



2015

Management Board Report on Operations of ING Bank Śląski S.A. Group in H1 2015

TABLE OF CONTENTS

RESULTS OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015 – SUMMARY	3
I. MACROECONOMIC SITUATION OF POLISH BANKING SECTOR GROWTH IN H1 2015	4
1. Major trends in Polish economy	4
2. Monetary policy.....	6
3. Banking sector.....	7
4. Asset-backed funding market	9
Leasing	9
Factoring.....	10
5. Capital market.....	10
6. Macroeconomic factors to impact ING Bank Śląski S.A. operations in H2 2015	12
II. MAJOR ACHIEVEMENTS OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015	14
1. Increase in number of clients.....	14
2. Better position on credit market.....	14
3. Strengthening position on deposits market	15
4. Awards and distinctions	16
III. OPERATIONS OF ING BANK ŚLĄSKI S.A. IN H1 2015	18
1. Retail banking	18
Changes to product offer and customer service rules.....	18
Deposits.....	19
Lending.....	21
Bank cards.....	21
2. Corporate banking	22
Number of clients.....	22
Product offer and modifications introduced.....	22
Deposits and settlements.....	24
Lending.....	25
3. Money markets and capital markets.....	25
IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. GROUP KEY COMPANIES	27
1. Structure of ING Bank Śląski S.A. Group.....	27
2. ING Lease (Polska) Sp. z o.o.	28
3. ING Commercial Finance Polska S.A.....	28
4. ING Securities S.A.....	28
V. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015	29
1. Gross profit and net profit	29
2. Net interest income.....	30
3. Non-interest income	30
4. Operating expenses	31
5. Impairment losses and provisions	31
6. Income tax	32
7. Share of individual business segments in financial result	32
8. Consolidated statement of financial position	33
Assets.....	33
Liabilities.....	34
VI. MANAGEMENT OF KEY RISKS.....	35
1. Credit risk.....	35
General information	35
Lending policy and credit risk measurement and monitoring tools.....	36
Quality of lending portfolio and provisioning	36
2. Market and liquidity risk management.....	37
VaR exposures and limits in H1 2015.....	37
3. Capital adequacy	37
4. Operational and compliance risk management	37

VII. DEVELOPMENT OF ORGANISATION AND INFRASTRUCTURE OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015	38
1. IT and Operations	38
2. Development of electronic distribution channels	38
3. Network of bank branches	39
4. Human resources management	40
Headcount	40
Remuneration policy	41
Recruitment and employer branding	41
Employee development and training courses	42
VIII. OUTLOOK ON ING BANK ŚLĄSKI S.A. OPERATIONS	43
Retail banking	43
Corporate banking	44
IX. INVESTOR INFORMATION	45
1. Shareholding structure	45
2. ING Bank Śląski S.A. share price	45
3. Ratings	46
4. Investor relations	47
5. Dividend payout	47
6. Changes to Statutory Authorities of ING Bank Śląski S.A.	48
7. Remuneration of Members of Management Board and Supervisory Board of ING Bank Śląski S.A.	49
8. Selection of chartered auditor	50
X. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD STATEMENTS	51
1. Truthfulness and fairness of statements	51
2. Corporate governance	51
3. Selection of entity authorised to audit financial statements	51
4. Additional information	51
Agreements concluded	51
Number and value of writs of execution	51

RESULTS OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015 – SUMMARY

CLIENT BASE GROWTH

In June 2015, the Bank serviced **3.9 million clients**, including:

- 3,589.7 thousand individual clients
(up by 140.2 thousand from the 2014 yearend)
- 292.7 thousand entrepreneurs
(up by 15.3 thousand throughout 6 months of 2015)
- 39.4 thousand corporate clients
(up by 2.8 thousand from December 2014)

NEW ATTRACTIVE FINANCIAL SOLUTIONS UNDER SIMPLE AND FAIR PRODUCT OFFER

1. New offer dedicated to retail clients:
 - **You have to return the money but what you get is yours** was the tagline of the cash loan campaign for retail clients
 - Savings advertising campaign with the slogan **Saving smarties reap benefits!**
 - Special offers within the Open Savings Account: **Bonus for Start** and **Bonus Open Savings Account**
 - The promotional offer of mortgage loans for young people within the **Live without Compromise** campaign
2. New solutions for corporate clients:
 - New **ING Business** mobile application for corporate clients – the first step to the new, integrated service system covering mobile and internet banking
 - e-Escrow account in ING BusinessOnLine
 - Nearly **120 electronic depositories**, implementation of mini CDMs

MAINTAINING HIGH SERVICE QUALITY

- **399 branches** with self-banking zones
- **1,057 machines for cash self-service**, including 250 standard ATMs, 113 standard CDMs and 694 dual machines
- **Mobile banking:**
 - ING BankMobile – the application was downloaded over 970 thousand times from January 2012 to June 2015
 - ING Business – it was downloaded nearly 40 thousand times from January 2013 until the end of June 2015
- **83% of credit applications were placed online by corporate clients** in June 2015
- Implementation of **BLIK** mobile payments

EFFICIENT IMPLEMENTATION OF ORGANIC GROWTH AND MARKET POSITION IMPROVEMENT STRATEGY

1. **Improved position of the Bank Group on the lending market**
 - **PLN 64.4 billion loans and other customer receivables** → PLN 7.3 billion growth in H1 2015 → **credit market share growth by 0.5 p.p.**
 - **PLN 25.2 billion retail loans** → six-month increase of PLN 2.8 billion (including PLN mortgage loans by PLN 2.0 billion) → **third position as regards mortgage loans sale**
 - **PLN 39.3 billion corporate customer receivables** → up by PLN 4.4 billion from the 2014 yearend
2. **Strengthening position on the deposit market**
 - **PLN 80.8 billion deposits** → PLN 5.1 billion growth in H1 2015 including PLN 54.8 billion retail deposits – up by PLN 4.5 billion (or 10.0%) → **market share up by 0.5 p.p.** versus December 2014

TRANSLATION OF BUSINESS PERFORMANCE INTO FINANCIAL FIGURES

- **PLN 605.6 million net profit** – up by 13% as compared with H1 2014
- **PLN 1,887.4 million income** – up by 6% from H1 2014
- Ratios: ROA = 1.1%, ROE = 11.2%
- Cost to income ratio – 52.9% (down by 0.5 p.p. y/y)
- **Total capital ratio – 13.7%**
- **Loan to Deposit ratio – 77.6%**

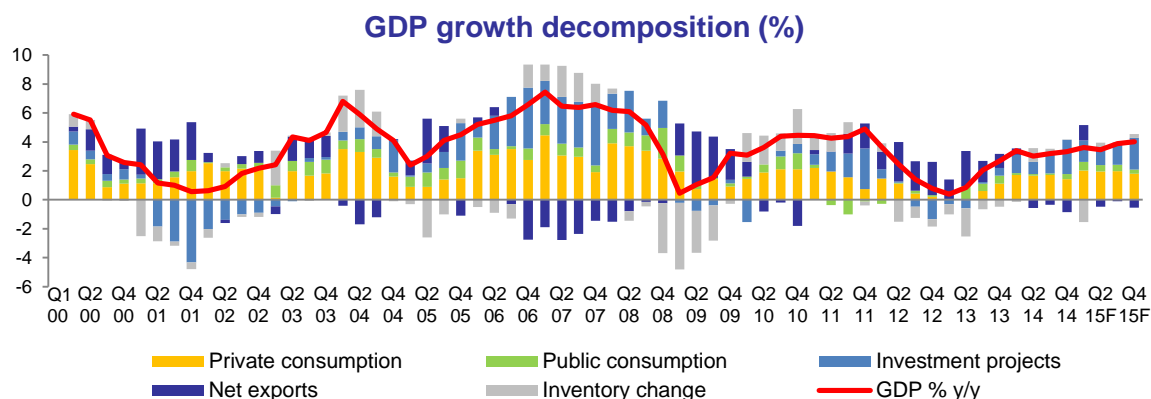
I. MACROECONOMIC SITUATION OF POLISH BANKING SECTOR GROWTH IN H1 2015

1. Major trends in Polish economy

Gross Domestic Product

Over the last year (Q1 2014 – Q1 2015), the Polish economy reported a growth of 3.3% – 3.6% y/y, accompanied by the improving support of the domestic demand. The growth rate of private consumption oscillated between 3.0% and 3.2% y/y, first and foremost due to higher real incomes. Q1 2015 saw a rise by 11.4% y/y in investments, despite negative base effects. Investments accelerated visibly thanks to higher outlays made by companies on buildings and machinery and despite a slightly lower dynamics of household and public sector investments. Investment outlays of the power sector could be other growth drivers as well. A slight drop in the pace of investments is expected in the coming quarters (to approximately 8% y/y). Nonetheless, companies will continue to invest intensely, as they need to increase their output capacity in the processing sector. Despite a slump in trade with Russia and Ukraine, net exports positively contributed to GDP growth, settling at 1.1 p.p. in Q1 2015. This was the consequence of intensified trading with the Eurozone.

Polish economy can speed up slightly in the coming quarters. For the years 2015-2017, Bank economists foresee that GDP should go up to 3.9% y/y in 2016 as a result of the new government resolving on extra expenditure in the course of implementation of their election programmes. Later, the growth rate of GDP will remain above 3.5% y/y.

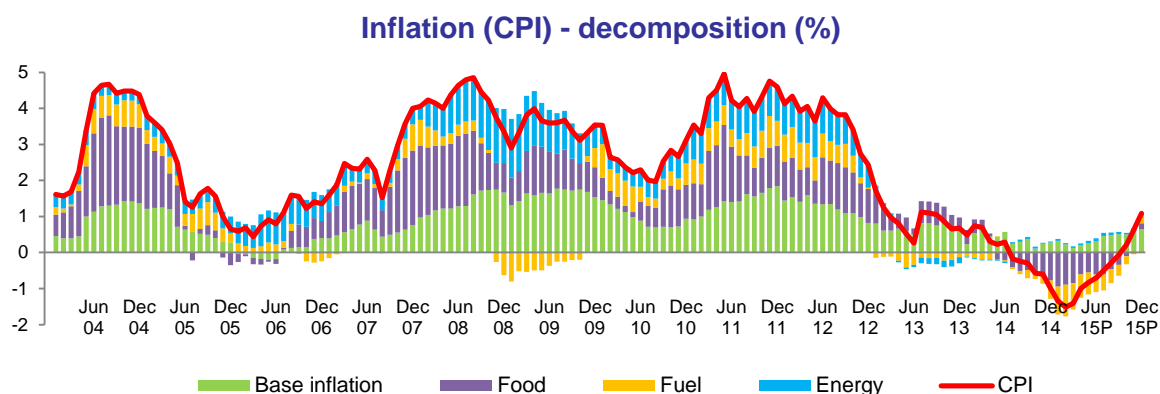


Labour market and payroll

In H1 2015, the positive trend in the labour market was disappearing slowly, while the headcount growth rate in the corporate sector stabilized at 1.1% y/y. The data show that the market is doomed to see layoffs as a result of mergers and acquisitions; further, entrepreneurs prefer increasing workload among their current employees to hiring new staff. Still, as at the end of June 2015, the unemployment rate settled at 10.4% versus 12% in the same period last year while the number of available jobs is all-time high (although it is driven by the changed Polish Labour Agency jobs to a larger extent than by much higher work demand). The growth rate of salaries in the corporate sector reached in Q2 2015 3.8% y/y and was similar to the dynamics of past year. Moderate headcount growth and considerable loosening of the labour market over recent years cause the salary pressure to remain low despite the economic situation reaching the advanced development stage in Poland. We expect the salaries to grow at a faster pace in the coming quarters.

Inflation

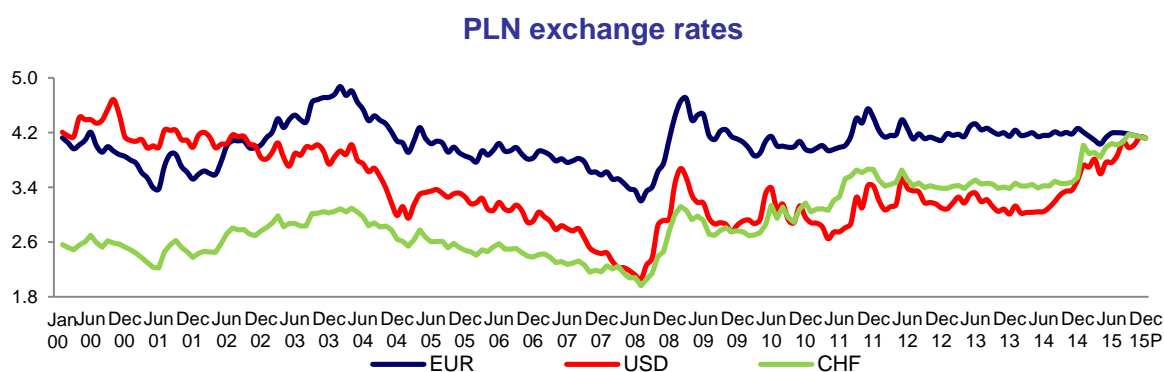
In Q1 2015, CPI dynamics was all-time low (-1.6% y/y). In Q2 2015, CPI started to go up slowly, but remains negative nonetheless (-0.9% y/y mean). This low inflation was the consequence of: (1) high agricultural produce in 2014 after a relatively mild winter, (2) global drops in fuel prices and slight rises in prices of other energy sources, (3) low inflation of commodities sold within the Eurozone and (4) low demand pressure and labour cost index growth in the Polish economy. Further, the research into the inflationary expectations shows that Poles more and more believe that prices will grow at a slow pace in the coming years. Ultimately, prices can be reduced by the reinstitution of the 22% VAT rate (officially planned for 2017). Thus, it can take Poland longer to come back to the inflation target floor than shown by other countries in the region.



Impact of global financial markets on Polish economy

In Q3 2014, FED finally ended the quantitative easing programme, signalling their readiness to tighten the monetary policy. At the same time, in Q1 2015, the European Central Bank started to ease the monetary policy in the Eurozone by buying assets (quantitative easing programme) and the Swiss National Bank unpegged CHF from EUR. Thus, at the turn of the year, central banks visibly diverged from one another in terms of their monetary policy approach, whereby EUR weakened and CHF strengthened, and consequently CHF/PLN and USD/PLN rates went up. Strengthening of the said currency pairs did not impact adversely the stability of the financial system or the real economy.

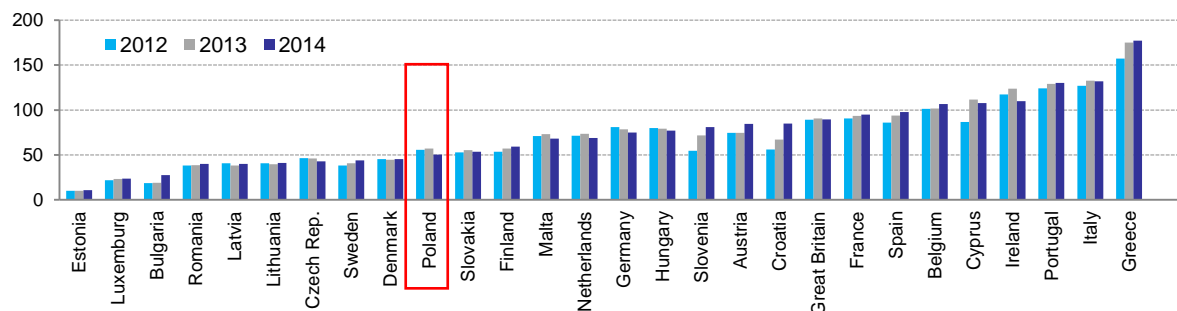
Since the beginning of Q2 2015, global financial markets saw a period of bonds sale with the last days of June experiencing higher volatility due to the concerns about potential Grexit. During the sale period, the yields of Polish bonds grew at the pace close to the peripheral markets of the Eurozone, while the response to the withdrawal from risky assets after the fiasco of the Greek negotiations proved stable. The concerns about potential Grexit impacted the FX market more where the EUR/PLN rate went up to 4.2400 with PLN consolidating fast upon the agreement being reached.



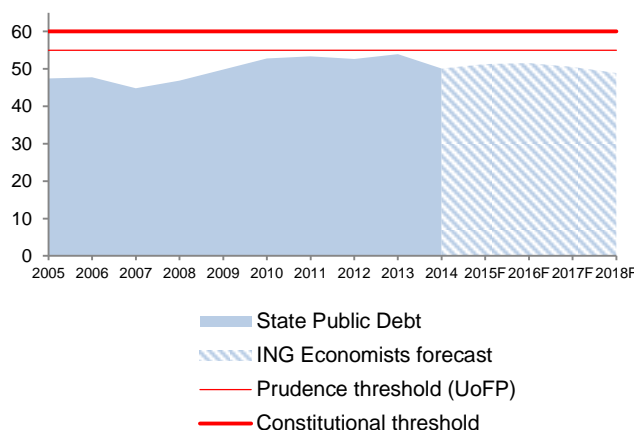
State budget

According to the methodology of the European System of Integrated Economic Accounts (ESA2010), the public finance sector deficit in 2014 was 3.2% of GDP and public debt represented 50.1% of GDP. With the decision of the European Commission the excessive deficit procedure was revoked.

Government debt as per EU methodology (% of GDP)



National government debt in years 2005-2018 (% of GDP)



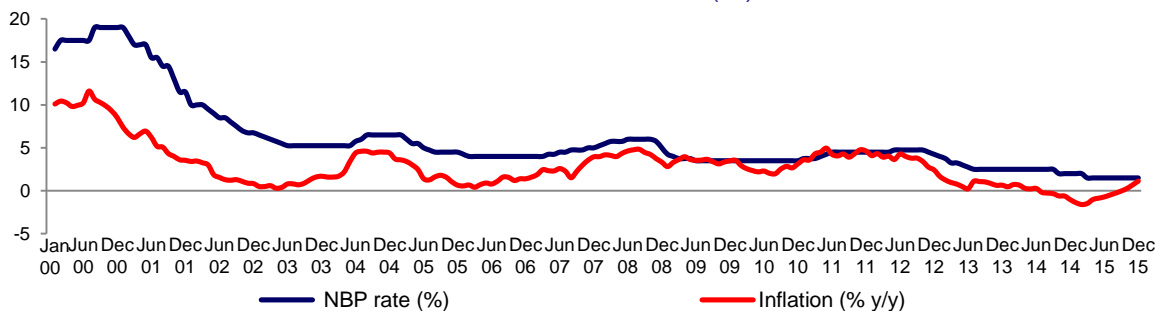
2. Monetary policy

In Q1 2015, the Monetary Policy Council resolved to cut back NBP interest rates by 50 basis points under the pressure from the inflation forecast showing long-term CPI remaining below the inflation target floor. Along with that decision, the Monetary Policy Council announced that the easing procedure will be closed and interest rates kept unchanged for many quarters. MPC members declare the stabilisation period of interest rates to last at least until the end of the term of office, while ING economists are of the opinion that interest rates are to be raised in Q4 2016 first.

Since March 2015, the interest rates have been as follows:

- reference rate – 1.50%,
- rediscount rate – 1.75%,
- lombard rate – 2.50%,
- deposit rate – 0.50%.

