2014

Qualitative and quantitative disclosures relating to capital adequacy and the scope of published information for the year 2014

I. CAPITAL ADEQUACY

Introduction

Pursuant to the Banking Law Act dated 29 August 1997 (Journal of Laws of 2012, item 1376 as amended), hereinafter referred to as the "Banking Law Act", ING Bank Śląski S.A., hereinafter referred to as the Bank, is obliged to reveal qualitative and quantitative disclosures relating to the capital adequacy, excluding information immaterial, proprietary or confidential.

Pursuant to the "Policy of disclosing qualitative and quantitative information on capital adequacy and the scope of published information of ING Bank Śląski S.A." disclosures relating to the capital adequacy of the Capital Group of ING Bank Śląski S.A. (hereinafter referred to as the Group) are published.

Disclosures in this document are based on the data from the annual consolidated financial report of the Capital Group of ING Bank Śląski S.A. for the year 2014.

1. Own funds

1.1 Full reconciliation of own funds items to audited financial statements

The capital comprises: the share capital, the share premium account, revaluation capital and retained earnings. All capitals and funds are recognised at their face value.

The share capital is recognised at its face value, in accordance with the statute and entry into the commercial register.

The share premium account comprises the share premium earned from the issue of shares less the direct costs thereof.

The revaluation capital comprises:
- measurement of financial assets available for sale,
- measurement of financial instruments hedging the cashflow,
- measurement of fixed assets measured at fair value,
- recognition of actuarial gains and losses.

Charges for deferred tax connected with the abovementioned measurements are carried through the revaluation capital. The revaluation capital is not subject to distribution.

Measurement of share based payments - this item is presented to the fair value valuation of options granted under incentive schemes aimed at the Group's employees of the Bank.

Retained earnings represent the profits earned by the Group in the previous term less paid up dividends. Retained earnings comprise:
- other supplementary capital,
- capital reserve,
- general risk fund,
- undistributed profit/loss of past years,
- net financial result for shareholders of the dominant entity.

Other supplementary capital is established from earnings after tax with the aim of covering the balance sheet loss. The decision on using the supplementary capital is taken by the General Meeting.

The capital reserve is established separately from the supplementary capital from earnings after tax in the amount decided by the General Shareholders Meeting. The capital reserve is earmarked for covering special losses and expenses. The decision on using the capital reserve is taken by the General Meeting.

The General Risk Fund is established under the Banking Law Act from earnings after tax and is earmarked for covering unidentified risk of banking operations. The decisions on using the fund are taken by the Management Board.

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The capital reserve includes profit in the process of approval and the net profit of the current reporting term less expected charges and dividend in the amount not exceeding the profit amount as verified by the chartered accountant.

Unrealised gains and losses on debt and equity instruments available for are recognized in own funds in accordance with the guidelines in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 and the guidelines provided by the Polish Financial Supervision Authority, ie.:

– unrealised gains are removed from own funds to 100%,
– unrealised losses are removed from own funds to 20%.

Group diminished own funds by the following values:

– goodwill and other intangible assets,
– difference between amount of provisions and amount of expected losses (the value calculated in the event of the bank calculating risk-weighted exposure amounts using IRB approach).

The table below is presented calculation of regulatory own funds.

	items of the consolidated statement of financial position	adjustments resulting from the application of prudential consolidation	items of the consolidated statement of financial position, taking into account the prudential consolidation	items not recognized in the regulatory own funds	**items recognized in the regulatory own funds**
ASSETS					
- Intangible assets	377.3	5.9	371.4	-	**-371.4**
LIABILITIES AND EQUITY					
- Share capital	130.1	0.0	130.1	-	**130.1**
- Supplementary capital - agio	956.3	0.0	956.3	-	**956.3**
- Revaluation reserve	1 874.3	3.3	1 871.0	1 874.5	**-3.5**
- revaluation reserve from measurement of available-for-sale financial assets	*561.2*	*0.0*	*561.2*	*564.7*	**-3.5**
- revaluation reserve from measurement of property, plant and equipment	*31.4*	*3.2*	*28.2*	*28.2*	**-**
- revaluation reserve from measurement of cash flow hedging instruments	*1 278.3*	*0.0*	*1 278.3*	*1 278.3*	**-**
- actuarial gains / losses	*3.4*	*0.1*	*3.3*	*3.3*	**-**
- Revaluation of share-based payment	48.2	0.0	48.2	48.2	**-**
- Retained earnings	7 445.1	-1.6	7 446.7	1 038.1	**6 408.6**

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	items of the consolidated statement of financial position	adjustments resulting from the application of prudential consolidation	items of the consolidated statement of financial position, taking into account the prudential consolidation	items not recognized in the regulatory own funds	**items recognized in the regulatory own funds**
- supplementary capital - other	*149.0*	*-0.2*	*149.2*	-	***149.2***
- reserve capital	*5 012.8*	*0.0*	*5 012.8*	-	***5 012.8***
- general risk fund	*1 060.2*	*0.0*	*1 060.2*	-	***1 060.2***
- profit of past years	*182.4*	*-4.0*	*186.4*	-	***186.4***
- net profit for the current year	*1 040.7*	*2.6*	*1 038.1*	*1 038.1*	
Equity attributable to shareholders of ING Bank Ślaski S.A.	**10 454.0**	**1.7**	**10 452.3**	**2 960.8**	**7 491.5**
- Non-controlling interests	2.6	2.6	0.0	-	-
Total equity	**10 456.6**	**4.3**	**10 452.3**	**2 960.8**	**7 491.5**

Equity recognized in the regulatory own funds	**7 491.5**
Deductions, including:	-508.1
- goodwill and other intangible assets	*-371.4*
- shortage/surplus adjustments for credit risk to the expected loss of the AIRB	*-136.7*
Regulatory own funds adopted for the calculation of the total capital ratio	**6 983.4**

1.2 Description of the main features of capital instruments issued by the Bank

The main characteristics of the instruments Common Equity Tier I issued by the Bank are presented in the table below.

The main characteristics of the capital instruments		
1	Issuer	ING Bank Śląski S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN code: PLBSK0000017
3	Governing law(s) of the instrument	Polish
	Regulatory treatment	Yes
4	Transitional CRR rules	Common Equity Tier I Partial retraining emissions to lower category of capital - not applicable.
5	Post-transitional CRR rules	Common Equity Tier I
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & (Sub-)Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Instrument type: ordinary share. Classification - instrument of Common Equity Tier I in accordance with Art. 28 of Regulation (EU) No 575/2013.

The main characteristics of the capital instruments		
8	Amount recognised in regulatory capital (currency in milion, as most recent reporting date)	Nominal value: 92.6 PLN million pln (series A) 37.5 PLN million (series B) Agio: 956.3 PLN million (series B) The total value of capital: 92.6 PLN million (series A) 993.8 PLN million (series B) All parts of the instrument are included in the same category of regulatory capital. The amount recognized in regulatory capital does not differ from the amount of the issued instrument.
9	Nominal amount of instrument	130.1 PLN million
9a	Issue price	Series A: 5 PLN (after the denomination and after the split of shares*) Series B: 26.5 PLN (after the split of shares*)
9b	Redemption price	Not applicable
10	Accounting classification	Shareholder's equity
11	Original date of issuance	08.10.1991
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons/dividends	Dividends
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - in relation to the payment of the coupon/dividend	Partially discretionary; causes: - decisions of the Supervisory Board - level results - administrative decisions
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount) - in relation to the payment of the coupon/dividend	Fully discretionary
21	Existence of step u por other incentive redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional convertion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable

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The main characteristics of the capital instruments		
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

** In 2011, the division took place on the nominal value of the shares. As a result, the nominal value of the shares was reduced from 10 to 1 PLN per share.*

1.3 Information on the nature and amount of certain own funds items

Information on the nature and amount of certain own funds items are presented in the table below.

Lp.*	**Description**	**(A) Amount at disclosure date**	**(B) Regulation (EU) No 575/2013 article reference**
Common Equity Tier I capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1 086.4	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: ordinary share	130.1	EBA list 26 (3)
2	Retained earnings	186.4	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	5 723.2	26 (1)
3a	Funds for general banking risk	1 060.2	26 (1) (f)
6	**Common Equity Tier I (CET1) capital before regulatory adjustments**	8 056.2	
Kapitał podstawowy Tier I: korekty regulacyjne			
8	Intangible assets (net of related tax liability) (negative amount)	-371.4	36 (1) (b), 37, 472 (4)
12	Negative amounts resulting from the calculation od expected loss amount	-136.7	36 (1) (d), 40, 159, 472 (6)
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-564.7	
	of which: filter for unrealised losses - equity instruments	0.0	467
	of which: filter for unrealised losses - debt instruments	0.9	467
	of which: filter for unrealised gains - equity instruments	-3.6	468
	of which: filter for unrealised gains - debt instruments	-562.0	468

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Lp.*	Description	(A) Amount at disclosure date	(B) Regulation (EU) No 575/2013 article reference
28	**Total regulatory adjustments to Common Equity Tier I (CET1)**	-1 072.8	
29	**Common Equity Tier I (CET1) capital**	6 983.4	
44	**Additional Tier I (AT1) capital**	0.0	
45	**Tier I capital (T1 = CET1 + AT1)**	6 983.4	
58	**Tier II (T2) capital**	0.0	
59	**Total capital (TC = T1 + T2)**	6 983.4	
60	**Total risk weighted assets**	49 268.8	
Capital ratios and buffers			
61	Common Equity Tier I (as a percentage of risk exposure amount)	14.17%	92 (2) (a), 465
62	Tier I (as a percentage of risk exposure amount)	14.17%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	14.17%	92 (2) (c)
The amounts below the thresholds of deductions (before weighing risk)			
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investemnt in those entities (amount below 10% thresold and net of eligible short positions)	109.4	36 (1) (i), 45, 48, 470, 472 (11)
75	Deferred tax assets arising from temporary differences (amount below 10% thresold, net of related tax liability where the conditions in Article 38 (3) are met)	56.2	36 (1) (c), 38, 48, 470, 472 (5)

** numbering in accordance with Annex VI of the Commission Implementing Regulation (EU) No 1423/2013*

2. Capital requirements

2.1 Assessing the adequacy of internal capital

At the Capital Group of ING Bank Śląski S.A., economic capital (internal capital) is defined as capital needed to cover all material risks identified by the Group in its activities and macroeconomic environment. The capital covers potential unexpected losses to which the Group could be exposed in the future with confidence interval corresponding with AA rating (99.95%) and one year horizon. For economic capital calculation purposes the methodologies accepted by the Management Board are used.

Material risk types identification

At the Capital Group of ING Bank Śląski S.A. the process of material risk types identification is described in "Risk Materiality Assessment Policy at ING Bank Śląski S.A.". This document in details describes rules of risk identification and methods of risk types, influencing the Group, materiality assessment. Additionally, in 2013 there was "Difficult to Measure Risks Manangement

Policy at ING Bank Śląski S.A.“ implemented, which set rules of difficult to measure risk types. On the basis of above mentioned documents, the Group identifies following types of risk:

– permanently material risk - a risk which, in view of the nature of the business, is currently material and will be material in the future, irrespectively of the risk management. The nature of the Group’s business shall be understood as deposit and credit services, connected with it Group’s liquidity management, functioning in macroeconomic environment and risk management connected with inappropriate and deficiencies of internal processes, people and technical systems or external events,

– material risk - the risk shall be regarded as material if the risk may cause potential losses with the probability of occurrence and value qualifying it as material in line with the table below:

Frequancy	At least once a year				
	At least once in 5 years				
	Less frequently than once in 5 years				
	Potential losses (PLN) on Capital Base	up to 0.2% capital base	from 0.2% to 1% capital base	from 1% to 5% capital base	above 5% capital base

non-material material

– difficult to measure risk - risk for which in the Group’s opinion there is no possibility to build qualitative or quantitative measures, which in appropriate way quantify this risk.

