small businesses).

The Bank's clients were offered new mortgage products (Mortgage Credit Line and Consolidation Loan), while recently the Investment Insurance Deposit has been added to the offer for individual clients. This is a product offered jointly with the ING Nationale-Nederlanden Life Insurance Company.

ING Bank Śląski regularly encourages its clients to use alternative channels of banking services, including electronic banking as well as debit and credit cards. During the first 9 months of the year the Bank ran a pricing promotion in electronic banking, and introduced favourable changes to its payment cards offer. To improve the sales efficiency the Bank facilitated the process of rending the e-banking systems available as well as implemented the new process of debit cards issuance and activation.
In the last weeks ING Bank Śląski introduced to its offer the prepaid Visa e-card - the first cut-out and translucent card in Poland. A possibility of making secure payments in Internet constitutes its key advantage. With this card you can also pay in the service and commercial outlets.

To activate sales, the Bank conducted in the first 9 months of 2005 a number of advertising campaigns promoting its key products, such as the OKO Open Savings Account, credit cards and the electronic banking systems. There were also advertising campaigns of the new Bank offer addressed to small businesses and wholesale clients.

At the end of September 2005, the total value of deposits accumulated at ING Bank Śląski S.A. was PLN 32,042.2 million, up by 12.3% from December 2004. Deposits obtained from other domestic entities (i.e. excluding the funds of banks and other central budget units) totalled PLN 28,936.3 million versus PLN 26,172.5 million in December 2004 (up by 10.6%).

Structure of liabilities of ING Bank Śląski S.A.

	31.12.2003	31.12.2004	30.09.2005
Households	12 757,6	15 046,6	17 874,7
Companies	5 493,5	8 463,2	7 955,2
Non-monetary financial institutions	1 173,4	1 166,7	1 534,0

Non-commercial institutions acting for households	667,8	617,1	599,1
Self-governmental institutions	635,5	828,8	973,3
Social security funds	63,8	50,1	0,0
Total other domestic sectors	**20 791,6**	**26 172,5**	**28 936,3**
Banks and central budget units	*1 911,8*	*2 352,4*	*3 105,9*
Grand total	**22 703,4**	**28 524,8**	**32 042,2**

The funds obtained from households formed the main component of the deposit base. As at the end of September 2005, they amounted to PLN 17,874.7 million, up by PLN 2,828.1 million, or 18.8%, from the end of 2004. Enhancement and intense promotion of the OKO Open Savings Account produced visible results, as well as considerable activation of sales. The value of the portfolio of that product rose from PLN 8,109.1 million at the end of 2004 to PLN 10,448.7 million as at the end of September 2005.

The share in the market of long-term deposits and liabilities amounted to 8.16% (versus 8.07% as at the end of 2004); however, an increase of the share in the household deposits market was recorded from 7.19% as at the end of 2004 to 8.10% as at the end of September 2005. The share in the market of corporate deposits as at the end of September 2005 totalled 8.25% against 9.58% as at the end of December 2004, while for the large and mid-size companies only a growth of share was recorded from 7.8% in the second quarter of 2005 to 8.25% as at the end of September 2005.

The Bank also distributes units of ING TFI investment funds. As at the end of September 2005, the balance of acquired units was PLN 2,173 million versus PLN 1,211 million as at the end of 2004.

The value of credit exposure as at the end of September 2005 totalled PLN 11,002.4 million[4] versus PLN 11,370.7 million in December 2004. Loans in the Polish currency went up by PLN 293.8 million from December 2004, whereas FX loans dropped by PLN 662.1 million over that period. Despite actions initiated at the Bank in order to rebuild the credit portfolio, growth was only observed in some types of loans, e.g. PLN housing loans or credit card-related loans. A drop was recorded for the credit portfolio of the strategic clients, while the loans for others corporate segments grew.

Credit receivables of ING Bank Śląski S.A. from other domestic entities (excluding banks and central budget units) totalled PLN 11,240.9 million against PLN 11,467.8 million as at the end of December 2004.

Structure of receivables of ING Bank Śląski S.A.

	31.12.2003	**31.12.2004**	**30.09.2005**
Households	3 669,0	3 267,4	3 135,0
Companies	8 765,5	7 275,5	6 959,2
Non-monetary financial institutions	958,3	563,2	822,6
Non-commercial institutions acting for households	42,2	22,9	6,6
Self-governmental institutions	376,0	338,8	317,5
Total other domestic sectors	**13 811,0**	**11 467,8**	**11 240,9**
Banks and central budget units, CIRS	*35,1*	*-97,2*	*-238,5*
Grand total	**13 846,2**	**11 370,7**	**11 002,4**

The receivables from institutional clients[5] constituted the main part of the Bank's credit portfolio. As on 30 September 2005, the value of loans of institutional clients totalled PLN 8,105.9 million against PLN 8,200.4 million at the end of 2004.

As at the end of September 2005, the value of the mortgages portfolio was PLN 790.3 million, with PLN 362.8 million worth of PLN-denominated loans and PLN 427.5 million worth of FX-denominated loans. As at 31.12.2004, mortgages amounted to PLN 750.7 million (where PLN 234.8 million represented PLN loans, and PLN 515.9 worth of FX loans). With consideration of the loans secured with mortgages, the portfolio value at the end of September 2005 amounted to PLN 896.9 million versus PLN 886.0 million at the end of 2004.

The Bank's share in credit receivables market as at the end of September 2005 was 3.94% (versus 4.29% as at the end of December 2004). The Bank's share in the corporate loans market as at the end of September 2005 totalled 5.30% versus 5.34% as at the end of December 2004. The share in the market of household loans as at the end of September 2005 amounted to 2.34% versus 2.87% as at the end of December 2004.

The number of personal accounts maintained by the Bank as at the end of September 2005 totalled 974,400 compared with 974,800 on 31.12.2004. During the first 9 months of the year the number of newly opened bank accounts totalled 95,300, at the same time 95,700 inactive 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 issued newly offered credit cards[6] went up from 31,732 as at the end of 2004 to 99,288 cards as at the end of September 2005. Together with VE Credit and VE Credit NN-P cards, the number of credit cards issued as at the end of September totalled 110,762.

The number of customers using the electronic banking systems went up from 985,813 as at the end of June 2005 to 1,044,687 as at the end of September 2005.

The figures for electronic banking clients are as follows:

Electronic banking system	30.09.2005	30.06.2005	31.03.2005	31.12.2004
MultiCash	9 258	9 260	9 227	9 323
ING BankOnLine	299 300	267 446	199 914	152 832
HaloŚląski	669 238	648 341	603 763	560 788
SMS	66 891	60 766	51 139	40 650
Total	1 044 687	985 813	864 043	763 593

The number of transactions made with the use of the electronic banking systems in September 2005 totalled 3.2 million. The volume of electronic transactions in September 2005 exceeded PLN 27 billion. In the same period last year the number of transactions made with the use of the electronic banking systems was 2.5 million, and the volume was PLN 20.9 billion.

[5] The figures comprise the Bank's liabilities towards: companies, non-commercial institutions acting for households, non-monetary financial institutions, self-governmental agencies, social security institutions. The figure does not take account of suspense liabilities and interest.

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

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 loan impairment is calculated as the difference between the total future cash flows discounted with the effective interest rate and the carrying value of receivables (or the equivalent liability).

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

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

Furthermore, following the recovery of some of the fully provisioned lost receivables, which were shifted to off-balance sheet records between 2003 and 2004, and also in view of the development of trading in distressed debt, the Bank measured as at 01.01.2005 the (market) value of the portfolio of receivables transferred to the off-balance sheet records in the amount of PLN 44,103,000. The measurement amount has been recognised in the Bank's balance sheet as an asset in correspondence with equity (undistributed profit of previous years). As a result, equity increased by PLN 38,356,000, that is the discounted market value of the said portfolio.

Amounts obtained from the portfolio written off to the off-balance sheet are first settled with the valuation activated. Upon settlement of the assets amount, all future revenue is to increase the result of the current year.

PLN mio	2003	2004	2004 IFRS	2005 3Q
Exposure total / Exposure under IFRS	**13 720**	**11 307**	**11 349**	**10 845**
Provisions total	**1 255**	**1 072**	**944**	**860**
Total coverage ratio (%)	**8,9%**	**9,5%**	**8,3%**	**7,9%**
Corporate entities	**10 211**	**8 134**	**8 150**	**7 892**
- regular / unimpaired portfolio	7 113	7 021	7 331	7 237
- sub-standard / impaired portfolio	866	144		
- doubtful / impaired portfolio	1 489	430	818	655
- lost / impaired portfolio	742	539		
Provisions / Impairment	**752**	**601**	**588**	**528**
Allocation of general reserves / IBNR	**178**	**153**	**73**	**63**
Provisions for off-balance commitments	**35**	**17**	**33**	**22**
Irregular portfolio coverage (%) / Impaired portfolio coverage	**30,0%**	**67,7%**	**71,8%**	**80,6%**
Retail	**3 510**	**3 172**	**3 199**	**2 953**
- regular / unimpaired portfolio	3 079	2 865	2 908	2 673
- sub-standard / impaired portfolio	103	68		
- doubtful / impaired portfolio	69	20	291	280
- lost / impaired portfolio	259	219		
Provisions / Impairment	**264**	**245**	**201**	**199**
Allocation of general reserves / IBNR	**26**	**56**	**31**	**29**
Provisions for off-balance commitments			**19**	**19**
Irregular portfolio coverage (%) / Impaired portfolio coverage	**67,4%**	**97,9%**	**69,0%**	**70,7%**
Share of irregular loans in portfolio	**25,72%**	**12,56%**		
Share of impaired loans in portfolio			**9,78%**	**8,63%**

The risk costs as at the end of September 2005 were positive and amounted to PLN 68.2 million, out of which PLN 74.4 million pertained to impairment write-offs, PLN 4.9 million pertained to interest recovery, PLN 1.0 million related to impairment loss of tangible fixed assets, (–PLN 6.2 million) related to debt collection costs, (–PLN 1.6 million) pertaining to sundry debtors, and (-PLN 4.3 million) related to impairment loss of investment real properties.

The detailed structure of impairment write-offs in the three quarters of 2005 has been 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
Impairment losses	74,4	40,4	10,3	12,9	-1,7	11,7	1,2	1,0	-1,4
Increases/decreases of impairment	55,1	32,0	10,3	12,9	-1,7	0,8	1,2	1,0	-1,4
Recoveries	19,3	8,4				10,9			

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:

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

<u>Ratings</u>

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

Fitch Ratings Ltd.

Long-term liabilities	A
Long-term outlook	Positive
Short-term liabilities	F1
Individual rating	D
Support rating	1

Moody's Investors Service Ltd.

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

6. Other Information

<u>Headcount</u>

The headcount in the Capital Group was as follows:

30.09.2005	7,663 persons, or 7,470.7 FTEs,
31.12.2004	7,388 persons, or 7,175.2 FTEs,
30.09.2004	7,217 persons, or 6,985.6 FTEs.

The headcount increase results from an increased number of employees in the Sales Network and the units actively supporting the sale of products. At the same time, ING Bank Śląski runs a number of projects to enhance the operating procedures. New IT solutions and automation of work requires a new organisation of processes and a revised headcount structure. Consequently, in November 2005, the process of group layoffs was commenced. The Bank plans to terminate employment contracts for technological and organisational reasons with approximately 400 employees. The financial results of the above actions will be presented in the financial report for the fourth quarter of 2005.

<u>Number of Branches and ATMs</u>

As at 30.09.2005, the Bank conducted its operational activity via a network of 332 branches just as at the end of September 2004. As at the end of September 2005, the Bank had a network of 562 ATMs.

III. Segmentation of Revenue and Financial Results of the Group

PLN thousand	3 Q 2005 YTD					3 Q 2004 YTD				
	Retail customers segment	Corporate customers segment	Own operations		TOTAL	Retail customers segment	Corporate customers segment	Own operations		TOTAL
			Proprietary trading	ALCO				Proprietary trading	ALCO	
Revenue total	**628 155**	**484 425**	**115 381**	**46 961**	**1 274 922**	**639 135**	**486 921**	**96 994**	**22 439**	**1 245 489**
Core business	602 445	350 682	212 724	98 431	1 264 283	617 950	363 006	178 992	81 324	1 241 272
Share in profits (losses) of minority shareholders	0	0	0	10 639	10 639	0	0	0	4 217	4 217
FM products sales	4 528	100 012	-104 541	0	0	3 146	86 168	-89 313	0	0
Result on economic capital	21 181	33 731	7 197	-62 110	0	18 039	37 748	7 315	-63 102	0
Expenses total	546 296	246 637	23 019	10 560	826 513	488 240	246 977	21 012	29 174	785 402
Operational costs	**536 440**	**246 326**	**23 019**	**10 560**	**816 346**	**488 138**	**239 631**	**21 012**	**28 462**	**777 242**
Other operational costs (operational risk)	9 856	311	0	0	10 167	102	7 346	0	712	8 160
Result before risk	**81 859**	**237 788**	**92 362**	**36 400**	**448 409**	**150 895**	**239 945**	**75 982**	**-6 735**	**460 087**
Risk cost	-31 020	-37 210	0	0	-68 230	82 600	89 128	0	0	171 728
Result before tax	**112 879**	**274 998**	**92 362**	**36 400**	**516 639**	**68 295**	**150 817**	**75 982**	**-6 735**	**288 359**
CIT					98 436					39 900
Result after tax					**418 203**					**248 459**

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,
- proprietary operations:
  - trading
  - 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.