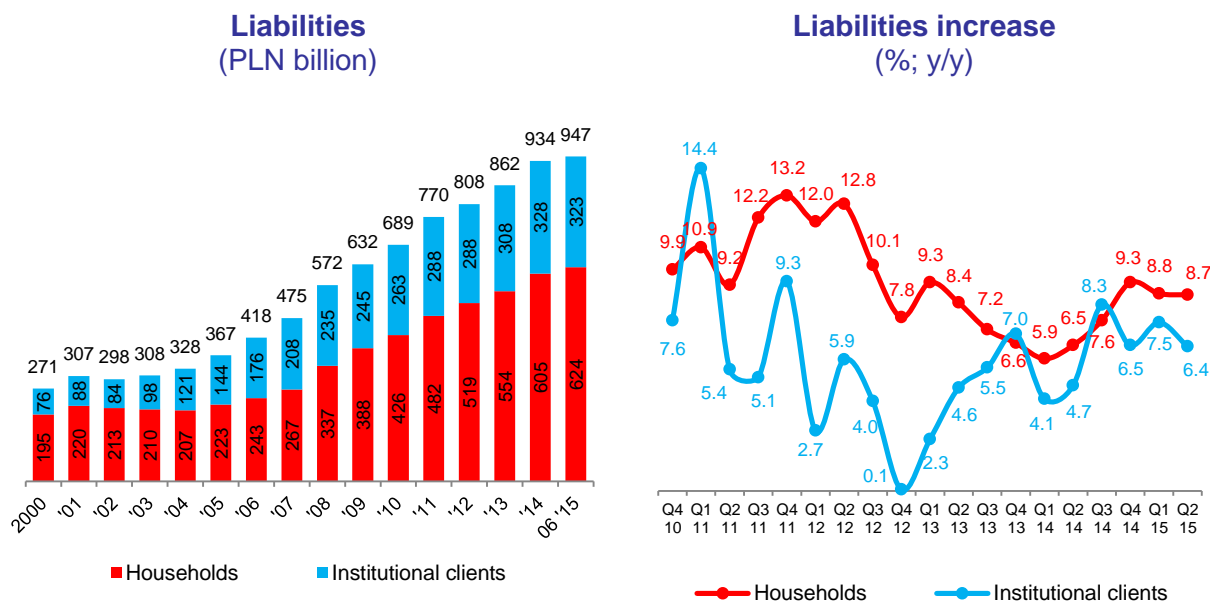
NBP rate vs. inflation (%)



3. Banking sector¹

As at the end of June 2015, the main monetary categories were as follows:

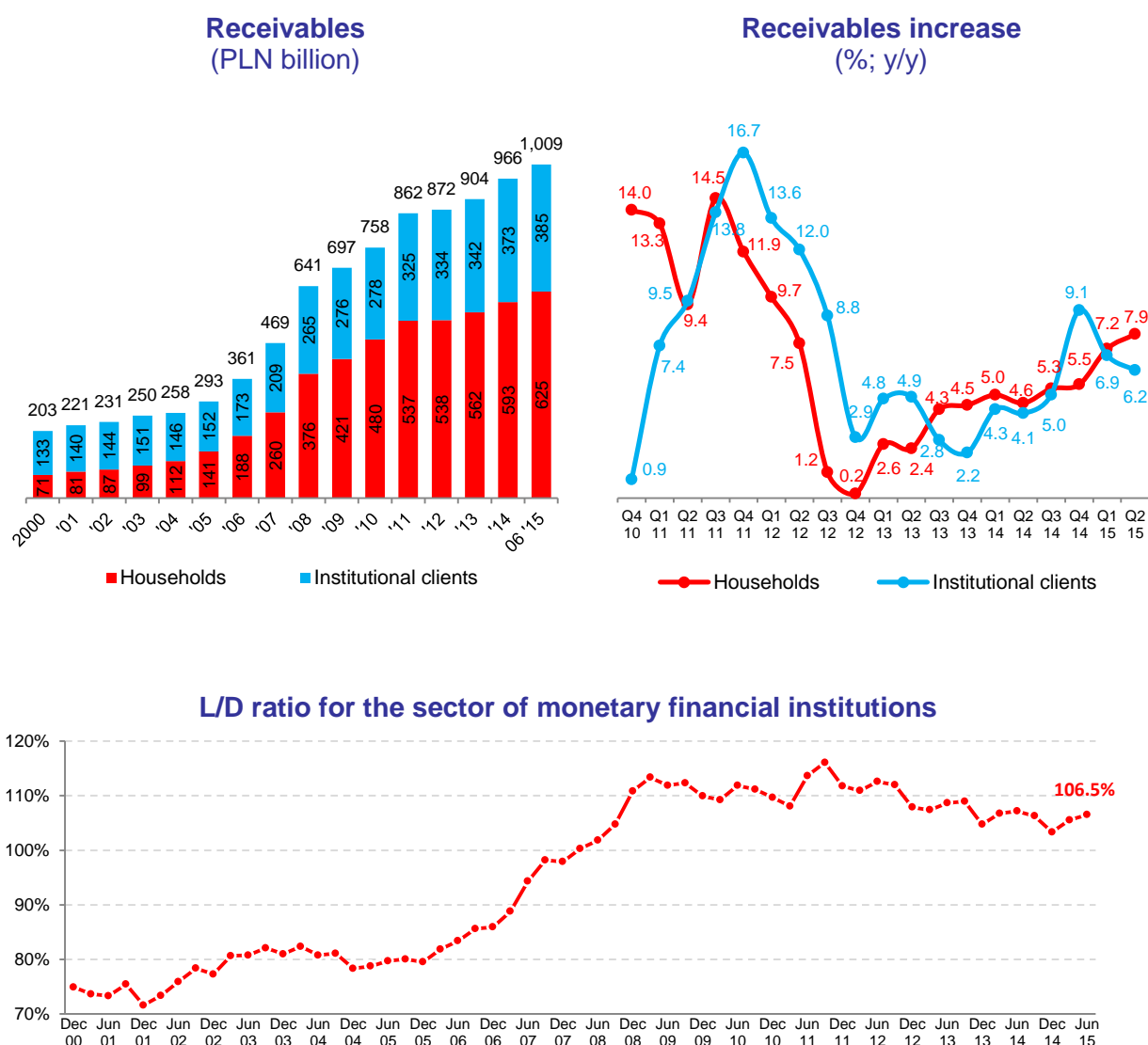
- Liabilities to households went up by PLN 50.2 billion during the year and amounted to PLN 623.8 billion, up by 8.7% as compared with the end of June 2014.
- Liabilities to institutional clients² amounted to PLN 322.9 billion, up by 6.4% as compared with the previous year. The volume increase of PLN 19.6 billion can be mainly attributed to higher liabilities to enterprises (up by 12.3%, or by PLN 24.7 billion). Liabilities to non-monetary financial institutions as well as to local government institutions and social insurance funds went down by 4.6% and 11.4%, respectively. Liabilities to non-commercial institutions for households augmented by 5.8% in that period.



- In June 2015, receivables from households amounted to PLN 624.5 billion, up by 7.9% from June 2014. Housing loans, which formed the main part of the banks' credit exposure towards households, grew in nominal terms by 9.0%, arriving at PLN 374.9 billion. Their increase was in major part driven by strengthening of CHF in the aftermath of its unpegging on 15 January 2015. Upon excluding the exchange rate effect, the housing loans portfolio went up by approximately 2.5% throughout the year. According to the preliminary data of the Polish Bank Association, during the first six months of 2015, banks granted mortgage loans totalling PLN 19.5 billion (PLN 19.0 billion in the same period last year); 98.7% of which were PLN loans. After stagnation, Q4 2014 and 2015 onset saw a rise in consumer credits, reaching PLN 147.8 billion, up by PLN 6.5 billion (or +4.6%) from the previous year.
- Receivables from institutional clients went up by PLN 22.4 billion (or +6.2%) year on year, arriving at PLN 384.5 billion. Receivables from enterprises rose by PLN 12.5 billion (or +4.5%), and their growth was mainly triggered by capex loans which enlarged by PLN 7.9 billion (or +8.8%) from June 2014. Working capital loans rose by PLN 3.6 billion (or +3.2%) year on year. Growth of real property loans was low and reached PLN 0.9 billion (or +1.8%) as compared with the previous year. Receivables from other sectors grew at the following pace:
 - receivables from non-monetary financial institutions: +17.7% (or up by PLN 8.2 billion),
 - receivables from local government institutions and social insurance funds: +4.0% (PLN 1.3 billion),
 - receivables from non-commercial institutions for households: +7.9% (PLN 0.4 billion).

¹ The amounts discussed are for receivables and liabilities of monetary financial institutions from/ to other domestic industries. Source: National Bank of Poland, file NALEZ_ZOBOW_MIF.xls – czerwiec 2015

² Total for the following classes of entities: non-monetary financial institutions, enterprises, non-commercial institutions for households, local government institutions and social insurance funds.



The H1 2015 financial results of the banking sector were impacted by declining spreads following all-time low interest rates, regulatory changes like another interchange fee reduction and higher costs incurred by banks under Bank Guarantee Fund contributions. The banks having considerable CHF exposures felt the negative impact of that currency consolidation as well. In turn, the bear market of Treasury debt securities hampered realisation of profits from the sale of bonds portfolios. Sector results would have been lower, if not for considerable one-off deals (sale of subsidiaries' shares) which were made in Q1 2015.

During the first 5 months of 2015, the net interest income dropped by 8.8% when compared with the same period last year. Net income on fees and commissions shrank by 4.8%. The lower drop in the sector's total income (down by 2.9%) stemmed primarily from the increase in other income (up +29.9% y/y) following the aforesaid one-off trades.

Operating expenses and amortisation/depreciation grew as compared with the first five months of 2014 by 3.0%, which was mainly caused by higher BGF contributions. As a result of a costs increase and negative income growth, the C/I ratio went down by 3.2 p.p. (or from 52.5% to 55.7%).

A relatively stable level of lending portfolio quality following an improvement on the labour market and sale of non-performing loans had a positive impact on the costs of impairment losses. In the said period they went down by 11.3%.

As a result of the above-discussed phenomena, going-concern net profit fell as compared with the first five months of 2014 by 8.7%, i.e. to PLN 6.4 billion.

The key banking sector effectiveness ratios looked as follows: ROA was 1.0% as compared with 1.2% a year before. Return on equity (ROE) went down from 11.0% to 9.3%.

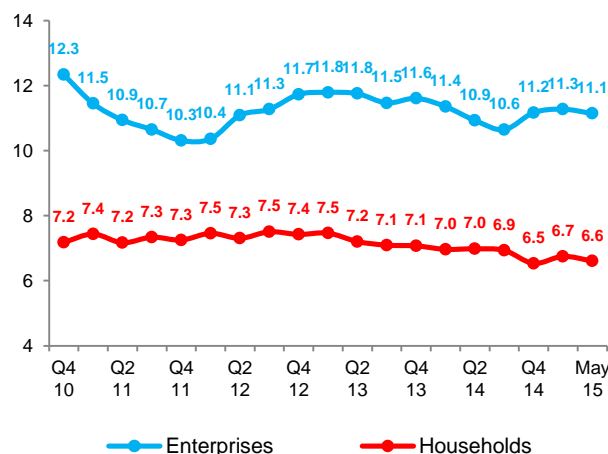
The share of impaired receivables in total receivables from the non-financial sector in May 2015 was 8.1% (8.4% a year before). The quality of the portfolio improved as regards receivables from households only. The share of impaired receivables from households went down from 7.1% to 6.6% in the analysed period. The share of non-performing housing loans remained stable at 3.3% (3.2% a year before), while the share of non-performing consumer credits fell noticeably (down from 14.4% to 12.7%).

The share of impaired loans in the corporate sector slightly went up and at the end of May was 11.1% (11.0% a year before). It was due to a deteriorating quality of the lending portfolio for large corporates (higher share of non-performing loans from 8.9% to 9.2%). In the SME segment, this ratio did not change from a year before and as at the end of May 2015 it settled at 12.6%.

Gross result³ of the banking sector from January to May 2015 (PLN billion)



Share of impaired receivables in banking sector (%)



The main changes introduced in H1 2015 by the Polish Financial Supervision Authority as regards regulatory requirements comprise Recommendation P on banks' financial liquidity risk management, which is to be introduced by 31 December 2015.

4. Asset-backed funding market

Leasing

H1 2015 was very positive for the Polish lease sector. The amount of agreements concluded by lease companies grew up as compared with the same period of the previous year by 13.2% to PLN 23.8 million.⁴ Thus, the sector solidified its status as the second biggest (after a capex loan) source of investment project financing in the economy. The active portfolio of lease agreements totalled PLN 80.4 billion as at the end of June 2015 and was by PLN 9.8 billion (+14%) higher from the year ago.

Vehicles with the approved gross vehicle mass up to 3.5 tons are the biggest segment of the market with a share of 36.8%. In H1 2015, the assets of that category funded by leasing companies were PLN 8.8 billion (+8% y/y). The main driver behind the segment growth are passenger cars (+40.3% y/y), which arises from favourable laws for premium segment car lease.

³ Going concern gross profit

⁴ Based on the data of the Polish Leasing Association

However, the leasing sector may attribute a high growth rate recorded in H1 2015 mainly to the segment of machinery and equipment (including IT). The economic growth, high utilisation of production capacity and high investment demand in agriculture contributed to an increase in the total financing for that category of assets of 17% year on year, which totalled almost PLN 8 billion. The biggest share in the segment was as follows: agricultural machines (29%), production machines for plastics and machines for metal processing (14%) and construction equipment (12%).

In H1 2015, financing of heavy transportation by lease companies totalled PLN 6.2 billion (or up by +11.0% y/y). Economy revival in the Western Europe and ensuing good trends on the transportation services market drive that segment growth.

The lease sector recorded a conspicuous increase in the real property segment as well. The real properties leased in H1 2015 totalled PLN 0.71 billion, or up by 60.1% from the year before.

Factoring

In H1 2015, the turnover of the factoring companies belonging to the Polish Factors Association grew by 20.4% in H1 2015, arriving at the record-breaking PLN 62.2 billion (versus PLN 51.6 billion in the same period last year).⁵ Export factoring was the market segment to enjoy the fastest growth of 31.8% y/y. Frequent fluctuations of exchange rates and incremental exports from Poland have an impact on the growing popularity of that product. Domestic factoring (both full and limited) was the most popular form of factoring services – its share in turnover was 76.8% (down by 1.7 p.p. from the year ago).

5. Capital market

Warsaw Stock Exchange

In the first four months of 2015, the Warsaw Stock Exchange enjoyed a bull market. By the end of April 2015, the basic indices recorded a strong rise – WIG gained 9.8% when compared with the last trading day in 2014, WIG30 increased in the said period by 10.0% and WIG20 by 8.6%. Quotations of the smallest companies grew at a higher pace – index grouping small companies – sWIG80 gained 13.6% while mWIG40 10.9%. At the beginning of May 2015, investors realized profits, and thus the indices went down. The result of the presidential elections in Poland and the lingering issue of the Greek debt resulted in declined investor sentiments. The downward trend present also in June helped to some extent, evening the previous indices growths.

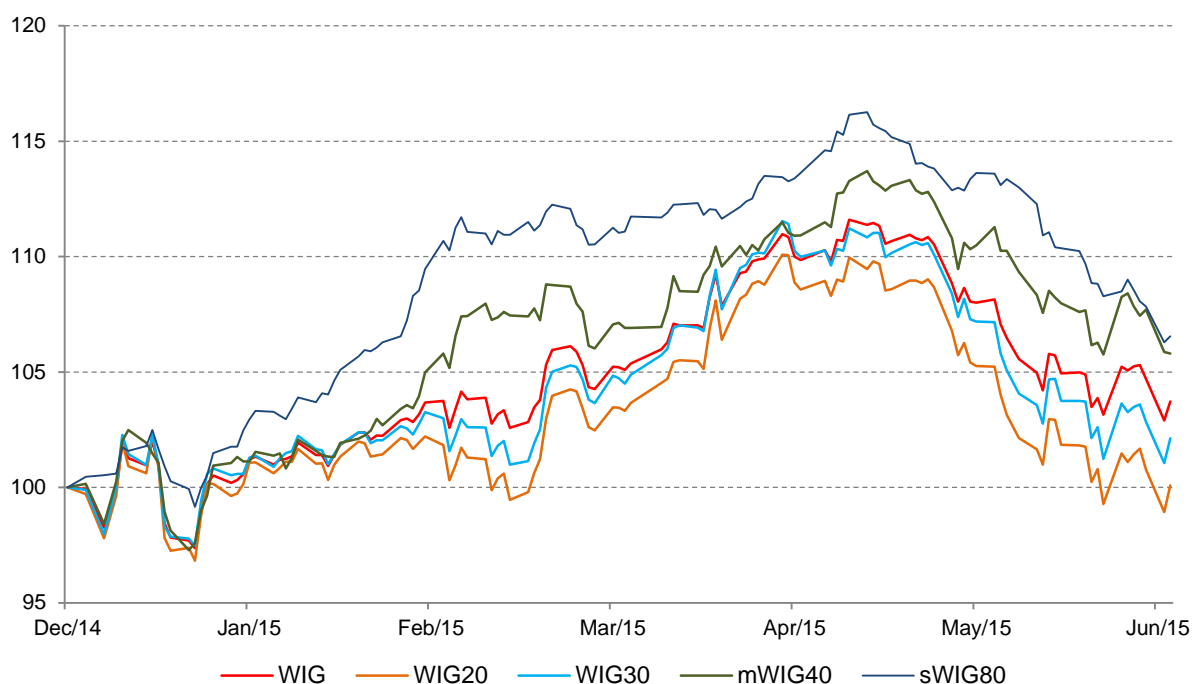
At the end of H1 2015, WIG was up by 3.7% from the end of 2014. WIG20 and WIG30 went up by 0.1% and 2.1% respectively in the said period. Such a low “blue chips” index was influenced by worse mood towards banks that represent a major portion of WIG20, following the announced introduction of the bank levy and CHF-loan-oriented solutions, as well as low activity of the Open-End Pension Funds resulting from the institutions’ growing exposure in foreign stock. Investments in smaller companies earned higher yield – mWIG40 and sWIG80 gained 5.8% and 6.6% respectively when compared with the last trading session in 2014.

The NewConnect market indices also performed poorly – NCIndex went down by 3.7% from the end of 2014, and NCIndex30, grouping the most liquid companies of this market, dropped by 14.8%.

As far as sector indices are concerned, WIG-oil&gas recorded the highest increase in H1 2015 (+49.0%). Next, were WIG-chemicals (+24.7%) and WIG-construction (+24.4%). The biggest drops were recorded by WIG-basic materials (-8.6%), WIG-banking (-7.1%) and WIG-energy (-2.5%).

⁵ Based on the data of the Polish Factors Association

Main WSE indices in H1 2015 (30 December 2014 = 100)



As at the end of June 2015, there were 474 companies listed on the WSE main floor, including 52 foreign ones. The domestic companies were worth PLN 605.2 billion, up by 2.4% from December 2014. Domestic and foreign companies were worth PLN 1,287.7 billion in total, up by 2.8% versus 2014. The first half of the year saw 10 IPOs and delisting of 6 companies.

12 companies debuted on NewConnect in H1 2015. As at the end of June 2015, there were 434 companies quoted on the alternative market (431 as at the 2014 yearend). The said companies were worth PLN 9.7 billion in total.

H1 2015 saw fewer main floor trades. Trading volumes went down by 4.6% when compared with the same period last year. They amounted to PLN 102.1 billion. Total trading (block trades included) went down by 3.2%, arriving at PLN 113.9 billion. Trading in shares of high-potential companies on the alternative market – NewConnect – went up from H1 2015 by 46.2%, reaching PLN 897.4 million.

The issues of non-government bonds on the Catalyst market totalled PLN 67.0 billion versus PLN 64.1 billion as at 2014 yearend. On the contrary, the value of trading fell and in H1 2015 was PLN 1.2 billion, down by 23.9% from a year ago.

In H1 2015, the volume of stock indices contracts went up by 1.9% compared with the same period last year.⁶

Mutual funds

The first months of 2015 were unusually successful for the Mutual Funds Companies. Mutual funds' net assets were all-time high following inflow of new funds and positive management results. As at the end of June 2015, the funds managed by Mutual Funds Companies totalled PLN 229.8 billion⁷, up by 9.9% from the end of 2014. Year on year, the increase was even more impressive and totalled 15.9% (+ PLN 31.6 billion). At the same time, the ebbing WSE market resulted in a negative balance of inflows and redemptions in mutual funds (PLN -0.6 billion) reported in June for the first time since June 2012.

⁶ With historical volumes of WIG20 contracts adjusted with the multiplier of PLN 10 to get fully comparable data.

⁷ On the basis of data of the Chamber of Fund and Asset Management (Pol: Izba Zarządzających Funduszami i Aktywami), file: Raport aktywa 30.06.2015.xls

In the first half of 2015, private asset funds continued to grow faster⁸ than the capital market funds. The first group assets went up by 15.3% (PLN +10.3 billion) when compared with December 2014, while the funds accumulated in the money market and capital market funds rose by 7.3% (PLN + 10.4 billion).

The market of capital market funds was shaped by the Polish and foreign financial markets. The initial bull stock market, poor situation on the Polish T-bonds market as well as low interest on bank deposits were reflected in the funds flowing into particular groups of funds. Investors were steadily diverging from safe solutions and selected those bearing higher risk. Equity funds, cash and money market funds, being an alternative to bank deposits, and mixed funds were most popular. WSE market decline did not cause equity funds to lose on popularity, but clients were more frequently selecting those investing abroad. At the same time, outflow of funds from bond funds was observed. Despite the said, the segment defended its position of the biggest one among capital market and money market funds with 25.8% share (-2.4 p.p. from 2014 yearend). Mixed funds share was 24.4%. Equity funds went up to third place with 23.3% share, up by 2.3 p.p. from December 2014. Cash and money market funds with the share of 21.7% closed the ranking of the biggest market segments. The remaining segments were significantly smaller – the absolute-return funds had share of 4.5%, while the commodity funds accounted for only 0.3% of the capital market funds. However, the characteristic of the last group was the highest dynamics of assets that grew by 33.1% from 2014 yearend.

Open-end pension funds

In H1 2015, pension funds' assets built up by PLN 4.7 billion to PLN 153.7 billion. The increase was driven by positive management results obtained on the booming Warsaw Stock Exchange market in the first four months of this year. The balance of deposits and withdrawals had a negative impact on the value of net assets accumulated in the pension funds. In the first six months of 2015, it was negative and totalled PLN -1.3 billion. In H1 2015, the value of transfers from the Social Insurance Institution was systematically going down and in June it achieved record-low level of PLN 137.5 million. At the same time, withdrawals from the Open-End Pension Funds as part of the so-called "slider" approach amounted to PLN 2.1 billion in the said period.

The changes to the Open-End Pension Funds *modus operandi* were to a great extent reflected in the investment policy of these institutions. As at the end of May 2015, approx. 86% of their assets constituted domestic and foreign issuers' stock. From the beginning of 2015, increased Open-End Pension Funds exposure in foreign stock can be observed. At the end of June 2015, foreign stock in their portfolios totalled PLN 9.4 billion, as compared with PLN 5.6 billion as at 2014 yearend.

6. Macroeconomic factors to impact ING Bank Śląski S.A. operations in H2 2015

In January 2015, the European Central Bank (ECB) resolved to launch the quantitative easing programme of EUR 60 billion a month. At the same time, ECB announced that the programme would continue at least until September 2016. That ECB will loosen their policy any further seems unlikely today. ECB actions effect a gradual lending revival in the Eurozone, which accompanied by low fuel prices and earlier EUR depreciation translates into a progressive business rebound. Better economic situation of the Eurozone supports Polish exports; still, the scale of upturn experienced by the economies of Polish business partners is low (ING does not expect the Eurozone GDP growth rate to go over 2% y/y in the coming years versus 3.5-4.0% seen at the peak of previous economic cycles), which means that Poland will grow at a slower pace in the future as well.

On the other side of the Atlantic, preparations to the first raise of interest rates in the US may take a milder course; nevertheless, there is a risk of increased volatility of bonds and emerging currencies should expectations of faster tightening of the monetary policy in US appear in H2 2015. According to ING economists, potential PLN depreciation will be moderate and temporary due to the stabilising influence of the relaxed monetary policy in the Eurozone, favourable status of Polish debt market among the emerging countries and low dependency on external funding (due to very low current turnover deficit or capital account balance post-adjustment surplus).