During Risk Assessment Workshops for 2014 the following risk classification has been applied:

Risk type		Permanently material	Material	Non-material	Difficult to measure
Credit risk					
	Default risk and counterparty risk*	✓			
	Concentration risk	✓			
	Residual risk**	✓			✓
	Residual value risk	✓			
	Transfer risk			✓	
	Other non-credit obligation assets		✓		
	„Default” definition risk			✓	
Market risk					
Trading risk	Exchange rate risk	✓			
	Interest rate general and specific risk in trading book	✓			
	Interest rate risk banking book: total mismatch	✓			
	Interest rate risk banking book: base risk			✓	
	Interest rate risk banking book: option risk			✓	

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Risk type		Permanently material	Material	Non-material	Difficult to measure
Property investment and property in own use risk			✓		
Equity investment risk	Capital securities investment risk banking book			✓	
	Capital securities investment general and specific risk trading book			✓	
Business risk					
Strategic risk		✓			
Macroeconomic risk			✓		
Liquidity and funding risk					
Liquidity and funding risk		✓			
Operational risk					
Operational risk***		✓			
Model risk					
Model risk			✓		✓

* Definition of the risk includes settlement risk.

** Capital requirement assessed within methodology of default and counterparty risk.

*** Include a.o. compliance risk, legal risk as well as informatics risk which is manager within operational risk.

Economic capital assessments methodology

The Capital Group of ING Bank Śląski S.A. is calculating capital for the following risks:

1) Default and counterparty risk and residual risk - risk of potential losses due to clients failure of fulfilling their obligations towards the Group (including transaction settlement and delivery of financial instrument on agreed date) and the risk of economic value decrease of credit exposure due to deterioration of clients creditability. Capital requirement is calculated by using modified AIRB method (INCAP) and completed with capital of the credit risk of a central counterparty and of the credit valuation adjustments risk (CVA), as well as the requirement due to settlement risk which are calculated in compliance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. Since June 2014 there has been LGD parameter implemented in order to calculate capital.
2) Other non-credit obligation assets - risk of not retrieving the value of balance non-credit obligation assets by the Group. The capital is calculated in compliance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.
3) Concentration risk - risk resulting from an excessive exposure towards one entity, affiliated entities or a group of entities with similar characteristics, which are therefore endangered to increased credit risk (e.g. sector concentration). The capital requirement is calculated based on the following rules:
   – individual borrowers or group of related borrowers it is determined according to the rules determining regulatory capital requirements defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013,
   – borrowers from the same economy sector/geographic sector - it is calculated as the excess of the set concentration limit for this exposures group, net of write-offs.
4) Residual value risk - risk arising from the residual value of the leased asset, which is the

difference between the value of the asset and the sum of the lease payments. The contractor has the right to purchase the leased asset, but it is not absolutely obliged to do this. Capital requirement is calculated according to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

5) Risks of operations on financial markets - risk related to losses connected with interest rate and exchange rate changes - capital is calculated on the basis of VaR.
6) Strategic risk - risk associated with taking adverse or erroneous strategic decisions, the lack of or faulty execution of the strategy and changes in the external environment and an inappropriate response to these changes which result in the financial results under the requirements arising from the need to conduct current operations and development mainly in order to ensure an adequate supply of capital. Capital requirement is estimated on the basis of surplus of potential strategic risk over planned financial result.
7) Macroeconomic risk - risk arising from macroeconomic changes and their impact on the minimum capital requirements. Capital requirements are based on Banks stress tests for mild recession and required capital adequacy metrics level.
8) Equity investment risk, property investment risk and property in own use risk - risk connected with changes in equity and property valuation - capital is calculated on the basis of historical volatility and/or expert judgement and portfolio valuation.
9) Liquidity and funding risk - a risk involving the inability to meet, at a reasonable price, financial obligations resulting from the balance sheet and off-balance sheet. The Bank maintains liquidity in such a way that the monetary liabilities of the Bank and its subsidiaries may have always done with the available funds, proceeds from maturing options available funding sources at market prices and/or the liquidation of marketable assets. Capital requirement for this type of risk is calculated as a sum of two elements: replicating portfolio valuation based on Monte Carlo simulation and internal liquidity limits excess over M1 and M2.
10) Model risk - risk of introducing incorrectly built (defined) models, tariffs or parameters, inappropriate application of models or lack of their necessary update. It is also a risk of improper control and monitoring during the functioning of the model. Capital requirement is calculated for material models with increased or high level of model risk and expert judgement.
11) Operational risk - risk of direct or indirect loss - material or reputational - resulting from inadequate or failed internal processes, bank's employees and systems or from third parties/external events. Operational risk include risk of non-compliance, legal risk and IT risk. To calculate the economic capital requirement, the Group applies the Advanced Measurement Approach AMA. The model applied is a hybrid model allowing the Group to measure risk on the basis of internal and external data on operational risk events, scenario analysis as well as business environment and internal control factors.

ICAAP Review Process

Every month the Group prepares reports on realised capital requirements for all types of material risks and planned values. These reports are received by Assets and Liabilities Committee (ALCO) and the Management Board. The Supervisory Board is informed about Bank's and Group's capital

adequacy, including internal capital, on the regular basis.
Once a year ICAAP review process is performed and report from this review is sent to the Management Board and Supervisory Board of ING Bank Śląski S.A. Additionally, once a year independent ICAAP process audit is carried out by Internal Audit Department.

ICAAP in subsidiaries

ICAAP Process has been implemented in three ING Bank subsidiaries: ING Securities S.A., ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o. ICAAP process in these units is independent from the Bank process. Capital Management Department with units responsible for risk management at the bank supervise the risk management processes at the subsidiaries. ICAAP Review reports from above mentioned subs are attached to the Bank's report and are sent to the Management Boardand Supervisory Board of the Bank.

2.2 The calculation of regulatory capital requirements

ING Bank Śląski S.A. reports capital requirement for credit risk on the basis of the AIRB approach for exposure classes: institutions and entrepreneurs. The Bank applies such presentation method pursuant to the letter of De Nederlandsche Bank (DNB) dated 4 July 2013, wherein DNB together with the Polish Financial Supervision Authority give the Bank permission to apply the full AIRB approach for the indicated range.

Irrespective of the above mentioned consent, pursuant to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, when determining the total capital requirement the Group takes account of the so called regulatory floor which amounts to 80% of the total comparable capital requirement (it is the sum of capital requirements for individual risk types computed by means of the standard approaches). Should the total capital requirement be lower than 80% of the total comparable capital requirement, the Group will include the difference as “a supplement to the overall level of capital requirements”.

Pursuant to the requirements of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 total capital ratio should not be less than 8%, while the Group is required to maintain the ratio of at least 12.5%. This is an obligation of the PFSA guidelines.

Further implementation of the AIRB approach shall apply only to the retail exposures. Retail exposures will be including to the calculation according to AIRB method consecutively, but no later than to 30 June 2016.
In accordance with the updated plan the date of the application of the motion to DNB/PFSA on AIRB material extension on retail portfolio (consumer lending and mortgage finance) has been postponed from December 31, 2015 as at 30 June 2016.

The Capital Group of ING Bank Śląski S.A. subsidiaries calculate capital requirements for credit risk according to SA method, except the company ING Lease (Polska) Sp. z o.o., which use AIRB method.

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The standard approach compliant with Basel III is used to calculate the requirement for market risk, settlement-delivery risk and the requirement due to exposure concentration limit and large exposures limit overrun.

The capital requirement for operational risk was estimated using the Basic Indicator Approach (BIA).

Capital requirements for particular risks

Capital requirements for credit risk, credit counterparty,dilution and delivery of instruments for future settlement, of which:	3 291.1
- IRB approach - for exposure classes: institutions and entrepreneurs	*1 629.3*
- SA approach – for other classes	*1 618.7*
- capital requirement for risk of contribution to fund the CCP in case of default	*1.2*
- capital requirement for credit valuation adjustment risk	*41.9*
Capital requirements for settlement/delivery risk	10.3
Capital requirements for position, foreign exchange and commodities risks	33.8
Capital requirements for operational risk	459.3
Capital requirement due to exposure concentration limit overrun	147.0
Total capital requirement	**3 941.5**

The capital requirement for credit risk represents approx. 83% of the Group's overall capital requirement and has the greatest impact on capital adequacy calculation.
The capital requirement for credit valuation adjustment risk (CVA) refers to the adjustment of the fair market value in accordance with the provisions of Basel III. The Bank calculates the correction value for overhead capital requirement according to the standard method in accordance with Article 384 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

To calculate the capital requirement for risk of contribution to fund the CCP in case of default (CCP), the Bank uses an alternative method, described in Article 310 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. In the case of ING Group and the Capital Group of ING Bank Śląski S.A. the function of a central counterparty eligible full body London Clearing House (LCH).

The table below presents exposures by class according to the AIRB and the SA methods.

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Exposures calculated according to AIRB method

Exposure class according to AIRB method	Original exposure before conversion factors	Value of exposures secured by a guarantee or credit derivatives	Value of exposures secured by eligible financial collateral or other eligible collateral	Value of exposure	The remaining unfunded credit protection in the form of guarantees (double default)	Risk-weighted exposure	Capital requirements	Value adjustments and provisions
Exposures to institutions*	9 625.1	6.3	43.3	6 905.0	0.0	1 957.9	156.6	-0.4
Exposures to corporates, including:	45 553.7	2 096.1	27 317.4	36 026.9	1 064.6	17 971.3	1 437.7	-1 125.8
- SME	*11 814.5*	*699.0*	*9 071.1*	*9 877.9*	*22.4*	*4 649.4*	*372.0*	*-276.8*
*- specialized lending***	*5 598.6*	*313.3*	*7 931.8*	*5 550.5*	*0.5*	*2 148.3*	*171.8*	*-60.5*
- other	*28 140.6*	*1 083.8*	*10 314.5*	*20 598.5*	*842.7*	*11 173.6*	*893.9*	*-788.5*
Equity exposures	155.6	0.0	0.0	155.6	0.0	437.6	35.0	0.0
Total	**55 334.4**	**2 102.4**	**27 360.7**	**43 087.5**	**1 064.6**	**20 366.8**	**1 629.3**	**-1 126.2**

** Local government units are permanently excluded from the exposure class institutions in the IRB approach and permanent method SA reported as a result of the decision consent to the AIRB approach.*
*** As far as corporate exposures are concerned Bank and the whole ING Group identify so called specialized lending transactions that comprise the following types of financing: Commercial Property Finance, Trade and Commodity Finance as well as Project Finance, out of which Commercial Property Finance stands for the largest exposure in the Bank. For those types of financing Bank uses dedicated PD rating models developed on the ING Group level.*

Exposures calculated according to SA method

Exposure class according to SA method	Original exposure before conversion factors	Value adjustments and provisions associated with the original exposure	Value of exposures secured by a recognised financial collateral	Value of exposures secured by eligible financial collateral or other eligible collateral	Fully adjusted exposure value (pre conversion factors)	Value of exposure	Risk-weighted exposure	Capital requirements
Exposures to central governments or central banks	29 298.1	0.0	0.0	0.0	29 298.1	29 298.1	140.4	11.2
Exposures to regional governments or local authorities	4 154.2	0.0	0.0	0.0	4 154.2	3 886.9	777.4	62.2
Exposures to public sector entities	17.5	0.0	0.0	0.0	17.5	16.6	16.6	1.3
Exposures to institutions	0.1	0.0	0.0	0.0	3.0	2.7	1.4	0.1
Exposures to corporates	4 622.8	0.0	-2.9	0.0	4 619.9	2 314.9	2 254.7	180.4
Retail exposures	20 054.9	-103.3	0.0	0.0	19 912.9	18 582.5	13 487.4	1 079.0
Exposures secured by mortgages on immovable property	3 907.4	0.0	0.0	0.0	3 907.1	3 886.4	2 305.2	184.4
Exposures in default	604.9	-387.7	0.0	0.0	217.2	216.8	230.6	18.5
Other items	2 174.5	0.0	0.0	0.0	2 174.5	2 174.5	1 019.8	81.6
Total	**64 834.4**	**-491.0**	**-2.9**	**0.0**	**64 304.4**	**60 379.4**	**20 233.5**	**1 618.7**

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Equity exposures are calculated using the following approaches:
- simplified method (for a 290% risk weight and 370%),
- using exemption threshold of deductions from own funds items (for a 250% risk weight).

In the framework of a simplified method for the risk weighting of 290% weight is used to exchange equity exposure, and the weight of 370% to the rest of the identified exposure in the portfolio covered by the simplified method and is not included in the weight of 190% under this method.

The table below is a breakdown of the equity exposure by risk weights.

