



2015

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

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT	4
PRESIDENT'S REVIEW.....	5
I. MACROECONOMIC SITUATION OF POLISH BANKING SECTOR GROWTH IN 2015	7
1. Major trends in Polish economy.....	7
2. Monetary policy	9
3. Banking sector	10
Financial results.....	12
4. Asset-backed funding market	13
Leasing	13
Factoring	14
5. Capital market	14
Warsaw Stock Exchange.....	14
Mutual funds	15
Open-end pension funds	16
6. Macroeconomic factors to affect ING Bank Śląski S.A. operations in 2016	16
II. MAJOR ACHIEVEMENTS OF ING BANK ŚLĄSKI S.A. IN 2015.....	18
1. Increase in number of clients.....	18
2. Better position on credit market	18
3. Strengthening position on deposits market.....	19
4. Best net financial result in Bank track record.....	20
5. Awards and honourable mentions	21
III. OPERATIONS OF ING BANK ŚLĄSKI S.A. IN 2015	23
1. Retail banking	23
Changes to product offer and customer service rules.....	23
Deposits.....	25
Lending	26
Bank cards and cash self-service machines	27
2. Corporate banking	28
Number of clients.....	28
Product offer and modifications introduced	28
Deposits and settlements.....	31
Lending	32
3. Money markets and capital markets	32
IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. GROUP COMPANIES.....	34
1. Structure of ING Bank Śląski S.A. Group	34
2. ING Lease (Polska) Sp. z o.o.	34
3. ING Commercial Finance Polska S.A.	35
4. ING Securities S.A.	35
5. ING Usługi dla Biznesu S.A.	36
6. Solver Sp. z o.o.	36
V. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. IN 2015.....	37
1. Profit before tax and net profit.....	37
2. Net interest income	38
3. Non-interest income	38
4. General and administrative expenses	39
5. Impairment losses and provisions	39
6. Share of individual business segments in financial result.....	39
7. Core effectiveness ratios.....	40
8. Statement of financial position	41
Assets	41
Liabilities	42

VI. MANAGEMENT OF KEY RISKS	44
1. Credit risk	44
General information	44
Lending policy	45
Credit risk modelling and reporting	48
Quality of lending portfolio and provisioning	48
2. Off-balance sheet items (including contingent liabilities)	49
3. Market risk management	50
General information	50
General approach to market risk management	50
Risk models	50
4. Interest rate risk and FX risk management	51
General information	51
General approach to interest rate risk and FX risk management	51
Main methods of IR risk and FX risk measurement	51
VaR exposures and limits in 2015	52
5. Liquidity risk management	52
General information	52
General approach to liquidity risk management	53
Main methods of liquidity risk measurement and replicating portfolios	53
Liquidity limits in 2015	53
6. Capital adequacy	54
7. Operational risk management	54
8. Compliance risk management	55
VII. ORGANISATION AND INFRASTRUCTURE DEVELOPMENT AT ING BANK ŚLĄSKI S.A. IN 2015	57
1. IT and Operations	57
2. Development of electronic distribution channels	58
3. Network of Bank branches	60
4. Human resources management	61
Headcount	61
Remuneration policy	61
Recruitment and employer branding	62
Employee development and training courses	63
HR processes digitalisation	63
VIII. OUTLOOK ON ING BANK ŚLĄSKI S.A. OPERATIONS DEVELOPMENT	64
Retail banking	64
Corporate banking	65
IX. INVESTOR INFORMATION	66
1. ING Bank Śląski S.A. share price	66
2. Ratings	66
3. Investor relations	67
4. Dividend	68
5. Remuneration of Members of Management Board and Supervisory Board of ING Bank Śląski S.A.	68
X. CORPORATE SOCIAL RESPONSIBILITY (CSR) AT ING BANK ŚLĄSKI S.A. IN 2015	71
1. Relations with clients	71
Communication with clients	72
Customer satisfaction surveys	73
Complaint analysis	74
2. Relations with vendors	74
3. Relations with employees	75
4. Activities for community	75
Activity of ING for Children Foundation	76
Activity of ING Polish Art Foundation	77
5. Activities for natural environment	77
6. Further information	78

XI. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD REPORT ON OBSERVANCE OF PRINCIPLES OF CORPORATE GOVERNANCE IN 2015	79
1. Principles and scope of corporate governance.....	79
2. Control and risk management systems in process of financial statements development	80
3. Entity authorised to audit financial statements	81
4. Shares and shareholders of ING Bank Śląski S.A.....	81
5. Charter and mode of operation of General Meeting of ING Bank Śląski S.A.	82
6. Supervisory Board operations.....	83
7. Bank Management Board operations	86
XII. SUPERVISORY BOARD'S ASSESSMENT OF OPERATIONS OF ING BANK ŚLĄSKI S.A. IN 2015.....	88
XIII. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD STATEMENTS.....	91
1. Truthfulness and fairness of statements	91
2. Selection of entity authorised to audit financial statements.....	91
3. Additional information	91
<i>Agreements concluded.....</i>	<i>91</i>
<i>Number and value of writs of execution</i>	<i>91</i>

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2015, the banking sector in Poland experienced another cutting of market interest rates and as a result it operated in the environment of lowest interest rates since the beginning of transformation. There were also other regulatory factors leading to lowered profitability of banks and increased operating costs. The said included: bankruptcy of several co-operative savings and credit unions and one cooperative bank, establishment of the Borrower Financial Assistance Fund whereto banks pay contributions, another statutory reduction in interchange fees, increase in contributions for the Bank Guarantee Fund, capital requirements raise by the Polish Financial Supervision Authority for banks with material portfolios of CHF-denominated housing loans and at the end of the year politicians' announcements regarding introduction of the bank levy and statutory conversion of FX housing loans to Polish zloty. As a result of these external factors and due to instability in other emerging countries, in H2 there was greater volatility in financial markets – FX, debt and capital markets.

Irrespective of the changing conditions, ING Bank Śląski S.A. consistently pursued its strategy aimed at increasing the scale of operations through acquisition of new clients and offering convenient and modern solutions and products. For another consecutive year, the Bank increased its lending and deposit portfolios considerably, while maintaining good quality assets and sustaining solid capital and liquidity positions. The Bank Supervisory Board actively assisted the Management Board through close analysis of their actions and also participated in the making of key decisions. The Supervisory Board monitored market risk, liquidity and capital adequacy management areas with particular care. The Supervisory Board were also involved in the setting of the Bank's priority development directions.

As at the end of 2015, credit receivables from customers amounted to almost PLN 66 billion, up by 22% from the previous year. Concurrently, the value of funds deposited by clients grew by 16% and totalled over PLN 87 billion as at the yearend. The Bank's balance sheet total as at the yearend was PLN 106 billion, up by 10% from the prior year.

It should be recognised that the Bank employs the highest standards of credit risk assessment and this contributed to sustaining high quality of assets. As at the end of 2015, the share of impaired receivables was 2.9%, and as in the previous years, it was markedly lower than the market average. As at the yearend, the share of impaired receivables for the sector arrived at 6.4%.

The Bank finished the year with a solid capital and liquidity base. Total capital ratio remained at comfortable level of 15.1%. The balanced growth on both sides of the balance sheet led to an LTD ratio of 75% as at the yearend, i.e. up by 3.6 p.p. from the year earlier.

In 2015, the Bank reported net profit of PLN 1,140 million, which is 7% higher than the previous highest result, that of 2014. Taking into account difficult market environment for banks, this result demonstrates that the Bank Management Board operations in the pursuit of the Bank's strategy made it possible to compensate for the factors adversely impacting its profitability.

I have every reason to believe that the strategy of ING Bank Śląski S.A. and prudent operations of the Management Board supported by the Supervisory Board will enable the Bank to develop further.

Yours faithfully,

Antoni Reczek
Chairman of the Supervisory Board

PRESIDENT'S REVIEW

Ladies and Gentlemen,

In 2015 ING Bank Śląski S.A. continued its dynamic growth. The client was invariably the key priority for both the Bank Management Board and employees. The Bank's efforts were intended to enhance customisation of the product offer to clients' needs and also they focused on boosting client experience by providing clients with modern and innovative solutions.

One of the key priorities to that effect was providing individual clients with a new online and mobile banking system Moje ING. It is worth mentioning that we teamed up with our clients when developing the system which helped us to make it very clear and intuitive. Further, we started mounting ATMs equipped with the voice recognition system, which enables the blind or visually impaired individuals to use our machines. In the investment area we launched a totally new product on the market – ING Core Fund. We also changed the brokerage accounts offer, so that it matches the investing needs and experience of clients; the Mobile Broker (Makler Mobile) app was also modified. Meanwhile, our corporate clients were offered a new mobile banking app version, outstanding due to its simple navigation, varied features and personalisation options. Moreover, a new internet banking system for companies is soon to be rolled out.

All these endeavours were followed up with a higher number of clients serviced by the Bank as well as a rise in the loans' and deposits' volumes. Last year, we acquired 450,000 new retail clients and nearly 10,000 corporate clients. As at 2015 yearend, we were servicing over 4 million retail clients and nearly 43 thousand corporate clients. The value of granted loans went up by nearly PLN 12 billion, or 22% in that period and as at the end of December it arrived at nearly PLN 66 billion. A similar increase – of PLN 12 billion, or 16% – was observed in the amount of funds accumulated by the clients in bank accounts. As at December 2015, they totalled PLN 87 billion. Both loans and deposits volumes of the Bank grew faster than the market – loans 3 times higher, and deposits nearly 2 times higher. As a result, it is yet another year where the Bank consolidated its market position. The share in lending went up by 0.8 p.p. and arrived at 6.5%; whereas the market share in deposits was 8.6%, being a 0.5 p.p. increase.

The Bank's achievements in performance, service quality, new solutions and technologies were recognised in key rankings and competitions. The most important prizes received in 2015 were the titles awarded by the The Banker British monthly. Bank of the Year in Poland and Technology Project of the Year 2015 for Aleo platform, as well as the prizes awarded by the International Finance Magazine: Most Innovative Bank in Poland and Best Customer Service Bank in Poland. The Bank was also awarded Lider Informatyki 2015 (IT Leader 2015) in the Banking and Finance category of the contest organised by the Computerworld monthly, as well as Złoty Bell (Golden Bell) in the Mobile Bank of 2014 during the Mobility Trends 2014 Gala.

It needs to be stressed that the dynamic growth of lending was achieved while keeping a prudent approach to risk assessment, which is reflected in a very good quality of the lending portfolio. As at the yearend, the share of impaired receivables was 2.9% and 0.6 p.p. lower than as at 2014 yearend.

The significantly higher scale of operations translated into financial results of the Bank. Regardless of market and regulatory developments which had a negative impact on Bank's results, to name just a few: interest rate cuts by MPC by 0.5 p.p., further reductions of the interchange fee from 0.6%-0.8% to 0.2%-0.3%, higher BGF costs due to the annual and prudential fee (by approx. PLN 50 million) as well as additional contribution to BGF due to bankruptcy of one of the cooperative banks (PLN 157 million), ING Bank Śląski S.A. reported the record high net result in the amount of PLN 1,140 million – PLN 72 million, or by 7% higher over last year. The result was fostered by: a sale transaction of 20% of shares in ING PTE (positive impact on the revenues amounted to approx. PLN 170 million), sale of a part of the bond portfolio (approx. PLN 50 million of the revenue) and sale transactions of the irregular receivables (approx. PLN 37 million of loan provisions released).