⁸ Private asset funds include private equity, securitization and real property funds.

After almost a year of negative inflation readings, in the domestic economy CPI will approximate positive values y/y in Q4 2015. There are many indications that consecutive years will bring low inflation. Low-inflation landscape and more favourable perception of the Polish financial market by foreign investors mean that in the next years the interest rates in Poland will be low. Theoretically speaking, this situation can discourage retail clients from keeping their term deposits. On the other hand, alternative forms of saving, stock markets for example, do not offer appealing yields due to numerous proposals of new taxes which when introduced will cause the results of many companies to deteriorate and make foreign investors hold back their investments in Poland.

Over next quarters, the Polish economy will enter the stage of stable growth, below 4% y/y. Steady headcount increase, salary pressure intensification and (deflation-driven) rise in real income over recent quarters will enable consumption growth stabilization. Nevertheless, the propensity for saving may remain elevated due to bigger geopolitical uncertainty and lessons-learned by households after the economic slowdown.

Political risk is yet another crucial factor here. The current polls imply that the coalition of parties will change after the October parliamentary elections. At the onset of 2016, the composition of the Monetary Policy Council is to be reset as well, while mid-2016 will see a change in the position of the President of the National Bank of Poland. In other words: the economic policy will be pursued under the completely new conditions. ING economists believe that the postulates presented so far will stimulate economic growth in 2016. At the same time, they will put a heavy burden on the public finances, enforcing the search for new sources of state budget income.

Polish Economy in the years 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015F	2016F
GDP growth (%)	6.8	5.1	1.7	3.9	4.5	2.0	1.6	3.4	3.8	3.9
General government debt as per the EU methodology (% of GDP)	44.2	46.6	49.8	53.6	54.8	54.4	55.7	50.1	51.3	51.6
M3 money supply (PLN billion)	561.6	666.2	720.2	783.6	881.5	921.4	978.9	1,059.2	1,138.4	1,218.7
Producer Price Index growth (%)	9.4	3.0	-3.6	11.1	6.8	1.4	2.4	3.5	5.7	5.8
Average annual inflation (CPI) (%)	2.5	4.2	3.5	2.6	4.3	3.7	0.9	0.0	-0.4	1.5
Unemployment rate (%)	11.2	9.5	12.1	12.4	12.5	13.4	13.4	11.5	10.1	9.1
PLN/USD (yearend)	2.76	2.94	2.85	2.96	3.42	3.10	3.01	3.51	4.12	4.11
PLN/EUR (yearend)	3.58	4.11	4.11	3.96	4.42	4.09	4.15	4.26	4.08	3.90
WIBOR 3M (yearend)	5.70	5.80	4.00	3.95	4.99	4.11	2.65	2.00	1.79	1.99

II. MAJOR ACHIEVEMENTS OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015

1. Increase in number of clients

In H1 2015, the number of ING Bank Śląski S.A. clients went up by 158 thousand compared with an increase of 62 thousand observed in the analogous period last year. As at the end of June 2015, the number of Bank clients amounted to 3,922 thousand and was broken down into the following segments:

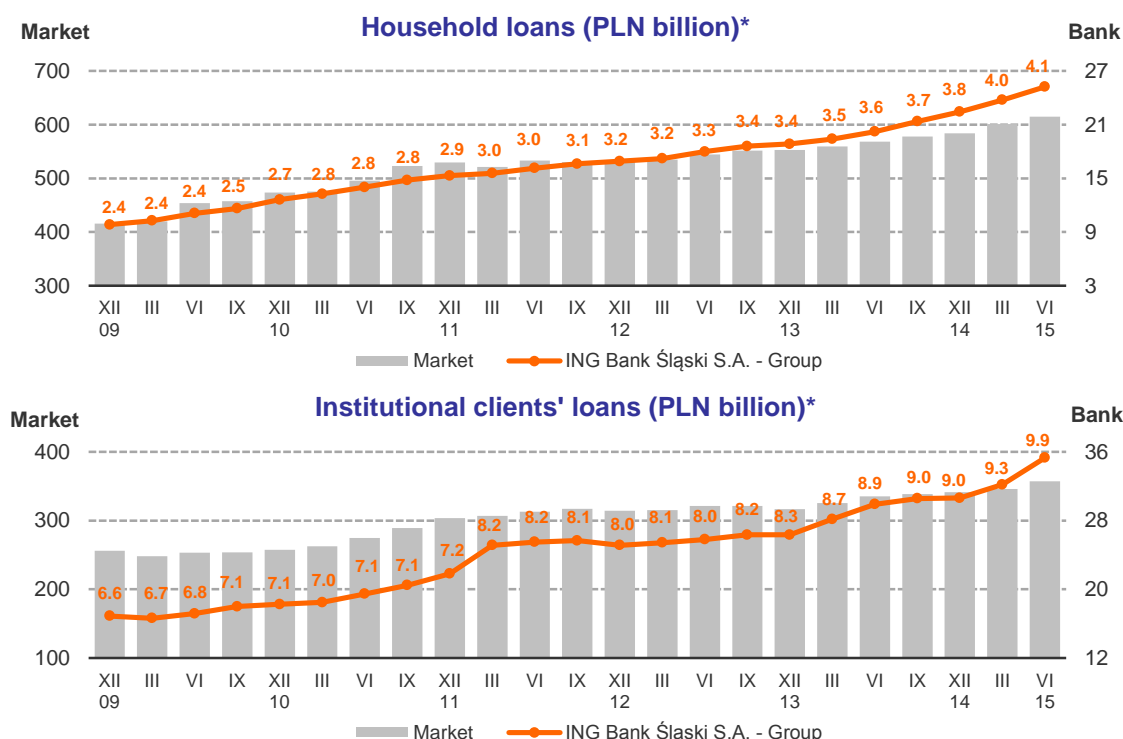
- 3,883 thousand retail clients, including:
 - 3,590 thousand individual clients (up by 140 thousand clients throughout H1 2015),
 - 293 thousand entrepreneurs,
- 39 thousand corporate clients (mid-sized and mid-corporates and groups).

The constantly growing number of ING Bank Śląski S.A. clients (both individuals and businesses) is the result of the activities pursued by the Bank to reinforce long-term relationships with clients. These relationships are based on the trusted brand of the Bank, transparent product offer tailored to the ever-changing preferences of clients and a continuously developed modern distribution and customer service system.

2. Better position on credit market

As at the end of June 2015, net loans and other receivables granted to clients⁹ amounted to more than PLN 64 billion. Throughout H1 2015, it went up by almost 13% (more than PLN 7 billion) and almost 20% (almost PLN 11 billion) per annum.

The Capital Group was estimated to have a 6.2%-share in the total amount of loans extended to customers as part of the commercial banks sector¹⁰ (up by 0.5 p.p. from the end of 2014).



*The figures denote the ING Bank Śląski S.A. Group's share in the commercial banks market.

⁹ This amount covers net loans and other receivables, except for Eurobonds and receivables from customers under repo transactions.

¹⁰ Banking sector meaning commercial banks sector in line with data published by NBP in the *Assets and liabilities of banks* file.

Changes to balances of individual categories of credit receivables are presented in the table below:

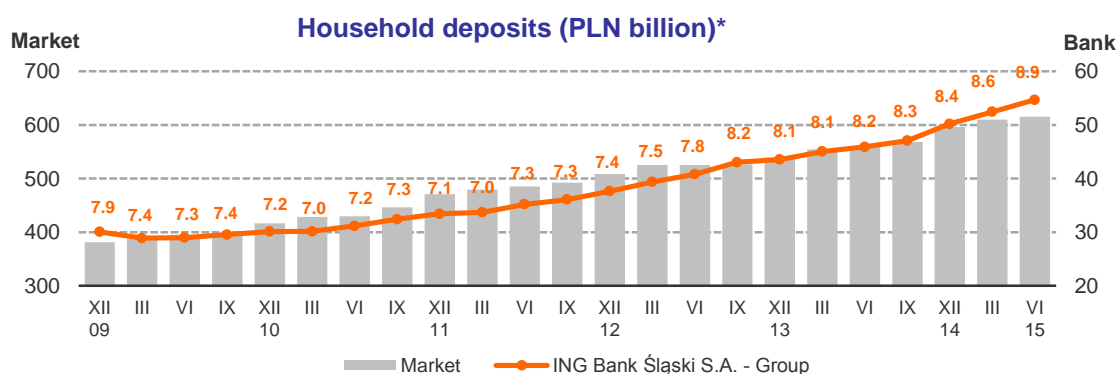
Loans and other receivables to customers of ING Bank Śląski S.A. Group (PLN million)

	30.06.2015	31.12.2014	30.06.2014	Change in H1 2015		Change y/y	
	PLN million	PLN million	PLN million	PLN million	%	PLN million	%
Credit receivables from households, including:	25,156.8	22,318.5	20,052.6	2,838.3	12.7%	5,104.2	25.5%
Loans and advances	24,598.4	21,844.7	19,672.8	2,753.7	12.6%	4,925.6	25.0%
Leasing receivables	498.7	423.3	339.0	75.4	17.8%	159.7	47.1%
Factoring receivables	59.7	50.5	40.8	9.2	18.2%	18.9	46.3%
Credit receivables from institutional clients ¹¹ , including:	39,259.6	34,812.4	33,542.9	4,447.2	12.8%	5,716.7	17.0%
Loans and advances	29,466.5	25,267.2	24,780.8	4,199.3	16.6%	4,685.7	18.9%
– Business entities	24,851.8	20,830.5	20,617.2	4,021.3	19.3%	4,234.6	20.5%
– Financial entities (other than banks)	2,069.3	1,777.5	1,640.3	291.8	16.4%	429.0	26.2%
– Entities of the sector of central and local government agencies	2,545.4	2,659.2	2,523.3	-113.8	-4.3%	22.1	0.9%
Debt securities ¹²	2,783.1	2,766.1	2,250.1	17.0	0.6%	533.0	23.7%
Leasing receivables	4,112.9	3,912.3	3,823.1	200.6	5.1%	289.8	7.6%
Factoring receivables	2,762.7	2,766.0	2,580.2	-3.3	-0.1%	182.5	7.1%
Other receivables	134.4	100.8	108.7	33.6	33.3%	25.7	23.6%
Total net credit receivables	64,416.4	57,130.9	53,595.5	7,285.5	12.8%	10,820.9	20.2%
– Eurobonds	3,710.8	3,923.9	3,723.5	-213.1	-5.4%	-12.7	-0.3%
Total net loans and other receivables to customers	68,127.2	61,054.8	57,319.0	7,072.4	11.6%	10,808.2	18.9%

3. Strengthening position on deposits market

As at the end of H1 2015, assets deposited by clients in Bank accounts totalled almost PLN 81 billion. In H1 2015, this sum went up by almost 7% (PLN 5 billion) and by almost 16% (PLN 11 billion) year on year.

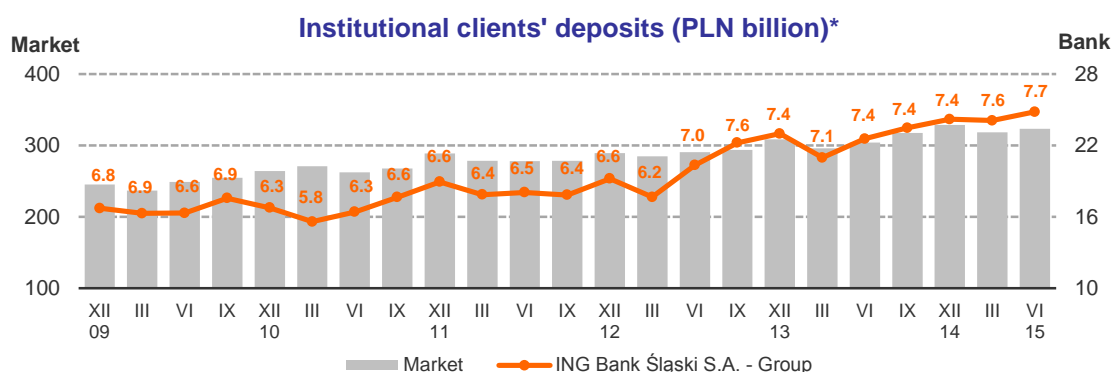
As at the end of H1 2015, the Bank held 8.5% of the total value of funds deposited in the commercial banks sector¹³, which indicates that the Bank was the fourth largest deposit bank in Poland.



¹¹ Excluding receivables from customers under repo transactions.

¹² Eurobonds excluded.

¹³ Banking sector meaning commercial banks sector in line with data published by NBP in file *Assets and liabilities of banks*.



*The figures denote the ING Bank Śląski S.A. Group's share in the commercial banks market.

Changes to balances of individual categories of liabilities to customers are presented in the table below:

Liabilities to customers of ING Bank Śląski S.A. Group (PLN million)

	30.06.2015	31.12.2014	30.06.2014	Change in H1 2015		Change y/y	
	PLN million	PLN million	PLN million	PLN million	%	PLN million	%
Liabilities to households, including:	54,780.3	50,278.8	45,989.7	4,501.5	9.0%	8,790.6	19.1%
Term deposits	54,687.9	50,217.1	45,910.3	4,470.8	8.9%	8,777.6	19.1%
Other liabilities	92.4	61.7	79.4	30.7	49.8%	13.0	16.4%
Liabilities to institutional clients ¹⁴ , including:	25,970.3	25,380.1	23,699.5	590.2	2.3%	2,270.8	9.6%
Term deposits	24,817.7	24,188.6	22,560.7	629.1	2.6%	2,257.0	10.0%
– Business entities	21,154.3	20,177.3	18,207.3	977.0	4.8%	2,947.0	16.2%
– Financial entities (other than banks)	1,957.9	2,142.8	2,442.9	-184.9	-8.6%	-485.0	-19.9%
– Entities of the sector of central and local government agencies	1,705.5	1,868.5	1,910.5	-163.0	-8.7%	-205.0	-10.7%
Other liabilities	1,152.6	1,191.5	1,138.8	-38.9	-3.3%	13.8	1.2%
Total liabilities to customers	80,750.6	75,658.9	69,689.2	5,091.7	6.7%	11,061.4	15.9%

4. Awards and distinctions

The first half of 2015 brought numerous awards and distinctions for ING Bank Śląski S.A.

The Bank was granted the following awards for the attractiveness of its product offer and quality of the customer service:

- Portfele Wprost (*Wprost Wallets*) award in the Internet banking and mobile applications category;
- Złoty Bell (*Golden Bell*) prize in the Mobile Bank of 2014 category presented at the Mobility Trends 2014 Gala;
- Visa Europe Best Award 2015 for implementation of mobile NFC payments and V.me by Visa digital wallet during the Visa Future Event;
- Award for launch of state-of-the-art NFC solutions in the Customer Experience category in the Contactless & Mobile Awards competition;

¹⁴ Excluding liabilities to customers under repo transactions.

- Złoty Bankier 2014 (*Golden Banker 2014*) in the Best mortgage loan category for the Live without Compromise offer;
- 1st place in the ranking of mortgage loans, compiled by the TotalMoney.pl portal editorial team;
- Treasury BondSpot Poland market leader in terms of turnover on cash market and contingent transactions;
- Gwiazda Jakości Obsługi (*Service Quality Star*) in the customer ranking organised by the www.jakoscobslugi.pl portal;
- 3rd place in the ranking Jakość na bank (*Quality across Banks*) examining the customer service quality in banking, prepared by the TNS Polska research agency;
- 1st place in the ranking Jakość obsługi klienta w placówkach (*Customer service quality in branches*), prepared by the MojeBankowanie.pl portal;
- 1st place in the ranking Zdalne formy kontaktu (*Remote contact forms*) in the helpline and e-mail categories, organised by the MojeBankowanie.pl portal.

The Bank was granted the following awards for the marketing actions:

- 1st place in Lamparty (*Leopards*) contest, rewarding the best bank brands creations;
- Złoty Bankier 2014 (*Golden Banker 2014*) in the Best Banking Commercial Spot category for a commercial broadcast as part of the It's people that count campaign;
- Srebrny miecz (*Silver Sword*) in the Campaign category for the campaign under the theme Either we realise or we drift and two silver awards in the Film category for Garbus (*Beetle*) and Foto (*Photo*) ads. Additionally, the Bank got Srebrny miecz (*Silver Sword*) in the Illustrations category as part of the It's people that count campaign, which also received Brązowy miecz (*Bronze Sword*) in the Image campaign category.

The manner in which ING Bank Śląski S.A. functions in the community and its ability to effectively combine social responsibility with business values was appreciated:

- Srebrny Listek CSR (*Silver CSR Leaf*) awarded by POLITYKA weekly;
- Winner of the Banking World and Insurance Leader Competition in the CSR category for the project aimed at communicating with deaf people;
- International Top Employers Certificate awarded for the sixth time by the Top Employers Institute;
- 1st place in the Banking, Insurance and Financial Institutions category in the Most Desired Employers 2014, in the Opinion of Professionals and Managers survey conducted by Antal International.

ING Bank Śląski S.A. management also received high praise:

- Małgorzata Kołakowska, President of ING Bank Śląski S.A., was awarded the Banker of the Year title by the Forbes magazine;
- Remigiusz Kaszubski special award presented to Małgorzata Kołakowska, President of ING Bank Śląski S.A., by the Polish Bank Association for promoting innovative solutions in the area of payments and mobile banking.

For more information about awards and honourable mentions please visit the Bank website, in the *About us* tab.

III. OPERATIONS OF ING BANK ŚLĄSKI S.A. IN H1 2015

1. Retail banking

Changes to product offer and customer service rules

Savings, investments, accounts

The aim of ING Bank Śląski S.A. is to maintain a strong position in the retail banking market. The key thing to execute this aim is an extensive and clear product offer. Moreover, constant simplification and automation of processes as well as increasing the importance of online and mobile banking play a vital role here.

In March 2015, a new investment product, ING Core Fund Account, was added to the Bank's product offer. Its rollout was accompanied by extensive training and marketing activities. In line with the Bank's strategy of investment products development, the new product is simple and transparent. It supplements our savings offer for individual clients. ING Core Fund Account is an umbrella fund investing in other funds. Bank clients can choose out of three subfunds: ING Prudent Package, ING Moderate Package and ING Dynamic Package. The product will be offered at the Bank only. The assets of the ING Core Fund are managed by ING Towarzystwo Funduszy Inwestycyjnych S.A.

With a view to upholding the attractiveness of the core deposit product, that is Open Savings Account, in H1 2015 the Bank continued offering periodical, promotional terms and conditions for new funds under the special offer, i.e. Bonus for Start and Bonus Open Savings Account in next editions. They consist in offering periodically higher interest to new clients or on new funds over a specified period. Further, the Bank was offering term deposits to clients too. Their aim was to keep the funds acquired during the earlier special promotions of the Open Savings Account, among others.

At the end of June 2015, a new savings account advertising campaign was launched with the slogan: Saving smarties reap benefits! It is addressed both to new clients as well as to clients already saving with the Bank. The campaign is supported by spots broadcast on TV and on the internet.

Four new subfunds available under Aviva Investors Obligacji Zamiennych (open-end umbrella fund) managed by Aviva Investors Poland TFI S.A., UniObligacje Zamienne, UniStrategie Dynamiczny and UniAkcje: Daleki Wschód managed by Union Investment TFI S.A. were added to the offer dedicated to Personal Banking, Private Banking and Wealth Management clients.

In H1 2015, the Bank also held 9 subscriptions for the Investment Term Deposit structured product for the total amount of approx. PLN 333 million. Investment Term Deposit is a modern form of saving money. It guarantees capital protection, while offering higher yields than those usually earned on traditional deposits.

Lending products

In H1 2015, the Bank strongly developed its lending offer as part of pursuing the strategy of constant growth of lending products exposure. The process was supported with the cash loan media campaign run from 03 May to 23 June 2015, addressed to individual clients. *You have to return the money but what you get is yours* was the tagline of the campaign.

The changes made in February to the preapproved offer, available in the ING BankOnLine system, were an interesting solution, reflecting not only involvement in development of the lending offer but also emphasising ING Bank Śląski S.A.'s continuous activity to simplify its products. The offer was expanded with new credit facilities like account overdraft or credit cards. The preapproved offer stands for the dedicated credit amount computed for the client, which they can draw in the ING BankOnLine system without the unnecessary formalities or documents.

The cash loan offer was simplified too. One cash loan offer was launched to replace the previous offers: Standard, Superquick Cash Loan, MEGACash Loan and Premium Cash Loan. One cash loan was introduced to create a simple and competitive offer where higher amounts and cross-selling are offered on more favourable conditions.

In March 2015, a fast lending process for cash loans, overdrafts and credit cards in the dedicated smartphone mobile application was rolled out ("the preapproved offer"). Lending offer is prepared in the application for the selected group of clients. Clients can obtain cash loans just in a few simple steps. No formalities, documents or branch visits are needed.

Furthermore, the clients not using the Bank services yet, were enabled to apply for a cash loan online ("eCash"). Cash loan agreements are concluded electronically without clients visiting branches with the funds under the cash loan disbursed being remitted to their accounts at their bank. There are no paper documents in that process. Clients attach photos of their ID cards or of other documents confirming income made with their smartphones directly in the lending process. They do not need to save their files or provide their location. Such an online process – without paper documents and branch visits – was earlier available to the clients having the internet banking system, ING BankOnLine, only. At present, also new clients can take advantage of the offer without leaving the comfort of their home. They can fill in their credit applications via their PC, tablet or smartphone. In H1 2015, every third cash loan was granted by the Bank via direct sales channels.

At the beginning of the year, a new pricing policy was introduced for the offer for entrepreneurs. It brought about extra benefits for active clients, among others. In January, the promotion of the credit line started, whereunder no fee was charged for limit increase. The special offer continued until the end of January. It was renewed between March and June. No commission was charged for credit line approval in that period either.

In April, the end-to-end process of leasing products sale at all Bank branches was rolled out.