Equity exposures

Risk weight	Original exposure before conversion factors	Value of exposure	Risk-weighted exposure	Capital requirements
250%	109.4	109.4	273.6	21.9
290%	8.3	8.3	24.2	1.9
370%	37.8	37.8	139.8	11.2
Total	**155.5**	**155.5**	**437.6**	**35.0**

3. Credit risk adjustments

3.1. Accounting definitions for purposes of "past due" and "impaired"

For the accounting purposes, the Bank classifies the past due exposures as material exposures with the capital or interests delinquency. Days past due are calculated on the due date of the earliest payment defined in the credit agreement with the client. The Bank defined the materiality of the exposure for current accounts for corporate and retail clients - EUR 250 and EUR 75 respectively. The materiality of exposure in related entities is determined by the specificity of their operational activity.

The Bank classifies to impaired portfolio those credit exposures, that are impaired and the loss resulting from the impairment has been incurred providing the following two conditions were met:
- there is/are objective evidence(s) that the impairment loss on loans and receivables or held-to-maturity investments measured at amortized cost was incurred,
- the event(s) generating the loss has/have the impact on the financial asset or group of financial assets that can be reliably estimated.

The objective evidence that the impairment loss on the financial asset was incurred results from event(s) (impairment triggers), whose occurrence had direct impact on the estimates of future cash flows related to the particular exposure. The different types of impairment triggers mirror the specificity of retail and corporate portfolios (including financial institutions and banks) and meet the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, in particular:

- the Bank puts the credit obligation on non-accrued status,
- the Bank writes off or creates specific provision resulting from a significant perceived decline in credit quality subsequent to taking on the exposure,
- the Bank sells the credit obligation at a material credit-related economic loss,
- the Bank consents to a distressed restructuring of the credit obligation where it is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement of principal, interest tor (where relevant) fees,
- the Bank has filed for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Group,
- the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Group,
- the obligor is past due more than 90 days on any material credit obligation to the bank's group. Days past due commence once an obligor has breached an advised limit or has been advised a limit smaller than current outstandings.

The assessment of credit exposure in terms of impairment identification is performed during defined periods in the monitoring process for performing and non-performing portfolios. In addition, the Bank monitors the client's debt repayment timeliness (both for performing and non-performing portfolios) with the use of available tools and reports, which results in early identification of the threat of impairment trigger's occurrence in the future before its actual materialization. In case of impairment trigger identification on any of client's account, the impairment calculation is performed including the whole credit exposure of the client. The Bank defines the events giving the possibility of impairment loss reversal (eg no impairment trigger identified within last 6 calendar months). Later occurrence of the circumstances specified in the definition of default would lead to the next default event.

Related entities defined the analogous rules of classification of exposures to impaired portfolio and the list of impairment triggers.

3.2 Description of the approaches and methods adopted for determining specific and general credit risk adjustments

The Bank calculates the provisions for impaired financial assets measured at amortized cost (loans, receivables and held-to-maturity investments) and provisions for off-balance part of credit exposures. The Bank distinguishes two types of methodologies of provisions calculation, in particular, individual approach of provisions calculation (individual provisions) and collective approach to provisions calculation (collective provisions). Related entities do not calculate the provisions for off-balance part of credit exposures due to the specificity of their operational activity.

Individual provisions

The individual provisions are calculated when there are objective evidences that the impairment loss on the single financial asset or group of financial assets was incurred and results from one or more default events, whose occurrence impact the estimates of future cash flows related to the particular financial asset. Individual provisions are calculated for financial assets classified to 20, 21 or 22 risk class.

Individual provisions are calculated for the impaired individually significant financial assets (ISFA) with the use of discounted future cash flows methodology. For the specification of future cash flows it is necessary to describe the exact amount and the date of the particular cash flow. The estimated proceedings may stem from different sources and be positive (proceedings inflow to the Bank) or negative (proceedings outflow from the Bank), in particular: debt repayment, additional disbursement, repayment from operational activity of the client, proceedings from collection and workout activities - collateral liquidation, sale of the loan.

In terms of collection and workout activities in ISFA provisions calculation, the appropriate recovery rates are applied for the particular collaterals which are included in the estimation of future cash flows. The recovery rate ratios are set between 0 and 80% and are determined, among others, by the type of the collateral, the value of the mortgage-backed exposure, date of the evaluation and the book value of the collateral. The estimation of amounts and dates of proceedings inflows is based mainly on expert knowledge, however, the Bank defined the principles of application of the future cash flows scenarios and the maximum recovery rates from the collateral liquidation. Related entities estimate the future cash flows on the basis of expert knowledge only.

Collective provisions

Collective provisions are calculated for impaired individually not significant financial assets (INSFA) when there are objective evidences that the impairment loss on the single financial asset or group of financial assets was incurred and results from one or more default events. Collective provisions are calculated for financial assets classified to 20, 21 or 22 risk class. INSFA provisions are calculated as multiplication of 100% PD (client is in the default), EAD as at reporting day (including the conversion factors estimated in accordance with internal models) as well as Loss Given Default (LGD) for the particular exposure with the use of Basel compliant models (excluding the recession adjustment - downturn LGD and indirect costs of collateral liquidation), adjusted additionally by the current risk profile of a given portfolio (Point-in-Time approach) and the time the exposure has been in default.

If, on the basis of the assessment, no objective evidence that the impairment loss is recognised, the financial asset is included to group of financial assets with the similar credit risk characteristics, which indicates that the client is capable to fully repay the loan in accordance with conditions stipulated in credit agreement. The IBNR provisions calculated in such groups are estimated in accordance with IFRS 39 and are described as provisions for incurred but not reported losses. The expected losses resulting from the future events are not identified. IBNR provisions are calculated for financial assets classified to 1-19 risk classes. IBNR provisions are calculated with the use of internal credit risk parameters models (such as PD, LGD and EAD/CCF) appropriately adjusted with IFRS requirements (including Point-in-Time approach in PD and LGD estimates and applying the particular horizon of impairment identification). Additionally, Bank periodically verifies the credit conversion factor estimating the use of off-balance part of credit exposures from the reporting date to the date of impairment loss assuring the compliance with IAS 37, that defines the rules of provisioning for off-balance part of credit exposures.

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In case of equity exposures, the Bank defined the methodology, calculation and reporting processes of provisions for exposures stemming from financial markets transactions. The Bank distinguish two categories of such exposures, for which the provisions are calculated:

- the Bank receivables identified from the settlement of transactions on financial markets, that were not repaid by the counterparty - Failed Settlement,
- potential receivables of the Bank that may arise the moment the transactions on financial market are settled - Credit and Debit Value Adjustments (CVA/DVA).

Related entities do not calculate the provisions for exposures stemming from financial markets transactions due to the specificity of their operational activity.

3.3 Quantitative information on the adjustments for credit risk

The table below presents the following information:

- total amount of exposures after the settlement of transactions and balancing without taking into account the effects of credit risk mitigation, and the average amount of exposure in a given period by class of exposure,
- geographical distribution of exposure,
- the residual maturity for all exposures broken down by exposure class.

Method	Exposure class	Exposure net of value adjustments and provisions (31.12.2014)	The average exposure after deduction of value adjustments and provisions (4 quarters of 2014)	Original exposure - Poland	Original exposure - other countries*	Residual maturity of the exposure (days)**
SA	Exposures to central governments or central banks	29 298.1	29 138.5	28 792.9	505.2	1 182
SA	Exposures to regional governments or local authorities	4 154.2	4 166.9	4 154.2	0.0	1 154
SA	Exposures to public sector entities	17.5	21.9	17.5	0.0	1 061
SA	Exposures to institutions	0.1	0.0	0.1	0.0	-
SA	Exposures to corporates	4 622.8	2 975.2	4 622.8	0.0	283
SA	Retail exposures	19 951.6	15 948.3	20 054.9	0.0	5 732
SA	Exposures secured by mortgages on immovable property	3 907.4	6 386.9	3 907.4	0.0	7 857
SA	Exposures in default	217.2	150.7	604.9	0.0	773

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Method	Exposure class	Exposure net of value adjustments and provisions (31.12.2014)	The average exposure after deduction of value adjustments and provisions (4 quarters of 2014)	Original exposure - Poland	Original exposure - other countries*	Residual maturity of the exposure (days)**
SA	Other items	2 174.5	2 294.8	2 174.5	0.0	-
IRB	Exposures to institutions	9 624.7	8 574.7	7 127.9	2 497.2	1 078
IRB	Exposures to corporates - SME	11 537.7	10 779.7	11 787.7	26.8	937
IRB	Exposures to corporates - specialized lending	5 538.1	5 337.6	5 419.6	179.0	1 337
IRB	Exposures to corporates - other	27 352.1	25 444.8	28 077.7	62.9	936
IRB	Equity exposures	155.6	249.7	155.6	0.0	-
TOTAL		**118 551.6**	**111 469.7**	**116 897.7**	**3 271.1**	**-**

** The largest share in the amount of original exposure to countries other than Poland falls into the following countries: France (1 240.1 million PLN), United Kingdom (577.5 million PLN) and the Netherlands (446.9 million PLN).*
*** Residual maturity refers to the weighted average maturity weighted exposure.*

Involvement in the range of past due exposures occur in minimal outside the Polish. Because the geographic concentration within the Polish is small and does not increase the credit risk at ING Bank Śląski S.A. yet there was no need for determining geographical limits.

The table below presents information on the distribution of exposures and adjustments for a specific credit risk depending on the type of counterparty.

Method	Exposure class	Type of counterparty	Original exposure	Adjustments for specific credit risk
IRB	**Exposures to institutions**		**9 625.1**	**-0.4**
		including: Credit institutions - commercial banks and listed	6 926.4	0.0
		including: Credit institutions - government and ING banks	617.4	-0.2
		including: Credit institutions - banks other	10.4	0.0
		including: Other financial institutions - government	198.4	0.0
		including: Other financial institutions - listed	99.5	0.0
		including: Other financial institutions - other	1 773.1	-0.1
IRB	**Exposures to corporates - specialized lending**		**5 598.6**	**-60.5**
		including: Real Estate Management	2 094.4	-9,6
		including: Property Management - SPV	2 092.3	-50,4
		including: Other	1 411.9	-0,5
IRB	**Exposures to corporates - SME**		**11 814.5**	**-276.8**
		including:Treasury and Leasing Companies	65.0	0,0

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Method	Exposure class	Type of counterparty	Original exposure	Adjustments for specific credit risk
		including: Non-profit organizations and government	87.7	-0,2
		including: Businesses	816.6	-5.4
		including: Other small and medium-sized enterprises	10 845.2	-271,2
IRB	**Exposures to corporates - other**		**28 140.6**	**-788.5**
		including: Companies listed	6 942.8	-190,7
		including:Treasury and Leasing Companies	769.3	-0.1
		including: Non-profit organizations and government	1 082.8	-4.6
		including: Other companies	19 345.8	-593,2
IRB	**Equity exposures**		**155.6**	**0.0**
SA	**Exposures to central governments or central banks**		**29 298.1**	**0.0**
		including: Central Bank	4 695.5	0,0
		including: Government	24 546.4	0,0
SA	**Exposures to regional governments or local authorities**		**4 154.2**	**0.0**
SA	**Exposures to public sector entities**		**17.5**	**0.0**
SA	**Exposures to institutions**		**0.1**	**0.0**
SA	**Exposures to corporates**		**4 622.8**	**0.0**
		including: Companies listed	531.0	0,0
		Including: SME Company	474.6	0,0
SA	**Retail exposures**		**20 054.9**	**-103.3**
		including: SME	2 911.4	0,0
		including: Residential mortgage secured	12 774.9	0,0
SA	**Exposures secured by mortgages on immovable property**		**3 907.4**	**0.0**
		including: Residential mortgage secured	3 683.0	0,0
		including: Commercial mortgage secured	224.4	0,0
SA	**Exposures in default**		**604.9**	**-387.7**
		including: Sole economic activity	143.8	-116,5
SA	**Other items**		**2 174.5**	**0.0**
TOTAL			**120 168.8**	**-1 617.2**

The table below presents information by type of counterparty exposure of the lost value. By exposure of the lost value is understood:

– exposures in the SA method - where the delay is more than 90 days, in accordance with Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013,

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– exposures in the IRB approach - including ratings from 20 to 22.