Regardless of the dynamic growth of the assets, the Bank kept its strong capital position. The total capital ratio as at yearend was 15.1%.

2015, especially its second half was very difficult for the Polish stock exchange – in particular for the listed banks. Investors' concerns about the impact of the solutions announced in the election campaign on the listed companies operations, including above all the banks, resulted in significant revaluation of shares. Thanks to strong foundations the revaluation of ING Bank Śląski S.A. shares was relatively smaller than the sub-index of the sector. The price of the Bank's shares as at 2015 yearend was PLN 117.15 and it was lower by 16.3% than at the 2014. yearend. Meanwhile, in the very same period WIG-Banking went down by 23.5%.

ING Bank Śląski S.A. is an organisation with strong values and behaviours which are being promoted in both internal and external relations: we are honest, we show respect, we are open, we are responsible and we are led by common sense. For the sixth time we were honoured with the Top Employers Poland certificate which proves that we achieve the highest standards of excellence as employer. For the ninth time we were included in the stock exchange index of socially responsible companies: RESPECT Index. The Bank has been continuously present in the RESPECT Index since its very beginning.

The current regulatory and legal landscape poses new challenges for the banking sector. The strategy that the Bank has been pursuing strengthened our capital, liquidity and organisational foundations. I do believe that the Bank is well prepared to changing landscape. We still want to empower our clients and build long-term relations with them. Following their changing needs and technological progress we will continue further development of our products and services. We do believe that such approach, just like in previous years, will contribute to an increase in clients who will trust us and to the Bank's growth in key areas.

Yours respectfully,

Małgorzata Kołakowska
President

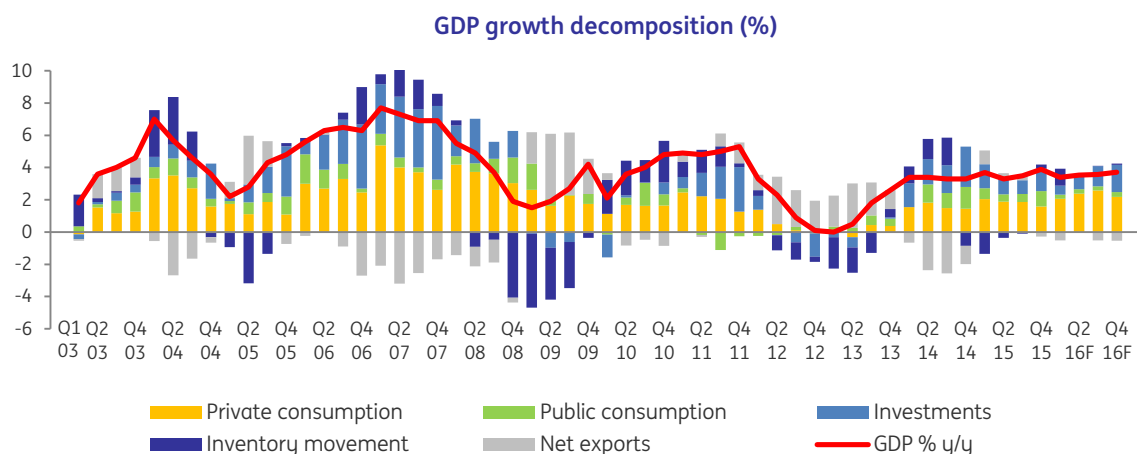
I. MACROECONOMIC SITUATION OF POLISH BANKING SECTOR GROWTH IN 2015

1. Major trends in Polish economy

Gross Domestic Product

In 2015, the Polish economy reported a growth of 3.6% y/y, accompanied by the improving support of the domestic demand. The growth rate of private consumption remained at 3.1% y/y, first and foremost due to higher real incomes. Investments went up by 11.5% y/y in Q1 2015 on account of power sector investment projects; later in the year the growth rate ranged from 4.6% – 6.7% y/y. Net exports contribution to GDP growth in 2015 was positive and on average did not exceed 0.5 p.p. Positive net exports contribution stemmed from intensified trading with the Eurozone, which compensated a slump in trading with Ukraine and Russia.

Polish economy will keep a similar growth rate in the coming quarters. Bank economists foresee that GDP should go up to 3.4% – 3.6% y/y in 2016 – 2017; reasons behind this include extra expenditures resolved by the new government. Implementation of the Family 500+ programme – designed to support the second and subsequent child in a family with PLN 500 per month – should take the growth rate of consumer spending to above 4% y/y (which will put up GDP by 0.5 p.p.). The pace of investment will stabilise at 5% – 6% y/y. On the one hand, activity of investment firms will remain high as they will have to increase their output capacity in the processing sector, on the other hand this impact will be compensated by weaker activity in the public investment area. After all, Bank economists expect moderately negative net exports contribution due to higher imports.



Labour market and payroll

The 2015 employment growth rate in the corporate segment on average was close to 1.1% y/y. At the yearend, the growth rate gradually accelerated, but in the opinion of Bank economists was rather triggered by the change of existing mandate agreements and agreements to perform a specific task into employment contracts, rather than an upturn trend in employment. Still, as at the end of December 2015, the unemployment rate settled at 9.8% versus 11.4% in the same period last year while the number of available jobs was high. In 2016, the situation on the labour market will continue to improve – companies show the need for more employees, while the number of planned lay-offs is going down. As a consequence, the unemployment rate may go down below 9%.

The growth rate of salaries in the corporate sector reached on average 3.6% y/y in 2015 and was similar to the growth rate last year, however it was much lower than expected. The salary pressure still remains low due to moderate headcount growth and considerable loosening of the labour market over recent years. Bank economists expect the growth rate of salaries to accelerate in the upcoming quarters and to exceed 4% y/y.

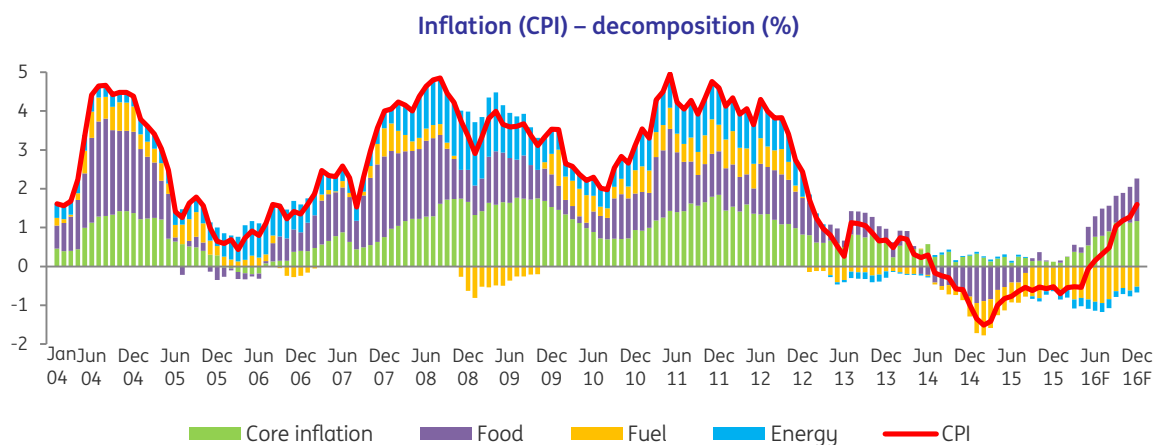
Inflation

In 2015, the CPI growth rate was record low (-0.9% y/y) and deflation is most likely to continue in Q2 2016. Poor inflation dynamics is conditioned by:

- further price reductions of raw materials on raw materials markets, and
- very low dynamics of the core inflation.

At the beginning of 2016, inflation will be affected by higher food prices connected with last year's drought; later on prices may be pressed by the retail sales tax, depreciation of the PLN exchange rate and higher consumer spending. In the opinion of Bank economists, the impact of those factors on the CPI will exceed 0.5 p.p. However, CPI inflation dynamics in 2016 will be on average below 1% y/y. Nevertheless, in Q4 2016, inflation is most likely to reach the NBP inflation target.

Inflation will continue to grow in 2017. Bank economists expect no changes to VAT rates (which means that ceteris paribus prices will be higher by approx. 0.4 p.p. as compared with the lower 22% tax rate). The main risk factor in the full horizon of the projection is oil prices – the median expectations of market consensus indicate a gradual increase in prices, while the demand and global economy situation show a potential drop (if the global economy slows down) and growth (e.g. if OPEC extraction policy changes, conflict in the Middle East) at the same time.



Impact of global financial markets on Polish economy

In December 2015, the Federal Reserve raised interest rates in the USA by 25 basis points. Members of the Federal Open Market Committee (FOMC) announced gradual interest rates increase – analysts expect interest rates to go up by another 25 – 50 basis points in 2016. On the other hand, the European Central Bank continues the quantitative easing programme, the deposit rate was reduced (to -0.3%) and additionally there are signals that the monetary policy may be further eased. For that reason, the directions of the largest central banks' monetary policy diverge and result in EUR depreciation and USD appreciation. Rises in interest rates in the United States translate into trouble on Asian markets and lead to waning interest in the emerging markets. Such climate is negative for PLN.

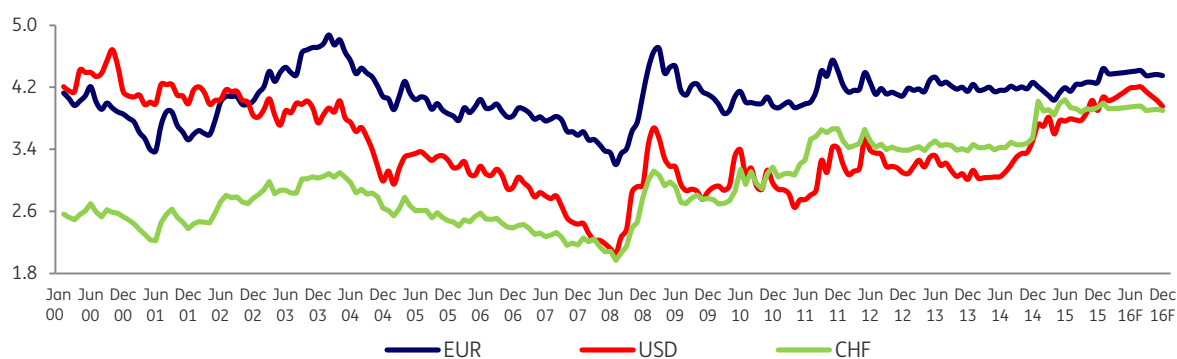
The following factors also put pressure on the domestic currency:

- downgraded rating by the S&P agency and a prospect of similar actions to be taken by Moody's,
- higher budget deficit and straying from the fiscal consolidation path,
- negative overtones of launched institutional reforms and concerns about central bank's independence, and
- lack of a clear vision of the act on conversion of FX-denominated loans and risk of disruptions to the banking sector.

As a consequence EUR/PLN and USD/PLN are at lower levels. PLN depreciation does not pose a threat to financial soundness and real economy.

Negative local factors can also be seen on the debt market. Global aversion to risk and higher supply of bonds in 2016 will probably keep the profitability on the long-term maturity bonds elevated. On the other hand, the banking sector places overliquidity on the short arm of the curve (caused by the construction of the bank levy). As a result, the profitability curve will become steep.