In H1 2015, the Bank upheld the special offer *Live without compromise*, targeting young people looking for residential real property purchase funding. The offer is highly popular among clients. ING Bank Śląski S.A. was granted the Złoty Bankier (*Golden Banker*) award in the Best mortgage loan category for that offer.

In January, the Bank ran the *New Year's Sale of Mortgage Loans*. It was a special offer providing for the same pricing conditions as those applicable to the *Live without compromise* offer, but not limiting the borrower's age. Clients who wanted to take advantage of that offer, enrolled via the web form from 8 to 31 December 2014. All agreements covered by the campaign were signed by the end of March 2015.

In H1 2015, the Bank launched a new service for the persons intending to buy an apartment – NAVIDOM. The product was promoted during the marketing campaign run between 23 February and 30 April 2015. NAVIDOM is a service which helps potential buyers at each process stage – from searching for the offer meeting the pre-set criteria, through budget computation and handling of formalities, to the housewarming party. Offers of apartments are provided by otoDom.pl, one of the largest services in Poland.

Since March 2015 clients using the electronic banking service, ING BankOnLine, were presented with the soft prescoring offer showing a potential mortgage loan amount.

As far as the insurance offer is concerned, in H1 2015, the Bank centred its actions around implementing the Recommendation U. As part of its works, the Bank changed the model of offering insurance from the group into the agency one. The offer of insurance products available at the Bank was simplified at that time as well. Sales network employees underwent training and later the certification process during which they could obtain the certificate of natural persons acting as insurance agents (PL: OFWCA) wherewith they can sell insurance policies under the agency model.

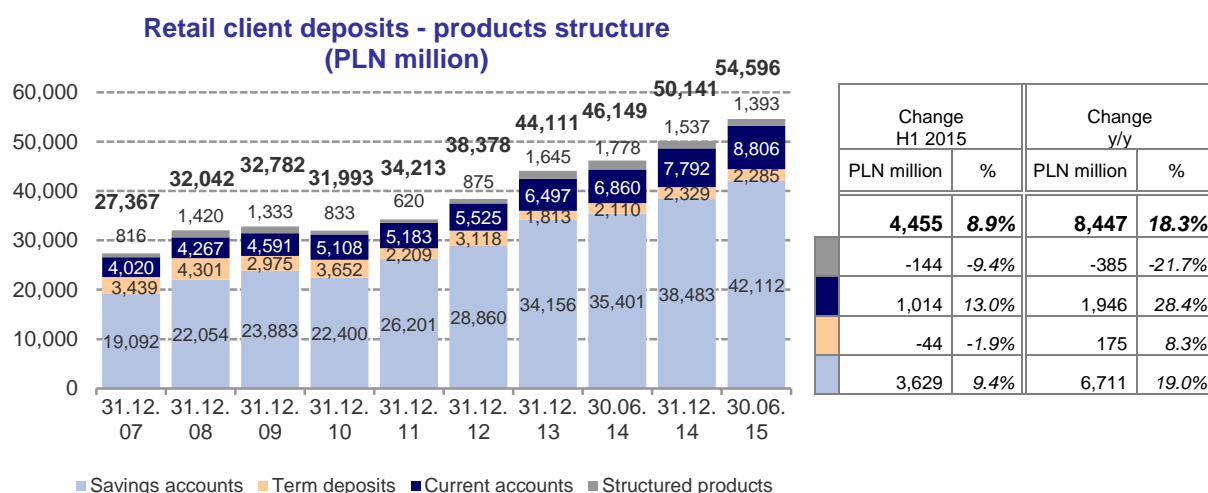
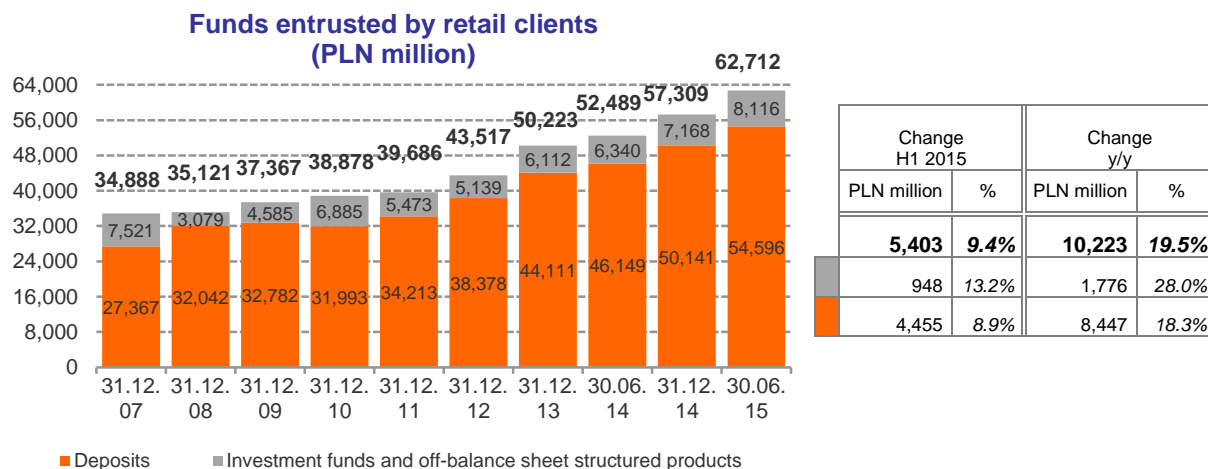
Deposits¹⁵

As at 30 June 2015, funds entrusted¹⁶ to ING Bank Śląski S.A. totalled almost PLN 63 billion, up by more than PLN 5 billion (9.4%) over H1 2015 and by more than PLN 10 billion (almost 20%) y/y. Bank deposits constituted their main part.

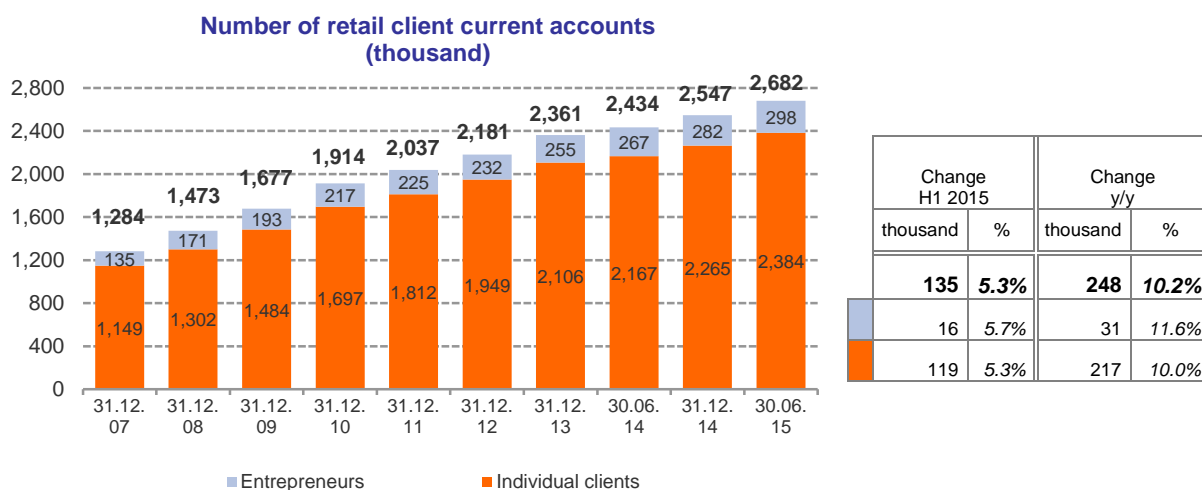
¹⁵ Due to availability of more detailed product-related information, the **description is made based on the data from the management information system.**

¹⁶ Total value of deposits, structured products and mutual funds distributed by the Bank.

The fact that deposit base grew faster than the volumes in the sector translated into higher share in the household deposits market. At the end of June it was 8.9% versus 8.2% a year ago.

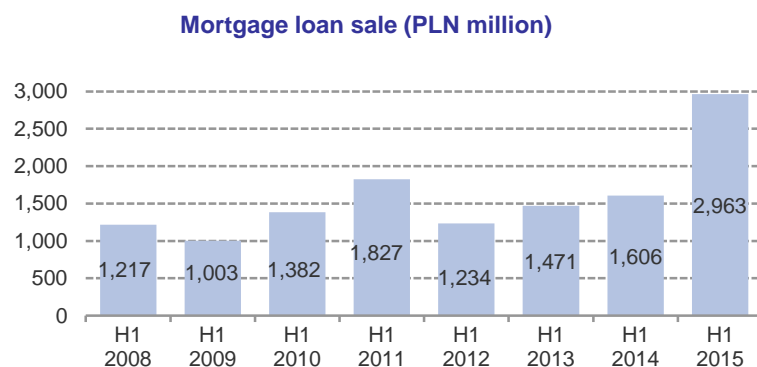
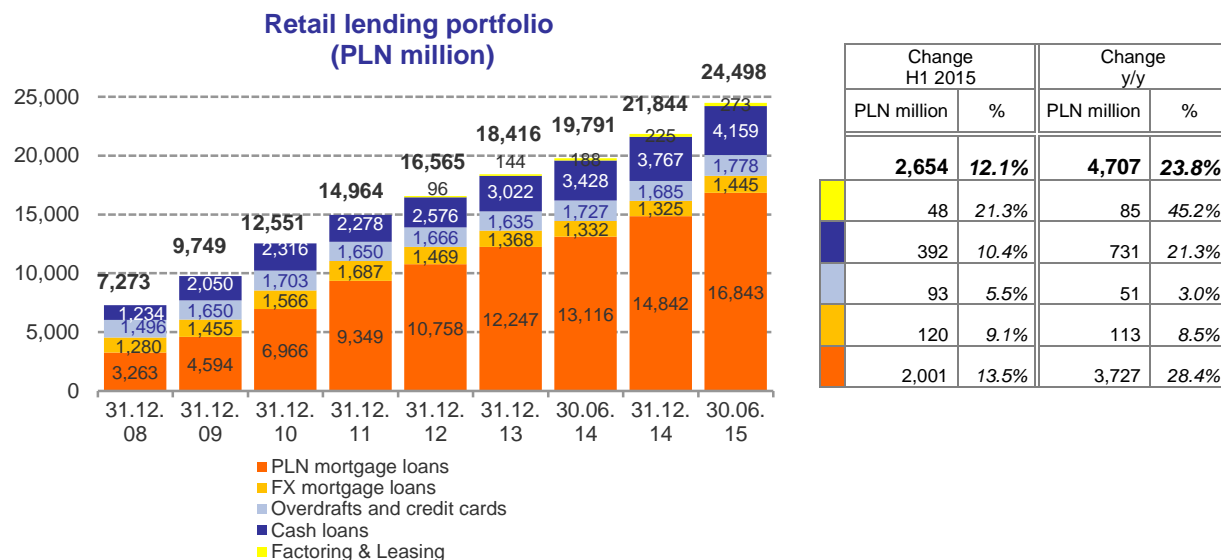


Throughout H1 2015, the array of settlement services rendered by the Bank to its retail clients grew significantly. At the end of June 2015, ING Bank Śląski S.A. maintained 2,682 thousand personal accounts for retail clients. The majority of the accounts (76%) were Direct accounts.



Lending¹⁷

As at the end of June 2015, credit receivables from retail customers totalled PLN 24.5 billion. In H1 2015, the Bank's credit exposure towards retail clients went up by PLN 2.7 million, or 12%. The Bank increased its share in the credit receivables from households market to 4.1% (as compared with 3.8% in December 2014).



In H1 2015, the Bank increased mortgage loans' sale by PLN 1.4 billion, or 84% as compared with H1 2014. According to the data published by the Polish Bank Association, in H1 2015 ING Bank Śląski S.A. was third on the market with a 15.1% share in the sales of housing loans for private individuals.

The growing cash loans' balance results from the intensified Bank operations as regards the offer and sale. In H1 2015, more than 100 thousand loans totalling PLN 1.4 billion were granted. It indicates sales growth by almost 10% as compared with H1 2014.

Bank cards

For many years now, ING Bank Śląski S.A. has been one of the main payment card issuers in Poland, the same goes for contactless cards. We were the first bank in Poland and one of the first banks in the world to introduce withdrawals from ATM with the use of contactless card. As at the end of June 2015, ING Bank Śląski S.A. had the network of over 600 NFC-enabled machines. NFC-enabled ATMs support processing of the fastest in Poland (lasting up to 20 seconds) withdrawals which are convenient and safe.

¹⁷ Due to availability of more detailed product-related information, the description is made based on the data from the management information system.

Launch of BLIK payments for individual clients and of phone transfer functionality in the ING BankMobile application was among the most important changes in the payment area seen by H1 2015. The phone transfer feature allows users to make transactions without knowing the beneficiary's bank account number. Transfers are made regardless of whether or not their beneficiaries have accounts with ING Bank Śląski S.A.

By the end of June 2015, ING Bank Śląski S.A. issued 2.8 million payment cards to its retail clients, where 2.3 million accounted for contactless cards (Zbliżak paypass sticker included) whereas in December 2014 retail Bank clients held 2.1 million cards of this type.

2. Corporate banking

Number of clients

In June 2015, 39.4 thousand corporate clients used the services of ING Bank Śląski S.A., including:

- 38.6 thousand mid-sized and mid-corporates companies, and
- 776 strategic clients (capital groups).

During H1 2015, the Bank entered into relationships with 4.7 thousand corporate clients, whereby the number of companies tended to by the Bank went up by 2.8 thousand from the 2014 yearend.



Product offer and modifications introduced

When corporate clients choose their bank, they take into account not only reputation of a stable and trustworthy institution but also high quality of the offer, matching their specific needs. Constant enhancements to the offer, process streamlining and distribution channels' improvement are an inherent element of the Bank's operations.

Accounts and clearings

ING Bank Śląski S.A. offers companies a pathbreaking and comprehensive array of cash transaction processing solutions. The Bank continues to develop its network of electronic depositories which as at the end of H1 2015 was formed of 120 machines. The number of clients using light depositories is growing gradually. These are machines installed at the client's premises which make transactions more convenient and safer. In response to clients' expectations, recently the Bank added to its offer another solution – mini-CDMs. These are small machines installed at the company's premises to place open deposits. All CDMs can be used 24/7 and deposits are booked into the selected accounts as soon as they are made (on-line mode).

The Bank continued to increase the number of available fee collection machines. These are special automatic tills where clients can pay administration fees conveniently, efficiently and quickly. ING Bank Śląski S.A. installed 14 fee collection machines for corporate clients by the end of June 2015.

Furthermore, in H1 2015, a new service was activated in the internet banking system, ING BusinessOnLine – e-Escrow account. This account is opened and serviced online only. It is used to secure payments in new business relationships where mutual trust of transaction parties is still very low and remittance of an advance payment or dispatch of goods against deferred payment can be risky for the business partner.

Cards

Since April 2015 corporate clients can use a new authorisation method for online transactions made with cards – the so-called 3D Secure standard, recommended by VISA and MasterCard, with which the identity of the payment originator is verified.

Loans

In H1 2015, ING Bank Śląski S.A. continued to automate its lending processes. These actions bring notable benefits visible in the systematic increase in the share of electronic credit applications filed through ING Direct Business Credit and ING BusinessOnLine in the total number of credit applications filed by companies. As at the end of H1 2015, the share settled at 83%.

In mid-2015 all clients could already use the solution launched at the beginning of 2014 – the ING Monitoring application in which clients can continuously track and pay their liabilities to the Bank under the terms and conditions of their credit agreement via ING BusinessOnLine (clients can deliver requisite reports and documents to the Bank, for example). The application is constantly developed and enhanced with new features. In H1 2015, the module of automatic dispatch of reminders about overdue payments was added among other functions.

Furthermore, as part of the Easy Lending project, the Bank ran a pilot programme for the prescoring-based lending process. Selected corporate clients received lending offers with the precomputed credit limit proposal. By the end of June, 187 loans totalling PLN 33.3 million were granted. At the same time, works are under way on prescoring process automation, planned for the end of 2015.

In January 2015, clients using the ING BusinessMobile system were provided with the new document scanning module. With the new solution, clients can take photos of documents which they later upload to the ING BusinessOnLine system where they can easily attach the same to their applications sent to the Bank. The solution is to streamline the flow of documents between clients and the Bank and eliminate the paperwork collected from clients.

In the largest clients segment – strategic clients – the Bank focused on delivering on its strategy with customer satisfaction and service quality remaining invariably its top priority.

This approach led to a dynamic growth of credit and deposit volumes, accompanied by attention to portfolio quality. The Bank was an active participant of financial transactions, especially in the commercial real property funding area. Thanks to its market expertise and efficient process, the Bank became the market leader in that sector.

In the Payment and Cash Management area, the Bank performed actions oriented at increasing account flows and deposit volumes in the landscape of low interest rates. H1 2015 saw a steady growth of transaction volumes, the phenomenon which shows that clients use the Bank's offer of products to a larger extent.

The offer for the clients from the BPO / Shared Services sector is particularly popular. This is a boom area – since for a dozen or so months Poland has been an attractive venue for the businesses of that type, the Bank worked out a special product offer allowing for central management of business operations. The offer covers access to current account balances, reconciliation of transfers and liquidity management.

In H1 2015, the Bank expanded its product offer by dint of continued two key projects: Transaction Bank 3.0 and Financial Markets 3.0. Under Transaction Banking 3.0, focus was placed on making both the standard and the mobile versions of the internet banking system more appealing. Thanks to the changes made and RWD technology applied, clients will be able to configure their website layout on their own so as to facilitate this channel's usage. This is an essential initiative in 2015. Financial Markets 3.0 stands for further development and expansion of FM platform offer (FM products) which is an attractive solution, especially for simpler operations of low volumes.

Trade finance

The Bank actively supports its clients in their business transactions by offering them an easy and modern access to trade finance products. Clients enjoy fast access to those products via internet channel. In H1 2015, almost 99% of documentary credit applications were filed via the ING BusinessOnLine system. For guarantees, the index was 90%, while for applications for receivables purchase – 95%. The Bank continues to cooperate intensely with the Aleo platform in the trade finance area. In H1 2015, two new solutions were launched under the Vendors Financing product on the Aleo platform. These were: post-maturity receivable funding (Extended Funding Term) and purchase of FX receivables (in EUR, USD and GBP). The product gains on popularity among Bank clients. In H1 2015; 2,356 invoices totalling PLN 45.5 million were funded.

The listings published by the Polish Bank Association invariably show ING Bank Śląski S.A. as the leader in terms of the number of bank guarantees. In 2015, the Bank is also ranked first with regard to the amount of guarantees granted. In Q1 2015, the Bank made 1,479 guarantees totalling almost PLN 780 million.

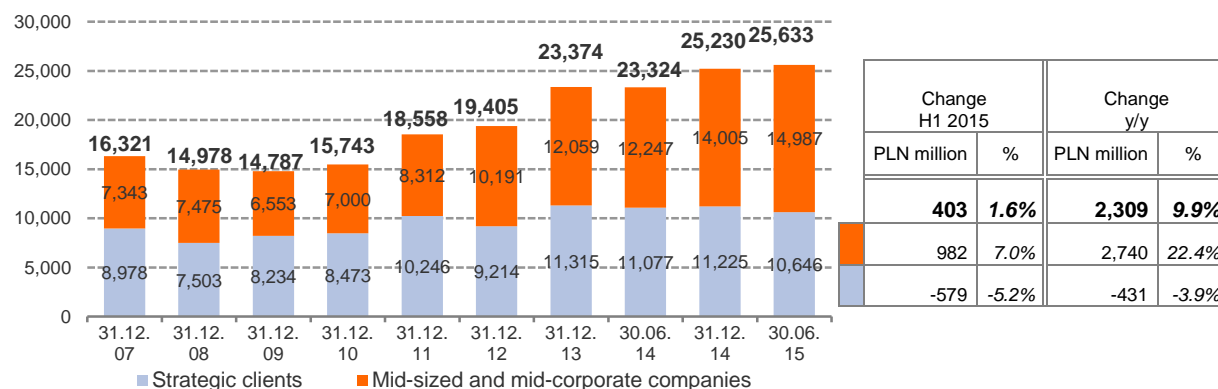
Aleo

In H1 2015, the Bank continued through its subsidiary ING Usługi dla Biznesu the actions oriented at the increase in the number of businesses actively using Aleo platform and investments aimed at expanding the scope and quality of the services offered. Acquisition of clients executing their purchase processes on the platform is performed by the newly established Advisory and Business Development Team closely cooperating with the Bank Corporate Sales Network. At the same time, the platform's offer and operations were extended with the active sourcing and making of transactions concluded on the platform. Thus, Aleo recorded more than a double increase in the number of offers placed in response to electronic requests for proposal published on the platform. Services addressed to the suppliers were extended with the option of daily monitoring of public tenders in the form of automatic notifications generated by Aleo on the basis of key words and business categories indicated by the suppliers. The suppliers database itself was extended with all the companies registered in the National Court Register as well as mechanism ensuring daily update of registration data. Owing to this and the support of the Sourcing Team, Aleo provides the possibility to place a request for proposal with more than 400 thousand companies in Poland. Aleo is supplemented with the "Company purchase" blog launched in June 2015 promoting professional and conscious approach to business procurement process management with the use of modern IT tools.