Method	Exposure class	Type of counterparty	Original exposure	Value adjustments and provisions
IRB	**Exposures to corporates - specialized lending**		**324.2**	**-58.3**
		including: Real Estate Management	123.5	-9.3
		including: Property Management - SPV	200.7	-49.0
		including: Other	0.0	0.0
IRB	**Exposures to corporates - SME**		**458.0**	**-257.5**
		including: Companies listed	51.7	-41.6
		including: Businesses	12.1	-4.2
		including: Other small and medium-sized enterprises	394.2	-211.7
IRB	**Exposures to corporates - other**		**999.7**	**-763.5**
		including: Companies listed	212.8	-189.2
		including: Non-profit organizations and government	11.9	-4.4
		including: Other companies	775.0	-569.7
SA	**Exposures in default**		**604.9**	**-387.7**
		including: Sole economic activity	143.8	-116.5
TOTAL			**2 386.8**	**-1 467.0**

In terms of exposure relating to countries other than Poland, there was no significant share of exposures of the lost value.

The tables below present the breakdown of exposures for which there is any overdue, by overdue.

	commitment to corporate clients			
	total		*including: impaired*	
the number of days past due	on-balance	off-balance	*on-balance*	*off-balance*
0	35 046.7	19 479.9	*658.2*	*86.8*
1-30	610.5	0.4	*87.7*	*0.0*
31-60	41.3	0.0	*14.8*	*0.0*
61-90	46.0	0.0	*11.5*	*0.0*
91-180	49.9	0.0	*42.2*	*0.0*
181-365	145.9	3.4	*145.5*	*0.0*
>365	840.7	0.8	*839.7*	*0.3*
total	**36 781.0**	**19 484.5**	***1 799.6***	***87.1***

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	retail exposures			
	total		*including: impaired*	
the number of days past due	on-balance	off-balance	*on-balance*	*off-balance*
0	20 910.2	2 722.6	*58.9*	*1.5*
1-30	434.3	16.9	*18.1*	*0.3*
31-60	102.5	1.1	*12.3*	*0.1*
61-90	37.3	0.3	*10.1*	*0.0*
91-120	18.3	0.3	*17.2*	*0.1*
121-150	15.2	0.1	*14.4*	*0.0*
151-180	14.4	0.1	*13.9*	*0.0*
>180	437.2	0	*434.9*	*0.0*
total	**21 969.4**	**2 741.4**	***579.8***	***2.0***

The table below presents a reconciliation of the adjustments for specific and general credit risk exposures of the lost value.

	Corporate banking segment	Retail banking segment
As at 31.12.2013	**1 019,6**	**383,4**
Movements in impairment losses, of which:	54,6	95,4
- Recognised and reversed during the period	154,7	102,4
- Receivable written off as allowances	-98,3	-6,0
- Amounts recovered from loans previously written off	1,0	4,7
- Unwinding interest	-0,9	1,2
- Amount of previous adjustments to fair value when the receivable FM now restructured transaction has matured	-0,8	0,0
- Other	-1,1	-6,9
As at 31.12.2014	**1 074,2**	**478,8**

4. Use of credit risk mitigation techniques

4.1 The policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off- balance sheet netting

In line with the rules applicable in the Bank each corporate client or a non-banking financial institution prior to initiation of a derivative transaction is obliged to sign an appropriate Framework Agreement with the Bank which enables the set-off of executed transactions. The entry of the limits awarded to a customer, which are necessary to execute a transaction, is conditioned upon signing of legal documents by a customer.
Excluded from that rule are the bank customers who are obliged to sign Framework Agreements for transactions with over 1 year maturity. Nevertheless, the Bank signed appropriate agreements

with the majority of its banking partners, except for just a few banks with whom the bank enters into short (usually 1-2 days) currency exchange transactions. The Bank has pieces of legal advice and it monitors changing regulations.

4.2. The policies and processes for collateral valuation and management

Bank

The Bank's regulations on collateral describe the valuation method for each type of collateral across the tangible and personal collateral group.

The Bank distinguishes the following collateral values:

- face value,
- adjusted face value,
- fair value.

Collateral face value is the value expressed in the collateral currency, established on the basis of current prices, excluding the influence of other factors (in particular: market value, book value, value of the accounts receivable transferred to the Bank), and set for each collateral individually.

Adjusted face value is the value of collateral made real taking into account the factors omitted in the calculation of face value. Such value is worked out if in the Bank's opinion there exist factors which were omitted while calculating collateral face value or were included but to an insufficient degree and have adverse impact on collateral value.

Collateral fair value is calculated as a product of recovery rate on collateral (defined on the basis of parameters of an appropriate LGD model) multiplied by face value, or adjusted face value of collateral if there were reasons why such adjusted value should be calculated.
In 2014, the Bank implemented the principle of fair value correction in case of mismatch between date of collateral maturity and exposure maturity.

For example, the grounds for calculating real estate face value is its market value based on an external surveyor's appraisal and verified additionally by the Bank's Appraisal Team. The aforementioned obligation to verify the value by the Bank arises from the Recommendations imposed by the Polish Financial Supervision Authority.
When appraising the value and liquidity of tangible collateral one takes into account the asset usage/occupancy period, age of the assets and market for specialist collateral items.

Depending on the type of collateral, the value is monitored at specified intervals, adjusted to the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

A list of the aspects analysed and examined in the course of the credit approval process, collateral establishment and collateral monitoring includes the following issues:

– verification of the collateral value,
– physical check of the tangible collateral (inspections),
– check of the collateral formal-and-legal status (if put in place, if legally binding, if insured),
– verification of the guarantor's business-and-financial condition (setting the risk rating).

At the same time it is recommended for the decision-makers to contemplate that if certain circumstances occur, the frequency of monitoring should be increased.

Such circumstances are, inter alia.:

– collateral risk,
– collateral value fluctuation risk,
– reputation risk.

If the Bank decides that collateral value should be monitored at shorter intervals it should take into consideration economic effectiveness i.e. the relation between the cost and effects of monitoring.

Monitoring performed at shorter intervals, e.g. in case of real estate, is required in the face of substantial fluctuations in the market conditions, the frequency of monitoring depends on the specific nature of such real estate and individual factors affecting its value.

With respect to other tangible collateral, beside the material fluctuations in the market conditions, more frequent monitoring may be dictated by the technical state of machines and equipment, means of transport, etc.

The Bank's regulations also define the way the collateral is presented and approved in the process of granting credit exposure in accordance with the credit mandates and the rules of presenting and approving collateral monitoring.

ING Lease (Polska) Sp. z o.o. (ING LP)

In case of lease facilities, ownership of the leased asset is the main security of lease transactions. ING LP has no separate regulations concerning the security of lease transactions. Principles of collaterals and their values arise from the nature of the lease product.
ING LP as a lease company buying the leased object from a supplier becomes its owner and then, as the owner, gives the lease object to the lessee (customer) for usage. The purchase from the supplier of the asset to be leased, under the law, is based on the market price. Acquisition value of the leased asset from the supplier is the initial value of the lease transaction.

Principles for verifying the leased assets in ING LP are included in two regulations. For movables it is the "Manual of verification, suppliers and the subject of the lease", for real estates it is a "Real estate policy".
The purchase price (market value) of the new asset - movable acquired from suppliers unrelated to

the lessee is not verified. The value of second-hand asset - movable (regardless who is the seller) or the value of the new asset - movable but purchased from a customer or a company associated with the customer is verified by an independent expert valuation or, if possible, internal market value verification.
The value of the real estate to be financed is always verified in an appraisal prepared by an independent valuator.
While a contract is pending, value of financed movables are not verified.

Market values of financed real estates are verified at least every two years on the basis of an appraisal prepared by an independent valuator. Additionally, in those years when the external valuation of the real estate is not required, ING LP prepares internal market value verification of the financed real estate.

ING Commercial Finance S.A. (ING CF)

In case of standard factoring (with and without recourse) a basic transactions collateral are purchased from the Client receivables against debtors transferred to factoring.

At the stage of the factoring application analysis and during the term of the factoring agreement is made by ING CF current assessment of the quality of receivables (analysis of the history of collaboration between client and debtor, the provisions of trade agreements) and is carried out monitoring of the debtors financial situation.

ING CF occasionally uses other forms of collateral, such as mortgage, pledge on assets or bank/other factor guarantees. Principles of verification collateral values are defined in the ING CF Credit Instruction. In accordance with these principles in the case of establishment:

a) mortgages - at the proposal stage client is obliged to provide real estate appraisal, no older than before 12 months, an extract from the real estate land register and copy of property insurance policy. In the case of entries the mortgage to another bank information on the current state of the debt secured by a mortgage.
b) pledge on assets - at the proposal stage the client is obliged to provide documents proving the value of assets such as an insurance policy, information about stocks value.
c) bank guarantee - Front Office is required to obtain the opinion of the Bank in relation to the risk of the bank issuing the guarantee.
d) the factor guarantee (credit cover) - taking a risk foreign debtor insolvency by the foreign factor, ING CF verifies whether the factor is one from the list of factors accepted by ING Group.

In view of the very rare cases of the use of additional collateral in ING CF Credit Instructions includes a clause that the assessment of liquidity and collateral valuation ING CF carried out in accordance with the Bank's applicable rules.

In 2014, ING CF was introduced insurers secondary risk management procedure, in case of non-recourse factoring. ING CF accepts insurance policies within the limits granted to insurers, which allow us risk monitoring secured by individual insurers.

4.3 Description of the main types of collateral taken by the Bank

Bank

The Bank accepts all permitted legal forms of collateral, at the same time specifying its preference as to their application in the regulations on collateral.
Yet the collateral should be chosen based on:

- connecting the value and quality of collateral to the probability of the client's default. It means that the worse the client's risk rating is, the better the collateral for credit exposure should be put in place,
- seeking to fulfil the conditions specified in the regulations which enable, inter alia, including the recovery rates assigned to collateral items in the process of calculation of capital requirements and provisions,
- respecting the limitations in accepting collateral and including the guidelines presented in the regulations, aimed at the minimisation of the negative departure of the actual recovery rates from those estimated in the LGD model,
- optimisation of the collateral catalogue for a given credit exposure when there is a specific pool of collateral items available.

In retail area, Bank uses standard method for regulatory capital calculation. To use preferential risk weight for mortgage secured exposures, quality criteria, described in Art. 124, 208 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, have to be fulfilled.

The Bank has identified the following collateral groups:

1) Tangible collateral which makes it possible for the Bank to recover debt in the event of a client's default by liquidating the collateral provider's specific assets - funded credit protection.
   The Bank recognises the following types of assets that may serve as tangible collateral for the Bank's receivables under credit exposure:
   - real estate,
   - movable assets - things with specified identity,
   - movable assets - inventory or things of a specified type,
   - cash (security deposits, term deposits and funds deposited as letter of credit coverage),
   - accounts receivable,
   - treasury bonds,
   - bonds traded on a stock exchange,
   - bonds not traded on a stock exchange/investment certificates,
   - shares traded on a stock exchange,
   - shares not traded on a stock exchange,
   - participation units in Open Investment Funds.
2) Personal collateral which makes it possible for the Bank to recover debt in the event of a client's default by resorting to any component of the collateral provider's assets - unfunded

credit protection.

The Bank recognises the following forms of personal collateral:

- surety under the Bills of Exchange Law or Civil Code,
- bank guarantee/reguarantee and corporate guarantee,
- assuming joint and several liability for the debt.

3) In some LGD models applied in the Bank the recovery rate on the unsecured part of exposure is affected by the so-called “negative pledge” covenant which obliges a client not to create any collateral on the client’s assets or to significantly limit collateral created in favour of other creditors. The client’s acceptance of such a clause increases the recovery rate on the unsecured part of exposure.
4) Since April 2013 the product called “discounted receivable subject to recourse factoring” has been treated by the Bank as collateral. In regulations the Bank has, descriptions in particular, with regard to the legal certainty, monitoring and detection possibility of a deterioration in the quality of the discounted receivables. Simultaneously, the conditions allowing to take the collateral into account in the recovery rate estimation have been described in the regulations. The monitoring process is divided between Local Business Unit (LBU/JK/) and Risk Management Unit (RM/JR/) on the one hand and the Bank’s Operations Unit (OU/JO/) on the other.