This type of operations is analysed in terms of the following products: credit products (overdraft, loans related to cards, instalment loans, housing loans, and mortgages), contract loans extended by the

Housing Savings & Loans Unit, mortgages extended by Śląski Bank Hipoteczny, deposit products (current accounts, term deposits, and saving accounts), participation units in ING mutual funds, brokerage services performed by ING Securities S.A., 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 into the following types of products: credit products (working capital loans, and investment loans), deposit products (current accounts, term deposits and negotiable deposits), custody-related services, operations in the capital market performed by the dominant entity and ING Securities, as well as intermediation in leasing-related services.

Financial markets cover operations in money markets and capital markets both for own account and for clients. The following type 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).

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.

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

The profitability of individual segments is assessed based on the transfer pricing system. Transfer prices are determined based on one yield curve for a given currency, which is common for the asset-related products and the liabilities-related ones. The transfer price set for the asset-related products and the liabilities-related ones having the same position on the yield curve is identical. It is possible to modify the starting transfer price from the product valuation on the yield curve, and the following factor may be used to correct the transfer price: premium for obtaining long-term liquidity, adjusting the Bank's position, the cost of collateral in case of complex products, and the pricing policy. Using mathematical equations – based on the quotations rates available in the information services – profitability yields are then built.

Revenue in terms of margin, 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.
The Bank does not apply an arbitrary system of internal revenue and costs allocation. The revenue and costs of individual segments are determined based on the market margin rates, which are allocated to the segment generating revenue and costs calculated based on single transactions. Bearing in mind the above, it is impossible to split cost and revenue into internal and external ones based on the existing management information system (MIS).

The below table show the volumes of the Group's loans and deposits broken into the retail and wholesale segments (according to the segmentation principles applied by the Group, including consolidation corrections/ eliminations).

PLN million

	30.09.2005			30.09.2004		
	Retail Clients Segment	**Wholesale Clients Segment**	**Total**	**Retail Clients Segment**	**Wholesale Clients Segment**	**Total**
Deposits	18 538	11 508	30 046	13 730	10 301	24 031
Loans	3 049	8 241	11 291	3 456	9 407	12 864

CONSOLIDATED PROFIT AND LOSS ACCOUNT	III quarter 2005 the period from 01 Jul 2005 to 30 Sep 2005	3 quarters 2005 the period from 01 Jan 2005 to 30 Sep 2005	III quarter 2004 the period from 01 Jul 2004 to 30 Sep 2004	3 quarters 2004 the period from 01 Jan 2004 to 30 Sep 2004
Interest and similar income	*455 939*	*1 399 293*	*381 305*	*1 009 362*
Interest expense and similar charges	*270 508*	*886 452*	*227 448*	*572 509*
- **Net interest income**	**185 431**	**512 841**	**153 857**	**436 853**
- Dividend income	108	1 711	753	763
Commission income	*152 768*	*443 910*	*143 572*	*440 926*
Commission expense	*19 617*	*57 461*	*22 571*	*68 373*
- **Net commission income**	**133 151**	**386 449**	**121 001**	**372 553**
- Net income on instruments at fair value	49 627	214 890	74 412	221 955
- Net income on investments	2 975	2 975	855	2 849
- Fair value adjustments in hedge accounting	-4 940	277	0	0
- Exchange rate differences	40 832	128 372	62 401	191 203
- **Result on banking activity**	**407 184**	**1 247 515**	**413 279**	**1 226 176**
Other operating income	*7 406*	*25 084*	*11 867*	*26 153*
Other operating expenses	*4 499*	*22 486*	*9 653*	*19 175*
- **Result on other operating income and expenses**	**2 907**	**2 598**	**2 214**	**6 978**
- General administrative expenses	234 546	720 693	237 019	681 845
- Depreciation and amortisation	32 894	95 653	31 663	95 397
- Result on disposals of assets other than held for sale	212	369	-59	338
- Impairment losses and provisions	-44 076	-68 230	38 557	171 728
- Share in net profit (loss) of associated entities recognised under the equity method	7 346	17 715	8 034	13 483
- Result from non-current assets and disposals groups classified as held for sale	-51	3 634	-43	-380
- **Net result before tax**	**194 234**	**523 715**	**116 186**	**297 625**
- Income tax	34 495	98 436	22 318	39 900
- Net result of current year	159 739	425 279	93 868	257 725
- Minority interest	-216	7 076	4 361	9 266
Consolidated net result of capital group	**159 955**	**418 203**	**89 507**	**248 459**

- **Net profit (for 12 months)**		**564 510**		**246 561**
- **Weighted average number of ordinary shares**		**13 010 000**		**13 010 000**
- **Earnings per share**		**43,39**		**18,95**
- **Weighted average anticipated number of ordinary shares**		-		-
- **Diluted profit (loss) per ordinary share (PLN)**		-		-

CONSOLIDATED BALANCE SHEET	30 Sep 2005	30 Jun 2005	31 Dec 2004	30 Sep 2004	30 Jun 2004
A S S E T S					
- Cash in hand and balances with the Central Bank	889 481	1 062 993	895 332	544 348	521 129
- Deposit accounts in other banks as well as loans and advances to other banks	12 998 143	9 253 632	10 748 766	8 957 869	11 038 907
- Financial assets held for trading	6 367 631	7 254 078	4 976 205	4 646 651	4 570 771
- Investments	9 428 760	9 372 008	7 014 258	5 875 100	1 095 227
- Non-current assets held for sale	5 984	2 657	8 614	482	708
- Loans and advances to customers	10 189 667	10 179 124	10 407 950	11 505 979	11 912 085
- Investments in associates	66 095	58 749	70 944	65 307	53 673
- Property, plant and equipment	759 497	756 722	768 719	846 031	856 534
- Intangible assets	315 307	313 595	304 407	303 692	301 978
- Tax assets	236 799	254 294	286 576	269 809	290 178
- Other assets	177 810	161 484	125 704	104 675	96 214
T o t a l a s s e t s	**41 435 174**	**38 669 336**	**35 607 475**	**33 119 943**	**30 737 404**
L I A B I L I T I E S A N D E Q U I T Y					
LIABILITIES					
- Liabilities due to other banks	3 240 477	3 099 297	2 493 778	2 370 649	2 399 824
- Financial liabilities held for trading	1 376 016	1 526 887	1 270 042	1 883 135	1 022 174
- Liabilities to customers	32 442 721	29 560 190	27 649 522	24 488 861	23 206 914
- Provisions	84 264	107 040	288 208	337 070	283 428
- Tax liabilities	102 312	91 588	141 290	87 690	100 184
- Other liabilities	697 038	948 407	601 060	949 229	850 794
L i a b i l i t i e s t o t a l	**37 942 828**	**35 333 409**	**32 443 900**	**30 116 634**	**27 863 318**
EQUITY					
- Initial capital	130 100	130 100	130 100	130 100	130 100
- Supplementary capital - agio	993 750	993 750	993 750	993 750	993 750
- Revaluation reserves	158 274	176 360	107 148	77 115	41 760
- Result of previous year	1 777 991	1 763 221	1 530 107	1 530 107	1 530 107
- Net result of current year	418 203	258 248	395 514	248 459	158 952
- Minority interest	14 028	14 248	6 956	23 778	19 417
E q u i t y t o t a l	**3 492 346**	**3 335 927**	**3 163 575**	**3 003 309**	**2 874 086**
L i a b i l i t i e s a n d e q u i t y t o t a l	**41 435 174**	**38 669 336**	**35 607 475**	**33 119 943**	**30 737 404**
Solvency ratio	**15,50%**	**17,44%**	**15,66%**	**15,30%**	**14,94%**
Net book value	**3 478 318**	**3 321 679**	**3 156 619**	**2 979 531**	**2 854 669**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (in PLN)	**267,36**	**255,32**	**242,63**	**229,02**	**219,42**

CONSOLIDATED OFF-BALANCE SHEET ITEMS	30 Sep 2005	30 Jun 2005	31 Dec 2004	30 Sep 2004	30 Jun 2004
- Contingent liabilities granted	14 012 605	8 198 838	11 220 722	9 742 686	7 972 368
- Contingent liabilities received	10 680 229	10 940 854	12 082 078	12 582 562	12 456 446
- Off-balance sheet financial instruments	140 625 910	111 884 113	91 467 953	113 594 864	129 022 341
O f f - b a l a n c e s h e e t i t e m s t o t a l	**165 318 744**	**131 023 805**	**114 770 753**	**135 920 112**	**149 451 155**

MOVEMENTS IN CONSOLIDATED OWN EQUITY

	3 quarters 2005	end of the year 2004	3 quarters 2004
	the period from 01 Jan 2005 to 30 Sep 2005	the period from 01 Jan 2004 to 31 Dec 2004	the period from 01 Jan 2004 to 30 Sep 2004
EQUITY COMPONENTS			
Initial capital	**130 100**	**130 100**	**130 100**
Supplementary capital - agio	**993 750**	**993 750**	**993 750**
Revaluation reserves	**158 274**	**107 148**	**77 115**
- fair value revaluation reserve on available for sale financial assets	*126 663*	*64 126*	*24 950*
- tangible assets revaluation reserve	*31 611*	*43 022*	*52 165*
Result of previous years	**1 777 991**	**1 530 107**	**1 530 107**
- supplementary capital	*30 341*	*16 894*	*16 267*
- revaluation reserves	*28 760*	*28 760*	*29 351*
- reserve capital	*1 233 497*	*1 153 299*	*1 153 299*
- general bank risk fund	*430 179*	*400 179*	*400 179*
- retained result from previous years	*55 214*	*-69 025*	*-68 989*
Net result of current year	**418 203**	**395 514**	**248 459**
Minority interest	**14 028**	**6 956**	**23 778**
E q u i t y t o t a l	**3 492 346**	**3 163 575**	**3 003 309**

The initial capital is composed of 13,010,000 ordinary shares of the face value of PLN 10.00 each. Each ordinary share provides the shareholder with the right to dividend and one vote at the general meeting of the Bank's shareholders.

SOURCES OF EQUITY CHANGES

3 quarters 2005
the period from 01 Jan 2005 to 30 Sep 2005

	Initial capital	Supplemen-tary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	Minority interest	TOTAL
				supplemen-tary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*			
Closing balance (last year)	**130 100**	**993 750**	***107 148***	***16 894***	***28 760***	***1 153 299***	***400 179***	***326 489***	**0**	**6 956**	**3 163 575**
- changes in adopted accounting principles	-	-	*3 865*	-	-	-	-	*106 882*	-	-	**110 747**
Opening balance (current year)	**130 100**	**993 750**	***111 013***	***16 894***	***28 760***	***1 153 299***	***400 179***	***433 371***	**0**	**6 956**	**3 274 322**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	*58 670*	-	-	-	-	-	-	-	**58 670**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-	-	-	-	-	-	-	-	**0**
- liquidation or sale of fixed assets	-	-	*-11 714*	*11 714*	-	-	-	*479*	-	-	**479**
- revaluation of tangible assets	-	-	*305*	-	-	-	-	-	-	-	**305**
- profit distribution	-	-	-	*1 733*	-	*80 198*	*30 000*	*-378 636*	-	-	**-266 705**
- charges to supplementary capital	-	-	-	*1 733*	-	-	-	*-1 733*	-	-	***0***
- charges to capital reserve	-	-	-	-	-	*80 198*	-	*-80 198*	-	-	***0***
- charges to general bank risk fund	-	-	-	-	-	-	*30 000*	*-30 000*	-	-	***0***
- dividend	-	-	-	-	-	-	-	*-266 705*	-	-	***-266 705***
- net result of current period	-	-	-	-	-	-	-	-	425 275	-	**425 275**
- minority participation in financial result	-	-	-	-	-	-	-	-	-7 072	7 072	**0**
Closing balance (current year)	**130 100**	**993 750**	***158 274***	***30 341***	***28 760***	***1 233 497***	***430 179***	***55 214***	**418 203**	**14 028**	**3 492 346**

end of the year 2004
the period from 01 Jan 2004 to 31 Dec 2004

	Initial capital	Supplemen-tary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	Minority interest	TOTAL
				supplemen-tary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*			
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***4 435***	***29 620***	***1 159 779***	***381 852***	***16 449***	**0**	**-4 511**	**2 704 301**
- changes in adopted accounting principles	-	-	52 169	-	-	-	-	*-51 620*	-	19 023	**19 572**
Opening balance (current year)	**130 100**	**993 750**	**44 996**	***4 435***	***29 620***	***1 159 779***	***381 852***	***-35 171***	**0**	**14 512**	**2 723 873**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	69 864	-	-	-	-	-	-	-	**69 864**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-4 006	-	-	-	-	-	4 006	-	**0**
- liquidation or sale of fixed assets	-	-	-	*860*	*-860*	-	-	-	-	-	**0**
- revaluation of tangible assets	-	-	-9 147	-	-	-	-	-	-	-	**-9 147**
- hedge accounting	-	-	5 441	-	-	-	-	-	-	-	**5 441**
- covering of prior period losses	-	-	-	-	-	*-12 977*	-	*12 977*	-	-	**0**
- sale of subsidiary entity	-	-	-	*7 979*	-	-	-	*-7 979*	-	-	**0**
- profit distribution	-	-	-	*3 620*	-	*6 497*	*18 327*	*-38 852*	-	-	**-10 408**
- charges to supplementary capital	-	-	-	*3 620*	-	-	-	*-3 620*	-	-	***0***
- charges to capital reserve	-	-	-	-	-	*6 497*	-	*-6 497*	-	-	***0***
- charges to general bank risk fund	-	-	-	-	-	-	*18 327*	*-18 327*	-	-	***0***
- dividend	-	-	-	-	-	-	-	*-10 408*	-	-	***-10 408***
- net result of current period	-	-	-	-	-	-	-	-	383 952	-	**383 952**
- minority participation in financial result	-	-	-	-	-	-	-	-	7 556	-7 556	**0**
Closing balance (current year)	**130 100**	**993 750**	**107 148**	***16 894***	***28 760***	***1 153 299***	***400 179***	***-69 025***	**395 514**	**6 956**	**3 163 575**