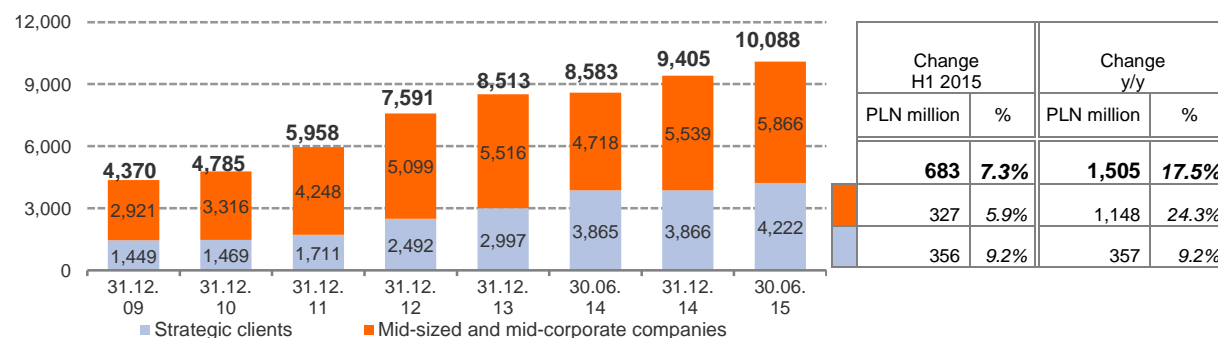
Deposits and settlements¹⁸

As at the end of June, the funds deposited by corporate clients at the Bank totalled PLN 25.6 billion, thus the Bank had a 7.7%-share in the institutional clients deposits market (up by 0.3 p.p. versus end of 2014).

Corporate client deposits (PLN million)

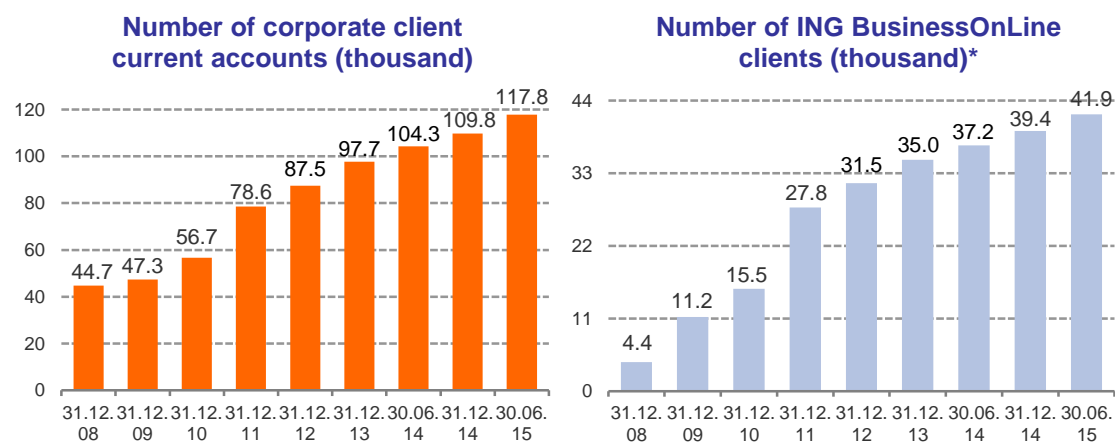


Volume of corporate client current accounts (PLN million)



¹⁸ Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

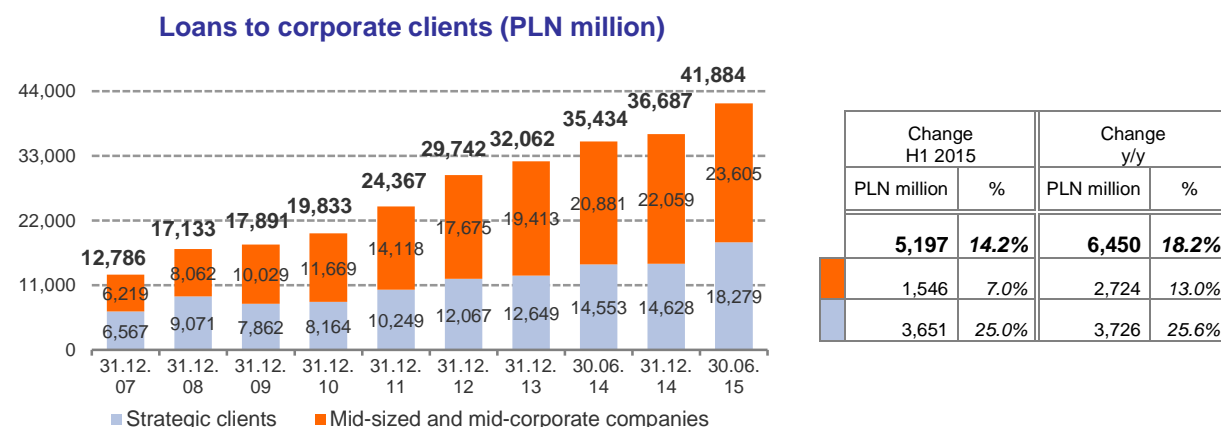
In June 2015, ING Bank Śląski S.A. maintained 117.8 thousand (PLN and FX) current accounts of corporate clients, up by 7.3% from December 2014. The vast majority of clients with current accounts at ING Bank Śląski S.A. use the ING BusinessOnLine internet banking system to interact with the Bank. In June 2015, the system was used by 42 thousand companies.



* In the case of groups, individual companies belonging to the group are recognised separately. Additionally, it covers some part of retail clients (housing communities), as the corporate segment provides them with operational service.

Lending¹⁹

As at the end of H1 2015, corporate client funding granted by the ING Bank Śląski S.A. Group totalled nearly PLN 42 billion. Throughout H1 2015, the said amount went up by more than PLN 5 billion (14%). The Bank is estimated to have held 9.9% of the institutional credit market share in June 2015.



In H1 2015, the Bank won 28 tenders worth approximately PLN 430 million for funding local government units. This result enabled the Bank to maintain its 7.3%-share in financing local government institutions as at the end of June 2015.

3. Money markets and capital markets

The operations of ING Bank Śląski S.A. in the area of financial markets in 2015 covered adaptation to the changes in the market and in the regulatory environment, process optimisation and organisational changes.

In 2015, the Bank continued preparations to fulfil the requirements of clearing specified transactions through the Clearing House (it is expected that decision regarding the effective date of the clearing obligation in the EU be provided by the end of 2015).

¹⁹ Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

The Bank provided its clients with the FX buy/sell orders debiting the transactional limit on the FX Trader Platform (so far only to the account balance). This service was highly popular among clients. Volume of such transactions on the FX Trader platform in ING BusinessOnLine increased significantly. Average number of transactions per month totalled 11,654. Number of clients who concluded at least 1 transaction per month totalled 2,829.

Furthermore, the FX Trader platform provided clients with economic information from the Thomson Reuters service.

ING Bank Śląski S.A. retained its strong market position in the issue arrangement and service for non-government debt securities. In H1 2015, the Bank among other things:

- being the consortium leader, in cooperation with three banks, arranged the debut market issue of 5Y bonds of Enea S.A. for PLN 1 billion under issue programme worth PLN 5 billion set in June 2014. The Bank acted as: Payment Agent, Depositary, Dealer and Calculation Agent,
- arranged independently 9 municipal bonds issue programmes for the total amount of PLN 230 million.

As at the end of June 2015, ING Bank Śląski S.A. serviced securities trading of 99 issuers being corporates, banks and municipalities. The face value of debt securities of corporate issuers (banks and local government units excluded) issued through the agency of ING Bank Śląski S.A. totalled PLN 9.4 billion, including PLN 5.4 billion due to short-term securities issue. This enabled the Bank to have the third position on corporate debt securities market in June 2015 (with the share of 13.2%) and the first position on the short-term securities market (with the share of 33.4%).

As regards sales of structured products in the Polish market, the Bank kept its strong fourth position with 9%-share in sale. The Bank was also awarded in the Structured Retail Products sector rating (summary for H1 2015).

The team of Bank economists won the fourth place (with the result of 7.85 scores versus 7.86 obtained by the economists ranked third) in the general classification of the competition for the Best Economic Analyst 2014 organised by the National Bank of Poland and *Rzeczpospolita* daily. It is the most prestigious macroeconomic outlook competition which had 45 participants last year. These were teams of economists from banks, non-bank financial institutions, public institutions and organisations of employers as well as academic centres. The competition covers outlooks for 5 quarterly ratios: GDP growth rate, investment projects, inflation, unemployment rate and current account flows, made a year in advance.

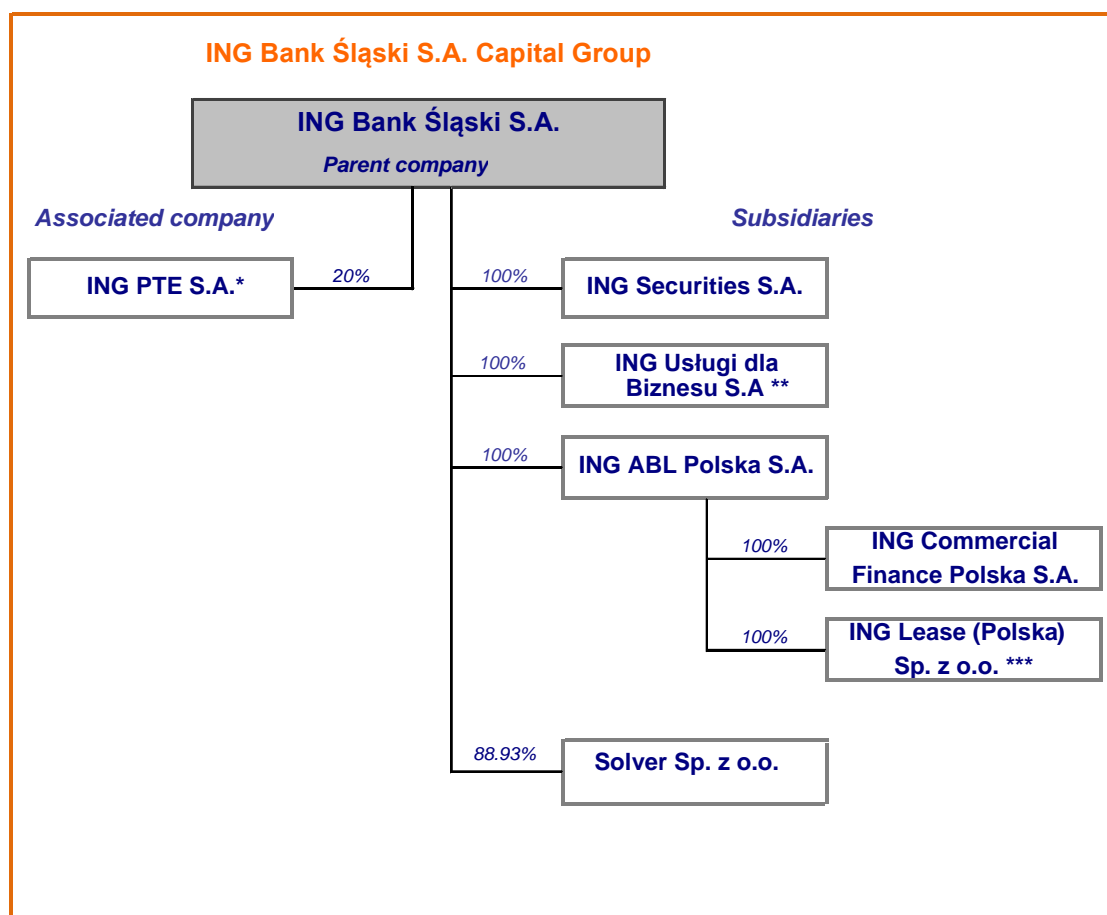
Moreover, the Bank economists have been holding the first place in the Bloomberg ranking for the most accurate inflation outlook. The agency wraps up the outlooks for the last 6 quarters. The ranking is actively followed by institutional clients in Poland and abroad.

IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. GROUP KEY COMPANIES

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

The ING Bank Śląski S.A. Group comprises companies operating predominantly on the financial market. ING Bank Śląski S.A. – as the parent company – takes key decisions concerning both the scope of operations and the finances of the Group members. It has strong commercial ties with other companies. The Group members have their current accounts and deposit their free funds in term deposits at ING Bank Śląski S.A. The Bank also credits business operations of some of its subsidiaries. Transactions of ING Bank Śląski S.A. with its subsidiaries are performed on an arm's length basis.

As at 30 June 2015, the composition of the ING Bank Śląski S.A. Group was the following:



* In Q2 2014, the Group reclassified shares in the associated entity to the category of assets held for sale.

** UdB S.A. holds 100% of shares of Nowe Usługi S.A. company incorporated in H1 2014 (the company is not fully operative yet).

*** The ING Lease (Polska) Sp. z o.o. Capital Group has 10 special-purpose vehicles where ING Lease holds 100% of shares.

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

ING Lease (Polska) Sp. z o.o. has been operating in the market for 19 years. It offers all basic types of leasing (operating, financial, and sale-and-leaseback leasing) as well as cash loans. They can be used to finance both movables (being passenger cars, delivery trucks up to 3.5 tonnes, machinery and equipment, technological lines, commercial vehicles or medical and IT equipment) as well as real properties (office buildings, commercial buildings and logistics centres). Company's services are targeted at all market segments: large, medium and small enterprises as well as retail clients (entrepreneurs).

As at the end of June 2015, the Company receivables from clients amounted to PLN 5,654.3 million²⁰ (up by 4% from the end of H1 2014). The data of the Polish Leasing Association suggest that ING Lease has the third biggest portfolio of receivables of all leasing companies in Poland and is the eighth largest leasing company on the market. The Company maintains the leader position in the real property lease market and the third market place in the lease of machinery and equipment. It should be also emphasised that in H1 2015 the number of clients grew by 45% from the end of 2014. Currently the ING Lease offer is available in each out of almost 440 retail branches of ING Bank Śląski S.A., ensuring a comprehensive range of services for clients in one location.

3. ING Commercial Finance Polska S.A.

In H1 2015, the total turnover of ING Commercial Finance Polska S.A. company was PLN 8.7 billion, or 15% up from the same period last year. It is also all-time high result in the Company's history for the first half of the year. In consequence, ING CF was second in the market in terms of the turnover, with the market share of 13.9%. Also the Q2 turnover of PLN 4.4 billion proved record-breaking. As at the end of H1 2015, ING CF had 13 points of sale.

The total number of invoices bought back by ING CF in H1 2015 was 628 thousand, up by 19% from the same period last year. In mid-2015, the Company serviced 1,143 clients. These were invariably mainly companies operating within the following industries: food and beverages (24%), house and horticulture (8%), power and fuels (7%), construction (7%), computers and software (6%) and packaging (6%).

In the recent edition of the yearly Book of Lists, ING CF came first in the Factoring Companies Ranking and during the Annual Meeting of the Factors Chain International, ING Commercial Finance was among top ten factors worldwide in terms of customer experience (transactions, service and communication).

4. ING Securities S.A.

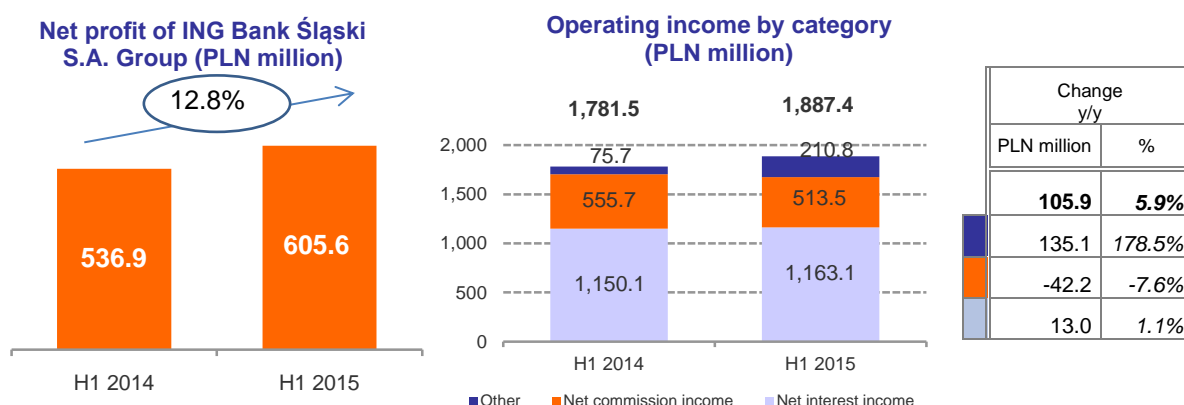
ING Securities S.A. provides brokerage services both to retail and corporate clients. At the end of June 2015, ING Securities S.A. maintained over 50 thousand investment accounts. In January 2015, the offer was expanded with the Individual Investment Advice and Model Portfolio services. As at the end of H1 2015, already 565 clients used the new services. Moreover, intraday deposits were introduced, making it possible for clients to submit orders for WIG20 contracts with a lowered intraday deposit without the need to open an additional account. The ING Securities offer was ranked second in the Gazeta Finansowa ranking, thus upholding its last year's position. In turn, the ING Securities Brokerage Office came fourth in the ranking of brokerage offices by Puls Biznesu daily for 2014. It was also the winner of Lider Informatyki Instytucji Finansowych (Financial Institution IT Leader) competition organized by Gazeta Bankowa.

²⁰ The description is made based on the data from the management information system. It covers corporate clients receivables (of PLN 5,391.1 million) and retail clients receivables (of PLN 273.2 million).

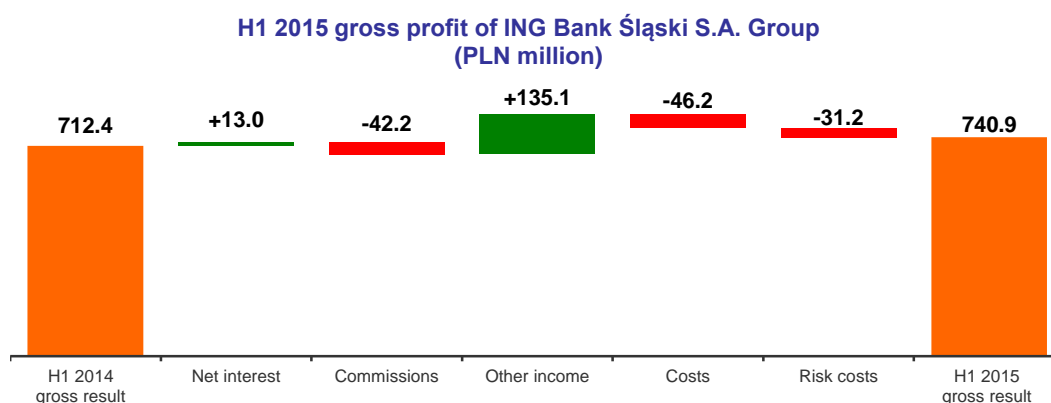
V. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015

1. Gross profit and net profit

In H1 2015, the ING Bank Śląski S.A. Group generated a significantly higher financial result, as compared with the same period last year.



The factors which impacted the gross result most, when compared with the same period last year, are given on the below chart:



Basic consolidated income statement figures in analytical terms

	H1 2015	H1 2014	Change H1 2015/ H1 2014	
	PLN million	PLN million	PLN million	%
Net interest income	1,163.1	1,150.1	13.0	1.1%
Net commission income	513.5	555.7	-42.2	-7.6%
Other income*	210.8	75.7	135.1	178.5%
Operating income*	1,887.4	1,781.5	105.9	5.9%
Operating expenses	997.9	951.7	46.2	4.9%
Result before risk costs	889.5	829.8	59.7	7.2%
Impairment losses and provisions	148.6	117.4	31.2	26.6%
Gross financial result	740.9	712.4	28.5	4.0%
Income tax	135.2	175.4	-40.2	-22.9%
Net result attributable to non-controlling shareholders	0.1	0.1	0.0	0.0%
Net financial result	605.6	536.9	68.7	12.8%

*Income together with the share in profits of companies recognised on an equity basis.

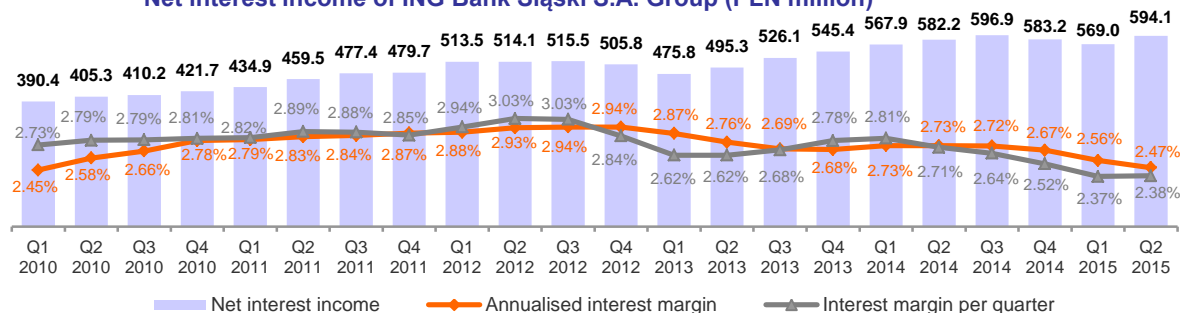
Total income of the ING Bank Śląski S.A. Group attributable to shareholders of the parent entity (including, apart from net profit, other items of income and expenses carried through equity) was PLN -378.5 million in H1 2015 versus PLN 1,103.3 million in H1 2014. The considerably lower amount of total income is primarily the consequence of the reduced capital items, that is pricing of cash flow hedging instruments (down by PLN 786 million) and available-for-sale financial assets (down by PLN 195.4 million).

2. Net interest income

Despite noticeably lower interest rates – as at the end of June 2014, the NBP reference rate was 2.5%, while as at the end of June 2015 it was 1.5% – Q1 2015 net interest income was close to or even slightly above the net interest income earned in the same period last year. This is the result of significantly higher business volumes (the lending portfolio augmented by almost PLN 11 billion, or above 20% over that time) and tailoring of the deposit offer to market conditions.

Lower interest margin, which fell by 26 basis points over the year, is the natural effect of reduced interest rates.