   The Operations Unit monitors on a daily basis the promptness of payments and other cases of the occurrence of warning signals evidencing a deterioration in the quality of the receivables discounted and keeps LBU informed on these issues.

   LBU takes note of the information within the ongoing monitoring and, additionally, within the periodic monitoring and analyses any extra information which may impact negatively on the quality of the discounted receivables taken as collateral.
5) There are also additional types of collateral used by the Bank that strengthen its position in negotiations or expand the Bank's control entitlements as a creditor. Additional collateral includes (inter alia):
   - letter of intent/letter of comfort/statement of comfort,
   - blank promissory note,
   - assignment of rights under property insurance policy,
   - credit insurance coverage from an insurance company,
   - insurance coverage for domestic accounts receivable (an insurance policy issued to ING BSK or insurance policy assignment).

Structure of individual collateral groups is diversified. The collateral with the biggest share:

- mortgage - its share results from the fact that usually mortgage is used to secure long-term investment loans. In addition, mortgage is the main collateral in the case of commercial real estate mortgage loans,
- corporate sureties and guarantees - this group of collateral includes guarantors from various industries having diversified economic and financial standing. Therefore, there is no material risk of concentration. If a particular recovery rate has been assumed, higher than 0%, it is necessary to investigate a guarantor's economic and financial standing and assign a risk rating,

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– fixed and current assets,
– accounts receivable.

Bank guarantees and securities have small share in the general pool of the collateral accepted by the Bank.

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ING Commercial Finance S.A. (ING CF)

In case of standard factoring (with and without recourse) a basic transactions collateral are purchased from the client receivables against debtors transferred to factoring.

In addition to the assignment of receivables as collateral ING CF acquiring also promissory note issued by the client, often guaranteed by the client's shareholders, power of attorney for the customer's bank account and in the case of without recourse factoring we use of the insurance risk of debtors insolvency in one of the insurance companies providing receivables insurance. In the case of reverse factoring ING CF does not use additional collateral due to the targeting of this product only to selected customers (in a very good financial situation) with strategic customer segment. The basic collateral of these transactions is a power of attorney to the client's bank account.

ING CF occasionally uses other forms of collateral, such as mortgage, pledge on assets or bank/other factor guarantees.

4.4 The main types of guarantor and credit derivative counterparty and their creditworthiness

The following table presents the main types of guarantor and own their collateral value. Bank does not use credit derivatives.

Delivery type of guarantees	Value of collateral	Share
Companies - category "investment" (rating below 10)	2 004.7	70%
Companies - category "speculative" (rating 11-17)	738.1	26%
Local authorities (prefix GL)	124.0	4%
Total	**2 866.9**	**100%**

** Presented in the table, the value is the value of the collateral, and no exposure*

and the scope of published information for the year 2014 (PLN million)

4.5 Market or credit risk concentrations within the credit mitigation taken

The main form of the collateral is a mortgage (64% of the total), since the institution is significantly involved in financing the purchase of residential real estate and commercial real estate financing.

Type of collateral	Value of collateral	Share %
Mortgages	14 656.0	64%
Guarantees	2 870.0	12%
Supplies	2 658.6	12%
Machinery and equipment	1 694.0	7%
Debts	860.4	4%
Cash equivalents	309.1	1%
Total	**23 048.1**	**100%**

** Presented in the table, the value is the value of the collateral, and no exposure*

5. Use of the IRB Approach to credit risk

5.1 The structure of internal rating systems and relation between internal and external ratings

The integral part of the Bank's credit risk evaluation process for credit exposures is determination of client risk class. The class itself is determined by coherently used rating system. The rating application is finalized before the credit decision is made.

Exposures to corporates and institutions

As far as the exposures to corporates and institutions is concerned, the whole ING Group applies a 22-grade rating scale with respect to entrepreneurs where classes reflect borrower risk. Some credit risk models used in the Bank assign rating sub-classes to have better granularity of rating scale. Those subclasses should be treated as a part of full rating class.

The Bank most often applies 17 risk classes (6-22). Sometimes a better risk class may be applicable, usually in the Strategic Clients portfolio. The customer is assigned to a given risk class based on the financial model, using the data from the debtors' financial reports, evaluation of qualitative factors and, in particular cases, financial standing of the parent company.

Risk classes may be divided into 3 basic groups:
– investment grades (risk classes 1-10),
– speculative grades (risk classes 11-17),
– problem loan grades (risk classes 18-22).

Description of investment grades (risk classes 1-10)

These classes include borrowers with solid income and margin levels, strong balance sheet structure and stable long-term perspectives. In the top grades of this range, the borrowers occupying the position of market leaders are classified who are relatively less susceptible to adverse market fluctuations. Such borrowers have free, that is 'at their discretion', access to the financing available on the markets at any time .

Risk class 1-2

Entities included in this class are characterised by the lowest level of risk. In a longer perspective they have solid and stable income, substantial liquidity and extremely strong balance sheet structure. The probability of default by one of these borrowers is very low. Entities classified in this group usually:

– operate in large markets characterised by attractive margins, a strong potential for growth and high entry barriers,
– experience weak or no pressure on prices thanks to no or few direct competitors present,
– have strong position versus suppliers, and strong and well-known brand(s),
– are subject to no foreseeable threats.

Risk classes 3-4

High quality entities, with slightly higher long-term risk potential than the entities classified into risk class 1 or 2. Nevertheless, in a longer perspective they are assessed as very strong entities with stable income, good financial liquidity and strong balance sheet structure.

Risk classes 5-7

These classes include strong entities who operate on a cycle basis or entities in good condition whose income is to some extent fluctuating. The analysis of these entities may prove that they are prone to future weakening of their financial situation. The entities classified in this group:

– often operate on more competitive markets with low customer loyalty levels,
– have a good debt profile, characterised by relatively low risk and thus are fully capable of meeting their financial obligations,
– have to allocate substantial company resources to maintain their market share,
– have limited ability to dictate prices and/or terms and conditions of cooperation with suppliers,
– have no delayed principle and interest payments.

Risk classes 8-10

Entities classified in this range are susceptible to fluctuations in economic climate that may affect their creditworthiness, yet their current situation is still acceptable. Entities classified in this group are usually characterised by:

– ability to differentiate products or services from those offered by competitors when faced with pressure from the market,

- small or no influence on prices of materials they purchase,
- management who may implement riskier strategies or who may be judged as less stable than the management of a company with a higher rating,
- no delays in principal and interest payment.

Description of speculative grades (risk classes 11-17)

These classes have a relatively large range of risk levels, and can be divided into:

- the borrowers with the best grades within this class, who currently meet their financial obligations, however their debt servicing capacity (the principal and interest) may turn out to be uncertain over a longer period of time. So the safety margin is limited. In adverse business environment or unfavourable economic conditions there is a real threat that credit risk may increase,
- the borrowers assigned higher risk grades (the worst grades in this class) which, in a longer perspective, may be characterised by: uncertainty as to their income, lower quality of assets and risk of the capital level mismatch that may translate into possible losses.

Risk classes 11-13

Entities classified in this class are characterised by a relatively good financial standing but their ability to service debt over a longer period is not guaranteed. Past cash flows of these companies show some irregularity. These companies may have suffered losses in the previous years. Although at present they are more or less profitable, they show a certain margin of safety and they are still ranked among the acceptable borrowers. However they may already show the signs of potential problems with maintaining the current level of income and profitability. In addition, the entities classified in this range:

- may have problems with maintaining their position in the market in the face of growing competition,
- have little or no influence on prices of materials they purchase,
- it is possible that their management is not of the highest quality,
- there are no delays in principle and interest payment, or a delay is shorter than 31 days.

Risk classes 14-17

The companies classified in this range enter the endangered financial standing zone. Symptoms: considerable decrease in profitability, substantial weakening of the balance sheet structure, irregular cash flows with outflows predominating over inflows, and small capability to service its debts. Such entities often:

- operate in a sector that is in a downward phase,
- have to face the increasing pressure from their competitors (including the increasing one),
- have very limited or no influence on prices of materials they purchase and their relations with suppliers,
- may have a weak management characterised by e.g. lack of experience, no stability or poor commitment,
- there are no delays in principle and interest payment, or a delay is shorter than 31 days.

The borrowers classified in the 16-17 range are additionally characterised by the occurrence of the following circumstances:

- despite servicing of all obligations by the borrower on an ongoing basis there are strong premises that the borrower's financial standing or creditworthiness may diminish,
- at present there are no predictions as to the occurrence of the situation referred to as 'default' but more intensive monitoring is necessary,
- actions aimed at improvement of the Bank's position as the creditor are required, or the limitation or complete cancellation of the Bank's involvement in a borrower or transaction financing.

Risk class 15/(potential) restructuring

Apart from the overall conditions presented above based on which an entity is classified in the range 14-17, grade 15 is additionally characterised by occurrence of the following circumstances:

- material indications of the borrower's weakening economic and financial standing/creditworthiness, and
- substantial indications of the risk profile impairment that will result in the borrower's failure to timely meet all of its debt obligations in the future.

But all of the following conditions have been met:

- the borrower has not applied for any change (extension) of the employed capital repayment date,
- in a short term perspective (up to 1 year) the borrower will not require additional financing that would have resulted from the financial liquidity impairment,
- the borrower is sufficiently capable of servicing its debts,
- positive assessment of the borrower's main markets prospects.

Furthermore, as far as the customers with risk grade 15 are concerned, for whom additional covenants have been defined, the following events of default may occur:

- the Bank predicts that a borrower will breach one or more conditions,
- the Bank may waive a condition, on a one-off basis, for the period of up to one year.

Risk class 16/(potential) restructuring

Apart from the overall conditions presented above based on which an entity is classified in the range 14-17, the following circumstances occur:

- material indications of the borrower's weakening economic and financial standing/creditworthiness,
- substantial indications of the risk profile impairment that will result in the borrower's failure to timely meet all of the debt obligations in the future.

No certainty as to whether the customer will be able to service his debts, even though all the conditions mentioned below have been met:

- the borrower has not applied for any change (extension) of the employed capital repayment date,

– in a short term perspective (up to 1 year) the borrower will not require additional financing that would have resulted from the financial liquidity impairment,
– positive or neutral assessment of the borrower's main markets prospects.

Furthermore, as far as the customers with risk grade 16 are concerned, for whom additional covenants have been defined, the following events of default may occur:
– the borrower failed to meet one or more conditions,
– the borrower advised the Bank that he would not be able to meet one or more of these conditions.

Risk class 17/(potential) restructuring

Apart from the overall conditions presented above based on which an entity is classified in the range 14-17, the following circumstances occur:
– material indications of the borrower's weakening economic and financial standing/creditworthiness,
– substantial indications of the risk profile impairment that will result in the borrower's failure to timely meet all of the debt obligations in the future.

In addition, one or more of the following symptoms have occurred:
– the borrower has applied for a change (extension) of the employed capital repayment term, or there is high probability that he may submit such an application where the change (extension) of the employed capital repayment term does not (will not) result in the Bank's loss because the terms of such prolongation fully compensate for the delay in repayment of the capital,
– the borrower is not or probably will not be capable of servicing his debts in a long term, however, in a short term perspective (up to 1 year) will not require additional financing that would have resulted from the impairment of his financial liquidity,
– neutral or negative assessment of the borrower's main markets prospects.

Furthermore, as far as the customers with risk class 17 are concerned for whom additional covenants have been defined, it may happen that the borrower has failed to meet one or more conditions.

Description of problem loan grades (risk classes 18-22)

This risk class includes the borrowers who show clear indications of problems with debt servicing or are in the situation referred to as 'an event of default' has already occurred. This group includes also the clients whose exposures are in forbearance status in case the delinquency of debt repayment exceeded 30 calendar days on the exposure with forbearance status or having granted the consecutive forbearance facility to client on the particular exposure.

Risk class 18 - Under observation/Restructuring

The borrower continues its business and meets his obligations towards the Bank (i.e. there are no delays in the principal or interest repayment or any delay is shorter than 31 days), and at least one of the circumstances mentioned below has already occurred:

- the borrower has applied for a change (extension) of the employed capital repayment term, however the change (extension) of the employed capital repayment term does not result in the Bank's loss because the terms of such prolongation fully compensate for the delay in the repayment of capital,
- in a short-term perspective (up to 1 year) the borrower will need additional financing resulting from the impairment of his financial liquidity, but in the Bank's assessment, in the short period there will be no problems with obtaining such financing (beyond the Bank),
- the customer is not sufficiently capable of servicing its debt,
- negative assessment of the borrower's main markets prospects.