3 quarters 2004
the period from 01 Jan 2004 to 30 Sep 2004

	Initial capital	Supplemen-tary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	Minority interest	TOTAL
				supplemen-tary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*			
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***4 435***	***29 620***	***1 159 779***	***381 852***	***16 449***	**0**	**-4 511**	**2 704 301**
- changes in adopted accounting principles	-	-	52 169	-	-	-	-	*-51 620*	-	19 023	**19 572**
Opening balance (current year)	**130 100**	**993 750**	**44 996**	***4 435***	***29 620***	***1 159 779***	***381 852***	***-35 171***	**0**	**14 512**	**2 723 873**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	29 340	-	-	-	-	-	-	-	**29 340**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-	-	-	-	-	-	-	-	**0**
- liquidation or sale of fixed assets	-	-		*269*	-269	-	-	-	-	-	**0**
- hedge accounting	-	-	2 779	-	-	-	-	-	-	-	**2 779**
- covering of prior period losses	-	-	-	-	-	*-12 977*	-	*12 977*	-	-	**0**
- sale of subsidiary entity	-	-	-	*7 979*	-	-	-	*-7 979*	-	-	**0**
- profit distribution	-	-	-	*3 584*	-	*6 497*	*18 327*	*-38 816*	-	-	**-10 408**
- charges to supplementary capital	-	-	-	*3 584*	-	-	-	*-3 584*	-	-	***0***
- charges to capital reserve	-	-	-	-	-	*6 497*	-	*-6 497*	-	-	***0***
- charges to general bank risk fund	-	-	-	-	-	-	*18 327*	*-18 327*	-	-	***0***
- dividend	-	-	-	-	-	-	-	*-10 408*	-	-	***-10 408***
- net result of current period	-	-	-	-	-	-	-	-	257 725	-	**257 725**
- minority participation in financial result	-	-	-	-	-	-	-	-	-9 266	9 266	**0**
Closing balance (current year)	**130 100**	**993 750**	**77 115**	***16 267***	***29 351***	***1 153 299***	***400 179***	***-68 989***	**248 459**	**23 778**	**3 003 309**

CONSOLIDATED CASH FLOW STATEMENT

	3 quarters 2005 the period from 01 Jan 2005 to 30 Sep 2005	3 quarters 2004 the period from 01 Jan 2004 to 30 Sep 2004
OPERATING ACTIVITIES		
Net profit (loss)	**418 203**	**248 459**
Adjustments	**1 537 256**	**3 081 400**
- Minority shareholders' profit (loss)	7 076	9 266
- Share in net profit (loss) of associated entities recognised under the equity method	-17 715	-13 483
- Unrealised foreign exchange gains (losses)	-3 232	-8 650
- Depreciation	95 653	95 397
- Change in provisions	18 650	81 073
- Profit or loss on investment activity	98	-338
- Change in deposit accounts in other banks and loans and advances to other banks	-653 380	2 539 325
- Change in financial assets held for trading	-1 391 426	223 507
- Change in investments	-2 355 832	-4 983 378
- Change in loans and advances to customers	-45 378	1 175 159
- Change in other assets	-33 353	138 709
- Change in liabilities to banks	766 757	-720 138
- Change in financial liabilities held for trading	105 974	1 626 773
- Change in liabilities to customers	4 793 199	2 566 687
- Change in other liabilities	250 165	351 491
Cash flow from operating activities	**1 955 459**	**3 329 859**
- Change in tax assets / liabilities	8 426	-13 731
Net cash flow from operating activities	**1 963 885**	**3 316 128**
INVESTING ACTIVITIES		
- Acquisition of tangible assets	-74 213	-26 933
- Sale of tangible assets	147	2 661
- Acquisition of intangible assets	-18 735	-43 050
- Sale of intangible assets	-	-
- Acquisition of investments in subordinated entities	-	-
- Sale of investments in subordinated entities	-	-
- Acquisition of non-current assets or liabilities held for sale	-	-
- Sale of non-current assets or liabilities held for sale	2 593	-
- Other cash payments related to investing activities	-	-
- Other cash receipts related to investing activities	-	-
Net cash flow from investing activities	**-90 208**	**-67 322**
FINANCING ACTIVITIES		
- Dividends paid	-266 705	-10 408
- Other cash payments related to financing activities	-16 826	-19 352
- Other cash receipts related to financing activities	-	-
Net cash flow from financing activities	**-283 531**	**-29 760**
Effect of exchange rate changes on cash and cash equivalents	***242 960***	***-188 219***
Net increase in cash and cash equivalents	**1 590 146**	**3 219 046**
Cash and cash equivalents at the beginning of the period	**5 404 252**	**4 766 281**
Cash and cash equivalents at the end of the period	**6 994 398**	**7 985 327**
Components of cash and cash equivalents:		
- Cash on hand	241 088	311 286
- Coupons	1 439	1 596
- Bank cheques	304	241
- Traveller's cheque	28	37
- Current account in the Central Bank	646 622	231 188
- Current accounts in other banks	6 104 917	7 440 979
Total cash and cash equivalents at the end of the period	**6 994 398**	**7 985 327**
of which: amount of cash and cash equivalents held by the Bank, but not available for use by group	*1 017 200*	*826 929*

5. Supplementary Data under IAS 34

5.1 Supplementary Data to Balance Sheet Items

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

Generic structure	30 Sep 2005	31 Dec 2004	30 Sep 2004
financial sector	**14 040 343**	**11 328 064**	**9 818 116**
nostro accounts	72 744	257 655	239 130
interbank deposits	12 497 902	10 403 669	8 531 314
loans and advances	826 995	548 058	842 918
overdrafts in current account	*52 962*	*98 632*	*63 661*
term	*774 033*	*449 426*	*779 257*
other receivables	627 216	104 322	192 437
accrued interest	15 486	14 360	12 317
non-financial sector	**9 598 326**	**10 234 437**	**11 353 655**
loans and advances granted to corporate customers	6 294 467	6 614 478	7 282 705
overdrafts in current account	*2 442 035*	*2 107 167*	*2 140 585*
term	*3 852 432*	*4 507 311*	*5 142 120*
loans and advances granted to households	3 252 731	3 385 312	3 686 485
overdrafts in current account	*990 641*	*977 465*	*1 030 197*
term	*2 262 090*	*2 407 847*	*2 656 288*
other receivables	14 353	15 320	102 956
accrued interest	36 775	219 327	281 509
budget sector	**368 501**	**389 500**	**399 052**
loans and advances	367 171	386 396	395 832
overdrafts in current account	*9 193*	*233*	*3 920*
term	*357 978*	*386 163*	*391 912*
accrued interest	1 330	3 104	3 220
loan loss impairment	**-819 360**	**-795 285**	**-1 106 975**
TOTAL	**23 187 810**	**21 156 716**	**20 463 848**

- Financial liabilities measured using the depreciated cost

Generic structures	30 Sep 2005	31 Dec 2004	30 Sep 2004
financial sector	**5 809 042**	**4 174 458**	**3 646 243**
deposits of banks	2 734 998	2 015 915	1 954 904
current accounts	*147 248*	*107 140*	*56 250*
term accounts	*2 587 750*	*1 908 775*	*1 898 654*
deposits of other financial institutions	1 397 018	1 037 280	821 490
current accounts	*712 080*	*416 687*	*454 924*
term accounts	*684 938*	*620 593*	*366 566*
other liabilities	1 668 877	1 087 046	847 996
accrued interest	8 149	34 217	21 853
non-financial sector	**28 548 999**	**24 764 622**	**22 039 290**
deposits of corporate customers	8 536 088	9 076 223	8 068 921
current accounts	*5 323 744*	*4 577 224*	*4 228 176*
term accounts	*3 212 344*	*4 498 999*	*3 840 745*
deposits of households	18 026 782	15 100 955	13 312 542
current accounts	*2 402 038*	*2 184 629*	*2 186 606*
savings accounts	*10 828 500*	*5 924 203*	*5 878 682*
term accounts	*4 796 244*	*6 992 123*	*5 247 254*
other liabilities	1 913 798	525 973	612 319
accrued interest	72 331	61 471	45 508
budget sector	**1 325 157**	**1 204 220**	**1 173 977**
deposits	1 322 177	1 195 098	1 170 942
current accounts	*714 861*	*828 779*	*615 238*
term accounts	*607 316*	*366 319*	*555 704*
other liabilities	1 728	7 980	1 138
accrued interest	1 252	1 142	1 897
TOTAL	**35 683 198**	**30 143 300**	**26 859 510**

- Tangible fixed assets

	30 Sep 2005	31 Dec 2004	30 Sep 2004
- Real properties	415 855	394 821	487 182
- Computer hardware	95 962	66 834	67 056
- Vehicles	2 166	3 288	3 764
- Other fixtures and fittings	126 920	182 361	195 840
- Investment real properties	118 594	121 415	92 189
TOTAL	**759 497**	**768 719**	**846 031**

- Financial assets held for trading

	30 Sep 2005	31 Dec 2004	30 Sep 2004
- Debt instruments	5 163 285	3 393 070	2 634 587
- Equity instruments	193	1 122	2 129
- Derivative financial instruments	1 204 153	1 582 013	2 009 935
TOTAL	**6 367 631**	**4 976 205**	**4 646 651**

- Investments

	30 Sep 2005	31 Dec 2004	30 Sep 2004
- Available-for-sale financial assets	8 859 399	6 464 776	5 474 364
debt instruments	*8 839 627*	*6 445 111*	*5 453 363*
equity instruments	*19 772*	*19 665*	*21 001*
- Financial instruments at fair value recognised through the profit and loss account	569 361	549 482	400 736
debt instruments	*242 471*	*220 463*	*71 717*
repo transactions	*326 890*	*329 019*	*329 019*
TOTAL	**9 428 760**	**7 014 258**	**5 875 100**

- Provisions

	30 Sep 2005	31 Dec 2004	30 Sep 2004
- Provision for disputes	18 937	27 963	13 100
- Provision for off-balance sheet liabilities	41 353	17 446	36 857
- Provision for retirement benefits	9 814	8 994	10 050
- Provision for unused holidays	12 148	11 211	9 379
- Other	2 012	222 594	267 684
TOTAL	**84 264**	**288 208**	**337 070**

- Total impairment losses and provisions

	III Q 2005 the period from 01 Jul 2005 to 30 Sep 2005	3 Q 2005 YTD the period from 01 Jan 2005 to 30 Sep 2005	III Q 2004 the period from 01 Jul 2004 to 30 Sep 2004	3 Q 2004 YTD the period from 01 Jan 2004 to 30 Sep 2004
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:	-1	-16	757	475
- securities	*0*	*0*	*753*	*466*
- shares in subsidiaries, co-subsidiaries and associated entities, as well as minority interests	*-1*	*-16*	*4*	*9*
impairment losses on loans and advences:	-36 513	-68 857	37 706	166 419
- impairment losses on loans and advences	*-35 436*	*-68 569*	*37 934*	*169 003*
- collection and process costs related to recovery of receivables due to loans and advences	*-1 077*	*-288*	*-228*	*-2 584*
impairment losses/ fair value valuation:	7 566	11 426	1 422	2 068
- property, plant and equipment	*-957*	*-956*	*8*	*223*
- investment real properties	*3 820*	*4 362*	*0*	*0*
- other assets	*4 703*	*8 020*	*1 414*	*1 845*
Total impairment losses	***-28 948***	***-57 447***	***39 885***	***168 962***
Provisions for off-balance sheet commitments	***-15 128***	***-10 783***	***-1 328***	***2 766***
Total impairment losses and provisions	**-44 076**	**-68 230**	**38 557**	**171 728**

- General administrative expenses

	III Q 2005 the period from 01 Jul 2005 to 30 Sep 2005	3 Q 2005 YTD the period from 01 Jan 2005 to 30 Sep 2005	III Q 2004 the period from 01 Jul 2004 to 30 Sep 2004	3 Q 2004 YTD the period from 01 Jan 2004 to 30 Sep 2004
General administrative expenses	**234 546**	**720 693**	**237 019**	**681 845**
personnel expenses	**125 483**	**390 665**	**121 345**	**351 564**
wages and salaries	105 662	325 133	102 286	293 529
employee benefits	19 821	65 532	19 059	58 035
general administrative expenses	**109 063**	**330 028**	**115 674**	**330 281**

5.2 Seasonality or Cyclicity of Activity

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

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

On 01 February 2005, while performing the obligations deriving from the Co-operation Agreement between ING Bank Śląski and Finplus, ING Bank Śląski transferred the portfolio of receivables for the benefit of Sygma Banque. The said portfolio was created as a result of a long-term co-operation with the Finplus Company that was selling *private label* payment cards. The portfolio was owned by Finplus, the Bank was only its administrator. Consequently, the amounts due from individuals were reduced with the amount of PLN 148,530,000. This operation does not significantly affect the financial result of the Bank.