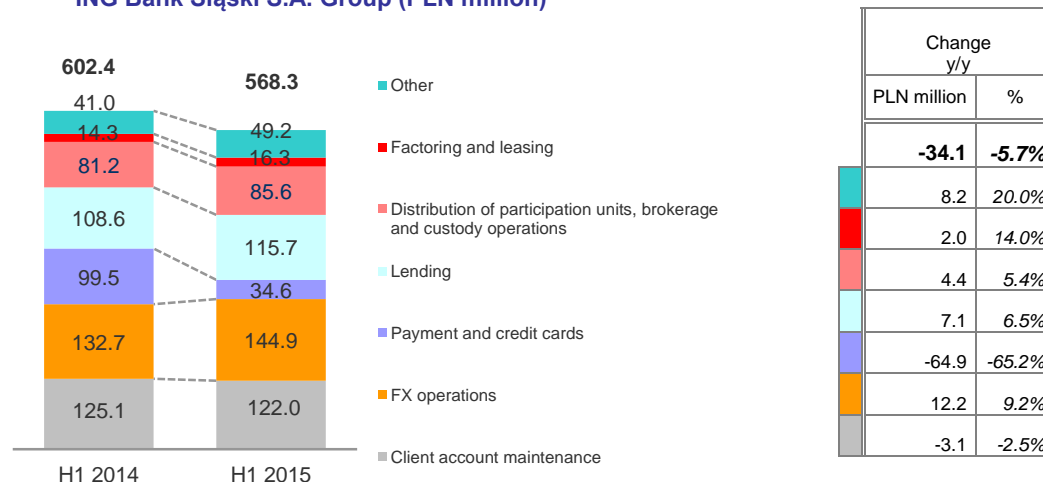
Net interest income of ING Bank Śląski S.A. Group (PLN million)



3. Non-interest income

Income on fees and commissions represented the major part of non-interest income of the ING Bank Śląski S.A. Group. In H1 2015, it totalled PLN 513.5 million and – despite considerably higher volume of transactions and number of clients serviced – it was PLN 42.2 million (or 7.6%) below the said income posted in H1 2014.

Commission income of ING Bank Śląski S.A. Group (PLN million)

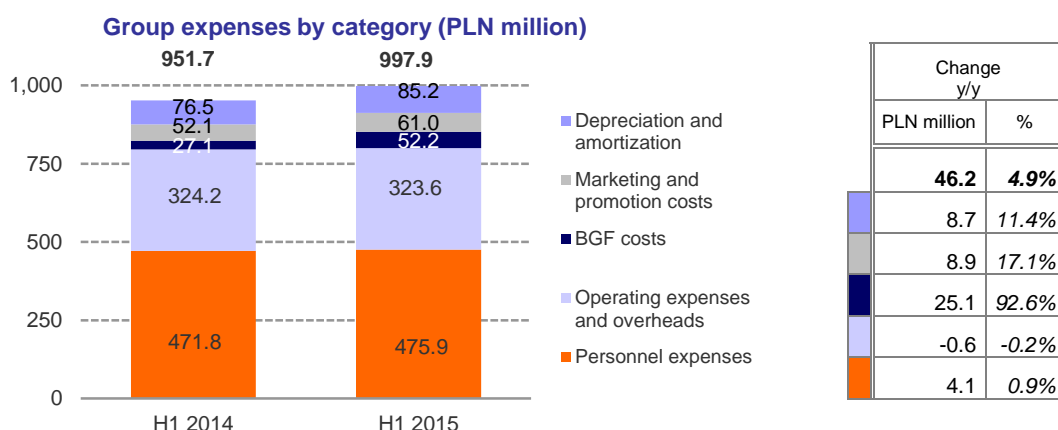


Lower income on fees and commissions was in major part triggered by lower income on payment and credit cards which dropped by almost PLN 65 million (or 65%). This phenomenon follows a considerable interchange fee reduction. In H1 2014, the effective market fees were from 1.2% to 1.3% of the card transaction amount. In contrast, at the beginning of February 2015, they ranged from 0.2% to 0.3% only. In January, the fees from 0.5% to 0.6% applied.

In H1 2015, other income of the Bank Capital Group was PLN 135 million higher than in H1 2014. This result was first and foremost driven by two transactions: sale of some bonds from the portfolio of available-for-sale securities in Q1 (impact on the net investment income of PLN 50 million) and the dividend payout by ING PTE in Q2 (PLN 82 million).

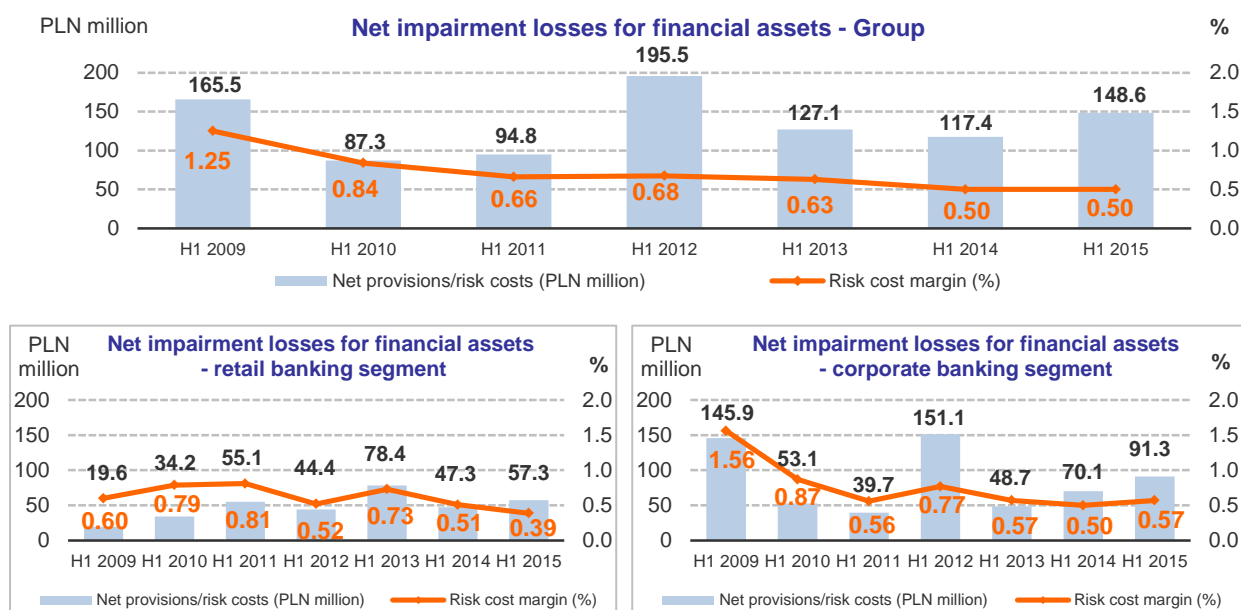
4. Operating expenses

In H1 2015, as compared with H1 2014, the operating expenses were as follows:



5. Impairment losses and provisions

The Group kept the ratio of risk costs to the lending portfolio at 50 basis points. Higher net provisions made in H1 2015 when compared with past year (up by PLN 31.2 million) were caused by the lending portfolio growth.



In May 2015, the portfolio of corporate receivables recognized as impaired loans or written off the Group balance sheet was sold. The transaction had a positive impact (PLN 7 million) on risk costs.

6. Income tax

In H1 2015, the Group posted the income tax of PLN 135.2 million, which was visibly below the one shown in the year 2014 (down by PLN 40.2 million). In H1 2015, the effective tax rate was 18.2% versus 24.6% a year ago.

Lower tax rate in 2015 stemmed from the dividend of PLN 82 million paid out to the Group on 20% of ING PTE shares. It was not taxed in keeping with Article 22 section 4 of the Corporate Income Tax Act.

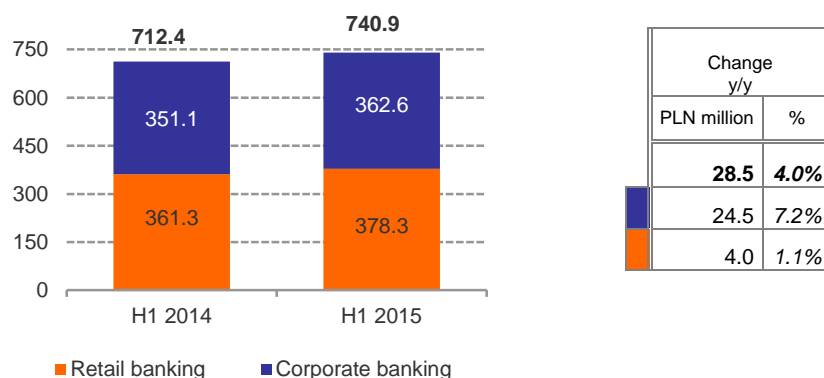
7. Share of individual business segments in financial result

The Bank's business model is divided into two major segments:

- Retail banking segment, which encompasses private individuals (mass clients sub-segment and affluent clients sub-segment) and entrepreneurs (small businesses).
- Corporate banking segment, which comprises institutional clients and FM products' operations.

For both segments, the Group recorded a rise in the gross result earned in H1 2015:

Gross result by business segment (PLN million)



The results of the retail banking segment and of the corporate banking segment accounted for 51.1% and 48.9% of the Group's result before tax, respectively (in 2014 it was 50.7% and 49.3%).

Gross result drivers for the retail banking segment

	H1 2015	H1 2014	Change H1 2015 / H1 2014	
	PLN million	PLN million	PLN million	%
Net interest income	718.2	664.1	54.1	8.1%
Net commission income	184.4	245.0	-60.6	-24.7%
Other income*	148.0	72.9	75.1	103.0%
Total income*	1,050.6	982.0	68.6	7.0%
Operating expenses	614.8	573.4	41.4	7.2%
Result before risk costs	435.8	408.6	27.2	6.7%
Impairment losses and provisions	57.5	47.3	10.2	21.6%
Gross financial result	378.3	361.3	17.0	4.7%

*Together with the share in profits of companies recognised on an equity basis.

Gross result drivers for the corporate banking segment

	H1 2015	H1 2014	Change H1 2015 / H1 2014	
	PLN million	PLN million	PLN million	%
Net interest income	444.9	486.0	-41.1	-8.5%
Net commission income	329.1	310.7	18.4	5.9%
Other income*	62.8	2.8	60.0	2,142.9%
Total income*	836.8	799.5	37.3	4.7%
Operating expenses	383.1	378.3	4.8	1.3%
Result before risk costs	453.7	421.2	32.5	7.7%
Impairment losses and provisions	91.1	70.1	21.0	30.0%
Gross financial result	362.6	351.1	11.5	3.3%

*Together with the share in profits of companies recognised on an equity basis.

8. Consolidated statement of financial position

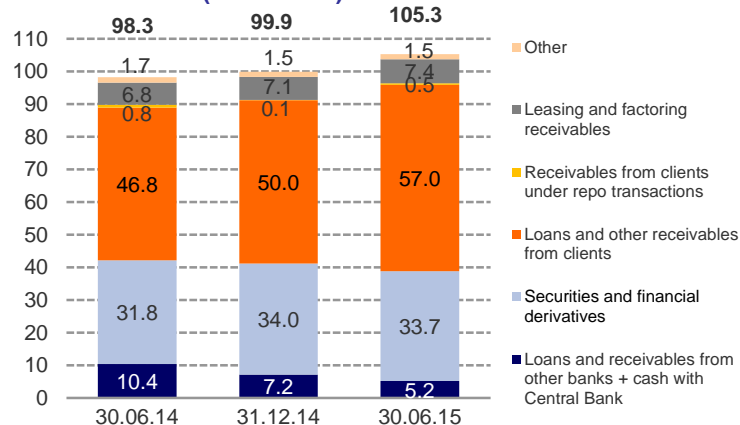
As at 30 June 2015, the balance sheet total of the ING Bank Śląski S.A. Group was PLN 105.3 billion, up by PLN 5.4 billion, or 5.4%, from the end of 2014.

The size of the Group's balance sheet total as well as the structure of assets and liabilities are determined by the operations of ING Bank Śląski S.A. As at the end of June 2015, the balance sheet total of ING Bank Śląski S.A. was PLN 102.5 billion (97.3% of the Group's balance sheet total) versus PLN 96.7 billion in December 2014 (up by 6.0%).

Assets

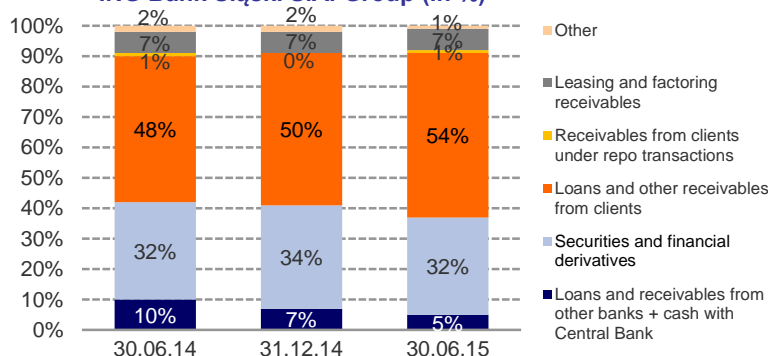
Loans and other receivables to customers represent the biggest item of ING Bank Śląski S.A. Group's assets. As at 30 June 2015, they accounted for 54% of all Group's assets.

Assets of ING Bank Śląski S.A. Group
(PLN billion)

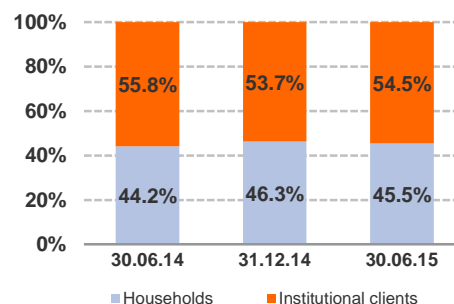


	Change H1 2015		Change y/y	
	PLN million	%	PLN million	%
	5.4	5.4%	7.0	7.1%
	0.0	0.0%	-0.2	-11.8%
	0.3	4.2%	0.6	8.8%
	0.4	400.0%	-0.3	-37.5%
	7.0	14.0%	10.2	21.8%
	-0.3	-0.9%	1.9	6.0%
	-2.0	-27.8%	-5.2	-50.0%

Structure of assets of
ING Bank Śląski S.A. Group (in %)



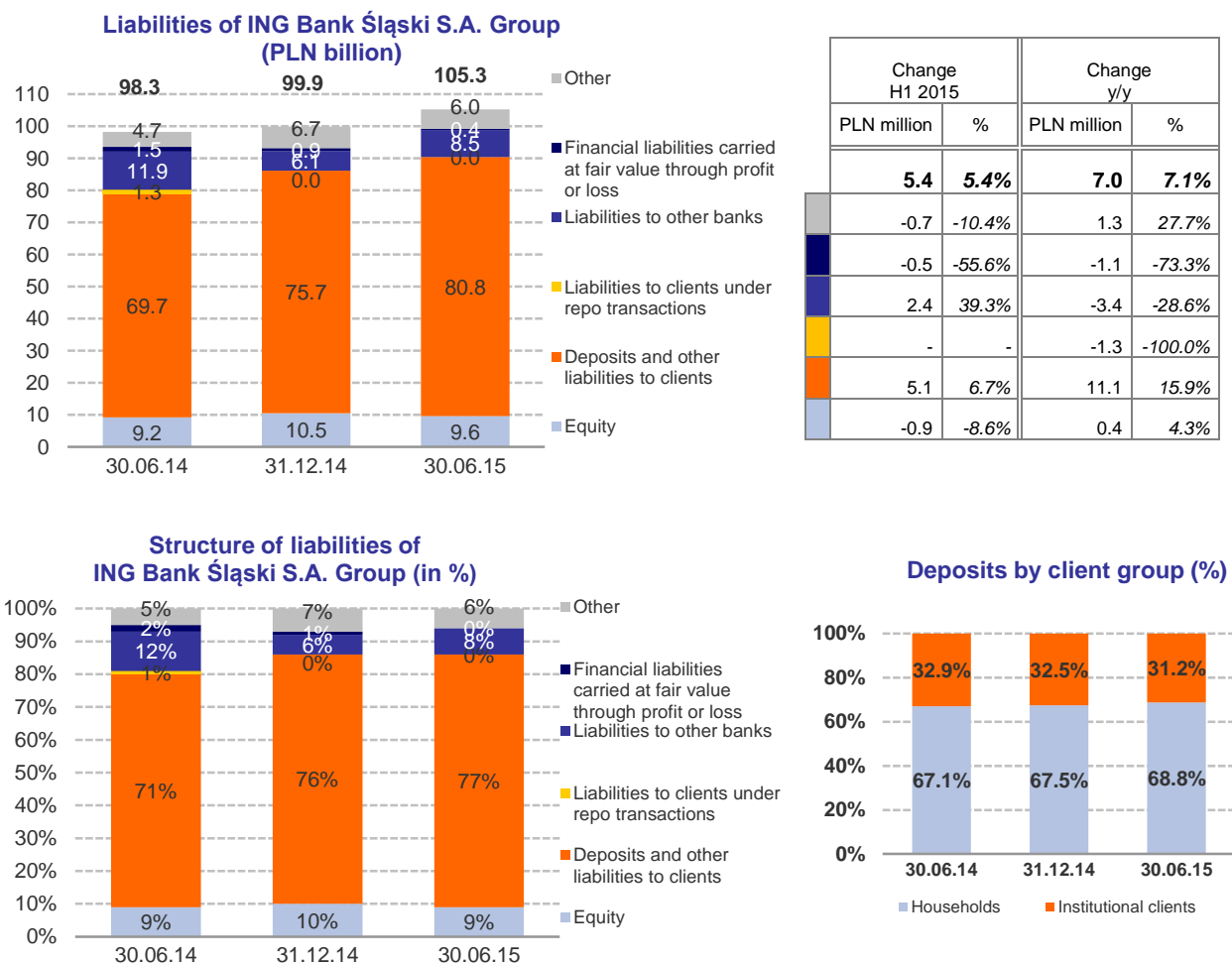
Net loans by client group (%)



T-bonds (Eurobonds included) and derivatives represented a major item of PLN 33.7 billion (or 32% of assets) in the balance sheet of the Bank Group. Debt securities, including investment assets of PLN 24.3 billion (including available-for-sale assets of PLN 22.5 billion and financial assets held to maturity of PLN 1.7 billion) dominated the portfolio.

Liabilities

The funds deposited with the Bank by customers constituted the dominant source of funding for the operations of the ING Bank Śląski S.A. Group. In June 2015, the liabilities to customers amounted to PLN 80.8 billion, or 76.7% of all liabilities.



Equity was the second most important funding source. As at the end of June 2015, it stood at PLN 9.6 billion and represented 9% of total liabilities.

VI. MANAGEMENT OF KEY RISKS

1. Credit risk

General information

ING Bank Śląski S.A. manages credit risk end-to-end, based on strategic planning and a consistent system of policies and procedures as well as the risk management tools, including risk identification, measurement and control.

The lending policy pursued by ING Bank Śląski S.A. is based on principles of secure and prudent credit risk management. The lending policy is put into practice by the Bank Management Board that established the Credit Policy Committee to take decisions as regards credit risk management on a daily basis.

Risk management strategy sets out short-, mid- and long-term goals for the credit risk management area as well as their accomplishment manner. Risk appetite which translates the Bank's strategy into a consistent set of portfolio measures, defined as maximum thresholds for the lending portfolio, along with defined early warning brackets, is an element of that strategy. The credit risk management strategy is approved by the Supervisory Board. The Supervisory Board also periodically assesses the degree of accomplishment of strategic goals by the Bank Management Board.

At ING Bank Śląski S.A., the credit risk is defined as the possibility of failure to recover the Bank's receivables under granted credit products which may result in failure to earn income and/or in a financial loss.

Lending-related losses are a consequence of risk and the Bank's mitigation actions in that regard. In order to keep the losses at or below the level set in the planning documents, the Bank impacts their level using accepted risk limits, risk exposure amounts plus risk hedging instruments and in case the risk materializes by direct actions reducing the losses.

The credit risk management system used by ING Bank Śląski S.A., including the organisational structure, the lending process framework, the system of internal regulations and the applied tools and models, is verified on an ongoing basis and adapted as needed to ensure that the Bank's strategy, the risk appetite included, is accomplished. The aim is to ensure that the identification, assessment, measurement, monitoring and management actions taken for the business bearing credit risk are adequate and, at the same time, consistent and compliant with the regulatory requirements.

ING Bank Śląski S.A. manages its credit risk with the use of advanced credit risk assessment models. For the corporate credit portfolio, capital requirements are computed using the Advanced Internal Rating-Based Approach (AIRB). For the retail portfolio, this method is undergoing a use test now. The models applied by the Bank to manage risk are systematically validated and developed.

The Bank actively uses stress tests to manage credit risk on an ongoing basis.

ING Bank Śląski S.A. maintains the credit risk management model based on three lines of defence:

- 1st line of defence: business units – performing commercial operations on a day-to-day basis in line with the approved internal regulations and risk limits while demonstrating adequate awareness and ownership of the risks taken,
- 2nd line of defence: credit risk function – ensuring that actions of business units remain within the approved principles and limits,
- 3rd line of defence: internal audit function – verifying periodically and thoroughly that the actions taken by the 1st and 2nd lines of defence comply with the regulatory requirements and best banking standards.

Credit decisions are taken following a comprehensive transaction risk analysis – in the proper credit approval track, determined by the transaction complexity and amount, including for more automated paths on the basis of clearly defined criteria, including behavioural ones, and based on the credit limit computed automatically using the algorithm approved by the Credit Policy Committee. All transactions

are accepted in line with the explicitly defined credit mandate. The persons taking credit decisions are personally liable for them.

The decision-taking powers exercised in respect of sale and risk acceptance for individual credit transactions by business units and transactional credit risk units are separated (also in functional terms) from the activities of the risk policy, modelling and reporting area that shapes the credit policy as well as builds and validates the tools assisting the risk management process.