Furthermore, as far as the customers with risk class 18 are concerned for whom additional covenants have been defined, it may happen that the borrower has failed to meet one or more conditions.

Risk class 18 - Below standard/Restructuring

The borrower continues its business and meets its obligations towards the Bank (if there are delays in the repayment any delay is shorter than 90 days), and at least one of the circumstances mentioned below has already occurred:

- the borrower has applied for a change (extension) of the employed capital repayment term, however the change (extension) of the employed capital repayment term does not result in the Bank's loss because the terms of such prolongation fully compensate for the delay in the repayment of capital,
- in a short-term perspective (up to 1 year) the borrower will need additional financing resulting from the impairment of its financial liquidity and, in the short period, such financing will be probably available (beyond the Bank),
- the customer is not sufficiently capable of servicing its debt,
- negative assessment of the borrower's main markets prospects.

Furthermore, as far as the customers with risk grade 19 are concerned, for whom additional covenants have been defined, it may happen that the borrower has failed to meet one or more conditions.

Risk class 20 - Dubious/Default and impairment occurred and recoveries and actions before forced collateral liquidation

In general: it has been assessed that the customer will not repay its obligations towards the Bank in full, but the Bank has not initiated (yet) the compulsory liquidation of collateral. However the Bank may have already undertaken actions aimed at voluntary sale of items constituting collateral by the customer himself (or the owner of the items) to designate the proceeds from the sale for

repayment of the debt to the Bank. The inability to repay in full the obligations towards the Bank results from one or more of the following circumstances:
- the Bank has assessed that the impairment of financial involvement has occurred, or
- the Bank has decided to dispose of credit claims at a discount higher than 10%, and such a disposal does not result from management of concentration risk, or
- on the exposure with forbearance status the delinquency of debt repayment exceeded 30 calendar days or the Bank granted the consecutive forbearance facility to client.

Risk class 21 Lost/Default occurred and forced recoveries and actions for collateral realization - without losses

W In the case of borrowers classified in risk grade 21, the following circumstances have occurred:
- the Bank initiated the liquidation of collateral,
- there are no prospects for rebuilding the borrower's creditworthiness and re-commencement of debt servicing,
- all potential opportunities for the involvement restructuring have been exhausted and no desired effects have been obtained,
- no loss on the impairment is expected because the current value of the liquidated collateral fully covers (is expected to cover) the debt to the Bank.

Risk class 22 - Lost/Default and impairment occurred and forced recoveries and actions for collateral realization - with losses

In the case of customers classified in risk grade 22, the following circumstances have occurred:
- the Bank initiated the liquidation of collateral,
- there are no prospects for rebuilding the borrower's creditworthiness and re-commencement of debt servicing,
- all potential opportunities for the involvement restructuring have been exhausted and no desired effects have been obtained,
- due to the absence of collateral or its insufficient value, the involvement has been (or will be) remitted in part or in full.

In case of exposures to corporates and institutions, the default definition determines the client's reclassification to risk classes 20-22.

In the table below is presented the structure of connections between internal and external rating systems:

Qualitative and quantitative disclosures relating to capital adequacy and the scope of published information for the year 2014 (PLN million)

ING Rating Risk Class	S&P/Fitch IBCA Rating	Moody's Rating
1	AAA	Aaa
2	AA+	Aa1
3	AA	Aa2
4	AA-	Aa3
5	A+	A1
6	A	A2
7	A-	A3
8	BBB+	Baa1
9	BBB	Baa2
10	BBB-	Baa3
11	BB+	Ba1
12	BB	Ba2
13	BB-	Ba3
14	B+	B1
15	B	B2
16	B-	B3
17	CCC	Caa1
18	CC	Ca
19	C	C
20	D	C
21	D	C
22	D	C

Equity exposures

As far as equity exposures are concerned the Bank applies simple risk weight approach according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. Due to the specific nature of the subsidiaries did not identify equity exposures.

Transactions concluded on financial markets have the following default definition:

- failure to perform obligations under the agreement and executed transactions, in particular failure to perform in a timely manner any due payment,
- occurrence of any factual or legal event exposing the client to bankruptcy or liquidation,
- occurrence of any factual or legal events increasing the risk that the client shall fail to perform its obligations under transactions, in particular:
  - any material, permanent worsening of the client's economic or financial standing, including appointment of compulsory administration or another receiver towards the client's enterprise,
  - initiation against the client of one or more court, arbitrary, administrative or enforcement proceedings, or proceeding to secure claims, aimed to satisfy the creditors' claims towards the client,
  - discontinuation to pay obligations, admitting in written form the inability to repay obligations in a timely manner or start negotiations with one or several creditors with the intention of altering the amount, legal basis or date of payment,
  - the client's failure to perform or improper performance of due financial liabilities under any

agreement to which the client is a party, executed with the Bank or any other financial institution,
- the Bank ascertaining from an economic information bureau that the client is in arrears in satisfying its payment obligations,

– actions have been undertaken to question the rights of the Bank under the agreement, transactions or any granted security, or such rights are questioned through any other means, in particular by the client's statements about non-recognition of the Bank's claims or by the client's demanding that the competent authority declare the invalidity of the agreement or any transaction,
– circumstances occur, which in the opinion of the Bank could have a material negative impact on the client's activities or standing (financial or other), in particular on the Bank's possibility to exercise any of its rights under the agreement or any granted security,
– the issuance of any false or misleading statements,
– the cient has failed to establish a security for the performance of the client's obligations under the transactions as agreed with the Bank or any factual or legal event has occurred causing partial or complete invalidity, loss, reduction or worsening of the legal conditions of the security established by the client or the security provider.

Following the requirement of the continuous compliance with the use of the advanced internal-ratings based approach (AIRB) for the purpose of regulatory capital calculation, Bank developed, implemented, monitored and validated local and global models for the following basic risk parameters:
– PD (probability of default),
– LGD (loss given default),
– EAD (exposure at default),

for classes of assets in line with AIRB.

As far as corporate exposures are concerned, the following models, among others, are applied at the Group:
– for the strategic clients segment covering businesses with annual income from sales above EUR 100 million:
  - global PD (expert and statistical) ING Group rating model developed at the ING Group level accounting for the local data and monitored regularly on the said data,
  - global LGD and EAD (hybrid, expert and statistical models) models also developed at ING Group level accounting for the local data and monitored regularly based on the said data,

– for the local mid-sized and mid-corporate segments (SME assets class) covering clients with annual income from EUR 0,8 to 100 million:
  - local PD (expert and statisitcal) rating model developed under the supervision of the ING Group based on the Bank's internal data, applied at ING also as a regional model for Central and Eastern European states,
  - local LGD and EAD models (hybrid, expert and statistical models) developed under the supervision of ING based on the Bank's internal data and applied at ING as regional models for the Central and Eastern European states.

Besides the above, the Group uses also global (central) models for exposures to banks and other financial institutions, to sovereigns and local governments as well as for specialised lending exposures.

5.2 Use of internal estimates other than for calculating risk-weighted exposure amounts

The Capital Group of ING Bank Śląski S.A. have PD, LGD and EAD models developed in line with the requirements of Part III, Title II, Chapter 3 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 for the purposes of regulatory capital calculation and in the key risk management processes - in measurement and management of credit exposure, the process of planning and formulation of strategy and reporting.

In this document various notions of capital are used. It is important to distinguish the following three types of capital and their purposes:

– the accounting/bookkeeping capital is defined by experts as equal to the share capital in the consolidated annual report, and constitutes the difference between the assets and liabilities.
– the regulatory capital is defined by the regulators and consists of: the core shareholders' equity (Tier 1), supplementary capital (Tier 2) and reserves required for the absorption of an unexpected loss. The regulatory capital measures the portfolio risk by simply summing up individual risks, excluding the internal correlation. Nevertheless the Group's internal risk is partly diversified by the use of the credit risk correlations defined by the regulator (in the IRB approach). The regulatory capital is calculated only for the credit, operational and market risk. Risk parameters PD, LGD , EAD and maturity components are used for credit risk regulatory capital calculation.
– the economic capital is defined according to the ING's own methodology as the minimum amount of capital required to cover an unexpected loss (for all material types of risk) on a specific level of trust, and within a specified time horizon. The concept of economic capital typically applied in ING Group treats economic capital as a measure of risk used for making alternative decisions aimed at eliminating risk in such processes as transaction valuation or profitability measurement. Economic capital includes all types of risk (credit, transfer, market, operational and business).

Credit exposure - measurement and management

The Capital Group of ING Bank Śląski S.A. use the risk parameters models PD, LGD and EAD in key areas related to the credit risk management, in particular:

– the calculation of the economic capital otherwise known as internal capital, including the local economic capital,
– the calculation of provisions according to IFRS,
– lending process,
– credit price calculation,
– reference limits definition.

Each of the above mentioned areas uses a certain alignment of parameters to the purposes to be accomplished by a given area.

Process of planning and formulation of strategy

Planning and strategy processes despite financial part includes also capital part. Capital part is being prepared by Capital Management Department in cooperation with appropriate Group units responsible for particular types of risk. The element of this process is credit risk planning, which is based on internal rating based method parameters (PD, LGD, EAD) - with reference KNF/DNB decision regarding AIRB implementation, standardized approach elements - for retail exposures, and economic capital. Planning methodology includes Group development and expected changes in external environment. Calculated values are the basis for capital adequacy assessment, capital limits setting and credit risk management strategy in risk appetite statement (RAS). Capital plan is ratified by Management Board and Supervisory Board.

Reporting

Credit Risk Reporting Department prepares monthly reports on corporate and retail credit risk. In addition, the Accounting Department generates obligatory quarterly reports on risk weighted assets and the minimum regulatory capital. The basic reporting tool, both in the Capital Group of ING Bank Śląski S.A. and the whole ING Group, is VORTEX - a global, centralised database on credit risk that provides a wide spectrum of information on various aspects of credit exposure, both on a transaction level and various aggregation levels. The Vortex reports contain information on: PD, LGD, EAD, economic capital, risk weighted assets, the minimum regulatory capital, balance, and collateral. The data is available to all authorised users at all levels of management (as per specified access rights) from the risk, front-office and finances areas.

5.3 The process for managing and recognising credit risk mitigation

Bank

Collateral is an essential tool for limiting credit risk, however it may not replace a financed entity's creditworthiness which is the determining factor of granting credit exposure.

The collateral in place has the following functions:

a) financial:
   – it should limit the credit exposure losses when credit risk materialises i.e. when the debtor has stopped meeting the contractual obligations,
   – if it meets the conditions set out in the Bank's regulations on collateral it may be taken into account when assessing capital requirements for credit risk and collective provisions for impairment of assets in a credit portfolio. The recovery rates assigned to individual categories of collateral have been determined on the basis of the LGD model,

b) non-financial:
   – it strengthens the control authority of the Bank as a creditor by limiting the collateral

provider's ability to dispose of the assets pledged to the Bank,
- it strengthens the Bank's position in negotiations with the debtor (client), the debtor's other creditors and the collateral provider.

The Bank applies the following credit risk mitigation techniques:
- funded credit protection linked to tangible collateral,
- unfunded credit protection linked to personal collateral items.

Reduction of the Bank's credit risk under credit exposure if the debtor defaults on the obligations, is insolvent, goes bankrupt or in the situation of another breach of the loan agreement, general terms and conditions and/or collateral agreement, in the case of:
- funded credit protection - stems from the Bank's right to liquidate, transfer, acquire or retain particular assets, or
- unfunded credit protection - stems from a third party's obligation to pay a specified amount of money.

The Bank's regulations on collateral include (inter alia):
- the criteria for recognising collateral in the process of calculation of capital requirements for credit risk,
- the general rules for selecting collateral applied by the Bank taking into account acceptable credit risk level,
- detailed rules for specific types of tangible and personal collateral participating in the recovery ratio estimation (including rules on collateral value setting, tangible collateral insurance coverage requirements, preferred legal forms of collateral, requirements for providers of personal collateral, other requirements concerning personal and tangible collateral).

Furthermore, the Bank's regulations on collateral specifically take into account the aspects of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 which refer to the application of the LGD models, legal certainty of collateral and its monitoring.