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

Application of estimates has been described in more detail in item Vs. Accounting Principles Applied and Changes to the Financial Statements Presentation.

5.5 Issues, Redemption or Repayments of Debt and Equities

None.

5.6 Dividends Paid

On 09 June 2005, the General Shareholders Meeting approved the payment of dividend for the year 2004 in the amount of PLN 20.50 gross per 1 share which represents PLN 266,705,000. The dividend was disbursed on 11 July 2005.

5.7 Significant Developments after the Closing of the Interim Period

ING Bank Śląski runs a number of projects to enhance the operating procedures. New IT solutions and automation of work requires a new organisation of processes and a revised headcount structure. Consequently, in November 2005, the process of group layoffs was commenced. The Bank plans to terminate employment contracts for technological and organisational reasons with approximately 400 employees. The financial results of the above actions will be presented in the financial report for the fourth quarter of 2005.

5.8 Changes to the Business Entity / Capital Group Structure

During the first nine months of 2005 there were no changes to the composition of the Capital Group.

5.9 Changes to Contingent Liabilities or Assets that Occurred after 31.12.2004

An increase of PLN 2,791.9 million in the contingent liabilities extended as per 30.09.2005 versus 31.12.2004 results mainly from an increase in the deposits position in inter-banking transactions. A decrease of PLN 1,401.9 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 Tangible Fixed Assets (Sale of Real Estate)

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

5.11 Settlements due to Court Cases

ING Bank Śląski maintains detailed records of court cases and other liabilities being legal claims. The Bank establishes reserves for the cases, which in the opinion of the legal staff and/or management staff are encumbered with a high risk of losing the case or it is impossible to recover the lost assets. Possible future settlements are made against the reserves established.

Changes to the provisioning level due to disputable claims were presented below:

in PLN million

	30.09.2005	30.06.2005	31.03.2005	31.12.2004
Stan na początku okresu:	**27.4**	**18.0**	**28.0**	**12.1**
Utworzenie rezerw w koszty	0.5	9.8	0.5	27.9
Przeniesienia księgowe	-8.6	0.0	-3.4	
Rozwiązanie rezerw w przychody	-0.1	-0.2		

Wykorzystanie rezerwy w związku z przegranym sporem lub zawarciem ugody	-0.3	-0.2	-7.1	-12.2
Status as at the end of period	**18.9**	**27.4**	**18.0**	**28.0**

5.12 Transactions with Related Entities

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

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

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, 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 fixed assets and intangible assets as well as car fleet leasing and management.

In the period 01.01.2005 – 30.09.2005 the following transactions were made of the total value exceeding EURO 500,000:

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

- Due to the agreement for lease of office space, being the property of CBS, ING Bank Śląski paid the rent (via ING BSK Development) in the amount of PLN 14.2 million (gross) in monthly instalments**.** In addition, the Bank paid PLN 0.4 million due to conversion works.

- ING Services Polska provides services to ING Bank Śląski in regard to lease of hardware resources. The costs of service was PLN 8.0 million (gross).

- Under the Co-operation Agreement of 31 January 1997, concluded by and between ING Bank Śląski S.A. and ING Bank NV, the fees for financial advisory services amounted to PLN 24.8 mln million (net). The expected amount of fees for advisory services in the year 2005 is EUR 6.75 million (or PLN 27.9 million).

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

- ING Bank Śląski made the transaction with ING Lease in regard to sub-lease of rentable premises of the total value of PLN 11.7 million (gross).

Transactions with related parties

	Parent company	Other ING Group entities	Subsidiary undertakings	Associated undertakings
Balances of receivables and payables				
Deposits given	3 701 635	76 375	-	-
Loans	44 302	346 343	395 278	-
Deposits taken	386 593	85 391	244 619	104 295
Securities	-	-	42 096	-
Other receivables	117 799	11 486	-2 691	-
Other liabilities	93 641	27 468	28	-
Off-balance derivatives revaluation	-50 719	28 889	-	-
Off-balance sheet commitments and transactions				
Guarantees issued	92 459	6 775	-	-
Undrawn credit lines granted	81 978	311 847	319 048	-
FX spot	7 601 587	807 807	-	-
FX forward	5 327 148	8 237	-	-
IRS/CIRS	13 774 158	58 011	-	-
FRA	1 593 175	-	-	-
Options	31 295	285 912	-	-
Income and expenses				
Income	102 897	95 097	13 520	140
Expenses	60 688	43 094	29 301	2 892

Cooperation agreement between ING Bank NV, ING GROEP NV and ING Bank Śląski

ING Bank Śląski is a subsidiary of ING Bank NV since July 1996. Close cooperation between the Bank and ING Group dates back to that time. To formalise this cooperation, the cooperation agreement regulating its principles was signed in January 1997.
Over the last 8 years, when the agreement from 1997 was valid, principles and scope of cooperation was changing, especially after 2001, when Bank Śląski merged with ING Bank NV Warsaw Branch. In the first half of 2005, the Bank's Supervisory Board made a decision to amend the cooperation agreement. A new cooperation agreement, replacing the agreement from 1997, was signed in July 2005 as a result of activities undertaken. This agreement, in particular regulates principles for benefiting from experience and knowledge of ING Group, which could be useful and valuable to the Bank in order to improve service standard, competitiveness and minimise risk of banking activities, as well as to develop uniform methodology structure within ING Group. Financial advisory services refer to the following areas of the Bank's activities:

1. business support and project methodology, inter alia consultations regarding management of contacts with international customers of ING BSK and ING Group, direct support of international transactions concluded by the Bank, using the global system for strategic customers of ING Group, consultations regarding methodology and standards of projects, providing access to the knowledge base of ING Group in Intranet;

2. brand and image management, inter alia support to activities aimed at creation of the Bank's image and brand, using visualisation standard for the Bank's branches;

3. human resources as well as management development (so-called Talent Management), including training courses, inter alia employee development programme support;

4. methodology and development of risk management models, inter alia support in defining standards, policy and procedures for monitoring risks of banking activities, support in the implementation and improvement of models providing a basis for evaluation and analyses of banking activity risks, support in the implementation of procedures, policies and standards regarding risk analysis and mitigation, use of ING models in market, operational and credit risk management;

5. taxes on joint undertakings as well as controlling and finance, including planning and budgeting processes, inter alia support in adjusting activities of the Bank related to finance and accounting to new regulations (ECB regulations), application of ING solutions in respect to applied accounting principles and implementation of IFRS/IAS, application of SOX 404 methodology to limit operational risk of the Bank, in particular to ensure accuracy of financial data;

6. methodology of construction and operations of the internal audit, inter alia using solutions of ING Group to monitor post-control recommendations, consultations regarding evaluation of effectiveness of implemented procedures, regulations and instructions;

7. IT architecture, development of the IT infrastructure and management of IT system risk, inter alia applying standards for IT system safety and data encryption, consultations regarding IT system architecture and standardisation;

8. legal issues regarding operations of the Bank in ING Group, external law, corporate governance and compliance principles, inter alia using solutions of ING Group regarding compliance;

9. optimisation of the purchase process, inter alia advisory on outsourcing process optimisation;

10. financial markets, inter alia advisory on FM product market risk evaluation and using ING global limits;

11. support in respect to solutions applied in back-office operations.
Remuneration for services provided in 2005 was agreed for the amount of EUR 6.75 million.

Additionally, in the second half of 2005, ING BSK plans to sign the outsourcing agreement on services including processing and analysis of financial information of corporate customers of the Bank that would be used to:

- assign credit rating to customers in accordance with interpretation of requirements of the Capital Accord applied by ING;

- monitor the process of analysis of credit application and the procedure for credit decision making;
automatic generation and update of historical databases including customer ratings as well as changes in their exposures and collaterals;

- current monitoring of total credit exposures to legally and economically related entities being customers of ING BSK;

- current monitoring of the customer risk resulting from credit exposures and exposures in financial market instruments, as well as established limits;

- current calculation of the amount of collateral of some exposures in financial market instruments, generation of management and obligatory reports in accordance with the interpretation of the Capital Accord and IAS 39 applied by ING;

- estimation of specific risk provisions for exposures individually material in accordance with IAS 39.
Expected remuneration due to the aforementioned service agreement for 2005 equals EUR 1.4 million.

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards in the version approved by the European Union, and to the extent unregulated by the above standards, in accordance with the requirements of the Accountancy Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 694, as amended) and secondary regulations issued on its basis, and also in accordance with the requirements laid down in the Regulation of the Council of Ministers of 21 March 2005 concerning the ongoing and periodic information transferred by issuers of securities (Dz. U. z 2005 r., Nr 49, item 463).

These consolidated financial statements represent the full interim report prepared under the IFRS 1. The day of transition to IFRS is the day of opening balance for the earliest of the periods presented, i.e. 1 January 2004. The previously published financial statements of the Bank and of the Group, together with the financial statements for 2004, were prepared in accordance with the Polish Accounting Standards (PAS).

The financial statements are presented in the Polish zlotys rounded to the nearest thousand (unless stipulated otherwise).

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss and financial instruments classified as available-for-sale.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The Bank has used the same accounting principles as those which will be used in the annual statements. The consolidated statements do not contain eliminated intragroup balances and unrealised gains and losses as well as income and expenses arising from intragroup transactions.

The accounting principles specified below were applied in preparation of the financial statements for the first nine months of the financial year ending on 30.09.2005 as well for presentation of the comparative data for the financial year ending on 31 December 2004, for the first nine months of 2004 ending on 30.09.2004, and also at preparation of the opening balance as of 1 January 2005 (date of the Group's transition to the IFRS).

In accordance with the requirements of the International Financial Reporting Standards/ International Accounting Standards, the financial statements for the first nine months of 2004 and for 2004 have been made comparable with the data disclosed in the financial statements for the above periods.

The transformation of comparative data related to:

1. Impairment in goodwill acquired as a result of the acquisition of Wielkopolski Bank Rolniczy S.A. and also as a result of amortisation for 2004 of the goodwill related to the acquisition of the ING Bank NV Branch and WBR,
2. Measurement of financial instruments related to the long-term incentive scheme
3. Real property revaluation to fair value
4. Moreover, in the Bank's statements, the presentation changes related to the measurement of subordinates at acquisition cost.

In connection therewith, the following items were made comparable:

- Investments in subsidiaries,
- Tangible fixed assets,
- Intangible assets,
- Income tax assets,
- Income tax liabilities,

- Other liabilities.

The Group applied the same principles of accounting to prepare the opening balance sheet according to IFRS as of 1 January 2004 and during all presented periods. The applied accounting principles are in compliance with the stipulations of IFRS binding as of 30 September 2005 i.e. the reporting date, with the exceptions permitted by IFRS. All changes of the accounting principles have been introduced retrospectively with the mentioned exceptions permitted by IFRS that the Group decided to apply.

Based on paragraph 36A of IFRS 1 the Group decided to apply the exemption from the obligation to present the comparative data referring to the principles of accounting governed by IAS 39 (evaluation at the depreciated cost taking into account the effective interest rate, impairment loss of financial assets booked at the depreciated cost taking into account the effective interest rate).