Lending policy and credit risk measurement and monitoring tools

The main changes introduced to the Bank's lending policy in H1 2015 as well as risk measurement and monitoring tools were described in the Interim Consolidated Financial Statements for H1 2015.

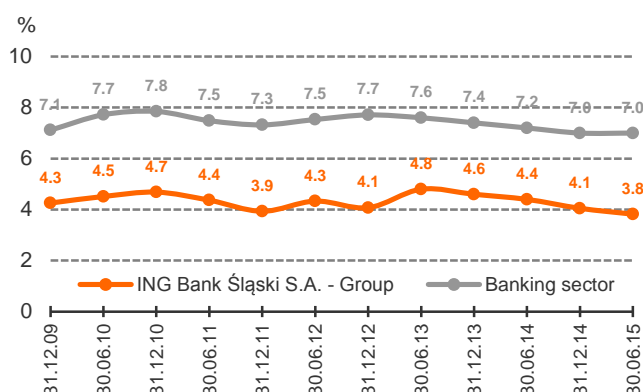
Quality of lending portfolio and provisioning

During H1 2015, the quality of lending portfolio of the Bank Group improved – the share of the impaired portfolio in the entire lending portfolio of the Bank Group went down from 4.1% in December 2014 to 3.8% as at the end of June 2015. Impaired loans were worth PLN 2,518.2 million versus PLN 2,379.4 million as at the end of 2014.

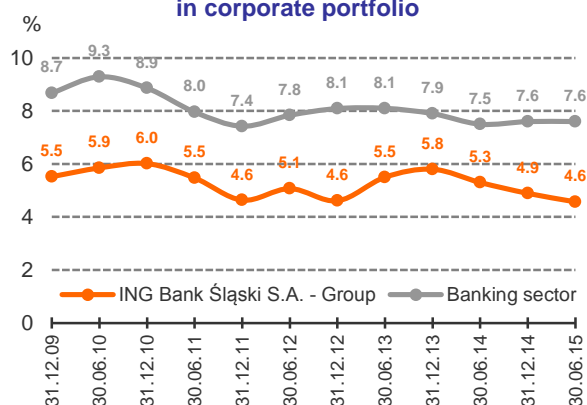
In H1 2015, the quality of the Bank's portfolio was impacted, apart from the prudent lending policy, also by the sale of a portion of corporate receivables classified as impaired loans or written off the balance sheet (PLN 265.6 million of principal plus accrued interest). This transaction contributed to reduction of the impaired loans portfolio by PLN 191.7 million.

As at the end of H1 2015, the ING Bank Śląski S.A. Group had PLN 1,488.1 million worth of provisions for the impaired lending portfolio. The impaired portfolio provisioning ratio was 59.1%.

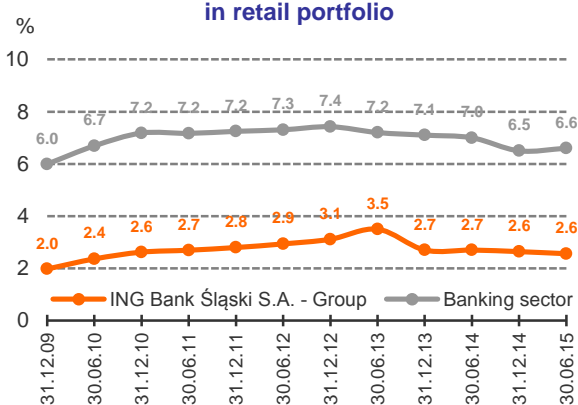
Share of impaired loans - Group



Share of impaired loans in corporate portfolio



Share of impaired loans in retail portfolio



Market ratios – estimate based on the data published by NBP, as of May 2015.

2. Market and liquidity risk management

The changes introduced in H1 2015 to the process of market risk management and risk measurement tools as well as liquidity risk management were described in the Interim Consolidated Financial Statements of ING Bank Śląski S.A. Group for H1 2015.

VaR exposures and limits in H1 2015

In H1 2015, the Bank maintained its trading exposure at low levels compared with the effective limits. Average limits utilisation for the trading activity stood at 52%, 11% and 16% for interest rate, currency and FX options products, respectively. Average utilisation of VaR limits for the interest rate risk of the banking book was 57%.

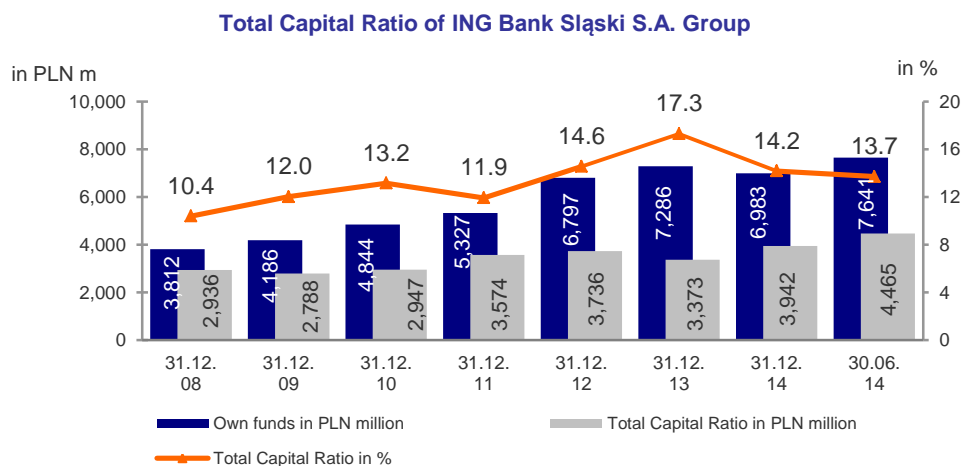
Throughout the entire period there were no instances of exceeding the VaR limits in the long-term interest rate trading portfolio (maximum limit utilisation was 98%). There were no instances of exceeding the VaR limits in the banking book either (maximum limit utilisation was below 70%).

In H1 2015, VaR limits did not change.

An important change in market risk limits was retrenching in January 2015 the acceptable foreign currency position in CHF (change from EUR 20 million to EUR 2 million) and in other less significant foreign currencies. The change was caused by foreign currency fluctuations (mainly of CHF) resulting from the Swiss National Bank's decision on removal of the EUR/CHF exchange rate barrier. At present, the Bank is focusing mainly on position management in key foreign currencies i.e. EUR, USD and PLN.

3. Capital adequacy

Total Capital Ratio at the end of H1 2015 totalled 13.7% which translates into safe position of the Groups as regards capitals and opportunity of further development in lending.



Since January 2015, the Bank has recognised in the calculation of own funds 40% of unrealised profits and 100% of unrealised losses on valuation of available-for-sale financial assets carried through revaluation reserve (as per the guidelines of the Polish Financial Supervision Authority delivered with the letter BRB/DRB_II/0735/29/17/2015 of 26 March 2015). In 2014, the Bank recognised 0% of unrealised profits and 80% of unrealised valuation losses in the calculation of own funds, respectively.

4. Operational and compliance risk management

The changes adopted in H1 2015 to the process of operational and compliance risk management were described in the Interim Consolidated Financial Statements for H1 2015.

VII. DEVELOPMENT OF ORGANISATION AND INFRASTRUCTURE OF ING BANK ŚLĄSKI S.A. GROUP IN H1 2015

1. IT and Operations

The main focus of IT actions at ING Bank Śląski S.A. is on developing innovative solutions while keeping high reliability and security of banking systems. The key tasks performed in H1 2015 include:

- launch of a pilot programme for the new electronic banking system (My ING), made together with Bank clients,
- development of mobile versions of electronic banking systems for both retail and corporate clients,
- launch of a new method for payments and withdrawals made at ATMs with the use of BLIK codes/cheques, and
- rollout of the BigData environment allowing for big data processing in short time.

At the same time, we continued to:

- migrate the application to the new private cloud of ING Bank Śląski S.A. under a unique project in the Polish market called Zero Touch,
- replace card systems, and
- work on the new electronic banking system for corporate clients.

There were also many changes implemented in the Operations area to ensure continuous development and streamlining of processes. Among others, the following projects were continued in H1 2015:

- centralised CashProcessing whereunder more recyclers with the closed-loop cash management were introduced (over 650 machines as at the end of June 2015 with migration of another 200 machines planned by the end of December). We also implemented over 600 proximity readers in ATMs/CDMs by the end of H1 2015.
- machine diversification for corporate clients – in H1 2015, we launched 16 light depositories, 2 light CDMs and 14 fee collection machines,
- consolidation of the head office offices in Katowice under the Reunion project.

2. Development of electronic distribution channels

In H1 2015, the Bank took a number of initiatives expanding the mobile banking functionality. From now on, users of the dedicated smartphone ING BankMobile application can:

- use a new “Split your expenses” feature, whereby they can easily square their bill with friends. Users just enter the amount of expenses and choose from their mobile directory people to send an e-mail or text message to with the amount and account number for the transfer,
- send a transfer to a mobile phone – the application facilitates transfer of money to any bank in Poland without knowing the beneficiary account number; users just enter the phone number or retrieve it from their mobile directory,
- pay for shopping or withdraw money from ATMs via mobile phone using BLIK codes generated in the application. Further, users can search for BLIK spots on the map, that is places where one can pay using codes,
- file a credit application – selected clients can take advantage of the prescoring offer of cash loans, credit cards and account overdraft with already computed available amount,
- stay up to date with their finance thanks to push messages that is messages showing account operations or card transactions which are displayed directly on the smartphone,
- use the English version of the application, and
- check details of debit cards (the total of transactions made in a given month, among others) or change their card PIN code.

At the beginning of June, ING Bank Śląski S.A. launched a new ING Business mobile application version for corporate clients. It is transparent, universal and supports customisation of settings. The new version was rolled out in response to the changing client habits and expectations. That ING Bank Śląski S.A. was the first bank on the Polish market to launch a mobile application for businesses in 2013 is worth noting.

Bank's efforts to deliver top-notch mobile banking service were rewarded with the Golden Bell statuette in the "2014 Mobile Bank of the Year" category. The award was bestowed during the Mobility Trends 2014 Gala, wrapping up the market novelties which enjoyed most consumer interest in 2014.

As at the end of H1 2015, the electronic banking systems of ING Bank Śląski S.A. were used by over 3.0 million clients. Until 30 June 2015, the ING BankMobile and ING BankMobile HD applications were downloaded over 970 thousand times. 590 thousand clients were active users of those applications.

Number of clients²¹ of electronic banking systems at ING Bank Śląski S.A.

	30 Jun 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
ING BankOnLine, ING BusinessOnLine	3,017,621	2,846,079	2,575,708	2,350,269	2,115,325	1,879,525	1,559,504
HaloŚląski	1,949,906	1,819,028	1,605,063	1,433,433	1,285,261	1,072,099	786,008
ING BankMobile, ING Bank Mobile HD*	972,350	764,457	364,867	123,269			
ING Business	7,914	6,703	3,712				

*/ Number of application

As at the end of June 2015, ING Bank Śląski S.A. had 1,057 machines for cash self-service in total, including 250 standard ATMs, 113 standard CDMs and 694 dual machines.

3. Network of bank branches

As at 30 June 2015, ING Bank Śląski S.A. had 399 retail branches (including 113 branches with modern cash processing functionality in ATMs, CDMs and dual machines). There is a 24/7 self-banking zone in almost every Bank branch, where the clients may deposit or withdraw funds on their own.

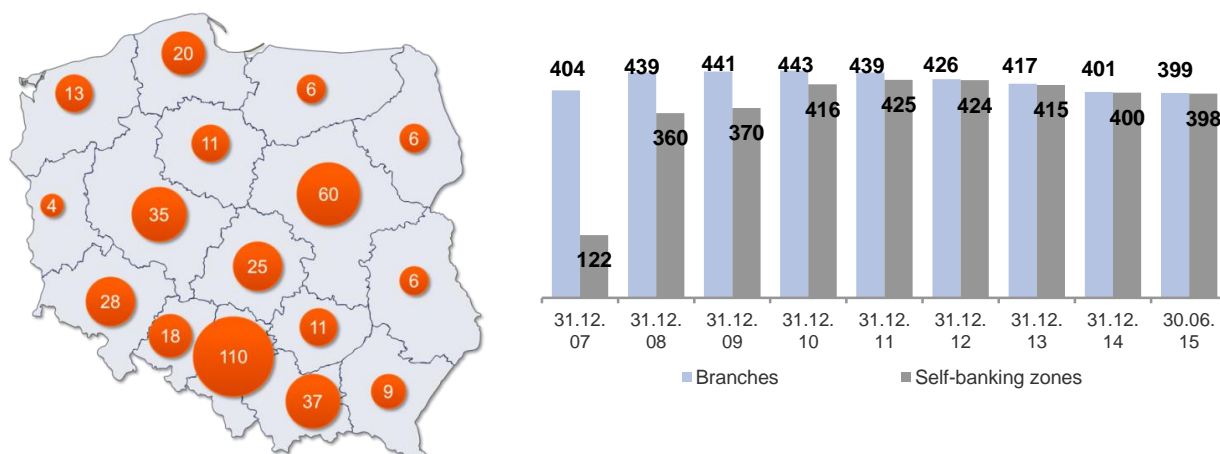
The Bank continues the process of face-lifting retail branches, during which furnishings and fittings are modernized and new functional solutions are introduced. As at the end of H1 2015, the Bank had 193 branches in the new standard. Moreover, the actions to relocate branches to the most attractive locations in business terms in given cities, towns and regions continued. The Bank is planning to maintain the number of branches at a stable level, similar to the current one and to continue its efforts to modernise the traditional branches step by step. Moreover, at the beginning of 2015, we provided clients with a free Wi-Fi connection at all retail branches, whereby they became even more client-friendly.

The Bank developed a new distribution channel – ING Express points positioned at the largest shopping malls across Poland. The net of ING Express points was formed in response to expectations of clients who want their bank to be available anytime and anywhere. This distribution channel is primarily to win new, active clients. As at the end of June 2015, the ING Express net had 59 points.

Corporate clients from mid-sized and mid-corporates segment were serviced at the Bank by 33 corporate branches and 15 corporate banking centres. Almost all of them were operating in the same locations as retail branches. The largest corporate clients were serviced by the Strategic Clients Department located in Warsaw and by its regional office in Katowice.

²¹ The number of clients does not correspond to the number of users, one client can have a few users in a given system.

Network of ING Bank Śląski S.A. branches (as at 30 June 2015)



4. Human resources management

Headcount

As at 30 June 2015, the ING Bank Śląski S.A. Group had 8,228 employees. Throughout H1 2015, the headcount in the companies belonging to the Group went up by 71 persons (0.9%). Headcount increase was mainly due to development of the Commercial Banking area and ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A. companies. Furthermore, in H1 2015 the headcount in the Retail area was increased due to the transfer of ING Securities S.A. employees to the Bank as part of the business integration project.

In June 2015, ING Bank Śląski S.A. had 7,759 employees, up by 72 persons (or 0.9%) from December 2014.

Employment in ING Bank Śląski S.A. Group

	30.06.2015		31.12.2014	
	number of persons	%	number of persons	%
Retail Banking	3,902	50.3	3,877	50.4
Corporate Banking and Financial Markets	1,157	14.9	1,107	14.4
Operations/IT/Services	1,940	25.0	1,961	25.5
Risk/Organisation/Finance/HR	760	9.8	742	9.7
Bank Total	7,759	100.0	7,687	100.0
ING Securities S.A.	112	23.9	124	26.4
ING Lease (Polska) Sp. z o.o.	170	36.2	160	34.0
ING Commercial Finance Polska S.A.	97	20.7	91	19.4
Solver Sp. z o.o.	34	7.3	38	8.1
ING ABL Polska S.A.	1	0.2	1	0.2
ING Usługi dla Biznesu S.A.	55	11.7	56	11.9
Subsidiaries	469	100.0	470	100.0
ING Bank Śląski S.A. Group	8,228		8,157	

Remuneration policy

In H1 2015, ING Bank Śląski S.A. kept the existing remuneration policy, the aim whereof is to effectively support the strategic goals. The assumptions of the policy are based on competitive and marked-to-market as well as transparent and coherent remuneration offered to employees.

In order to implement into the internal regulations the provisions of *Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms* the provisions of the *Variable Remuneration Policy of Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A.* were adjusted.

Recruitment and employer branding

In H1 2015, ING Bank Śląski S.A. continued its employer branding activities geared towards professionals and students.

A new website of ING Bank Śląski – Career was launched. The new website was developed in RWD technology for easy use on mobile devices.

The Bank started using the LinkedIn search engine for recruitment purposes as it allows you to contact passive candidates, i.e. those who at a given time do not look for a job on their own initiative and praca.pl portal where currently all Bank offers are published.

Also, cooperation with *Computerworld* monthly was continued as regards promoting the Bank as a workplace among IT specialists. Further, testing of the Hunt mobile application was started to increase the number of applications of candidates from this area.

The Bank continued actions dedicated to people entering the labour market (students and graduates), among others:

- Participation in spring job fairs.
- ING Ambassadors Programme (for students representing the Bank at universities), where in cooperation with the students being Bank ambassadors subject-matter-related workshops/training courses for students were developed and stands at the universities promoting the employer were put.
- Internship with the Lion Programme addressed to students of different fields of study who plan to work in banking in the future. 51 participants were accepted for the Programme.
- The ChallengING IT traineeship programme – two programme options were launched: predictive analytics and IT analysis whereunder 4 participants were employed.
- ING International Talent Programme where 4 new participants were selected.
- Corporate Readiness Certificate – cooperation with ING Services and IBM as part of the educational IT programme at two universities in Silesia.
- Young Innovators – ING Bank Śląski was a partner of the programme for students of various science fields of study, organised by L. Paga Foundation.
- “Orange Meetings” cycle of workshops with an ING Bank Śląski specialist organised by the Operations Division.
- Cooperation with the University of Gdańsk and Gdańsk University of Technology as regards running practical courses for students by employees of ING Bank Śląski from Gdańsk Region (Arcana of practical banking).
- Cooperation with career offices and student organisations (AIESEC, Wiggor, BEST, CEMS and Paneuropa),

Vast offer and quality of internship within the HR area conducted at ING Bank Śląski S.A. were appreciated by external research and ranking institutions. In February 2015, ING Bank Śląski S.A. was honoured for the sixth time with the (2015) Top Employers Poland certificate. The award granted by the Top Employers Institute – an independent international organisation – confirms that ING Bank Śląski S.A. belongs to the group of top employers worldwide.

ING Bank Śląski also ranked first in the Most Desired Employers 2014 in the Opinion of Professionals and Managers study in the Banking, Insurance and Financial Institutions category. In the fifth edition of the study conducted by the international recruitment company Antal International, there were 4,000 respondents from Poland.

Once again, students listed ING Bank Śląski S.A. as one of the top ten most desired employers. The Bank came 6th in the survey conducted by AIESEC international student organisation among students of 39 universities, one rank up from 7th position a year earlier.

Employee development and training courses

In H1 2015, the Bank pursued its policy of development actions in accordance with the strategy adopted; the policy covered three areas: leadership, innovativeness as well as acquisition and retention of talented employees. Actions supporting implementation of the Orange Code (set of ING behaviours and values) in the organisation were of great significance here.

The actions performed addressed the defined organisation needs as regards knowledge and development, i.e.:

- Strengthening the Top Employer corporate culture, development of managers and leaders (establishment of a modern development programme for leaders, preparation of implementation of working with innovation methodology, Skills Academy).
- Strengthening competences and behaviours of employees through a diversified offer of development and inspiring actions (lectures, workshops and training courses as well as other competence-enhancing actions).
- Specialist and expert knowledge (in particular advanced training courses on trends, new technologies and security).
- Dedicated training and development programmes for business units, including the knowledge and skills enhancement programme for the sales network.
- Knowledge in the area of security and compliance (regularly conducted training courses for all employees).

The Bank promotes competence strengthening with the use of various development tools. The tools available for the employees include but are not limited to actions in real work environment, project actions, knowledge sharing, traineeships, coaching, mentoring, training courses, workshops and lectures. Also self-service forms of sharing knowledge with the use of multimedia tools like chats, webinars and knowledge sharing fora are of big importance. The Bank supports also self-enhancement of skills by employees, performed in the form of certification, post-graduate studies or the Polish Bank Association standards.

Employee development was supported by on-line tools, for example the Development Navigator (an application containing, among others, potential transfer offers for the employees of the Bank and Subsidiaries).

Employees of the Retail and Corporate Sales Networks and of the Head Office units, including managers and new employees, participated in those actions.

VIII. OUTLOOK ON ING BANK ŚLĄSKI S.A. OPERATIONS

The Preferred Bank strategy is based on three pillars:

- Client Centricity – all operations of the organisation focus on tailoring products and the service model to needs of clients from individual segments,
- Operational Excellence – keeping the position of the best internet and mobile bank, and streamlining the processes,
- Top Employer – acquiring and retaining the best personnel by supporting employees' professional development and using modern communication tools.

In order to ensure long-term growth of the goodwill, the Bank undertakes actions aimed at reinforcing and then keeping the top position in the Polish banking sector by harmonious development of core activities; i.e. retail and corporate banking. The multichannel and integrated sales and client service model, with a special emphasis on enhancing the electronic and mobile banking systems, is further developed.

Retail banking

In H1 2015, ING Bank Śląski S.A. strived to strengthen its position in the consolidating market environment and become the preferred bank. As in previous years, customer experience improvement and sustainable growth of both savings and loans volumes remained the main areas of focus. Moreover, the Bank paid more attention to the potential created by digitalisation and innovations when it comes to satisfying the client changing needs.

Key principles which actively support the pursuit of strategic goals have proved successful and therefore remain unchanged: clear and transparent product offer with a good quality to price ratio, broad and innovative multichannel distribution network (399 branches, network of IFAs, direct channels: contact centre, electronic and mobile banking), efficient and practical internet processes, strong brand recognition and high performing team.