There is a recovery rate, defined by an appropriate LGD model, assigned to every type of collateral. Such a rate is estimated on the basis of the long-term observation of recovery rates within specific collateral groups which are registered in the Bank's database.

The Bank's regulations define also the way the collateral is presented and approved in the process of granting credit exposure and the rules of presenting and approving collateral monitoring.

The Bank has verified the legal certainty and scope of jurisdiction assigned to the applied risk mitigation instruments with an external, reputable legal office.

In the collateral selection process the Bank seeks to optimise the catalogue of collateral for a given exposure by means of:

– first choosing the collateral with the highest recovery rate and less costly monitoring,
– diversifying the types of collateral for a specific credit exposure,
– avoiding securing the same credit exposure with collateral items which are correlated in such a way that a deterioration in the quality of one collateral item results in a deterioration in the quality of another collateral item.

ING Lease (Polska) Sp. z o.o. (ING LP)

The main security of lease transactions is the lessor’s ownership of the asset financed within lease agreement. Such security pays both financial and non-financial role.

Sales of leased assets in case of termination of the lease agreement reduces or completely eliminates the loss on the credit exposure. In addition remarketability of the financed assets affects the level of LGD (recovery rate is attributed to individual types of leased assets) and in consequence the level provisions. Remarketability of the leased assets is assessed based on the expert method at the stage of applying for a lease facility and is one of the main parameters to be taken into account when assessing the proposed lease transactions and affecting the final credit decision (often the remarketability is more important than the financial situation of the client).
As the owner of the financed asset, ING LP after termination of the lease agreement, can take physical control over the asset and as an owner may sell it to a 3rd party. The threat of the loss of the leased asset by the lessee causes that customers often pay back the overdue lease debt in the first place comparing to other entities (especially if the market value of the leased asset exceeds the credit exposure or the asset is crucial for the customer’s activity).

ING Commercial Finance S.A. (ING CF)

Basic collateral of financing granted in the factoring form is assignment of trade receivables, which are financed by ING CF. Financing grated for the client should be paid by debtors from the receivables transferred to factoring by the client or in the case of non-recourse factoring transaction by insurer who covers debtors insolvency risk, which causes that credit risk is divided and potential losses on factoring exposure limited in the case of the client's financial problems.
Collaterals are taken into account in the calculation of capital requirements for credit risk and provisions calculation.
ING CF regulations include an indication of the rules for determining the collateral value and collateral monitoring and include criteria for the recognition of collateral in calculating the capital requirement. Each collateral is assigned adequate recovery rate in the LGD model.

5.4 The control mechanisms for rating systems

Reviews and credit risk rating

Commercial functions who grant credits are separated from the process of transaction- and client risk rating (four-eye control principle). Credit risk is rated (by the Risk Manager) based on the principle of separation from the commercial functions (Relationship Manager). The following parties are involved in the process of risk rating: Rating Owner (Relationship Manager) and Risk Manager.

The Rating Owner inputs the financial data related to the client and has exclusive responsibility for the correctness of the risk rating, including review. There is only one owner of a borrower's risk rating. The risk management unit responsible for restructuring and debt collection (i.e. Corporate Credit Restructuring Department) becomes a rating owner for borrowers rated 18 to 22. The final rating is determined by the Risk Manager, or by the Appeal Judge if an appeal has been made.
The Risk Manager is responsible for:
- verifying that the appropriate rating model has been used for the borrower,
- verifying that financial and non-financial data entered are correct,
- challenging unaudited financial data,
- finalizing the rating.

The outcomes of specific models may be subjects to arbitrary adjustments in that the ultimate rating grades are determined as part of the appeal process. A one notch difference (positive or negative) between the rating calculated by the rating model and the view of the appellant (the person initiating an appeal) is sufficient to start a rating appeal. Reasons for a rating appeal are for example:
- the rating model is not appropriate for the borrower,
- circumstances that may not (yet) be captured by the rating model but which are likely to have a (usually negative) effect on the borrower's PD, especially if:
  - borrower has or is expected to default on any financial obligation to any party,
  - major disruption of activities,
  - change in legislation that will seriously impact the financial performance.

IT system in Bank, used also in whole ING Group, supports credit risk assessment process and enables, as well, centralized gathering data on risk rating grades of clients.

Frequency of Risk Rating Reviews and Updates (if any)

Only the Rating Owner can review the risk rating. The following rules will apply to rating reviews:
- a risk rating must be reviewed at least annually; a risk rating is considered overdue after 12 months from the last approval date of the risk rating,
- the Rating Owner should take appropriate action to either review or cancel the risk rating if the Bank has terminated the relationship with the Borrower and no credit risk remains; the Rating Owner should perform an interim re-rating when the value of one or more risk drivers has materially changed. Events that could cause a consideration for a re-rating are for example a change of risk rating of the influencing parent or a change of any of the qualitative risk drivers,
- without a review till the end of 18 months from the last approval date of the risk rating, a risk rating will automatically expire (not applicable for irregular borrowers whose ratings do not expire).

and the scope of published information for the year 2014 (PLN million)

5.5 Description of the factors that impacted on the loss experience in the preceding period

Within the process of verifying levels and sources of losses the Group monitors, among other:
– non-performance rate (default rate),
– the level of losses according to the LGD parameter, including its components (no loss rate, recovery rate on collateral, uncollateralised debt recovery rate, etc.),
– conversion factor (for various EAD models and types of products).

In the last year the Bank did not record the default rate or conversion factor CFF which would be higher than the average amounts in previous years. However, in IV quarter 2014 the Bank changed its approach to INSFA provisions calculation for retail and corporate clients by implementing for the provisioning purpose the in-default LGD model. The new approach generated slightly higher level of estimated loss on INFSA portfolio, however, the level of loss incurred in the last period did not significantly differ from the average in the previous period.

5.6 The exposure-weighted average risk weight broken down by obligor grades

The following table shows the exposure-weighted average risk weight broken down by obligor grades.

Average risk weight				
Rating	Exposures to institutions	Exposures to corporates - SME	Exposures to corporates - specialized lending	Exposures to corporates - other
1	-	-	-	-
2	-	-	-	-
3	9.03%	-	-	-
4	5.78%	-	-	-
5	17.35%	-	-	-
6	11.10%	-	-	24.16%
7	26.51%	-	-	23.37%
8	32.87%	6.65%	-	30.92%
9	37.65%	25.49%	1.21%	41.31%
10	75.74%	20.27%	28.97%	30.55%
11	73.61%	32.27%	17.29%	54.48%
12	49.18%	35.04%	41.44%	63.24%
13	64.36%	49.56%	40.92%	67.53%
14	62.81%	65.57%	50.89%	82.85%
15	71.87%	63.70%	64.66%	89.01%
16	140.21%	74.09%	43.89%	70.08%
17	341.26%	77.56%	3.15%	120.78%

Qualitative and quantitative disclosures relating to capital adequacy and the scope of published information for the year 2014 (PLN million)

Average risk weight				
Rating	**Exposures to institutions**	**Exposures to corporates - SME**	**Exposures to corporates - specialized lending**	**Exposures to corporates - other**
18	79.54%	43.42%	185.14%	162.97%
19	-	116.45%	14.56%	79.11%
20	-	96.82%	69.98%	56.27%
21	-	300.83%	-	13.52%
22	-	43.83%	0.00%	34.34%

6. Information on operational risk

6.1 General description of the operational risk management process at the Bank

ING Bank Śląski S.A. manages operational risk pursuant to the laws, recommendations and resolutions of the Polish Financial Supervision Authority and of other regulators.

The operational risk management process is an integral element of the Bank management process which means that information received in the operational risk management process is taken into consideration in the decision-taking processes concerning business activity.

The operational risk management system covers all spheres of the Bank's activity and the activity of Capital Group of ING Bank Śląski S.A., cooperation with outsourcers, clients and partners and is a consistent and permanent practice covering the following elements:

a) internal environment,
b) goal setting,
c) risk identification,
d) risk assessment,
e) response to risk,
f) control activities,
g) risk monitoring, and
h) reporting and transparency of actions.

The Supervisory Board supervises of operational risk management and, based on periodic management information, executes at quarterly meetings assessment of activities in this area.

Having obtained the Supervisory Board's approval, the Bank Management Board determines the strategy for operational risk management by implementing a coherent set of internal prescriptive documents governing the scope, principles and duties of Bank employees related to mitigation of effects and probability of incidents occurrence in that area.

The role of the Bank Non-Financial Risk Committee covering the operational risk, compliance risk and internal and external anti-fraud actions is particularly crucial for ensuring continuity and consistency of risk management. Non-Financial Risk Committees in business lines support the Bank Committee.

The structure of operational risk management takes account of the scope and specific nature of the Bank's operations, existing business lines, client segments, and product groups. The management structure is underpinned by the Three Lines of Defence Model.

1st line of defence

Managerial staff is responsible for developing, implementing and performing risk mitigation controls. 1st line of defence is responsible for adherence to the principles arising from approved policies, bylaws, manuals, and procedures.
The scope of responsibilities includes in particular:

a) risk assessment aimed at risk mitigation,
b) implementation and application of key controls arising from policies and standards,
c) monitoring of changes to the risk profile,
d) ensuring adequacy and effectiveness of key controls, and
e) maintenance and testing of business continuity/ isaster recovery plans.

2nd line of defence

It is composed of the Departments involved in risk and specific controls management in the non-financial risk area, credit risk, market risk, financial risk and human resources management and supporting the 1st line of defence in risk management by:

a) setting the policy and other internal regulations as well as ensuring risk management methods and tools,
b) verifying application of the regulations referred to hereinabove by the 1st line of defence,
c) monitoring key controls, and
d) ensuring that other mitigating actions are taken.

3rd line of defence

Internal Audit assesses effectiveness of activities taken by the 1st and 2nd lines of defence. These are assessing and advising activities. Neither the 1st line of defence nor 2nd line of defence are exempted from their accountability for adequacy, efficiency and effectiveness of internal control mechanisms, mitigation the risk taken.

6.2 Methods applied to quantify capital requirement for the operational risk

For the regulatory capital requirement for the operational risk, at present the Bank applies Basic Indicator Approach.
In order to calculate the economic capital requirement, the Bank applies the Advanced Measurement Approach.

The model applied by the Bank is a hybrid model combining the actual loss data and the data collected on the basis of expert judgments. It is based on the Loss Distribution Approach which is applied to set capital requirements by combining the frequency distribution and severity distribution of the events in the operational risk area. Severity describes a possible risk level (loss value) and loss value distribution, whereas frequency describes how often a given risk occurs throughout the year. Following the PFSA requirements and the New Capital Accord (Basel II) regulations, the four sources of data are used in the Bank's AMA framework:

- internal loss data,
- external loss data,
- scenario analyses, and
- business environment and internal control factors.

The AMA model categorises risks and applies the aforementioned data for risk modelling within two segments. One segment stands for the body distribution risk which corresponds to operational risk events of high frequency and low severity. The second segment, being the tail distribution risk, corresponds to losses of high severity but low frequency. The two segments are combined together in order to obtain an aggregate risk model.

6.3 Information about gross losses due to the operational risk

In 2014, the Capital Group of ING Bank Śląski S.A. reported operational risk losses of PLN 11 million; out of which PLN 0.7 million, being 6.72% of the total gross actual losses, was recovered through direct recovery and insurance recovery.

The actual gross losses due to the operational risk and compliance risk totalled of PLN 10.9 million that is 54.83% of the loss limit set by the Bank Management Board and Supervisory Board in the Non-Financial Risk Appetite Statement of ING Bank Śląski S.A. for 2014 for this group of events.
Losses of the other companies of the Capital Group of ING Bank Śląski amount PLN 0.1 million.

Following the operational risk events, last year the Bank created provisions of PLN 7 million. The pool of provisions was reduced by PLN 6 million due to payments and the provision of PLN 1 million was released as related triggers ceased to apply. The amount paid from the provisions was recognised in the actual gross losses. Provisions established for operational risk events in other ING Bank Śląski Capital Group companies were amounted to PLN 0,1 million.