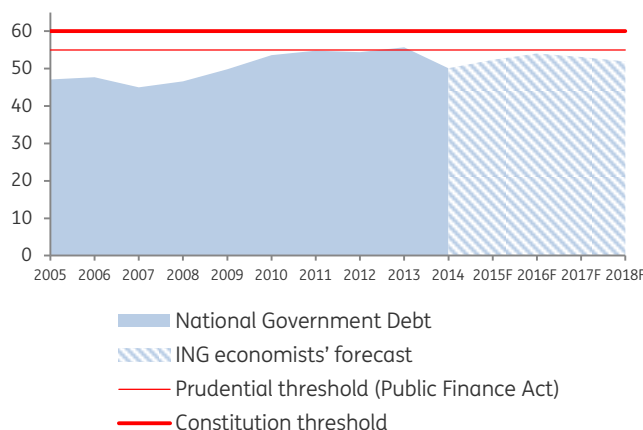
PLN exchange rates



State budget

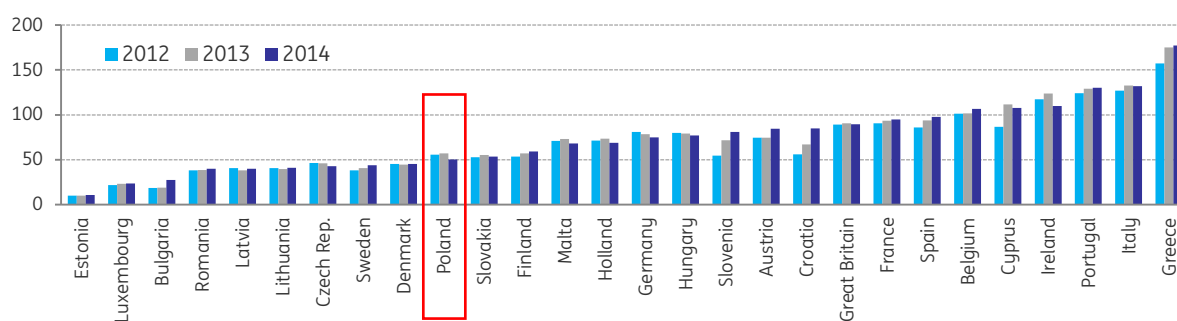
According to the methodology of the European System of Integrated Economic Accounts (ESA2010), the public finance sector deficit in 2014 was 3.2% of GDP and public debt represented 50.1% of GDP. With the decision of the European Commission the excessive deficit procedure was revoked.

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



A similar deficit (2.8% – 3.0% of GDP) will be probably upheld also in 2015, whereby government debt will go up versus GDP to approximately 52.3%. Fiscal consolidation will be further abandoned in the years to come – Bank economists expect the deficit to be kept slightly below the threshold of 3% of GDP in 2016 and 2017 due to financing of election promises (inter alia, Family 500+ or income tax threshold rise). With GDP growing over 3% y/y and a positive CPI, a higher deficit will betoken stabilisation of debt to GDP ratio close to 53% – 54% under the ESA 2010 methodology.

Government debt as per EU methodology (% of GDP)



2. Monetary policy

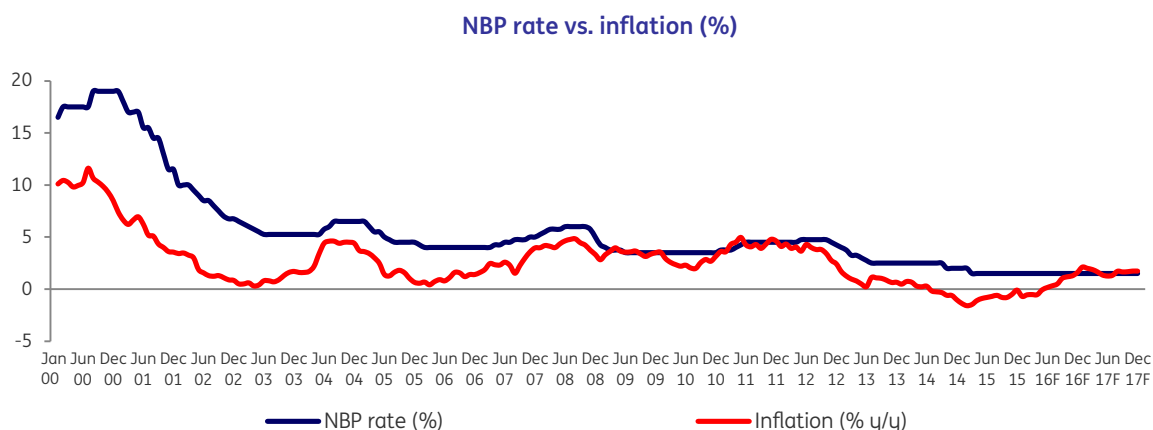
In Q1 2015, the Monetary Policy Council resolved to cut back NBP interest rates by 50 basis points. Since March 2015, the interest rates have been as follows:

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

In February and March 2016, 8 out of 10 Monetary Policy Council members will change. Bank economists envisage that the change to the MPC composition will entail continuation of the current monetary policy. Current macroeconomic data show no floor for interest rate reduction due to:

- higher payroll pressure on the labour market,
- inflation impact of economic policies proposals, and
- PLN depreciation.

Besides, sustained deflation and moderate moods of the key central banks (ECB, BoJ or BoE) preclude any further interest rate increase. Thus, the base case scenario of the Bank economists reads that interest rates will stabilise throughout 2016.



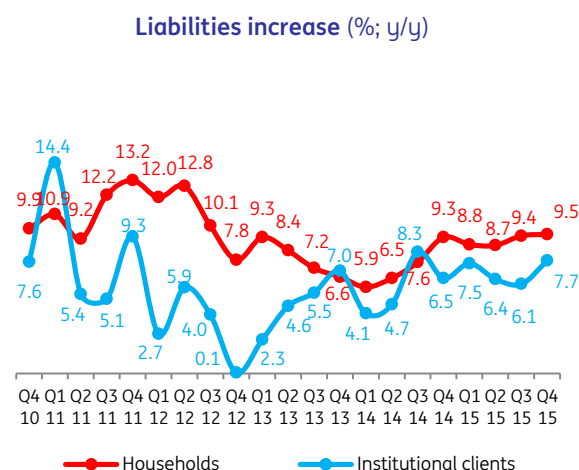
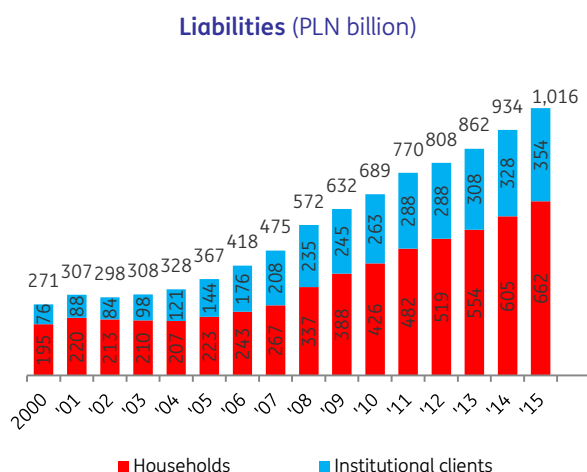
3. Banking sector¹

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

- Liabilities to households went up by PLN 57.2 billion versus 2014 yearend and reached PLN 662.5 billion, up by 9.5% as compared with the year before.
- Liabilities to institutional clients² amounted to PLN 353.7 billion, up by 7.7% from 2014 yearend. The volume increase of PLN 25.2 billion can be mainly attributed to higher liabilities to enterprises (up by 10.3%, or by PLN 23.4 billion) and local government institutions (up by 8.6%, or by PLN 2.2 billion). Liabilities to non-commercial institutions for households augmented by 7.9%, that is by PLN 1.4 billion, in that period. As at the end of December 2015, liabilities to non-monetary financial institutions were lower by PLN 1.9 billion (-3.2%) than as at 2014 yearend.

¹ The amounts discussed are for receivables and liabilities of monetary financial institutions from/to other domestic sectors. Source: NBP, NALEZ_ZOBOW_MIF.xls file – December 2015.

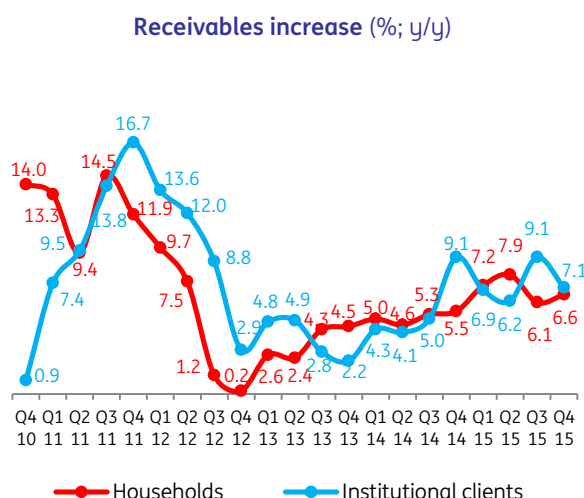
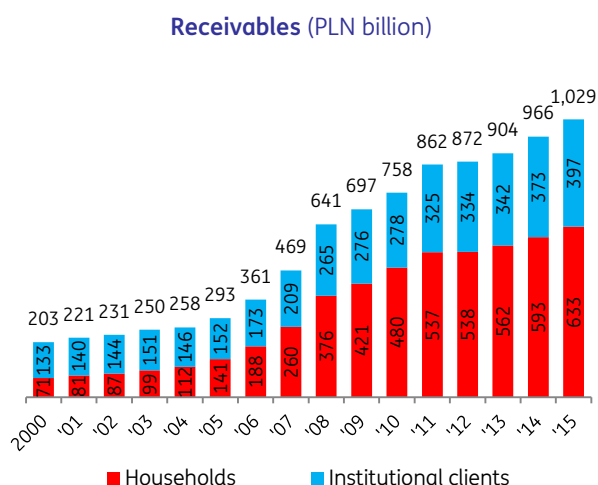
² Total for the following classes of entities: non-monetary financial institutions, enterprises, non-commercial institutions for households, local government institutions and social insurance funds.

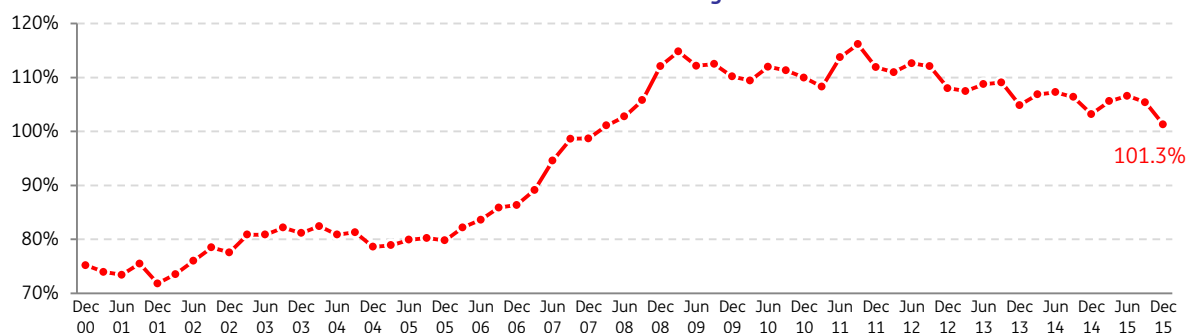


- In December 2015, receivables from households amounted to PLN 632.5 billion, up by 6.6% from December 2014. Housing loans, which formed the main part of the banks' credit exposure towards households, grew in nominal terms by 6.5%, arriving at PLN 375.1 billion. Their increase was in some part driven by CHF appreciation in the aftermath of its unpegging by the Swiss National Bank on 15 January 2015. Upon excluding the exchange rate effect, the housing loans portfolio went up by approximately 4.7% in 2015. According to the preliminary data of the Polish Bank Association, in 2015 banks granted mortgage loans totalling approximately PLN 40.2 billion (PLN 38.0 billion in 2014); 98.6% of which were PLN loans. After stagnation, Q4 2014 and 2015 onset saw a rise in consumer credits, reaching PLN 153.3 billion in December 2015, up by PLN 9.2 billion (or +6.4%) from the end of December 2014.
- Receivables from institutional clients went up by PLN 26.3 billion (or +7.1%) as compared with December 2014, arriving at PLN 396.6 billion. Corporate receivables rose by PLN 22.2 billion (+8.1%). Their growth was mainly triggered by capex loans which enlarged by PLN 9.3 billion (or +10.1%) throughout the year. The volume of opex loans went up by PLN 7.1 billion (+6.5%). Real property loans grew at a similar rate; their volume was PLN 3.4 billion higher (+6.6%) than as at the end of December 2014.