The Bank applies the accounting principles consistently with the International Accounting Standards. Data from the Companies are adjusted to the International Accounting Standards through consolidation adjustments.

(b) Use of estimations

The preparation of financial statements in conformity with IFRSs requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and in the explanatory notes.

The estimates and assumptions made for the presentation of the amounts of assets and liabilities as well as income and expenses are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Loan impairment

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. The Bank judges whether signs of objective evidence for the impairment as a result of one or several events which occurred after the initial recognition of assets.
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Calculation of the present value of the estimated future cash flows must be estimated. The methodology and assumptions used for estimating the value and the moments of future cash flows are regularly reviewed and updated as necessary. Moreover, testing on historical data is performed to compare the actual values with the estimations of loan impairments.

Impairment of assets available for sale

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

Financial assets carried at cost

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

Measurement of derivative instruments

The Bank calculates the fair value of derivative instruments which are not quoted in an active market using pricing models which are independently checked before they are used. Where practicable, only observable data is input into the models however in some circumstances management must apply judgement to estimates of uncertainty (such as credit risk, market volatilities and correlations). Changes in assumptions about these factors could impact the fair valuations of some financial instruments.

Provisions for retirement bonus payments

Provisions for retirement bonus payments granted within the framework of benefits arising from the regulations under the Labour Code are estimated on the basis of the actuarial valuation. The provision arising from actuarial valuation is recognised and updated in annual periods. In addition, the provision is adjusted on the basis of the estimations made. The Group adopted the rate of return on assets amounting to 3.83% of the discount rate, because this is the mean premium obtained during the past three years.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates that the special purpose entity is controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is acquired until the date that control ceases.

(ii) Purchase method of accounting

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Assets, liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Investments in subsidiaries are recognised in the Bank's books at acquisition cost. In the case an impairment is recognised, these sums are disclosed in the income statement as financial expenses or financial income.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currencies

(i) Transactions in foreign currencies

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

(ii) Financial statements of foreign operations

The Bank does not have any entities operating abroad.

(e) Hedge accounting and derivative financial instruments

Derivative financial instruments are measured at fair value without any deduction for transactions costs to be incurred on sale or disposal.
The basis for the measurement of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).
The Bank offers to its customers deposit products the interest rate of which is based on a change of a stock exchange index or of a foreign exchange rate. The embedded derivative instruments are in this case identified, separated from the host contract and recognised and accounted for as stock exchange index options or currency options. Derivatives embedded in other financial instruments are separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the host contract is not carried at fair value through profit or loss. Embedded derivatives are measured at fair value with changes recognised in the income statement.
The Bank uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and recognised at fair value.
Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.
The Bank designates certain derivatives as fair value hedges or cash flow hedges.
At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged. The Bank also documents, at inception and on an ongoing basis, an assessment of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

(i) fair value hedges

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

(ii) cash flow hedges

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

(f) Financial assets and financial liabilities

(i) Classification

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

(a) Financial asset or financial liability at fair value through profit or loss

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

- Is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; it is part of a portfolio of identified financial instruments that are managed together for the purpose of short-term profit taking. Derivatives are also categorised as held for trading unless the derivative is a designated and effective hedging instrument.
- Upon initial recognition it is designated by the Bank as at fair value through profit or loss.

(b) Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. In the case of a sale or reclassification of more than an insignificant amount of held to maturity investments before maturity, the entire category is reclassified as available for sale. In such a case, for 2 year period the Bank cannot qualify any financial assets to the category of investments held to maturity.

(c) Loans and receivables

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

(d) Available-for-sale financial assets

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

(ii) Recognition

A transaction of purchase or sale of a financial asset classified at fair value through profit or loss, financial assets

held to maturity and financial assets available for sale is recognised in the balance sheet using trade date accounting. The method is applied consistently for all purchases and sales of financial assets. Loans are recognised when cash is advanced to the borrower.
The financial asset is derecognised in the balance sheet when the contractual rights to the cash flows from the financial assets expire or when the Bank transfers the contractual rights to receive the cash flows from the financial asset.

(iii) Measurement

When a financial asset or financial liability is recognised initially, it is measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
After initial recognition, the Bank measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for loans and receivables which shall be measured at amortised cost using the effective interest method; held-to-maturity investments which shall be measured at amortised cost using the effective interest method; and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments measured at cost.
After initial recognition, financial liabilities at measured at amortised cost using the effective interest method, except for (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an equity instrument unquoted in an active market, whose fair value cannot be reliably measured, which is measured at cost; (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition from the balance sheet or is accounted for using the continuous involvement approach. If the Bank's liability in the form of a deposit or loan taken is characterised by frequent capitalisation of the interest accrued, and thus has a nature of a short-term liability, then the difference between the amount obtained by measurement with the use of the effective interest rate and the amount of interest calculated on an accrual basis with the use of the agreed rate is immaterial. In such a case, due to immaterial differences in the profit or loss, the Bank may abstain from discounting future cash flows with the use of the effective interest rate for the benefit of recognising in profit or loss the interest calculated on an accrual basis with the use of the agreed interest rate.

(iv) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship are recognised as follows:

a. Gains or losses arising on a financial asset or financial liability classified as at fair value through profit or loss are recognised in profit or loss.

b. Gains or losses arising on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised from the balance sheet, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of investments quoted in active markets are based on current bid prices. If there is no active market for a financial asset and for securities unlisted in an active market, the Bank establishes fair value by using valuation techniques which include recent arms length market transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(g) Offsetting financial instruments

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

(h) Sale and repurchase agreements

The Bank obtains funds through the sale of financial instruments with the promise of their repurchase in the future at the same price plus the interest amount defined upfront.

Securities sold subject to repurchase agreements (“repos”) are not derecognised from the balance sheet as of the balance sheet date. When the transferee has the right by contract or custom to sell or repledge the asset, the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (“reverse repos”) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the contract using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(i) Impairment

Assets carried at amortised cost

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

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

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

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

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

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

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

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The loss found reduces directly the carrying amount of the asset. The respective amount of loss is recognised in the income statement.

If the existing objective evidence for impairment of a financial asset or group of assets, evaluated at depreciated cost, indicates that the expected future cashflows, resulting from the abovementioned financial assets, will not occur, than the amount of deduction updating the value of assets equals their balance-sheet value. This is the basis to take actions leading to derecognition of the element of the financial assets from the Bank’s balance sheet as the result of the fact that no cashflows from a given element of the financial assets will be possible in the future.

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. On the other hand, if the Bank determines the

existence of objective evidence of impairment for an individually assessed asset and makes the resulting revaluation write-down, then such asset is excluded from the portfolio subjected to collective assessment of impairment.
For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.
Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data (to reflect the effects of current conditions that did not affect the evaluated period) and adjusted by removing the factors affecting the historical data, that do not exist currently. Estimates of changes in future cash flows reflect and are consistent with the data available in individual periods and related to such values as, for example, unemployment rate, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude. The Bank reviews regularly the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.
If, in the subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the carrying value of the asset. The amount of the reversal is recognised in the income statement.

Available-for-sale financial assets

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

Financial assets carried at cost

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

(j) Investment property

Investment real property is separated from other non-current assets of the entity. They include buildings or land treated as a source of income from rent or kept by the entity in connection with the expected growth in their value (or in connection with both these elements). Moreover, such real property cannot be occupied by the entity or intended for sale in the course of normal business.
The investment real property is disclosed at acquisition cost or manufacturing cost, and its ongoing measurement is conducted on the basis of the fair value model.

(k) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.
Certain items of property, plant and equipment (buildings, structures, land and perpetual usufruct rights) that had been revalued to fair value on 1 January 2004 (day of transition to IAS) are measured on the basis of deemed

cost, being the revalued amount at the date of that revaluation. These items are recognised at fair value less accumulated depreciation and impairment losses.

(ii) Leased assets

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses

(iii) Subsequent costs

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

(iv) Depreciation

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

• buildings and structures	50 years
• expenditure for assets permanently linked to real property	10 years
• plant and equipment	3 - 5 years
• fixtures and fittings	5 years

(l) Intangible assets

An intangible asset is an identifiable non-cash asset which does not have a physical form.

(i) Goodwill

Goodwill is stated at acquisition cost less total accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

(ii) Computer software

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

(iii) Other intangible assets

Other intangible assets that are acquired by the Bank are stated at acquisition cost or manufacturing cost less accumulated amortisation and impairment losses.

(iv) Subsequent expenditure

Expenditure incurred after initial recognition of a purchased intangible asset is capitalised only when it increases the future economic benefits embodied in the specific asset. All other expenditure is expensed in the income statement as incurred.

(v) Amortisation

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

- software development costs 3 years
- computer software 3 years

(m) Other balance sheet items

(i) Other trade and other receivables

Trade and other receivables are stated at the amount of payment due less impairment losses.

(ii) Liabilities

Liabilities, other than financial liabilities held for trading, are stated at the amount of payment due.

(n) Impairment of assets other than financial assets

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

Calculation of recoverable amount

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

Reversals of impairment

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

(o) Share capital

(i) Equity

Equity consists of issued capital, supplementary capital, revaluation reserve and other reserve capitals. Equity includes also the amounts of retained earnings and uncovered losses from previous years. All amounts of equity and funds are disclosed at par value.

(ii) Treasury shares

If the entity purchases its own equity instruments, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(iii) Dividends

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

(p) Accruals and deferrals

Prepaid expenses
The Bank recognises as assets accrued (paid) the expenses which correspond to future reporting periods. They are then successively recognised under the profit or loss for the period to which they correspond.

Deferred expenditure
If the Bank receives in the reporting period funds which correspond to future reporting periods, such funds are recognised as liabilities and are recognised under the profit or loss for the periods to which they correspond.

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term service benefits

The Bank's short-term service benefits include wages, bonuses, holiday pay and social insurance payments and are recognised as an expense as incurred.

(iii) Long-term service benefits

The Bank's obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The provisions for retirement bonus payment granted within the framework of benefits granted on the basis of the regulations arising from the Labour Code are estimated on the basis of an actuarial valuation. The provision arising from actuarial valuation is recognised and updated on an annual basis. In addition, the provisions are revalued quarterly on the basis of the estimations made.

(r) Provisions

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

(i) Disputed claims

The process of recognition of provisions for ongoing litigations is preceded by the assessment of probability of occurrence of the respective event. If in the Bank's assessment the probability of occurrence of the event is greater than the probability of its non-occurrence, the provision is recognised at an adequately estimated amount.

(ii) Restructuring

A provision for restructuring is recognised when the Bank has a detailed and formal restructuring plan defining at least the business or part of the business to which it applies, the basic locations, the places of employment, the functions, and the approximate number of employees eligible to indemnification, the amount of expenditure to be incurred and the dates of implementation. The condition necessary for recognising the provisions is also for the restructuring to have been commenced or announced publicly. The provision for restructuring does not include future operating costs.

(s) Net interest income

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

(t) Fee and commission income and expenses

Fee and commission income arises on financial services provided by the Bank including loan origination, commitment fees, card fees, cash management services, brokerage services and asset management services.
Fees and commissions (both income and expense) directly attributable to the origination of financial assets with specific timetables of repayment are recognised in the income statement as an element of effective interest rate, other fees and commissions integrally related to the origination of assets without specific timetables of repayment are recognised on the straight-line basis over the life of the contract. Payments received during the provision of services are recognised on a one-off basis in the income statement. Commitment fees for loans which will most probably be taken are deferred and recognised as an element of the effective interest rate of the loan.
Other fee and commission income arising on the financial services provided by the Bank including cash management services, brokerage services and asset management services is recognised in the income statement when the corresponding service is provided.

(u) Net income on instruments at fair value

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

(v) Result on investment securities

The result consists of the profits and losses from the sale of the investment securities.

(w) Dividend income

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

(x) Other revenue and expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Other operational income – others

The Bank classifies the following operational income - not classified to "operational income" category - to the "other operational income" category: income on winding-up, sale of the elements of fixed assets and marketable assets; increase of the value of the elements of tangible and intangible assets; repayment of written-off receivables, prescribed receivables; damages, penalties and fines; received donations.
The following elements constitute – most of all – the other operational income: surplus funds, surplus elements of tangible assets; reimbursement of court costs; reimbursement of vindication costs; income on the sale of receivables as the result of debt restructuring; income on the release of provisions against the forecast losses being or not being the subject of court proceedings.

(y) Minority interest

Minority interest are this part of profit or loss and net profit or loss on activity as well as net assets of a subsidiary which can be attributed to the interests which do not belong to (directly or indirectly through the subsidiaries) to the parent.