Main goals for 2015:

- increase in the number of acquired clients,
- strengthening of the position of the main Bank for current clients through the multichannel approach in order to serve them in the form they find most convenient at a given moment,
- further improvement of the customer experience, and
- sustainable growth in all the categories:
 - maintenance of a strong position in the household deposits market with a greater focus on sale of investment and structured products in the low interest rate environment, and
 - further growth of unsecured loans and mortgage loans volumes.

In order to achieve the abovementioned priorities, ING Bank Śląski S.A. will strive to fully leverage on the potential of the multichannel distribution system and ensure its clients top service quality. Extending the functionality of direct channels, implementing new payment solutions, providing clients with convenient online processes and orienting the branch role towards advisory services will allow the Bank to exploit the growing client traffic.

Such a strategy should translate into better sales results and higher deposits and loans balances. A higher cross-sell ratio (sales of insurance and investment products) will additionally result in income increase and diversification. While rising branches' efficiency, increased importance of direct distribution and service channels as well as operations automation will favour cost effectiveness improvement.

Corporate banking

Over the recent years, we have been observing increasingly faster changes in the surrounding environment, largely connected with the development and usage of new technologies. Clients have been changing their habits both as regards communication and their daily errands – either private or business. They expect their needs to be satisfied fast and intuitively, anywhere and anytime, online or via a mobile phone.

Private habits more and more frequently shape the manner in which corporate clients want to use banking services. In order to maintain the competitive edge in that market, the Bank is making necessary modifications in its strategy. In particular, the Bank puts more emphasis on direct distribution channels: internet, mobile and phone banking. The purpose is that a vast majority of client instructions is submitted via those channels. The Bank will also aspire to having a substantial portion of client acquisition and product sale made via direct channels.

A number of initiatives that are being implemented currently are to serve as technological and organisational preparations for that change. Among other things, a new approach to client segmentation is being devised; a client service model leveraging on direct service mechanisms will be put in place. Subsequent functions are being gradually launched within the CRM system implemented in 2014 and supporting advisors in the service of the dynamically growing client portfolio.

Online banking is becoming more and more important for contacting clients. The Bank's objective is to make it a universal communication platform and offer through it the biggest number of products and services possible. Now, intensive design works are in progress over preparation and implementation of a new version of the corporate clients system, *ING Business*, that will utilise the latest usability solutions and will be tailored better to users' changing needs and behaviours and to the devices they use thanks to the RWD technology.

The Bank intends also to strengthen its cooperation with the subsidiaries from the asset-backed funding area (leasing and factoring). The aim is to work out a coherent approach to offering credit, leasing and factoring products in a way that will guarantee transparent communication and optimal adjustment of the offer to the needs of specific clients plus will ensure the most effective use of the Group's resources.

IX. INVESTOR INFORMATION

1. Shareholding structure

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V., which as at 30 June 2015 had a 75% share in the share capital of ING Bank Śląski S.A. and a 75% share in the overall number of votes at the General Meeting. ING Bank N.V. belongs to ING Group, a global financial institution, conducting its business activity on banking and insurance markets as well as within the area of asset management.

In line with the Charter, the Bank's share capital is divided into 130,100,000 shares with the face value of PLN 1 each.

In H1 2015, neither the worth of ING Bank Śląski S.A.'s share capital nor the majority shareholder's share in the equity changed.

Shareholding structure of ING Bank Śląski S.A.

Shareholder name	Number of shares and votes at GM	Share in share capital and in the total votes at GM	Shareholder name	Number of shares and votes at GM	Share in share capital and in the total votes at GM
	30 June 2015			31 December 2014	
ING Bank N.V.	97,575,000	75.00%	ING Bank N.V.	97,575,000	75.00%
Aviva Otwarty Fundusz Emerytalny (Open-End Pension Fund) Aviva BZ WBK ²²	7,601,000	5.84%	Aviva Otwarty Fundusz Emerytalny (Open-End Pension Fund) Aviva BZ WBK ²³	7,370,000	5.66%
Other	24,924,000	19.16%	Other	25,155,000	19.34%
Total	130,100,000	100.00%		130,100,000	100.00%

Bank shares are ordinary bearer shares. No additional special controlling rights are attached thereto. The Bank Charter does not impose any restrictions on transferring ownership of shares issued by the Bank, voting right execution or any stipulations whereunder share-based equity rights are separated from share ownership.

Pursuant to the provisions of the Bank Charter, the Management Board do not have any special rights concerning share issue or buyout.

As at the report's publication date, ING Bank Śląski S.A. did not have any information about agreements which might change the ratio of shares held by existing shareholders in the future.

2. ING Bank Śląski S.A. share price

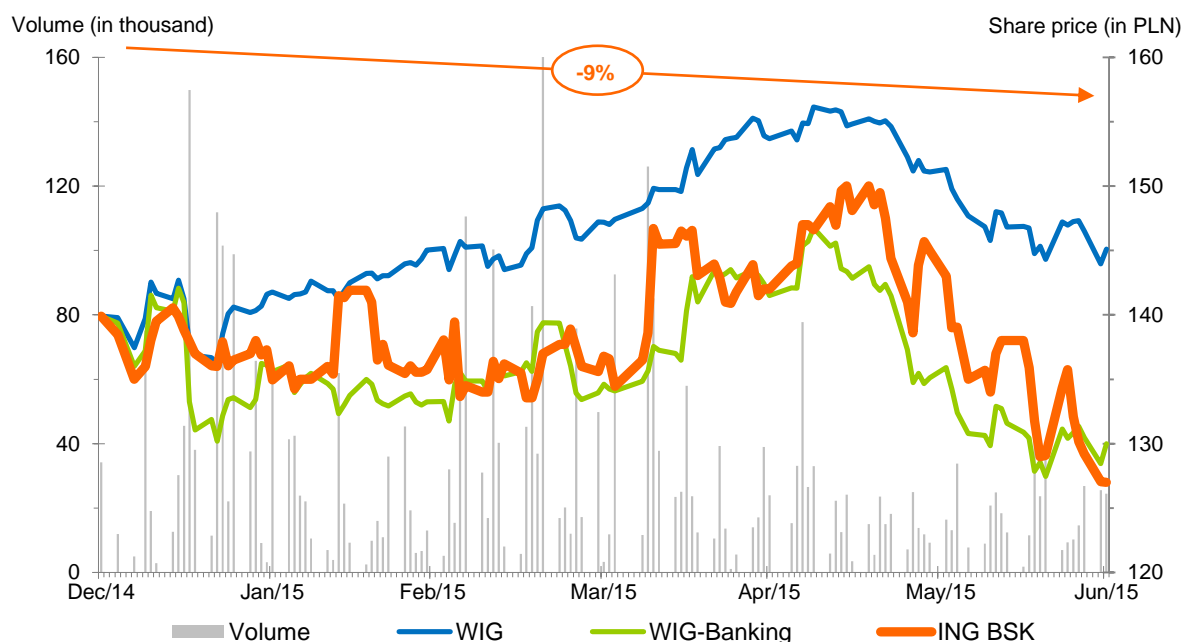
In H1 2015, the price of ING Bank Śląski S.A. shares at the close of the WSE trading session fluctuated from PLN 127.00 (as quoted on 30 June) to PLN 150.00 (as during the trading sessions on 14 and 18 May). On 30 June 2015, the price of ING Bank Śląski S.A. share was 9.2% down from the last quotation day in 2014 (to compare: WIG-banking sub-index went down by 7.1% at that time).

As at the end of June 2015, the Bank's market value was PLN 16.5 billion, while its book value amounted to PLN 9.6 billion.

²² Based on the list of shareholders registered at the Ordinary General Meeting of ING Bank Śląski S.A. on 31 March 2015.

²³ Based on the list of shareholders registered at the Ordinary General Meeting of ING Bank Śląski S.A. on 10 April 2014.

ING Bank Śląski S.A. share quotations in H1 2015 vs. comparable selected WSE indices



3. Ratings

ING Bank Śląski S.A. cooperates with the following rating agencies: Fitch Ratings and Moody's Investors Service.

Fitch Ratings Ltd. assigns full rating to ING Bank Śląski S.A. under agreement between the Bank and the Agency. In May 2015, Fitch Ratings Ltd. downgraded the Long-Term Issuer Default Rating (Long-Term IDR) for ING Bank Śląski S.A. from A to A-, and revised the outlook for that rating from "negative" to "stable" (Fitch Agency's press release of 19 May 2015). The downgrade is the result of the same rating action taken towards ING Bank N.V. which is the Bank's main shareholder. In line with its previous announcements, Fitch Agency revised the ratings for banks in view of the advanced implementation status of the new EU regulations regarding the said institutions' functioning. The Agency believes the new regulations substantially reduce the likelihood of sovereign support for the banks; as a result, the current ratings do not account for the potential support from the sovereign. The other ratings assigned by the Agency are unaffected by the revision of the Long-Term IDR and its outlook.

The full rating assigned to the Bank by Fitch as at the date of the Financial Statements publication was as follows:

Fitch Ratings Ltd.

Long-term IDR	A-
Outlook for sustaining the above rating	Stable
Short-term IDR	F1
Viability rating	bbb+
Support rating	1

Long-term IDR and Short-term IDR specify the entity's capacity to promptly pay its financial liabilities. "A-" Long-term IDR of the entity reflects high capacity of the Bank to promptly pay its long-term financial liabilities. "F1" Short-term IDR stands for the highest appraisal of the capacity to promptly pay the short-term financial liabilities (up to 13 months). For both ratings, Fitch Agency took into account high probability of getting potential support from the controlling shareholder of the Bank – ING Bank N.V.



(ING Bank Śląski S.A. has the highest support rating – level 1). Viability rating of bbb+ means that the intrinsic creditworthiness of the Bank; i.e., without any support (understood as the capacity to promptly pay one's liabilities) is high. The Agency is of the opinion that the Bank has a strong capital and liquidity position.

The Moody's Investors Service Ltd. Agency on the other hand, assigns ING Bank Śląski S.A. rating on the basis of public information. On May 2015, Moody's Investors Service upgraded the long-term deposit rating for ING Bank Śląski S.A. to A3 from Baa1 and assigned it a stable outlook revised from "review for possible upgrade" (Moody's press release of 21 May 2015 and Credit Opinion of 03 June 2015). Rating review is a consequence of the new bank rating methodology. Moody's assigned also the Bank the Counterparty Risk Assessment (or CR Assessment) of A2 – long-term and of P-1 – short-term. Other ratings did not change.

As at the Financial Statements' publication date, the Bank's ratings assigned by the Agency were as follows:

Moody's Investors Service Ltd.	
LT Rating	A3
ST Rating	P-2
Baseline Credit Assessment (BCA)	baa3
Adjusted Baseline Credit Assessment (Adjusted BCA)	baa2
Outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A2 / P-1

4. Investor relations

ING Bank Śląski S.A. strives after the best standards of communication with the capital market. The Bank focuses its attention on reliable and transparent information and on equal treatment of all stakeholders as well as observes all the laws regarding disclosure duties of listed companies. Important financial and business information in the form of financial reports, current reports, investor presentations and editable files with key company data are at the same time presented to the broad capital market. Communication with investors and stock analysts rests with a dedicated unit – Investor Relations Bureau.

In H1 2015, the representatives of the Bank Management Board and Investor Relations Bureau held many meetings with investors and participated in key investor conferences in the banking sector.

In H1 2015, two conferences were held at the Bank's Head Office presenting financial and business results for Q4 2014 and Q1 2015. Each time, approximately 30 representatives of brokerage houses and investors attend such a conference.

In H1 2015, the Bank continued to develop the channels of communication with stakeholders, including the basic tool, that is its webpage: <http://en.ingbank.pl/company-profile/investor-relations>. The webpage contains vital information including, among other things, quotations of ING BSK shares on the WSE, company shareholding structure, General Meetings or ratings. Also the current, interim and annual reports, results presentations, Excel sheets with key financial and business information as well as recordings from teleconferences are published on the webpage. Owing to the RWD technology used, it is now adjusted to mobile devices – tablets and smartphones.

ING Bank Śląski S.A. is one of the companies being observed and analysed by the market. As at the end of June 2015, analysts representing 15 domestic and foreign financial institutions published reports and recommendations for the Bank's shares.

5. Dividend payout

Following the decision of the Ordinary General Meeting of 31 March 2015, on 05 May 2015 the Bank paid out the dividend for 2014 in the total amount of PLN 520.4 million, that is PLN 4.00 gross for one share. 20 April 2015 was the record date.

6. Changes to Statutory Authorities of ING Bank Śląski S.A.

As of 31 March 2015, Mr Nicolaas Cornelis Jue tendered a letter of resignation from the capacity of the Supervisory Board Member, due to being entrusted with other duties within ING Bank N.V. At the same time, on 31 March 2015, the General Meeting appointed Mr Diederik van Wassenauer as Member of the Supervisory Board.

As at 30 June 2015, the Supervisory Board of ING Bank Śląski S.A. operated in the following composition:

- Mr Antoni Reczek Chairman, Independent Member,
- Mr Brunon Bartkiewicz Deputy Chairman,
- Mr Aleksander Galos Secretary, Independent Member,
- Mr Roland Boekhout Member,
- Mr Ad Kas Member,
- Mr Aleksander Kutela Member, Independent Member,
- Mr Diederik van Wassenauer Member.

On 31 March 2015, the Bank Supervisory Board appointed for the new term of office the Management Board of ING Bank Śląski S.A. in the current composition:

Scope of responsibilities of Bank Management Board Members (as at 30 June 2015)

● Ms Małgorzata Kołakowska	President of the Bank Management Board in charge of some units reporting directly to the Bank Management Board (including: Management Board Bureau, Press Office, Internal Audit Department, Legal Department, non-financial risk management units, Compliance Department and HR units)
● Mr Mirosław Boda	Vice-President of the Bank Management Board in charge of the Finance Division and the Treasury Department
● Mr Michał Bolesławski	Vice-President of the Bank Management Board in charge of the Corporate Sales Network Division
● Ms Joanna Erdman	Vice-President of the Bank Management Board in charge of the Strategic Customers Division and the Financial Markets Division
● Mr Ignacio Juliá Vilar	Vice-President of the Bank Management Board in charge of the Retail Banking Division
● Ms Justyna Kesler	Vice-President of the Bank Management Board in charge of the Operations Division, Services Division and IT Division, IT Security Department as a well as project management unit and the position of the Bank Management Board Representative for the Environmental Management System
● Mr Oscar Swan	Vice-President of the Bank Management Board in charge of the Credit and Market Risk Management Division, the Credit Risk Inspection Department and the Model Validation Department

As of 30 June 2015, Mr Oscar Edward Swan tendered a letter of resignation to the Chair of the Supervisory Board of ING Bank Śląski S.A. as the Vice-President of the Management Board of ING Bank Śląski S.A. As of 01 July 2015, Mr Oscar Edward Swan assumed the position of the Vice-President of the Management Board in ING Lease (Polska) Sp. z o.o. belonging to the ING Bank Śląski S.A. Group. At the same time, considering the approval by the Polish Financial Supervision Authority, on 18 June 2015 the Supervisory Board appointed Mr Patrick Roesink to the capacity of the Vice-President of the Bank Management Board as of 01 July 2015.

Scope of responsibilities of Bank Management Board Members (as at 01 July 2015)

● Ms Małgorzata Kołakowska	President of the Bank Management Board in charge of some units reporting directly to the Bank Management Board (including: Management Board Bureau, Press Office, Internal Audit Department, Legal Department, non-financial risk management units, Compliance Department and HR units)
● Mr Mirosław Boda	Vice-President of the Bank Management Board in charge of the Finance Division and the Treasury Department
● Mr Michał Bolesławski	Vice-President of the Bank Management Board in charge of the Corporate Sales Network Division
● Ms Joanna Erdman	Vice-President of the Bank Management Board in charge of the Strategic Customers Division and the Financial Markets Division
● Mr Ignacio Juliá Vilar	Vice-President of the Bank Management Board in charge of the Retail Banking Division
● Ms Justyna Kesler	Vice-President of the Bank Management Board in charge of the Operations Division, Services Division and IT Division, IT Security Department as a well as project management unit and the position of the Bank Management Board Representative for the Environmental Management System
● Mr Patrick Roesink	Vice-President of the Bank Management Board in charge of the Credit and Market Risk Management Division, the Credit Risk Inspection Department and the Model Validation Department

7. Remuneration of Members of Management Board and Supervisory Board of ING Bank Śląski S.A.

Emoluments due to Members of ING Bank Śląski S.A. Management Board for H1 2015 (PLN million)

Period	Remuneration	Other benefits*	Total
H1 2015	4.4	1.0	5.4
H1 2014	4.3	0.9	5.2

*/ Other benefits cover, among other things: insurance, payments towards the mutual funds, medical care and other benefits awarded by the Bank Supervisory Board.

Emoluments of Members of the ING Bank Śląski S.A. Management Board for 2015 under the Variable Remuneration Programme have not been awarded yet.

Following the remuneration system in place at the Bank, the Bank Management Board Members may be entitled to the 2015 bonus to be paid out in the years 2016-2019. Accordingly, a reserve was formed for the 2015 cash bonus for the Bank Management Board Members, which as at 30 June 2015 was PLN 3.4 million. The Bank Supervisory Board will take the final decision on the bonus amount.

Emoluments paid to Members of ING Bank Śląski S.A. Management Board in H1 2015 (PLN million)

Period	Remuneration	Awards*	Other benefits**	Total
H1 2015	4.4	6.7	1.9	13.0
H1 2014	4.3	5.4	2.4	12.1

*/ Awards for H1 2015 cover the following items:

- Bonus under the Variable Remuneration Programme: for 2014 non-deferred cash, for 2013 1st tranche of deferred cash and for 2012 2nd tranche of deferred cash,
- Phantom Stocks under the Variable Remuneration Programme: for 2013 retained and for 2012 1st tranche deferred,
- 2011-deferred bonus.

Awards for H1 2014 cover the following items:

- Bonus under the Variable Remuneration Programme: for 2013 non-deferred cash and for 2012 1st tranche deferred cash,
- Phantom Stocks under the Variable Remuneration Programme for 2012 – retained,
- Deferred bonus for the years 2010 and 2011.

**/ Other benefits cover, among other things: insurance, payments towards the mutual funds, medical care and other benefits awarded by the Bank Supervisory Board, and financial instruments exercised under the Long-term Incentive Schemes.

The total remuneration due and paid out by ING Bank Śląski S.A. in H1 2015 to its Supervisory Board Members amounted to PLN 0.3 million.

**Remuneration of Members of ING Bank Śląski S.A. Supervisory Board in H1 2015
(PLN million)**

Period	Remuneration and awards	Other benefits	Total
H1 2015	0.3	0.0	0.3
H1 2014	0.3	0.0	0.3

As at 30 June 2015, neither Bank Management Board nor Supervisory Board Members held shares of ING Bank Śląski S.A.

8. Selection of chartered auditor

On 18 January 2013, ING Bank Śląski S.A. Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw as the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the ING Bank Śląski S.A. Group for the period of 2013-2015.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. was entered on the list of entities authorised to audit financial statements, which is kept by the National Board of Statutory Auditors (KRBR).

X. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD STATEMENTS

1. Truthfulness and fairness of statements

To the best knowledge of the Bank Management Board, the financial data for H1 2015 and the comparable data presented in the condensed interim consolidated financial statements of the ING Bank Śląski S.A. Group were prepared, in all material aspects, in accordance with the effective accounting principles and present fairly, accurately and transparently all the information on the property and financial situation of the Bank Group and its financial result. The Management Board report being part of this document is a true presentation of the development, achievements and situation (including a description of key risk types) of the Bank Group in H1 2015.

2. Corporate governance

The principles of corporate governance applied in the Bank's Group are described in the Management Board Report on Operations for 2014.

3. Selection of entity authorised to audit financial statements

The entity authorised to audit the financial statements that audited the condensed interim financial statements of the Bank Group was selected according to the effective laws and Bank's regulations. The entity and the chartered auditors fulfilled the conditions required to make an impartial and independent report on their review, as required by the applicable Polish laws.

4. Additional information

Agreements concluded

The Bank Management Board declare that as at 30 June 2015 ING Bank Śląski S.A. did not have any:

- significant cash loan agreements, sureties or guarantees not concerning operating activity, or
- liabilities towards the Central Bank.

As at 30 June 2015, the Bank had PLN 866.3 million worth of contractual liabilities under the issued own bonds.

Number and value of writs of execution

To safeguard the Bank against the lending-related risk, the Bank accepts various personal and tangible legal collaterals such as: bank guarantee, surety under the civil law, blank promissory note, draft guarantee, assignment of receivables, mortgage, registered pledge, ordinary pledge, repossession for collateral, transfer of a specific amount to the Bank account and freezing of funds in the bank account.

As at 30 June 2015, the number of writs of execution issued by the Bank with regard to loans for business activity was 401 and covered total debt of PLN 411.6 million.

As regards retail clients, in H1 2015 the Bank issued 1,235 banking writs of execution totalling PLN 46.7 million and filed 3,799 claims totalling PLN 23.2 million.

The liabilities or debt claims under the proceedings in progress in H1 2015 did not exceed 10% of the Bank's equity.

The Bank is of the opinion that the individual proceedings that were in progress in H1 2015 and that were heard before any court of justice or arbitration, or before any public administration authority as well as all the proceedings in total do not pose a threat to the financial liquidity of the Bank.

Signatures of Management Board members of ING Bank Śląski S.A.:

Małgorzata Kołakowska
President
(signed on the Polish original)

Mirosław Boda
Vice-President
(signed on the Polish original)

Michał Bolesławski
Vice-President
(signed on the Polish original)

Joanna Erdman
Vice-President
(signed on the Polish original)

Justyna Kesler
Vice-President
(signed on the Polish original)

Patrick Roesink
Vice-President
(signed on the Polish original)

Ignacio Juliá Vilar
Vice-President
(signed on the Polish original)

04 August 2015