Receivables from other sectors grew in the analysed period at the following pace:

- receivables from non-monetary financial institutions: +9.4% (or up by PLN 5.0 billion),
- receivables from local government institutions and social insurance funds: -3.7% (PLN -1.3 billion),
- receivables from non-commercial institutions for households: +6.8% (PLN +0.4 billion).





Financial results

The financial results of the banking sector in 2015 were impacted by declining spreads following record low interest rates as well as regulatory changes like another interchange fee reduction and higher costs incurred by banks under the Bank Guarantee Fund (BGF) contributions. The banks having considerable CHF exposures felt the negative impact of that currency consolidation as well.

The results were also strongly influenced by the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (SK Bank; a cooperative bank). Banks had to incur a total of PLN 2.0 billion costs under mandatory contributions for the return of guaranteed funds to that bank's depositors.

The sector results would have been lower, if not for considerable one-off deals – mainly the sale of subsidiaries' shares.

In 2015, the net interest income dropped by 4.8% when compared with the last year. Net income on fees and commissions shrank by 3.3%. The lower drop in the sector's total income (down by 2.4%) stemmed largely from the increase in other income (up +11.7% y/y) following the aforesaid one-off trades.

General and administrative expenses and amortisation/depreciation grew as compared with 2014 by 12.0%, which resulted from the costs of SK Bank's bankruptcy and higher BGF contributions. As a consequence of a stepwise costs increase and negative income growth, the C/I ratio deteriorated by 7.7 p.p. (or from 52.6% to 60.3%). If we were to eliminate the effect of SK Bank's bankruptcy, the ratio would arrive at 56.8% as at the end of 2015. The nature of the costs increase was independent of the sector which maintained costs discipline and reduced both the headcount figures (by 1,700 FTEs as compared with December 2014) and the number of branches (by over 500).

Costs of impairment losses under credit facilities and cash loans went up by 2.8% in the analysed period.

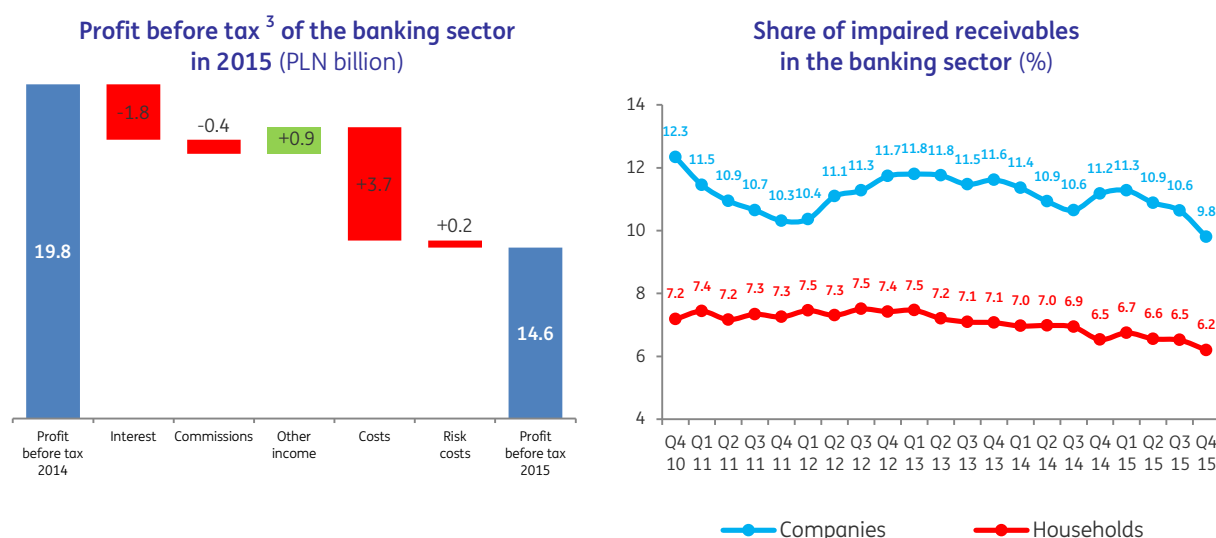
As a result of the above-discussed phenomena, net profit of the sector fell by 27.6%, i.e. to PLN 11.5 billion, when compared with 2014.

The core effectiveness measures of the banking sector looked as follows:

- return on assets (ROA) was 0.7% as compared with almost 1.1% the year before,
- return on equity (ROE) came down from 9.9% to 6.8%.

In December 2015, the share of impaired receivables in total receivables from the non-financial sector was 7.4% (8.1% as at 2014 yearend). The portfolio quality improvement was reported primarily for corporate receivables. The share of impaired receivables in the enterprises sector came down from 11.3% as at 2014 yearend to 9.8% in December 2015. In the large enterprises segment, that ratio declined from 9.3% (December 2014) to 7.6%. In the SME segment, the share of non-performing loans settled at 11.5% in December 2015 versus 12.8% in December 2014.

The share of impaired receivables from households in the analysed period saw a slight decrease – from 6.5% to 6.2%. The share of non-performing housing loans declined to 2.9% (3.1% in December 2014), while the share of non-performing consumer credits fell from 12.8% to 12.2%.



The main changes introduced in 2015 by the Polish Financial Supervision Authority as regards regulatory requirements were as follows:

- Issuance of a new Recommendation P on banks' financial liquidity risk management, which was to be introduced by 31 December 2015.
- Issuance of Recommendation W on banks' model risk management, which is to be introduced by 30 June 2016.
- Issuance of Recommendation on online payment transactions processed by banks, domestic payment institutions, domestic electronic money institutions and co-operative savings and credit unions.

4. Asset-backed funding market

Leasing

2015 was very positive for the Polish lease sector. The amount of agreements concluded by lease companies grew as compared with the previous year by 16.3% to PLN 49.8 billion⁴. 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 87.8 billion as at 2015 yearend (for comparison, capex loans granted by banks amounted to PLN 101.4 billion in December 2015).

Vehicles with the approved gross vehicle weight up to 3.5 tons were the biggest segment of the market (with the share of 37.5%). In 2015, the assets of that category funded by lease companies equalled PLN 18.7 billion (+19.6% y/y). The main driver behind the segment growth was passenger cars (+36.7% y/y), which resulted from favourable laws for the premium segment car lease. Negative growth rate (-22.6%) of the financing of delivery vans with the approved gross vehicle weight up to 3.5 tons stemmed from a high base in the previous year, when owing to cargo barriers installed entrepreneurs could deduct full VAT on passenger cars with approval for registration as goods vehicles.

A high growth rate was also reported in 2015 for the financing of heavy transport⁵ which amounted to PLN 13.5 billion (+18.2% y/y). Economy revival in the Western Europe and ensuing good trends on the transport services market drove that segment growth.

The segment of machines and equipment (IT included) reported a 12.2% annual growth. The total value of the machines financed reached PLN 15.9 billion. The segment benefited from the economic growth and high utilisation of production capacity by enterprises. In turn, the end of the EU Financial Perspective 2007-2013 had a negative effect, which was reflected in the negative growth rate of the financing of building equipment (-1.6% y/y) and lower growth rate observed in the agricultural machinery sector.

³ Going concern gross profit.

⁴ Based on the data of the Polish Leasing Association.

⁵ Tractor units, semitrailers/trailers, heavy goods vehicles with the approved gross vehicle weight above 3.5 tons, buses, airplanes, ships and means of railway transport.

The lease industry recorded a noticeable increase in the real property segment as well. The real properties leased in 2015 totalled PLN 1.4 billion, or up by 14.5% from the year before. The dominant transactions were lease of office buildings, retail centres and business parks.

Factoring

In 2015, the turnover of the factoring companies belonging to the Polish Factors Association multiplied by 17.4%, arriving at the record-breaking PLN 134.3 billion (versus PLN 114.4 billion in 2014)⁶. Export factoring was the market segment to enjoy the fastest turnover growth of 26.8% y/y. Frequent fluctuations of exchange rates and incremental exports contributed to the growing popularity of that product. For the first time since the financial crisis of 2009, the share of the non-recourse factoring prevailed over the recourse factoring.

5. Capital market

Warsaw Stock Exchange

2015 was not favourable for those investing on the Warsaw Stock Exchange. The situation on the stock market was influenced by a number of worldwide events. The most important among them were:

- launch of the asset purchase programme by the ECB,
- problems with the Greek debt service,
- slowdown of China's economy, and
- rise in exchange rates in the United States.

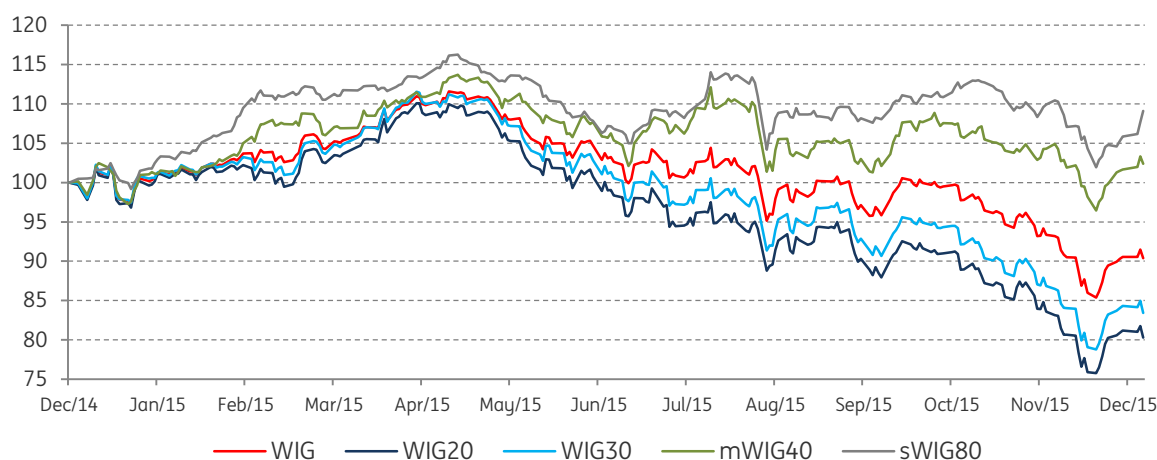
The internal factors which affected the WSE floor were the political situation in Poland (e.g. announced introduction of the bank levy) and the consequences of the previous year's changes in the functioning of open-end pension funds.