(z) Income tax

Income tax is recognised as current and deferred tax. The current income tax is recognised in the income statement. Depending on the source of temporary differences, deferred income tax is recognised in the income statement or in equity.
Current tax is the tax liability payable on the taxable income using tax rates as of the balance sheet day, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset or liability is not recognised for the differences which will never reverse or will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation of the carrying amount of assets and liabilities, using tax rates in force as of the balance sheet date.
Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available. Deferred tax assets are recognised only to the extent that it is probable that non-settled tax losses and unused tax allowances will be used.

(aa) Other taxes

The Bank is an active payer of the value-added tax and partially deducts the input tax.

(bb) Non-current assets held for sale and discontinued operations

Immediately before initial classification of an asset (or a disposal group) as held for sale, the Bank determines the carrying value of the asset (or all assets and liabilities in a disposal group) in accordance with the applicable IFRS. Then the entity measures the non-current asset (or the disposal group) classified as held for sale at an amount lower than its balance-sheet value and fair value less costs to sell.
A discontinued operation is a component of the Bank's business that has been disposed of or is classified as held for sale, and also constitutes a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

(cc) Cash and cash equivalents

Cash and cash equivalents – from the point of view of the cash flow statement, cash and cash equivalents include the value of cash (cash on hand and cash in the Central Bank) and its equivalents consisting of balances on current and on-day deposit accounts in other banks.

Comparability of Data and Impact of Amended Accounting Principles

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

The transformation to comparative data related to:

1. Impairment in goodwill acquired as a result of the acquisition of Wielkopolski Bank Rolniczy S.A. and also as a result of amortisation for 2004 of the goodwill related to the acquisition of the ING Bank NV Branch and WBR,
2. Measurement of financial instruments related to the long-term incentive scheme
3. Real property revaluation to fair value
4. Moreover, in the Bank's statements, the presentation changes related to the measurement of subordinates at acquisition cost.

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

The table below presents the transformation to comparative data related to equity and net profit or loss as of 01.01.2004, 30.09.2004 and 31.12.2004 (data in PLN '000). The changes were made in the following areas:

(1) Impairment in goodwill acquired as a result of the acquisition of Wielkopolski Bank Rolniczy S.A. and also as a result of amortisation for 2004 of the goodwill related to the acquisition of the ING Bank NV Branch,
(2) Measurement of financial instruments related to the long-term incentive scheme,
(3) Real property revaluation to fair value,
(4) Measurement of subordinates at acquisition cost.

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

	Equity and minority interest					
	Net result	**Result of previous year**	**Revaluation reserve**	**Minority interest**	**Other**	**TOTAL**
PAS 01.01.2004	-	16 448	22 447	-4 511	2 669 917	2 704 301
Impairment and depreciation of goodwill		-4 584				-4 584
Revaluation of building to fair value	0	-47 036	52 169	19 023	0	24 156
IFRS/IAS 01.01.2004	**-**	**-35 172**	**74 616**	**14 512**	**2 669 917**	**2 723 873**
PAS 30.09.2004	225 970	-17 369	54 297	4 755	2 693 595	2 961 248
Impairment and depreciation of goodwill	22 488	-4 584				17 904
Revaluation of building to fair value	0	-47 036	52 169	19 023	0	24 156
IFRS/IAS 30.09.2004	**248 458**	**-68 989**	**106 466**	**23 778**	**2 693 595**	**3 003 308**
PAS 31.12.2004	366 255	-17 405	92 886	-5 969	2 694 222	3 129 989
Impairment and depreciation of goodwill	29 983	-4 584				25 399
Recognition of financial instruments (option)	-724					-724
Revaluation of building to fair value	0	-47 036	43 022	12 925	0	8 911
IFRS/IAS 31.12.2004	**395 514**	**-69 025**	**135 908**	**6 956**	**2 694 222**	**3 163 575**
PAS 01.01.2005		348 850	92 886	-5 969	2 694 222	3 129 989
Impairment and depreciation of goodwill		25 399				25 399
Recognition of financial instruments (option)		-724				-724
Revaluation of building to fair value		-47 036	43 022	12 925	0	8 911
Loan impairment		164 736				164 736
Amortised cost		-57 855	3 865			-53 990
IFRS/IAS 01.01.2005	**0**	**433 370**	**139 773**	**6 956**	**2 694 222**	**3 274 321**

RECONCILIATION OF NET ASSETS **PLN thous.**

	Net result	Result of previous year	Equity Revaluation reserve	Other	TOTAL
PAS 01.01.2004	-	22 253	22 447	2 664 112	2 708 812
Impairment and depreciation of goodwill		-4 584			-4 584
Revaluation of building to fair value		-47 036	23 634		-23 402
Equity method		-2 102	-321		-2 423
IFRS/IAS 01.01.2004	**-**	**-31 469**	**45 760**	**2 664 112**	**2 678 403**
PAS 30.09.2004	225 970	6 486	54 297	2 669 740	2 956 493
Impairment and depreciation of goodwill	22 369	-4 584			17 785
Revaluation of building to fair value		-47 036	23 634		-23 402
Equity method	-35 441	-2 102	5		-37 539
IFRS/IAS 30.09.2004	**212 898**	**-47 236**	**77 936**	**2 669 740**	**2 913 337**
PAS 31.12.2004	366 255	6 486	92 886	2 670 331	3 135 958
Impairment and depreciation of goodwill	29 825	-4 584			25 241
Recognition of financial instruments (option)	-724				-724
Revaluation of building to fair value		-47 036	23 634		-23 402
Equity method	-63 079	-2 102	0		-65 182
IFRS/IAS 31.12.2004	**332 277**	**-47 236**	**116 520**	**2 670 331**	**3 071 891**
PAS 01.01.2005		372 741	92 886	2 670 331	3 135 958
Impairment and depreciation of goodwill		25 241			25 241
Recognition of financial instruments (option)		-724			-724
Revaluation of building to fair value		-47 036	23 634		-23 402
Equity method		-65 182	0		-65 182
Loan impairment		168 766			168 766
Amortised cost		-56 099	3 865		-52 234
IFRS/IAS 01.01.2005	**0**	**397 707**	**120 385**	**2 670 331**	**3 188 423**

The comparable balance sheet for 31.12.2004, the balance sheet and income statement for 30.09.2004 for the statements of the Group and of the Bank, and also the transformation of the opening balance of the Group and of the Bank as of 01.01.2005 are as follows:

COMPARABLE CONSOLIDATED BALANCE SHEET as at 31 Dec 2004	*Note*	**31 Dec 2004 acc to PAS**	**Goodwill**	**Recognition of option**	**Revaluation of building to fair value**	**31 Dec 2004 acc to IFRS**
A S S E T S						
- Cash and cash balances with Central Bank		895 332				895 332
- Loans and advances to banks		10 748 766				10 748 766
- Financial assets held for trade		4 976 205				4 976 205
- Investments		7 014 258				7 014 258
- Non-current assets held for sale		8 614				8 614
- Loans and advances to customers		10 407 950				10 407 950
- Investments in associates		70 944				70 944
- Property and equipment		758 590			10 129	768 719
- Intangibles		279 008	25 399			304 407
- Tax assets		275 300		243	11 033	286 576
- Other assets		125 704				125 704
T o t a l a s s e t s		**35 560 671**	**25 399**	**243**	**21 162**	**35 607 475**
L I A B I L I T I E S A N D E Q U I T Y						
LIABILITIES						
- Deposits from banks		2 493 778				2 493 778
- Financial liabilities held for trading		1 270 042				1 270 042
- Deposits from customers		27 649 522				27 649 522
- provisions		288 208				288 208
- Tax liabilities		129 039			12 251	141 290
- Other liabilities		600 093		967		601 060
L i a b i l i t i e s t o t a l		**32 430 682**	**0**	**967**	**12 251**	**32 443 900**
EQUITY						
- Issued capital		130 100				130 100
- Supplementary capital		1 010 644				1 010 644
- Revaluation reserve		92 886			43 022	135 908
- Other capital reserve		1 553 478				1 553 478
- Result of previous year		-17 405	-4 584		-47 036	-69 025
- Net result of current year		366 255	29 983	-724		395 514
- Minority interest		-5 969			12 925	6 956
E q u i t y t o t a l		**3 129 989**	**25 399**	**-724**	**8 911**	**3 163 575**
L i a b i l i t i e s a n d e q u i t y t o t a l		**35 560 671**	**25 399**	**243**	**21 162**	**35 607 475**

COMPARABLE CONSOLIDATED BALANCE SHEET as at 30 September 2004	Nota	30 September 2004 acc to PAS	Goodwill	Revaluation of building to fair value	30 September 2004 acc to IFRS
A S S E T S					
- Cash and cash balances with Central Bank		544 348			544 348
- Loans and advances to banks		8 957 869			8 957 869
- Financial assets held for trade		4 646 651			4 646 651
- Investments		5 875 100			5 875 100
- Non-current assets held for sale		482			482
- Loans and advances to customers		11 505 979			11 505 979
- Investments in associates		65 307			65 307
- Property and equipment		815 263		30 768	846 031
- Intangibles		285 787	17 905		303 692
- Tax assets		258 776		11 033	269 809
- Other assets		104 675			104 675
T o t a l a s s e t s		**33 060 237**	**17 905**	**41 801**	**33 119 943**
L I A B I L I T I E S A N D E Q U I T Y					
LIABILITIES					
- Deposits from banks		2 370 649			2 370 649
- Financial liabilities held for trading		1 883 135			1 883 135
- Deposits from customers		24 488 861			24 488 861
- provisions		375 842			375 842
- Tax liabilities		70 045		17 645	87 690
- Other liabilities		910 457			910 457
L i a b i l i t i e s t o t a l		**30 098 989**	**0**	**17 645**	**30 116 634**
EQUITY					
- Issued capital		130 100			130 100
- Supplementary capital		1 010 017			1 010 017
- Revaluation reserve		54 297		52 169	106 466
- Other capital reserve		1 553 478			1 553 478
- Result of previous year		-17 369	-4 584	-47 036	-68 989
- Net result of current year		225 970	22 489		248 459
- Minority interest		4 755		19 023	23 778
E q u i t y t o t a l		**2 961 248**	**17 905**	**24 156**	**3 003 309**
L i a b i l i t i e s a n d e q u i t y t o t a l		**33 060 237**	**17 905**	**41 801**	**33 119 943**

COMPARABLE CONSOLIDATED PROFIT AND LOSS ACCOUNT as at 30 September 2004

	3Q YTD acc to PAS the period from 01 Jan 2004 to 30 September 2004	Goodwill	3Q YTD acc to IFRS the period from 01 Jan 2004 to 30 September 2004
Interest income	*1 009 362*		*1 009 362*
Interest cost	*572 509*		*572 509*
Interest result	**436 853**	**0**	**436 853**
Dividend income	**763**		**763**
Fees and commission income	*440 926*		*440 926*
Fees and commission expense	*68 373*		*68 373*
Fees and commission result	**372 553**	**0**	**372 553**
Result on financial instruments at fair value through profit and loss account	221 955		221 955
Result on investments	2 849		2 849
Exchange rate differences	191 203		191 203
Result on banking activity	**1 226 176**	**0**	**1 226 176**
Other operating income	*26 153*		*26 153*
Other operating expenses	*41 664*	*-22 489*	*19 175*
Result on other operating income and expenses	**-15 511**	**22 489**	**6 978**
General expenses	681 845		681 845
Depreciation	95 397		95 397
result on disposal of assets other than held for sale	338		338
Impairment and provisions	171 728		171 728
Participation in net profit (loss) of subordinated entities valueted on equity basis	13 483		13 483
Result from non-current assets and disposals groups classified as held for sale	-380		-380
Net result before tax	**275 136**	**22 489**	**297 625**
Income tax	39 900		39 900
Net result of current year	235 236	22 489	257 725
Minority interest	-9 266		-9 266
Consolidated net result of capital group	**225 970**	**22 489**	**248 459**

COMPARABLE BALANCE SHEET as at 31 Dec 2004	Note	31 Dec 2004 acc to PAS	Goodwill	Recognition of option	Revaluation of building to fair value	Measurement of subsidiares at cost value	31 Dec 2004 acc to IFRS
A S S E T S							
- Cash and cash balances with Central Bank		895 324					895 324
- Loans and advances to banks		10 826 586					10 826 586
- Financial assets held for trade		4 987 466					4 987 466
- Investments		7 040 087					7 040 087
- Non-current assets held for sale		8 614					8 614
- Loans and advances to customers		10 519 540					10 519 540
- Investments in associates		211 928				-71 063	140 865
- Property and equipment		485 863			-26 198		459 665
- Intangibles		275 498	25 241				300 739
- Tax assets		262 210		243	11 033		273 486
- Other assets		123 782					123 782
T o t a l a s s e t s		**35 636 898**	**25 241**	**243**	**-15 165**	**-71 063**	**35 576 154**
L I A B I L I T I E S A N D E Q U I T Y							
LIABILITIES							
- Deposits from banks		2 512 824					2 512 824
- Financial liabilities held for trading		1 270 042					1 270 042
- Deposits from customers		27 676 402					27 676 402
- provisions		321 588					321 588
- Tax liabilities		127 555			8 237	-5 881	129 911
- Other liabilities		592 529		967			593 496
L i a b i l i t i e s t o t a l		**32 500 940**	**0**	**967**	**8 237**	**-5 881**	**32 504 263**
EQUITY							
- Issued capital		130 100					130 100
- Supplementary capital		1 003 152					1 003 152
- Revaluation reserve		92 886			23 634		116 520
- Other capital reserve		1 537 079					1 537 079
- Result of previous year		6 486	-4 584		-47 036	-2 104	-47 238
- Net result of current year		366 255	29 825	-724		-63 078	332 278
E q u i t y t o t a l		**3 135 958**	**25 241**	**-724**	**-23 402**	**-65 182**	**3 071 891**
L i a b i l i t i e s a n d e q u i t y t o t a l		**35 636 898**	**25 241**	**243**	**-15 165**	**-71 063**	**35 576 154**