Actual losses distribution of the Capital Group of ING Bank Śląski S.A. as per type and category of events with losses ≥ PLN 0.1 million

No.	Event type	Event category	Gross losses in PLN million
1.	Internal fraud	Theft and fraud	0.1
2.	External fraud	Theft and fraud	0.7
		Safety of systems used by bank clients	2.4
3.	Principles concerning employment	Employee relations	0.1
4.	Losses in non-current assets	Natural disasters and other events (acts of vandalism)	1.0
5.	Transaction execution. delivery and operational processes management	Transaction input, execution, settlement and service (system and employee errors)	6.7
Total			**11.0**

W In 2014, no material losses were reported due to criminal attacks on the Bank and other companies of the Capital Group of ING Bank Śląski S.A. IT infrastructure.

The highest losses were caused by:
– losses due to human errors and incorrect transaction execution,
– external fraud, mainly due to criminal attacks on the IT systems of the clients using the electronic banking services. In justified circumstances Bank reimbursed the aggrieved parties for stolen funds,
– the damage related to non-current assets that arose due to acts of vandalism on the Bank's property.

The actions to mitigate negative financial consequences of operational risk events concentrated mainly on:
1) limiting the number of employee errors when executing transactions and servicing clients by developing IT mechanisms for data validation and providing obligatory employee training courses, inter alia as regards product procedures, ethics, principles of bank secrecy protection, anti-money laundering and unfair competition,
2) ongoing monitoring of product, services and processes regard their compliance with law,
3) further increasing the safety of the internet banking services used by retail and corporate clients. The Bank launched a project targeted at systematic development of technical equipment as well as raising clients' and employees' awareness of threats,
4) enhancing security mechanisms of the external devices and Bank's facilities and to streamline the management system of physical security. The risk of financial losses in this category of events is also mitigated by transferring the risk into the insurance market.

II. VARIABLE REMUNERATION POLICY

Intruduction

Pursuant to the Banking Law Act dated 29 August 1997 (Journal of Laws of 2012, item 1376 as amended), hereinafter referred to as the "Banking Law Act", ING Bank Śląski S.A., hereinafter referred to as the Bank, is obliged to reveal qualitative and quantitative disclosures relating to the Variable remuneration policy.

Pursuant to the "Policy of disclosing qualitative and quantitative information on capital adequacy and the scope of published information of ING Bank Śląski S.A." disclosures relating to the Variable remuneration policy of ING Bank Śląski S.A. are published.

1. Qualitative information

1.1 Information concerning the process of determination of the variable remuneration policy, number of meetings organized in the financial year by the remuneration supervisory authority, including composition and scope of tasks of the Remuneration and Nomination Committee, external consultant who assisted when developing remuneration policy, and role of the relevant participants

As regards the variable remuneration, in 2012 the Bank implemented the solutions under Polish Financial Supervision Authority Resolution No. 258 of 04 October 2011. The Supervisory Board of the Bank approved the Variable Remuneration Policy of Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A. (the Policy), the Executive Compensation Bylaw for Members of the Management Board of ING Bank Śląski S.A., the General Conditions of Bonus Award to Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A. and the General Conditions of Phantom Equity Plan of ING Bank Śląski S.A.
The content of the above mentioned regulations was developed by a team supervised by the Bank Executive Director for HR Area. In their works in 2012, the team used the services rendered by the external consultant being PricewaterhouseCoopers Polska Sp. z o.o.

As far as the Policy is concerned, the Bank Supervisory Board Remuneration and Nomination Committee has the following responsibilities:

1) they present the Supervisory Board with opinions about and recommendations on the Policy,
2) they present the Supervisory Board with recommendations on Policy observance, following the report developed by the Internal Audit Department,
3) they advise upon and monitor variable remuneration of persons holding managerial positions.

The other competences of the Committee which may be applicable when pursuing the Policy are specified in the Bylaw of the Remuneration and Nomination Committee of ING Bank Śląski S.A.

Committee composition in the period 01.01.2014 - 10.04.2014:

- Ms Anna Fornalczyk (Supervisory Board Chairwoman),
- Mr Brunon Bartkiewicz (Member),
- Mr Nikolaas Cornelis Jue (Member),
- Mr Wojciech Popiołek (Member).

Committee composition since 10.04.2014:

- Mr Aleksander Galos (Committee Chairman),
- Mr Brunon Bartkiewicz (Member),
- Mr Aleksander Kutela (Member),
- Mr Roland Boekhout (Member).

In 2014 the Remuneration and Nomination Committee held five meetings and one held on a circular basis.

1.2 Key facts about performance-based remuneration

ING Bank Śląski S.A. develops its remuneration policy based on market data.

The total remuneration is divided into the fixed and variable remuneration. The maximum relation of the fixed remuneration to the variable remuneration was established. Fixed remuneration is as large a part of the total remuneration as needed to ensure that a fully flexible variable remuneration policy is pursued, including but not limited to allowing to apply reduction or not to award the variable remuneration at all.
Under PFSA Resolution 258/2011, the variable remuneration is deferred and at least 50% thereof is paid in phantom shares entitling to cash conditional on the price of ING Bank Śląski S.A. shares.

Variable remuneration is established based on the assessment of work performed by a given person and given organisational unit as well as results in the area of responsibility of a given person while taking into account the entire Bank's result.

In keeping with the Capital Management Procedure at ING Bank Śląski S.A., the Bank tests capital to ensure that the total variable remuneration pool of all employees does not limit the ING Bank Śląski S.A.'s ability to maintain an adequate capital base. Should such a limitation apply, a decision not to activate the variable remuneration pool can be taken.

1.3 Key facts about the remuneration system characteristics, including performance measurement criteria and performance adjustment with risk as well as deferring payment policy and vesting criiteria

The Bank employs advanced measurement approach to estimate the capital base and the stress-testing policy, whereby adequate risk management and adequate assessment of present and future capital requirements are ensured.
At the time defined, the direct superior determines the performance-related annual goals which ensure coherence with the long-term strategy of the Bank. The goals support creating long-term value of the Bank and account for the risk cost of the Bank and liquidity risk. The goals have the following nature:

1) financial, inclusive of Bank performance-related tasks and a given employee area of responsibility (e.g. Bank net profit, financial risk costs),
2) non-financial, inclusive of quality indicators related to execution of the Bank strategy and/ or related to performance of a given control function, non-financial risk.

The goals and their weights - set in accordance with the rules adopted in the Bank - are approved by the Management Board; for ING Bank Śląski S.A. Management Board Members - by the Supervisory Board, based on the recommendation of the Supervisory Board Remuneration and

Nomination Committee.
The goals of a person holding a managerial position responsible for control functions are based in at least 75% on the function-based objectives and comprise quality tasks. When determining the financial tasks, they are not related to the results achieved in areas controlled by the given person.
Assessment and its verification is performed by the immediate superior and is approved by the ING Bank Śląski S.A. Management Board, following the advice of the Supervisory Board Remuneration and Nomination Committee; for ING Bank Śląski S.A. Management Board Members - by the Supervisory Board, based on the recommendation of the Supervisory Board Remuneration and Nomination Committee. Assessment and verification take place by 31 March of the subsequent calendar year at the latest.
In keeping with the Policy, the Executive Compensation Bylaw for Members of the Management Board and the General Conditions of Bonus Award to Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A., both financial and non-financial criteria as well as risk-adjusted criteria are employed to assess individual performance.
Bank's policy provides for adjustment for remuneration cost. It is made under the Policy, whereunder based on the ex post risk adjustment, the Bank has the right to reduce or not to disburse the variable remuneration when it could potentially have the negative impact on the Bank's results.

The Bank specifically regulated the terms and conditions of bonus award in case of labour relationship termination or expiry.

In accordance with the Policy, the Bank does not award additional remuneration as may be due because of termination of the employment contract understood as a part of the variable remuneration package.

In 2014 Bank implemented the provisions of Commision Delegated Regulation (EU) No. 604/2014 of 4 March 2014 with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile into the Bank internal regulations. PricewaterhouseCoopers Polska Sp. z o.o. consultant supported the work. The result of this work is an expanded list of persons having material impact on the risk profile of the Bank. They will be covered by the rules of variable remuneration from January 2015.

2. Quantitative information

The analysis covers all persons holding managerial positions having material impact on the risk profile of the Bank - in keeping with Enclosure No. 1 with the Variable Remuneration Policy, i.e. those employed in the Entities of the ING Bank Śląski S.A. Capital Group.

As of the day of the disclosure hereof, the variable remuneration of the Management Board Members of the Bank and of other Entities of ING Bank Śląski S.A. Capital Group, identified as persons holding managerial positions, is not granted yet. The disclosure presents the maximum level of the variable remuneration possible to obtain.

Below, the quantitative information is presented required by the Policy of disclosing information as regards the variable remuneration:

1) Aggregate quantitative information about remuneration by business line used in Bank management:

No.	**Business line**	**Total remuneration (fixed + variable)**
1	Management Board Members managing business lines used in Bank management	7.6
2	Management Board Members - other	11.2
3	Retail banking segment	8.0
4	Corporate banking segment	26.9
	Total	**53.7**

2) Aggregate quantitative information about remuneration of persons holding managerial positions at the Bank, in split into:
   a) Management Board Members and persons reporting directly to the Management Board member irrespective of their employment basis, Branch Directors and Branch Deputy Directors and the Chief Accountant when considered the persons having material impact on the risk profile of the Bank,
   b) other persons holding managerial positions at the Bank when considered the persons having material impact on the risk profile of the Bank,

   comprising the following data:

and the scope of published information for the year 2014 (PLN million)

– aggregate remuneration for a given accounting year in split into fixed and variable remuneration and number of its beneficiaries:

	Group	Number of persons	Remuneration fixed	Variable remuneration	Total remuneration (fixed and variable)
A	Management Board Members	7	10.5	8.3	18.8
B	Persons reporting directly to the Management Board member irrespective of their employment basis, Branch Directors and Branch Deputy Directors and the Chief Accountant when considered the persons having material impact on the risk profile of the Bank	40	20.7	11.0	31.7
C	Other persons holding managerial positions at the Bank when considered the persons having material impact on the risk profile of the Bank	4	1.8	1.4	3.2
	Total	**51**	**33.0**	**20.7**	**53.7**

– aggregate amount and form of variable remuneration in split into cash and share-linked instruments, adopted at the Bank:

	Group	Variable remuneration - paid in cash	Variable remuneration - paid in phantom stock	Variable remuneration total
A	Management Board Members	4.15	4.15	8.3
B	Persons reporting directly to the Management Board member irrespective of their employment basis, Branch Directors and Branch Deputy Directors and the Chief Accountant when considered the persons having material impact on the risk profile of the Bank	5.5	5.5	11.0
C	Other persons holding managerial positions at the Bank when considered the persons having material impact on the risk profile of the Bank	0.7	0.7	1.4
	Total	**10.35**	**10.35**	**20.7**

– aggregate deferred remuneration in split into the awarded and still not awarded parts:

	Group	Deferred variable remuneration - awarded part	Deferred variable remuneration - not-awarded part	Deferred Variable remuneration total
A	Management Board Members	2.5	3.3	5.8
B	Persons reporting directly to the Management Board member irrespective of their employment basis, Branch Directors and Branch Deputy Directors and the Chief Accountant when considered the persons having material impact on the risk profile of the Bank	3.3	4.4	7.7
C	Other persons holding managerial positions at the Bank when considered the persons having material impact on the risk profile of the Bank	0.4	0.6	1.0
	Total	**6.2**	**8.3**	**14.5**

and the scope of published information for the year 2014 (PLN million)

– aggregate remuneration with deferred payment, granted in the accounting year, paid and reduced as part of the adjustment related to results:

Group		Deferred part of variable remuneration for 2012 - granted in 2014	Deferred part of variable remuneration for 2012 - paid in 2014
A	Management Board Members	1.0	0.4
B	Persons reporting directly to the Management Board member irrespective of their employment basis, Branch Directors and Branch Deputy Directors and the Chief Accountant when considered the persons having material impact on the risk profile of the Bank	1.4	0.6
C	Other persons holding managerial positions at the Bank when considered the persons having material impact on the risk profile of the Bank	0.3	0.1
	Total	**2.7**	**1.1**

The remuneration with deferred payment was not reduced as part of the adjustment related to results.

– aggregate amount of payments related to employment start and termination in a given accounting year, number of beneficiaries as well as the top payment per person.

In 2014 there were no such payments.

In 2014 total remuneration of any person employed at ING Bank Śląski S.A. Capital Group did not exceed the amount of EUR 1 million.