The broad market index WIG lowered by 9.6% throughout 2015. The result of the indexes grouping the companies with the biggest capitalisation was even worse – WIG20 and WIG30 diminished by 19.7% and 16.6%, respectively. Such a low “blue chips” index was caused by worse mood towards banks that represent a major portion of WIG20, following the announced introduction of the bank levy and CHF-denominated loans-oriented solutions, as well as lower activity of the open-end pension funds resulting from their growing exposure in foreign stock. Positive return figures were only reported by the indexes of smaller companies – sWIG80 gained 9.1%, while mWIG40 2.4%.

Also the NewConnect market indexes performed poorly – NCIndex dropped by 4.1% as compared with 2014 yearend, while the index covering the most liquid companies of that market, NCIndex30, shrank by 7.9%.

As far as sector indexes are concerned, WIG-chemicals recorded the highest increase in 2015 (+44.6%). Next were: WIG-food industry (+38.6%) and WIG-construction (+36.5%). The biggest drops were recorded by WIG-basic materials (-43.8%), WIG-energy (-31.4%) and WIG-banking (-23.5%).

Main WSE indexes in 2015 (30 December 2014 = 100)



⁶ Based on the data of the Polish Factors Association.

As at the end of December 2015, there were 487 companies listed on the WSE main floor, including 54 foreign ones. Domestic companies were worth PLN 516.8 billion, down by 12.6% from December 2014. Domestic and foreign companies were worth PLN 1,082.9 billion in total, down by 13.6% versus 2014. 2015 saw 30 IPOs, including six foreign companies. IPOs on the main floor totalled PLN 2.0 billion (versus PLN 1.3 billion in 2014).

In 2015, NewConnect saw 19 companies listed for the first time, while 13 moved their quotations to the WSE main floor. As at the end of December 2015, there were 418 companies quoted on the alternative market (431 as at 2014 yearend). The said companies were worth PLN 8.7 billion in total.

2015 saw fewer main floor trades. Trading volumes went down by 0.9% from 2014 and amounted to PLN 203.5 billion. Total trading (block trades included) went down by 3.3%, arriving at PLN 225.3 billion. Total trading on the alternative stock market NewConnect grew and reached PLN 1.9 billion, up by 35.8% from the previous year.

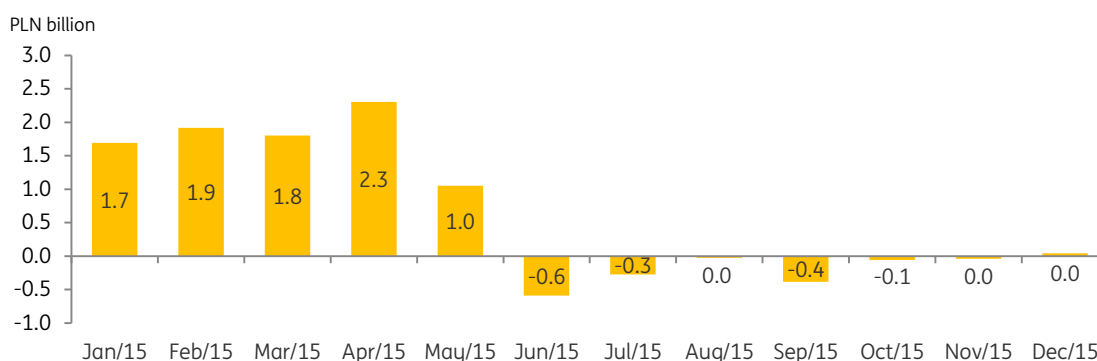
The issues of non-government bonds on the Catalyst market totalled PLN 69.5 billion versus PLN 64.1 billion as at 2014 yearend. On the contrary, the value of trading fell in 2015 and was PLN 2.5 billion, down by 19.1% from the year before.

In 2015, the volume of stock index contracts went up by 1.2% as compared with the value recorded a year before.⁷

Mutual funds

The market of capital market funds was shaped by the Polish and foreign financial markets. After exceptionally good first four months of 2015 when mutual funds' net assets were all-time high following a substantial inflow of new funds and positive management results, the trend reversed. WSE bear market did not foster investments in mutual funds, which was reflected in the negative balance of the inflow of cash into retail (non-dedicated) funds.

Net inflow of cash into non-dedicated (retail) mutual funds in 2015⁸



The situation looked different in the segment of funds dedicated to specific investors, where there was a strong increase in assets in H2 2015. As a result, in December 2015 the assets of mutual funds reached a record-breaking level of PLN 252.2 billion as compared with PLN 209.1 billion as at 2014 yearend. The assets of dedicated funds grew by 42.7% and arrived at PLN 125.5 billion (almost 50% of the entire market).

The assets of retail funds rose at a slower pace (+4.3%) and amounted to PLN 126.7 billion as at the end of December 2015. Among retail funds, bond funds still represent the biggest group, with the share of 26.1%. Their assets fell by 6.8% during the year. The reason for that was an unfavourable situation in the Polish public debt market – the T-bond index, IROS, gained only 1.5% in 2015. Profitability of foreign debt instruments was also low, while a relatively high rate of return from some funds of that type (valued in USD, for example) resulted mainly from PLN depreciation.

The second biggest group is represented by the money market funds, with the share of 24.7%. Given the low interest rates, they constituted an attractive alternative to bank deposits, and their assets augmented by 9.7% during the year. For the same reason, the assets of absolute-return funds showed a high growth rate (+30.8% y/y) as well. Their share in the segment of retail funds went up by 1.2 p.p. to reach 5.6%. The third position, with the share of 19.9%, was maintained by equity funds. Their annual growth was 5.7%. The last big

⁷ With historical volumes of WIG20 contracts adjusted with the multiplier of PLN 10 to get fully comparable data.

⁸ On the basis of data of the Chamber of Fund and Asset Management.

group of retail funds is made up of mixed funds, their share being 19.7%. Even though 2015 was not good for them because of the turbulence on the stock market and low rates of return from bonds, their assets grew by 4.4% and their share remained unchanged (19.7%) as compared with the previous year.

Open-end pension funds

In December 2015, pension funds assets amounted to PLN 140.5 billion, down by PLN 8.5 billion (-5.7%) from the year before. This was triggered by the bear market on the WSE and a negative balance of payments and withdrawals. In 2015, only PLN 2.5 billion was transferred to open-end pension funds, while transfers to the Social Insurance Institution under the so-called “slider” approach amounted to PLN 4.1 billion.

The changes to the open-end pension funds modus operandi were to a great extent reflected in the investment policy of those institutions. As at the end of December 2015, approximately 84% of their assets were domestic and foreign issuers' stock. 2015 saw increased open-end pension funds' exposure in foreign stock. As at 2015 yearend, foreign stock in their portfolios totalled PLN 10.7 billion as compared with PLN 5.6 billion as at 2014 yearend.

6. Macroeconomic factors to affect ING Bank Śląski S.A. operations in 2016

Global economy continues to see divergence of monetary policies. Since December 2015, the Federal Reserve has intended to raise interest rates stepwise, while the European Central Bank continues to operate an accommodative monetary policy, after deposit rate cutback to -0.3% in December and announcement of the quantitative easing programme extension until March 2017. Money cost rise in the USA led to appreciation of USD versus G10 currencies and emerging markets. Further tightening of the monetary policy carries the risk of capital outflow from the emerging markets to fledged economies, which can bring about fiscal imbalance in the developing economies (having USD debt).

Chinese economic situation is another source of uncertainty. Although Chinese economic data continue to show the growth close to 6% – 7% y/y, many of the economic ratios reached the level signalling recession fears. Additionally, high debt of the sector of companies and local government units accompanied by slightly activated real property market (with recent months showing clearer growth trends nonetheless) are an issue here. After all, the situation is not helped by the non-transparent Chinese economic or monetary policy. As a result, the markets were responding with panic to the CNY depreciation to date – fearing about intentional devaluation and onset of currency wars in Asia.

The uncertainty is first and foremost noticeable in the countries exporting raw materials and Asian economies. Until now raw materials shock caused the global inflation to weaken; further declines cannot be however closed out should Chinese economy slow down. Lower raw materials prices have an adverse impact on the fiscal condition of export countries and can provoke economic recession in some BRICS countries (Russia, Brazil, Republic of South Africa).

Given the imbalance risk of the global markets, domestic economy looks rather safe. The expansive fiscal policy operated by the new leading party (inter alia, implementation of the Family 500+ programme, standing for approximately PLN17 billion-worth spendings, or income tax threshold increase which is to cost PLN 20 billion ultimately) will support the domestic economic growth and consumption in the short term. Bank economists envisage a stable growth of 3.5% y/y in 2016 and 2017 on the average, even if BRICS and Asian markets sustain some economic decline. Yet, it should be noted that the solutions proposals put aside consolidation of the public finance sector. Absence of anti-cyclical policy can bring about imbalance should economy experience a slowdown in 2018-2020.

The drafted act on conversion of FX-denominated housing loans is another important local risk factor. Quoting the President of the National Bank of Poland, introduction of too aggressive burdens for the banking sector is the crisis solution. Bank economists are of the opinion that introduction of excessive burdens seems not very probable, especially in the light of the CHF depreciation-oriented actions of the Swiss National Bank.

Polish economy in 2008-2017 ⁹										
	2008	2009	2010	2011	2012	2013	2014	2015	2016F	2017F
GDP growth (%)	3.9	2.6	3.7	5.0	1.6	1.3	3.3	3.6	3.6	3.4
General government sector debt as per EU methodology (% of GDP)	46.6	49.8	53.6	54.8	54.4	55.7	50.1	52.3	54.0	53.1
M3 money supply (PLN billion)	666.2	720.2	783.6	881.5	921.4	978.9	1,059.2	1,155.4	1,218.7	1,304.7
Producer Price Index growth (%)	3.9	-3.6	11.0	7.2	1.4	2.3	3.4	4.9	4.4	4.0
Average annual inflation (CPI) (%)	4.2	3.5	2.6	4.3	3.7	0.9	0.0	-0.9	0.5	1.7
Unemployment rate (%)	9.5	12.1	12.4	12.5	13.4	13.4	11.4	9.8	8.8	9.0
PLN/USD exchange rate (yearend)	2.96	2.85	2.96	3.42	3.10	3.01	3.51	3.90	3.95	3.42
PLN/EUR exchange rate (yearend)	4.17	4.11	3.96	4.42	4.09	4.15	4.26	4.26	4.35	4.10
WIBOR 3M (annual average)	6.35	4.34	3.93	4.58	4.87	2.98	2.49	1.74	1.69	1.73

⁹ 2016-2017 forecast updated in February 2016.