COMPARABLE BALANCE SHEET as at 30 September 2004	Note	3o September 2004 acc to PAS	Goodwill	Revaluation of building to fair value	Measurement of subsidiares at cost value	30 September 2004 acc to IFRS
A S S E T S						
- Cash and cash balances with Central Bank		544 321				544 321
- Loans and advances to banks		9 076 778				9 076 778
- Financial assets held for trade		4 657 727				4 657 727
- Investments		5 870 355				5 870 355
- Non-current assets held for sale		482				482
- Loans and advances to customers		11 608 624			14 939	11 623 563
- Investments in associates		195 313			-56 417	138 896
- Property and equipment		507 801		-26 198		481 603
- Intangibles		282 806	17 786			300 592
- Tax assets		246 489		11 033		257 522
- Other assets		101 775				101 775
T o t a l a s s e t s		**33 092 471**	**17 786**	**-15 165**	**-41 478**	**33 053 614**
L I A B I L I T I E S A N D E Q U I T Y						
LIABILITIES						
- Deposits from banks		2 375 219				2 375 219
- Financial liabilities held for trading		1 883 135				1 883 135
- Deposits from customers		24 530 860				24 530 860
- provisions		372 874				372 874
- Tax liabilities		69 095		8 237	-3 939	73 393
- Other liabilities		904 795				904 795
L i a b i l i t i e s t o t a l		**30 135 978**	**0**	**8 237**	**-3 939**	**30 140 276**
EQUITY						
- Issued capital		130 100				130 100
- Supplementary capital		1 002 561				1 002 561
- Revaluation reserve		54 297		23 634	4	77 935
- Other capital reserve		1 537 079				1 537 079
- Result of previous year		6 486	-4 584	-47 036	-2 102	-47 236
- Net result of current year		225 970	22 370		-35 441	212 899
E q u i t y t o t a l		**2 956 493**	**17 786**	**-23 402**	**-37 539**	**2 913 338**
L i a b i l i t i e s a n d e q u i t y t o t a l		**33 092 471**	**17 786**	**-15 165**	**-41 478**	**33 053 614**

COMPARABLE PROFIT AND LOSS ACCOUNT as at 30 September 2004	3Q YTD acc to PAS the period from 01 Jan 2004 to 30 September 2004	Goodwill	Measurement of subsidiares at cost value	3Q YTD acc to IFRS the period from 01 Jan 2004 to 30 September 2004
Interest income	*1 002 678*			*1 002 678*
Interest cost	*576 002*			*576 002*
Interest result	**426 676**	**0**	**0**	**426 676**
Dividend income	**750**		**4 985**	**5 735**
Fees and commission income	*408 590*			*408 590*
Fees and commission expense	*59 031*			*59 031*
Fees and commission result	**349 559**	**0**	**0**	**349 559**
Result on financial instruments at fair value through profit and loss account	221 668			221 668
Result on investments	527			527
Exchange rate differences	165 160			165 160
Result on banking activity	**1 164 340**	**0**	**4 985**	**1 169 325**
Other operating income	*11 602*			*11 602*
Other operating expenses	*41 103*	*-22 370*		*18 733*
Result on other operating income and expenses	**-29 501**	**22 370**	**0**	**-7 131**
General expenses	666 316			666 316
Depreciation	86 767			86 767
result on disposal of assets other than held for sale	338			338
Impairment and provisions	171 963		-4 888	167 075
Participation in net profit (loss) of subordinated entities valueted on equity basis	46 744		-46 744	0
Result from non-current assets and disposals groups classified as held for sale	-380			-380
Net result before tax	**256 495**	**22 370**	**-36 871**	**241 994**
Income tax	30 525		-1 430	29 095
Net result	**225 970**	**22 370**	**-35 441**	**212 899**

TRANSFORMATION OF OPENING BALANCE OF CONSOLIDATED BALANCE SHEET as at 01 Jan 2005	*Note*	**01 Jan 2005 acc to PAS**	**Loan impairment**	**Amortised cost**	**Goodwill**	**Recognition of option**	**Revaluation of building to fair value**	**01 Jan 2005 acc to IFRS**
A S S E T S								
- Cash and cash balances with Central Bank		895 332						895 332
- Loans and advances to banks		10 748 766						10 748 766
- Financial assets held for trade		4 976 205						4 976 205
- Investments		7 014 258						7 014 258
- Non-current assets held for sale		8 614						8 614
- Loans and advances to customers		10 407 950	-189 369	-27 906				10 190 675
- Investments in associates		70 944						70 944
- Property and equipment		758 590					10 129	768 719
- Intangibles		279 008			25 399	243		304 650
- Tax assets		275 300	1 296	12 336			11 033	299 965
- Other assets		125 704						125 704
T o t a l a s s e t s		**35 560 671**	**-188 073**	**-15 570**	**25 399**	**243**	**21 162**	**35 403 832**
L I A B I L I T I E S A N D E Q U I T Y								
LIABILITIES								
- Deposits from banks		2 493 778		-442				2 493 336
- Financial liabilities held for trading		1 270 042						1 270 042
- Deposits from customers		27 649 522						27 649 522
- provisions		288 208	-176 207					112 001
- Tax liabilities		129 039	15 921	84			12 251	157 295
- Other liabilities		600 093	-192 523	38 778		967		447 315
L i a b i l i t i e s t o t a l		**32 430 682**	**-352 809**	**38 420**	**0**	**967**	**12 251**	**32 129 511**
EQUITY								
- Issued capital		130 100						130 100
- Supplementary capital		1 010 644						1 010 644
- Revaluation reserve		92 886		3 865			43 022	139 773
- Other capital reserve		1 553 478						1 553 478
- Result of previous year		-17 405	164 736	-57 855	-4 584		-47 036	37 856
- Net result of current year		366 255			29 983	-724		395 514
- Minority interest		-5 969					12 925	6 956
E q u i t y t o t a l		**3 129 989**	**164 736**	**-53 990**	**25 399**	**-724**	**8 911**	**3 274 321**
L i a b i l i t i e s a n d e q u i t y t o t a l		**35 560 671**	**-188 073**	**-15 570**	**25 399**	**243**	**21 162**	**35 403 832**

TRANSFORMATION OF OPENING BALANCE OF BALANCE SHEET as at 01 Jan 2005	*Note*	**01 Jan 2005 acc to PAS**	**Loan impairment**	**Amortised cost**	**Goodwill**	**Recognition of option**	**Revaluation of building to fair value**	**Measurement of subsidiares at cost value**	**01 Jan 2005 acc to IFRS**
A S S E T S									
- Cash and cash balances with Central Bank		895 324							895 324
- Loans and advances to banks		10 826 586							10 826 586
- Financial assets held for trade		5 467 948							5 467 948
- Investments		7 040 087							7 040 087
- Non-current assets held for sale		8 614							8 614
- Loans and advances to customers		10 519 540	-185 245	-26 150					10 308 145
- Investments in associates		211 928						-71 061	140 867
- Property and equipment		485 863					-26 198		459 665
- Intangibles		275 498			25 241	243			300 982
- Tax assets		262 210	1 296	12 336			11 033		286 875
- Other assets		123 782							123 782
T o t a l a s s e t s		**36 117 380**	**-183 949**	**-13 814**	**25 241**	**243**	**-15 165**	**-71 061**	**35 858 875**
L I A B I L I T I E S A N D E Q U I T Y									
LIABILITIES									
- Deposits from banks		2 512 824		-442					2 512 382
- Financial liabilities held for trading		1 827 084							1 827 084
- Deposits from customers		27 599 842							27 599 842
- provisions		321 588	-176 180						145 408
- Tax liabilities		127 555	15 921	84			8 237	-5 881	145 916
- Other liabilities		592 529	-192 456	38 778		967			439 818
L i a b i l i t i e s t o t a l		**32 981 422**	**-352 715**	**38 420**	**0**	**967**	**8 237**		**32 670 450**
EQUITY									
- Issued capital		130 100							130 100
- Supplementary capital		1 003 152							1 003 152
- Revaluation reserve		92 886		3 865			23 634		120 385
- Other capital reserve		1 537 079							1 537 079
- Result of previous year		6 486	168 766	-56 099	-4 584		-47 036	-2 102	65 431
- Net result of current year		366 255			29 825	-724		-63 078	332 278
E q u i t y t o t a l		**3 135 958**	**168 766**	**-52 234**	**25 241**	**-724**	**-23 402**	**-65 180**	**3 188 425**
L i a b i l i t i e s a n d e q u i t y t o t a l		**36 117 380**	**-183 949**	**-13 814**	**25 241**	**243**	**-15 165**	**-65 180**	**35 858 875**

1. Change of Presentation Rules

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

PROFIT AND LOSS ACCOUNT	III quarter 2005 the period from 01 Jul 2005 to 30 Sep 2005	3 quarters 2005 the period from 01 Jan 2005 to 30 Sep 2005	III quarter 2004 the period from 01 Jul 2004 to 30 Sep 2004	3 quarters 2004 the period from 01 Jan 2004 to 30 Sep 2004
Interest and similar income	*456 140*	*1 400 585*	*382 343*	*1 002 678*
Interest expense and similar charges	*272 684*	*892 938*	*229 202*	*576 002*
- **Net interest income**	**183 456**	**507 647**	**153 141**	**426 676**
- **Dividend income**	**105**	**41 611**	**750**	**5 735**
Commission income	*132 994*	*386 279*	*134 019*	*408 590*
Commission expense	*14 343*	*40 931*	*20 162*	*59 031*
- **Net commission income**	**118 651**	**345 348**	**113 857**	**349 559**
- Net income on instruments at fair value	49 549	214 648	74 343	221 668
- Net income on investments	2 975	2 975	-422	527
- Exchange rate differences	31 634	116 146	50 195	165 160
- **Result on banking activity**	**386 370**	**1 228 375**	**391 864**	**1 169 325**
Other operating income	*1 890*	*9 638*	*3 588*	*11 602*
Other operating expenses	*3 609*	*20 920*	*9 689*	*18 733*
- **Result on other operating income and expenses**	**-1 719**	**-11 282**	**-6 101**	**-7 131**
- General administrative expenses	230 416	707 861	229 629	666 316
- Depreciation and amortisation	29 402	85 846	28 636	86 767
- Result on disposals of assets other than held for sale	213	367	-59	338
- Impairment losses and provisions	-47 200	-71 208	38 893	167 075
- Result from non-current assets and disposals groups classified as held for sale	-51	3 634	-43	-380
- **Net result before tax**	**172 195**	**498 595**	**88 503**	**241 994**
- Income tax	34 005	96 918	17 845	29 095
Net result of current year	**138 190**	**401 677**	**70 658**	**212 899**

- **Net profit (for 12 months)**		**583 544**		**205 430**
- **Weighted average number of ordinary shares**		**13 010 000**		**13 010 000**
- **Earnings per share**		**44,85**		**15,79**
- **Weighted average anticipated number of ordinary shares**		-		-
- **Diluted profit (loss) per ordinary share (PLN)**		-		-