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

1. Increase in number of clients

In 2015, ING Bank Śląski S.A. accelerated the growth rate of the number of clients serviced by the Bank. Throughout the year, the Bank's client base went up by 288 thousand entities versus 185 thousand the year before. As at the end of December 2015, the number of Bank clients amounted to 4,058 thousand and was broken down into the following segments:

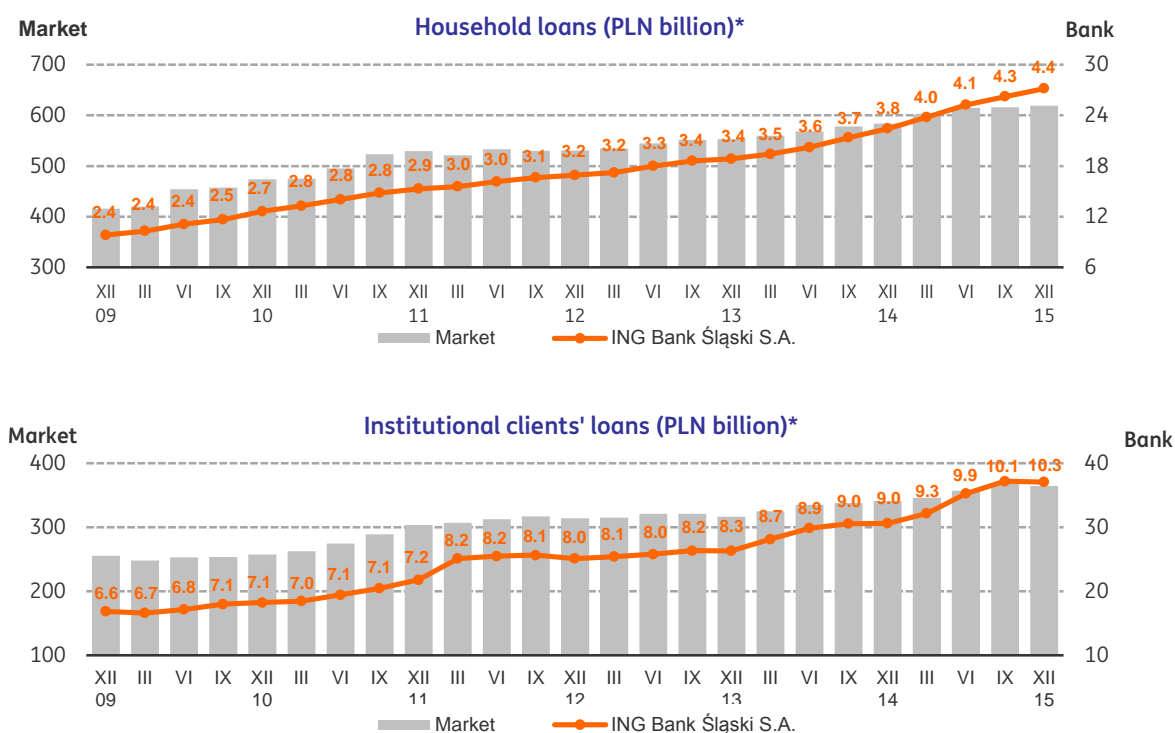
- 4,016 thousand retail clients, including:
 - 3,712 thousand individual clients (up by 262 thousand clients throughout the year),
 - 304 thousand entrepreneurs,
- 42 thousand corporate clients (mid-sized and mid-corporates and groups).

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 December 2015, total net loans and other receivables to customers of ING Bank Śląski S.A. amounted to PLN 65,795.3 million¹⁰, up by PLN 11,766.6 million (or by 21.8%) throughout the year.

The Bank was estimated to have a 6.5%-share in the total amount of loans extended to customers as part of the commercial banks sector¹¹ (up by 0.8 p.p. from 2014 yearend).



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

¹⁰ This amount covers net loans and other receivables, except for Eurobonds and receivables from customers under repo transactions.

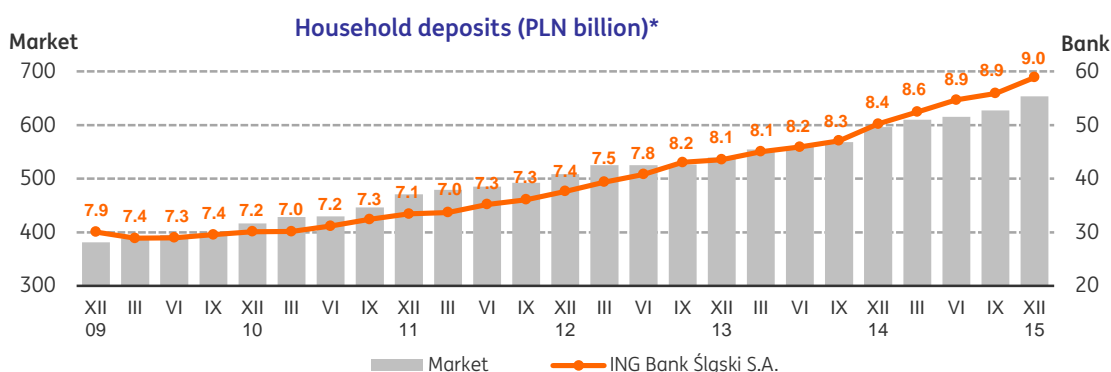
¹¹ Banking sector meaning commercial banks sector in line with data published by NBP in the file *Assets and liabilities of banks*.

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. (PLN million)				
	31.12.2015	31.12.2014	Change y/y	
	PLN million	PLN million	PLN million	%
Credit receivables from households, including:	26,652.9	21,884.6	4,768.3	21.8%
Loans and advances	26,652.9	21,884.6	4,768.3	21.8%
Credit receivables from institutional clients ¹² , including:	39,142.4	32,144.1	6,998.3	21.8%
Loans and advances	36,012.3	29,322.7	6,689.6	22.8%
– Business entities	25,810.0	20,582.2	5,227.8	25.4%
– Financial entities (other than banks)	7,589.9	6,048.0	1,541.9	25.5%
– Entities of the sector of central and local government agencies	2,612.4	2,692.5	-80.1	-3.0%
Debt securities ¹³	3,055.6	2,766.1	289.5	10.5%
Other receivables	74.5	55.3	19.2	34.7%
Total net credit receivables	65,795.3	54,028.7	11,766.6	21.8%
– Net Eurobonds	3,838.1	3,923.4	-85.3	-2.2%
Total net loans and other receivables to customers	69,633.4	57,952.1	11,681.3	20.2%

3. Strengthening position on deposits market

The deposit base held by ING Bank Śląski S.A. is one of the largest in the Polish banking sector, which ensures high liquidity of the balance sheet and comfort as regards shaping the lending policy. As at the end of December 2015, total funds accumulated in the accounts of ING Bank Śląski S.A. amounted to PLN 87,383.7 million¹⁴, an increase of PLN 12,057.7 million (16.0%) as compared with 2014 yearend. Thus, the Bank's share in the commercial banks sector¹⁵ deposits reached 8.6%.

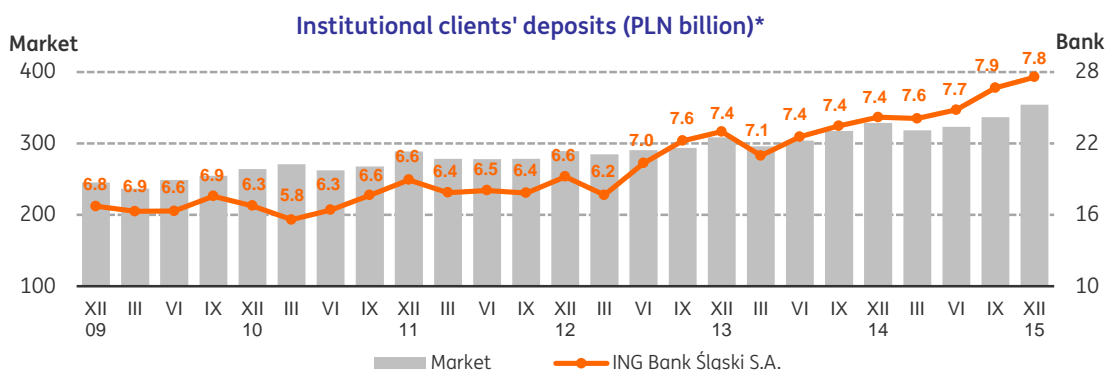


¹² Excluding receivables from customers under repo transactions.

¹³ Eurobonds excluded.

¹⁴ The amount includes the deposits and other liabilities except for liabilities to customers under repo transactions.

¹⁵ The banking sector meaning the commercial banks sector in line with data published by NBP in the file *Assets and liabilities of banks*.



*The figures denote ING Bank Śląski S.A. 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. (PLN million)

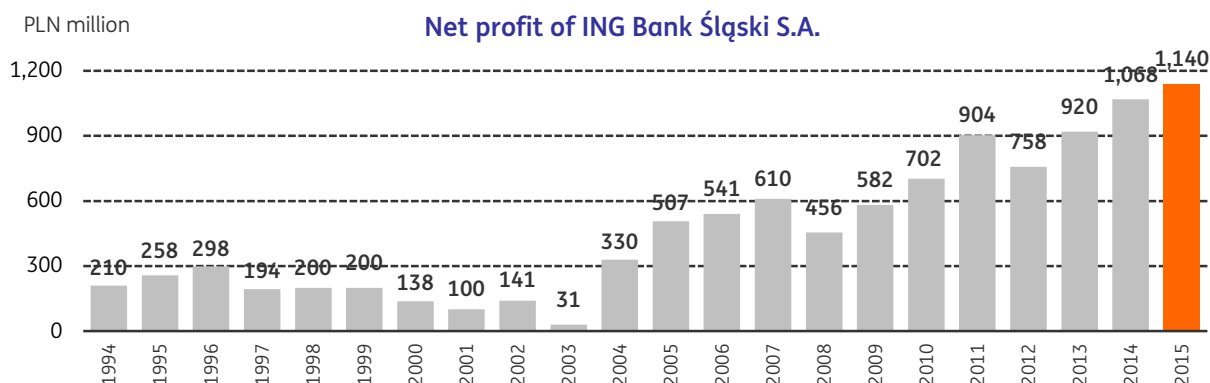
	31.12.2015	31.12.2014	Change y/y	
	PLN million	PLN million	PLN million	%
Liabilities to households, including:	58,812.4	50,135.2	8,677.2	17.3%
Term deposits	58,751.6	50,077.2	8,674.4	17.3%
Other liabilities	60.8	58.0	2.8	4.8%
Liabilities to institutional clients ¹⁶ , including:	28,571.3	25,190.8	3,380.5	13.4%
Term deposits	27,845.2	24,575.1	3,270.1	13.3%
– Business entities	23,615.3	20,238.5	3,376.8	16.7%
– Financial entities (other than banks)	2,610.4	2,468.1	142.3	5.8%
– Entities of the sector of central and local government agencies	1,619.5	1,868.5	-249.0	-13.3%
Other liabilities	726.1	615.7	110.4	17.9%
Total liabilities to customers	87,383.7	75,326.0	12,057.7	16.0%

4. Best net financial result in Bank track record

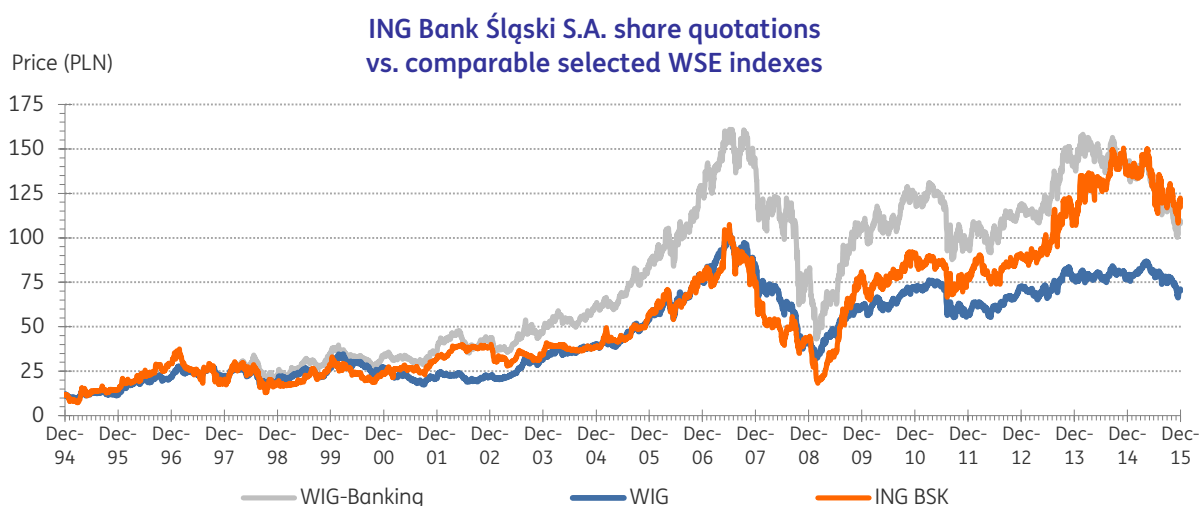
In 2015, the net profit of ING Bank Śląski S.A. totalled PLN 1,140.0 million, up by 6.8% from a year earlier. It was the best net financial result in the Bank track record.

As at the end of December 2015, Return on Assets (ROA) was 1.11% (down by 0.05 p.p. versus 2014), while Return on Equity (ROE) settled at 11.4% (versus 11.7% a year earlier).

The individual components of the result and ratios were described in detail in Chapter *Financial Standing of ING Bank Śląski S.A. in 2015*.



¹⁶ Excluding liabilities to customers under repo transactions.



5. Awards and honourable mentions

2015 brought numerous awards and honourable mentions for ING Bank Śląski S.A., inter alia:

For the attractiveness of its product offer and quality of the customer service:

- *Lider Informatyki 2015* (IT Leader 2015) in the Banking and Finance category of the contest organised by the *Computerworld* monthly,
- *Portfele Wprost 2015* (2015 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 at 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,
- honourable mention for Aleo trading and auction platform in the *Technology Project of the Year 2015* contest run by *The Banker* magazine,
- 1st place in the account ranking compiled by the *Banking Magazine*,
- 1st place in the youth account ranking compiled by the Money.pl portal,
- 1st place in the brokerage account ranking compiled by the Comperia.pl portal,
- 1st place in the ranking of accounts for 2Y businesses, compiled by the TotalMoney.pl portal,
- *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 conditional transactions,
- *Gwiazda Jakości Obsługi* (Service Quality Star) in the customer ranking organised by the www.jakoscobslugi.pl portal.

For the marketing actions:

- two rewards granted at the IAB Mixx Awards for the *It's the people that count* campaign in the Best internet image campaign and Branded content categories,
- Gold Effie statuette for the cash loan campaign: *Better to act than talk* and a bronze statuette for the campaign: *It's the people that count*,
- 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 the people that count* campaign,
- *Srebrny miecz* (Silver Sword) in the Campaign category for the campaign under the theme *It's better to act than talk* and two silver awards in the Film category for *Garbus* (Beetle) and *Foto* (Photo) commercials. Additionally, the Bank got a *Srebrny miecz* (Silver Sword) distinction in the Illustrations category as part of the *It's the people that count* campaign, which also received a *Brązowy miecz* (Bronze Sword) credit in the Image campaign category.

For the manner in which ING Bank Śląski S.A. operates in the community and its ability to effectively combine social responsibility with business values:

- RESPECT Index – the Bank was included in the index of socially responsible companies (for the ninth consecutive time),
- 3rd place in The Best Annual Report 2014 competition, in the Banks and financial institutions category,
- *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, and
- 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. position and management also received high praise:

- Bank of the Year in Poland title, awarded by *The Banker* magazine editorial team,
- Most Innovative Bank in Poland award and Best Customer Service in Poland award in the international competition: Financial & Banking Awards 2015,
- honourable mention in the ranking *Perły Polskiej Gospodarki* (Pearls of the Polish Economy) in the Pearls of the Financial Sector category, compiled by the Polish Market portal and Warsaw School of Economics,
- Banker of the Year title awarded to Małgorzata Kołakowska, President of ING Bank Śląski S.A. 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, and
- title of *Najlepszy Menadżer 2015* (Best Manager of 2014) bestowed on Małgorzata Kołakowska, President of ING Bank Śląski S.A., by the Bloomberg Businessweek weekly editorial team.

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 2015

1. Retail banking

The aim of ING Bank Śląski S.A. is to maintain a strong position in the retail banking market. A wide and transparent product offer with good value proposition plays a crucial role here as well as an extensive and innovative omnichannel distribution network. Furthermore, other important factors are: continuous simplification and automation of processes and higher significance of the internet and direct channels.

The main actions taken in 2015 to deliver on the strategic goals centred around:

- full leveraging on existing distribution power,
- adding new features to direct channels,
- implementing new payment solutions,
- ensuring convenient online and mobile processes for clients, and
- directing the branches towards the advisory services.

This strategy translated into better sales results and higher deposits and loans balances. Additionally, a higher cross-sell ratio resulted in income increase and diversification. What is more, branches became more efficient and thus raised their cost effectiveness, direct distribution channels and customer service became more relevant and operations were automated.

Changes to product offer and customer service rules

Savings, investments, accounts

To ensure that the Direct Account – a core current account – is competitive on the market, the Bank continues to enrich its offer by introducing solutions designed to be intuitive and simple for clients. In 2015, the Bank started inter alia the process of replacing the internet banking system with a new one – Moje ING, where it deploys new generation tools to improve customer experience. The Bank also implemented BLIK payments (Polish Payments Standard) in ING BankMobile for individual clients as well as a phone transfer in the mobile application which enables a client to effect the transaction without typing in the beneficiary's account number, regardless of whether or not this account is with ING Bank Śląski S.A. or with any other bank in Poland. The Direct Account was also promoted by two advertising campaigns under the slogans: I bank as I live. As I like and Bank as you like, which presented new functionalities of the mobile application.

In 2015, the Bank continued to promote saving with the Open Savings Account by e.g. offering periodical, special 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.

These actions were supported by the Open Savings Account advertising campaigns under the slogan Saving smarties reap benefits! The campaigns were addressed both to prospect clients as well as to clients with savings account at our Bank. They were supported by commercials on TV and on the internet. The Bank also launched an extra educational campaign with a media partner called From investing to saving. The action – fronted by Maciej Samcik, prominent journalist of Gazeta Wyborcza daily – was designed to strengthen the position of ING not only as a savings bank but also as an investment bank and to get Polish people interested in saving with full awareness of risk but also opportunities. ING Bank Śląski S.A. was a business partner of the cycle.

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 NN Investment Partners TFI S.A. (previously ING Towarzystwo Funduszy Inwestycyjnych S.A.).

On 15 July 2015, ING Securities brokerage house – in close cooperation with the Bank – introduced a new type of a brokerage account. The basic assumptions of the product were developed in line with the Bank's values – simplicity, user-friendliness and comfort for clients. The brokerage account was “tailored” to meet specific expectations of clients and is divided into two types: Flexible Account and Active Account. The changes made to the offer had a significant impact on the number of acquired clients and allowed ING to become a market leader. Over the last four months (September – December), ING Brokerage Account ranked first in terms of net account growth in the retail client segment.

In 2015, the Bank also held and closed 23 subscriptions for the Investment Term Deposit structured product for the total amount over PLN 1 billion.

Lending products

In 2015, the Bank strongly developed its lending offer as part of pursuing the strategy of constant growth in credit exposure. The enablers included inter alia: a cash loan campaign *You have to return the money but what you get is yours* and two editions of the consolidation campaign *I borrowed, I consolidated, I repaid the way I wanted*. The first of the campaigns was intended to persuade the Poles that if you put your mind into using your cash loan it can bring more benefits than the costs it entails. We encouraged clients to get down to action, we empowered them and provided them with tips on how to benefit on borrowed money. Other two campaigns were addressed to both individual clients and entrepreneurs and offered up consolidated cash loans with a promotion being the return of the first instalment of up to PLN 200. The promotion enabled clients not only to enjoy financial benefits, but also to organise their finance, i.e. repay the loans in other banks and pay one convenient instalment at ING Bank Śląski S.A.

The launch of the modified preapproved offer back in February 2015, available in the ING BankOnLine system, was an interesting solution which reflected not only the engagement in lending offer development, but also the strive to continue product simplification. 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 entail more favourable conditions.

In March 2015, a fast-track lending process for cash loans, overdrafts and credit cards in the dedicated smartphone mobile application was rolled out (“the preapproved offer”). The 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 and with the funds under the cash loan disbursed being remitted to their accounts at their bank. It is a paperless process. Clients attach images 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 only to ING BankOnLine users. 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 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 April, we announced a special cash loan offer with 4%-margin and 0%-commission for businesses on the market for at least 4 years. From May through June 2015, during the *You have to return the money but what you get is yours* campaign every entrepreneur could enjoy preferential terms such as: lower margin and zero commission for granting a credit facility.

In April 2015, the end-to-end process of leasing products sale at all Bank branches was rolled out.

Starting from October the advisors can accept credit applications sent as photos by ING Photo Doc.

In 2015, the Bank continued the special offer *Live without compromise*, targeting young people looking for residential real property purchase funding. The offer is applauded by the market, clients and Bank's distribution channels. The offer makes the Bank come across as an institution able to provide young clients with products empowering them to meet their housing needs without putting a strain on their budget. ING Bank Śląski S.A. was granted the *Złoty Bankier* (Golden Banker) award in the Best mortgage loan category for that offer. In 2015, additional special offers were in place – they had the same pricing conditions as *Live without compromise*, excluding the age limit. As a consequence, for the first time the Bank's sales track record exceeded PLN 5 billion. When compared with the sales target in 2014, the Bank posted growth of 23.4%.

In February 2015, the Bank provided its clients and prospects with the NAVIDOM platform, which helps them at every action step of home buying starting from selecting the offer, through formalities and to the housewarming party. Offers of apartments are provided by otoDom.pl, one of the largest services in Poland. The system launch was supported by the internet campaign. Since the end of October the upgraded version of the service has been available – opening an account is no longer required to get access to tips and tricks of flat hunting.

ING Bank Śląski S.A. won the first place in the Mobile Bank category in the Newsweek Friendly Bank ranking. This category was giving credit to the most friendly and efficient banks as regards granting housing loans.

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

To deliver the best customer experience we continue to provide clients with the solution for having a trade talk, filing a credit application and concluding a credit agreement at the branch, where loan mortgage specialists are not present on a daily basis. To that effect, we organise a videoconference with a mortgage advisor working in some other location or the Contact Centre. The client is also accompanied by a retail client advisor.

Even though ING Bank Śląski S.A. has one of the smallest CHF mortgage portfolios in the market, since the beginning of 2015 it has been very responsive to CHF exchange rate appreciation by following the recommendations issued by Polish Bank Association and regulators. The Bank monitors the changing legal landscape and it makes sure that the image of the trusted bank is kept.

In 2015, ING Bank Śląski S.A. was the only bank in the market to apply the average exchange rate of Swiss Franc (CHF) to convert the instalments of the CHF mortgage loans. The Bank also decided to apply this exchange rate until the end of 2016.