BALANCE SHEET	30 Sep 2005	30 Jun 2005	31 Dec 2004	30 Sep 2004	30 Jun 2004
A S S E T S					
- Cash in hand and balances with the Central Bank	889 465	1 062 987	895 324	544 321	521 094
- Deposit accounts in other banks as well as loans and advances to other banks	13 032 452	9 338 745	10 826 586	9 076 778	11 179 593
- Financial assets held for trading	6 379 250	7 266 106	4 987 466	4 657 727	4 583 202
- Investments	9 454 291	9 397 594	7 040 087	5 870 355	1 089 819
- Non-current assets held for sale	5 984	2 657	8 614	482	509
- Loans and advances to customers	10 300 648	10 274 518	10 519 540	11 623 563	11 962 400
- Investments in associates	140 865	140 865	140 865	138 896	185 815
- Property, plant and equipment	445 435	438 337	459 665	481 603	490 220
- Intangible assets	310 792	309 636	300 739	300 592	298 739
- Tax assets	218 992	239 684	273 486	257 522	273 455
- Other assets	170 606	160 205	123 782	101 775	90 179
T o t a l a s s e t s	**41 348 780**	**38 631 334**	**35 576 154**	**33 053 614**	**30 675 025**
L I A B I L I T I E S A N D E Q U I T Y					
LIABILITIES					
- Liabilities due to other banks	3 222 568	3 117 830	2 512 824	2 375 219	2 399 302
- Financial liabilities held for trading	1 376 016	1 526 887	1 270 042	1 883 135	1 022 174
- Liabilities to customers	32 481 029	29 577 500	27 676 402	24 530 860	23 240 485
- Provisions	119 302	140 791	321 588	334 102	278 121
- Tax liabilities	90 135	81 561	129 911	73 393	84 682
- Other liabilities	676 884	937 910	593 496	943 567	843 150
L i a b i l i t i e s t o t a l	**37 965 934**	**35 382 479**	**32 504 263**	**30 140 276**	**27 867 914**
EQUITY					
- Initial capital	130 100	130 100	130 100	130 100	130 100
- Supplementary capital - agio	993 750	993 750	993 750	993 750	993 750
- Revaluation reserves	138 882	156 969	87 760	48 584	13 015
- Result of previous year	1 718 437	1 704 549	1 528 003	1 528 005	1 528 005
- Net result of current year	401 677	263 487	332 278	212 899	142 241
E q u i t y t o t a l	**3 382 846**	**3 248 855**	**3 071 891**	**2 913 338**	**2 807 111**
L i a b i l i t i e s a n d e q u i t y t o t a l	**41 348 780**	**38 631 334**	**35 576 154**	**33 053 614**	**30 675 025**
Solvency ratio	**15,07%**	**17,00%**	**15,24%**	**14,85%**	**14,36%**
Net book value	**3 382 846**	**3 248 855**	**3 071 891**	**2 913 338**	**2 807 111**
Number of shares	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**	**13 010 000**
Net book value per share (in PLN)	**260,02**	**249,72**	**236,12**	**223,93**	**215,77**

OFF-BALANCE SHEET ITEMS	30 Sep 2005	30 Jun 2005	31 Dec 2004	30 Sep 2004	30 Jun 2004
- Contingent liabilities granted	14 312 717	8 496 670	11 503 688	10 006 462	8 097 742
- Contingent liabilities received	10 680 229	10 940 854	12 082 078	12 582 562	12 466 446
- Off-balance sheet financial instruments	140 619 707	111 859 521	91 434 947	113 552 162	128 974 394
O f f - b a l a n c e s h e e t i t e m s t o t a l	**165 612 653**	**131 297 045**	**115 020 713**	**136 141 186**	**149 538 582**

MOVEMENTS IN OWN EQUITY	3 quarters 2005 the period from 01 Jan 2005 to 30 Sep 2005	end of the year 2004 the period from 01 Jan 2004 to 31 Dec 2004	3 quarters 2004 the period from 01 Jan 2004 to 30 Sep 2004
EQUITY COMPONENTS			
Initial capital	**130 100**	**130 100**	**130 100**
Supplementary capital - agio	**993 750**	**993 750**	**993 750**
Revaluation reserves	**138 882**	**87 760**	**48 584**
- fair value revaluation reserve on available for sale financial assets	*126 658*	*64 127*	*24 950*
- tangible assets revaluation reserve	*12 224*	*23 633*	*23 634*
Result of previous years	**1 718 437**	**1 528 003**	**1 528 005**
- supplementary capital	*21 116*	*9 402*	*8 811*
- revaluation reserves	*28 760*	*28 760*	*29 351*
- reserve capital	*1 212 963*	*1 136 927*	*1 136 927*
- general bank risk fund	*430 152*	*400 152*	*400 152*
- retained result from previous years	*25 446*	*-47 238*	*-47 236*
Net result of current year	**401 677**	**332 278**	**212 899**
E q u i t y t o t a l	**3 382 846**	**3 071 891**	**2 913 338**

The initial capital is composed of 13,010,000 ordinary shares of the face value of PLN 10.00 each. Each ordinary share provides the shareholder with the right to dividend and one vote at the general meeting of the Bank's shareholders.

SOURCES OF EQUITY CHANGES

3 quarters 2005
the period from 01 Jan 2005 to 30 Sep 2005

	Initial capital	Supplementary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	TOTAL
				supplementary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*		
Closing balance (last year)	**130 100**	**993 750**	**87 760**	***9 402***	***28 760***	***1 136 927***	***400 152***	***285 040***	**0**	**3 071 891**
- changes in adopted accounting principles	-	-	3 865	-	-	-	-	*112 668*	-	**116 533**
Opening balance (current year)	**130 100**	**993 750**	**91 625**	***9 402***	***28 760***	***1 136 927***	***400 152***	***397 708***	**0**	**3 188 424**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	58 666	-	-	-	-	-	-	**58 666**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-	-	-	-	-	-	-	**0**
- liquidation or sale of fixed assets	-	-	-11 714	*11 714*	-	-	-	*479*	-	**479**
- revaluation of tangible assets	-	-	305	-	-	-	-	-	-	**305**
- profit distribution	-	-	-	-	-	*76 036*	*30 000*	*-372 741*	-	**-266 705**
- charges to capital reserve	-	-	-	-	-	*76 036*	-	*-76 036*	-	***0***
- charges to general bank risk fund	-	-	-	-	-	-	*30 000*	*-30 000*	-	***0***
- dividend	-	-	-	-	-	-	-	*-266 705*	-	***-266 705***
- net result of current period	-	-	-	-	-	-	-	-	401 677	**401 677**
Closing balance (current year)	**130 100**	**993 750**	**138 882**	***21 116***	***28 760***	***1 212 963***	***430 152***	***25 446***	**401 677**	**3 382 846**

end of the year 2004
the period from 01 Jan 2004 to 31 Dec 2004

	Initial capital	Supplementary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	TOTAL
				supplementary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*		
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***8 542***	***29 620***	***1 149 895***	***381 825***	***22 251***	**0**	**2 708 810**
- changes in adopted accounting principles	-	-	23 313	-	-	-	-	*-53 722*	-	**-30 409**
Opening balance (current year)	**130 100**	**993 750**	**16 140**	***8 542***	***29 620***	***1 149 895***	***381 825***	***-31 471***	**0**	**2 678 401**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	70 185	-		-	-	-	-	**70 185**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-4 006	-		-	-	-	4 006	**0**
- liquidation or sale of fixed assets	-	-		*860*	*-860*	-	-	-	-	**0**
- hedge accounting	-	-	5 441	-		-	-	-	-	**5 441**
- covering of prior period losses	-	-	-	-		*-12 968*	-	*12 968*	-	**0**
- profit distribution	-	-	-	-			*18 327*	*-28 735*	-	**-10 408**
- charges to general bank risk fund	-	-	-	-		-	*18 327*	*-18 327*	-	***0***
- dividend	-	-	-	-		-	-	*-10 408*	-	***-10 408***
- net result of current period	-	-	-	-		-	-	-	328 272	**328 272**
Closing balance (current year)	**130 100**	**993 750**	**87 760**	***9 402***	***28 760***	***1 136 927***	***400 152***	***-47 238***	**332 278**	**3 071 891**

3 quarters 2004
the period from 01 Jan 2004 to 30 Sep 2004

	Initial capital	Supplementary capital - agio	Revaluation reserves	Result of previous years					Net result of current year	TOTAL
				supplementary capital	*revaluation reserves*	*capital reserve*	*general bank risk fund*	*retained result from previous years*		
Closing balance (last year)	**130 100**	**993 750**	**-7 173**	***8 542***	***29 620***	***1 149 895***	***381 825***	***22 253***	**0**	**2 708 812**
- changes in adopted accounting principles	-	-	23 313	-	-	-	-	*-53 722*	-	**-30 409**
Opening balance (current year)	**130 100**	**993 750**	**16 140**	***8 542***	***29 620***	***1 149 895***	***381 825***	***-31 469***	**0**	**2 678 403**
- profit/loss from revaluation of available-for-sale assets charged to equity	-	-	29 665	-	-	-	-	-	-	**29 665**
- amounts charged to net result due to sale of financial assets classified as available-for-sale	-	-	-	-	-	-	-	-	-	**0**
- liquidation or sale of fixed assets	-	-	-	*269*	*-269*	-	-	-	-	**0**
- hedge accounting	-	-	2 779	-	-	-	-	-	-	**2 779**
- covering of prior period losses	-	-	-	-	-	*-12 968*	-	*12 968*	-	**0**
- profit distribution	-	-	-	-	-	-	*18 327*	*-28 735*	-	**-10 408**
- charges to general bank risk fund	-	-	-	-	-	-	*18 327*	*-18 327*	-	***0***
- dividend	-	-	-	-	-	-	-	*-10 408*	-	***-10 408***
- net result of current period	-	-	-	-	-	-	-	-	212 899	**212 899**
Closing balance (current year)	**130 100**	**993 750**	**48 584**	***8 811***	***29 351***	***1 136 927***	***400 152***	***-47 236***	**212 899**	**2 913 338**

CASH FLOW STATEMENT	3 quarters 2005 the period from 01 Jan 2005 to 30 Sep 2005	3 quarters 2004 the period from 01 Jan 2004 to 30 Sep 2004
OPERATING ACTIVITIES		
Net profit (loss)	**401 677**	**212 899**
Adjustments	**1 537 621**	**3 085 955**
- Minority shareholders' profit (loss)	-	-
- Share in net profit (loss) of associated entities recognised under the equity method	-	-
- Unrealised foreign exchange gains (losses)	-3 232	-8 650
- Depreciation	85 846	86 767
- Change in provisions	20 281	82 585
- Profit or loss on investment activity	98	-899
- Change in deposit accounts in other banks and loans and advances to other banks	-609 474	2 840 677
- Change in financial assets held for trading	-1 391 784	224 359
- Change in investments	-2 355 538	-4 983 127
- Change in loans and advances to customers	-38 890	854 213
- Change in other assets	-47 597	163 785
- Change in liabilities to banks	729 802	-818 082
- Change in financial liabilities held for trading	105 974	1 626 773
- Change in liabilities to customers	4 804 627	2 667 565
- Change in other liabilities	237 508	349 989
Cash flow from operating activities	**1 939 298**	**3 298 854**
- Change in tax assets / liabilities	12 346	-31 955
Net cash flow from operating activities	**1 951 644**	**3 266 899**
INVESTING ACTIVITIES		
- Acquisition of tangible assets	-63 294	-24 987
- Sale of tangible assets	147	2 661
- Acquisition of intangible assets	-17 026	-24 384
- Sale of intangible assets	-	-
- Acquisition of investments in subordinated entities	-	-13 950
- Sale of investments in subordinated entities	-	46 500
- Acquisition of non-current assets or liabilities held for sale	-	-
- Sale of non-current assets or liabilities held for sale	2 593	-
- Other cash payments related to investing activities	-	-
- Other cash receipts related to investing activities	-	-
Net cash flow from investing activities	**-77 580**	**-14 160**
FINANCING ACTIVITIES		
- Dividends paid	-266 705	-10 408
- Other cash payments related to financing activities	-16 826	-19 352
- Other cash receipts related to financing activities	-	-
Net cash flow from financing activities	**-283 531**	**-29 760**
Effect of exchange rate changes on cash and cash equivalents	***242 960***	***-188 219***
Net increase in cash and cash equivalents	**1 590 533**	**3 222 979**
Cash and cash equivalents at the beginning of the period	**5 387 362**	**4 755 946**
Cash and cash equivalents at the end of the period	**6 977 895**	**7 978 925**
Components of cash and cash equivalents:		
- Cash on hand	241 072	311 259
- Coupons	1 439	1 596
- Bank cheques	304	241
- Traveller's cheque	28	37
- Current account in the Central Bank	646 622	231 188
- Current accounts in other banks	6 088 430	7 434 604
Total cash and cash equivalents at the end of the period	**6 977 895**	**7 978 925**
of which: amount of cash and cash equivalents held by the Bank, but not available for use by group	*1 017 200*	*826 929*

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

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

As at the date of submission of the report for the 3rd quarter of 2005, the shareholders owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna were the following entities:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Shareholders Meeting
1.	ING Bank N.V.	9,757,500	75.00
2.	Commercial Union Open Pension Fund BPH CU WBK	830,000	6.38

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

The Members of the Bank Management Board and the Bank Supervisory Board do not hold any shares of ING Bank Śląski S.A. As at the date of disclosing the report for the 2Q2005, the Members of the Supervisory Board and Management Board were not in the possession of any shares of ING Bank Śląski S.A.

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

In 3Q 2005, no proceedings concerning liabilities or debts whose total value would amount to 10% of the Bank's equity were initiated before courts or administrative bodies against the Capital Group of ING Bank Śląski.

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

None took place in the third quarter of 2005.