Insurance products

As far as the insurance offer is concerned, in 2015, the Bank centred its actions around implementing 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.

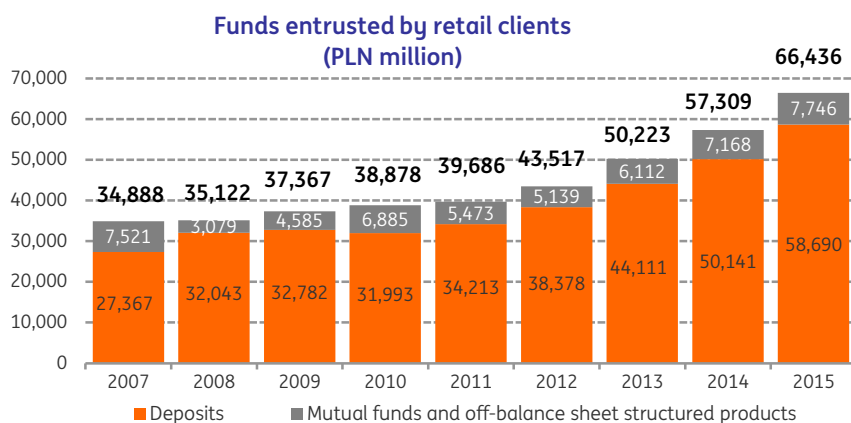
Deposits¹⁷

As at 31 December 2015, funds¹⁸ entrusted to ING Bank Śląski S.A. by retail clients totalled PLN 66.4 billion, compared with PLN 57.3 billion in December 2014 (up by 15.9%). Banking deposits constituted their main part.

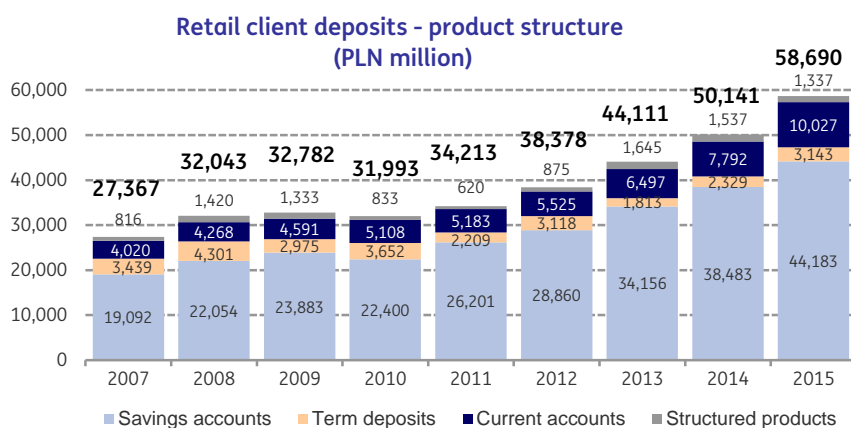
The fact that deposit base grew faster than the volumes in the sector translated into higher share in the household deposits market. As at 2015 yearend, it was 9.0% versus 8.4% a year ago.

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

¹⁸ Total value of deposits, structured products and mutual funds distributed by the Bank.

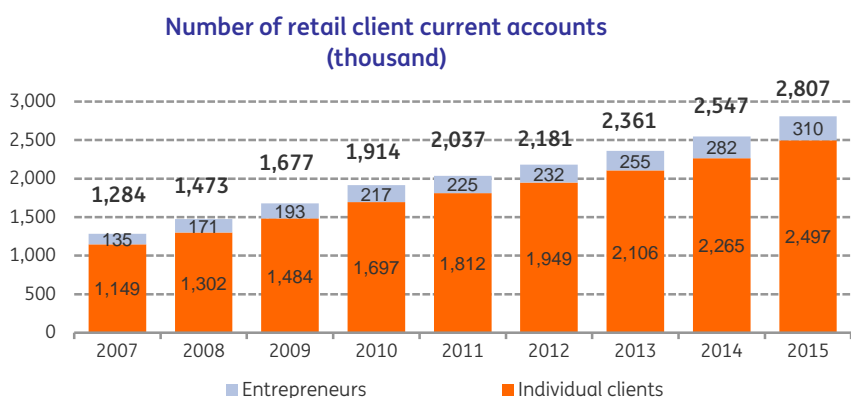


Change y/y	
PLN million	%
9,127	15.9%
578	8.1%
8,549	17.0%



Change y/y	
PLN million	%
8,549	17.0%
-200	-13.0%
2,235	28.7%
814	35.0%
5,700	14.8%

Throughout 2015, the array of settlement services rendered by the Bank to its retail clients grew significantly. At the end of December 2015, ING Bank Śląski S.A. maintained 2.8 million personal accounts for retail clients. Most of them (78%) were Direct accounts.

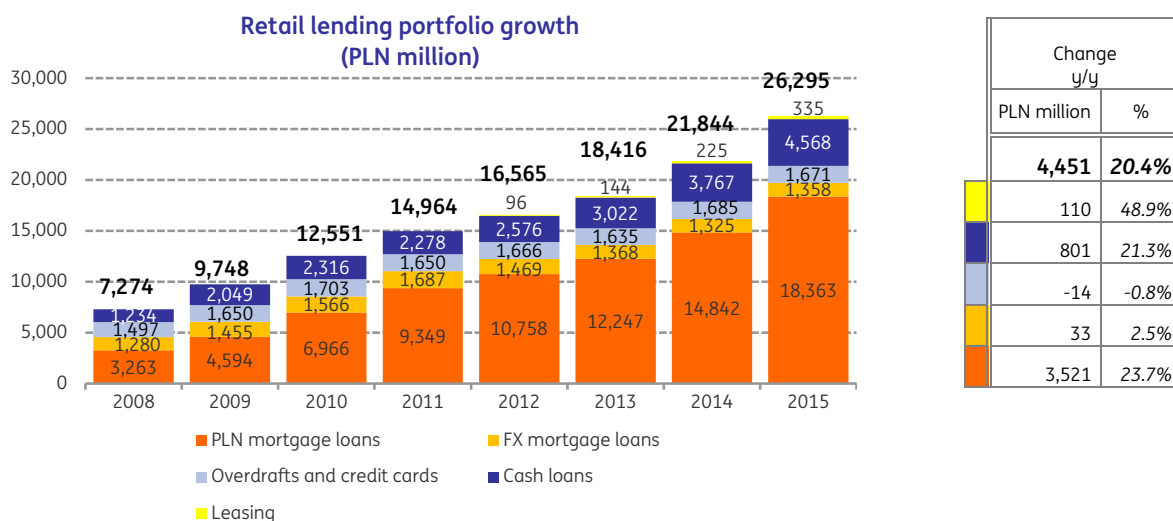


Change y/y	
thousand	%
260	10.2%
28	9.9%
232	10.2%

Lending¹⁹

As at 2015 yearend, credit receivables from retail customers totalled PLN 26.3 billion. Throughout the year, the Bank's credit exposure towards that group of clients went up by PLN 4.5 billion, or over 20%. The Bank increased its share in the household credit receivables market to 4.4% (versus 3.8% in December 2014).

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



In 2015, the Bank increased mortgage loans' sales by nearly PLN 1.0 billion, or 23% y/y. According to the data published by the Polish Bank Association, in 2015 ING Bank Śląski S.A. was third in the market with a 13.0% 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 2015, more than 210 thousand cash loans totalling over PLN 3.0 billion were granted. It stands for sales growth by 13% y/y.

Bank cards and cash self-service machines

The Bank continues to develop self-service machines. In July 2015, the Bank entered into an agreement with IT Card on management and development of a non-branch machine network. Under this agreement, the Bank transferred some of its machines for service by IT Card under the co-branded network with Planet Cash and expanded the number of its machines in the co-branding format by adding 56 dual machines and 12 mono-functional ATMs located in new and attractive locations. As a result, as the end of December 2015, Bank clients could use 1,109 ING-logoed machines, including 814 Bank's own machines. Accordingly, the network is formed of 1,100 ATMs and 903 CDMs labelled with the ING logo (dual machines included). The Bank also expands the network of machines with a unique on the Polish market NFC feature – as at 2015 yearend the Bank made 799 such machines available to its clients.

In 2015, the Bank implemented BLIK payments (Polish Payments Standard) in ING BankMobile for individual clients. It is a convenient way of effecting payments, withdrawing cash from ATM and making internet payments via mobile phone. The Bank also rolled out a phone transfer in the mobile application which enables clients to effect transactions without typing in the beneficiary's account number, regardless of whether or not this account is with ING Bank Śląski S.A. or with any other bank in Poland.

By the end of December 2015, ING Bank Śląski S.A. issued over 2.9 million payment cards to its retail clients, where nearly 2.4 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 December 2015, 42.4 thousand corporate clients used the services of ING Bank Śląski S.A., including:

- 41.6 thousand mid-sized companies and mid-corporates, and
- 837 strategic clients (holdings).

Throughout 2015, the Bank entered into relationships with 9.6 thousand corporate clients, whereby the number of companies tended to by the Bank went up by 5.9 thousand from 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 path-breaking and comprehensive array of cash transaction processing solutions. The Bank continues to develop its network of electronic depositories which as at 2015 yearend was formed of 131 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. As at 2015 yearend, already 28 clients could make closed cash deposits from the comfort of their business office. In response to clients' expectations, the Bank added to its offer another solution – mini-CDMs. These are small machines installed at the company's premises which make it possible 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).

In July 2015 the Bank enabled clients to set up company accounts as part of the Direct offering without having to pay a branch visit. Clients contact ING Business Centre by phone and sign off all the account opening-related documents electronically in the ING BusinessOnLine system. Account is opened within maximum 2 business days. For a company representative also being an individual client of the Bank, bank account is set up already on the very same day.

Furthermore, 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 a deferred payment can be risky for the business partner.

Cards

In May 2015, the Bank rolled out a new ING CardsOnLine application release, assisting companies in managing company payment cards issued by ING Bank Śląski S.A. The application was developed under RWD technology. In other words: it is adjusted to mobile devices – both tablets and smartphones. Clients only need to connect to the internet to use the application. No extra software is needed.

Loans

In 2015, the Bank strived after more intensive use of direct channels (online channels, first and foremost) when contacting clients and further automation of lending processes.

These actions translate into tangible benefits such as:

- a systematic increase in the share of electronic credit applications filed through the ING Direct Business Credit and ING BusinessOnLine applications in the total number of credit applications filed by companies. As at 2015 yearend, the share stood at 86%.
- incremental share of loan agreements and annexes made electronically or with Business Centre employees involvement,
- a high percentage of loan disbursement instructions filed via electronic banking to activate subsequent loan takes – over 90% as at 2015 yearend, and
- an increased share of electronic loan repayment instructions – 55%.

In January 2015, clients using 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 paper ones collected from the former.

In mid-2015 all clients could already use 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 the online banking system (clients can deliver requisite reports and documents to the Bank, for example).

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. 288 loans were awarded using that procedure until the yearend. At the same time, works are under way on prescoring process automation, planned for Q2 2016.

In 2015, numerous calls for investment project subsidy applications took place. ING Bank Śląski S.A. made approximately 100 credit agreements or commitment letters for funding the projects which were awarded subsidies. EU-subsidised loans signed off in 2015 totalled over PLN 400 million; as at 2015 yearend, the funding awarded for EU-subsidised loans was over PLN 1 billion.

De minimis guarantees as part of the De Minimis Portfolio Guarantee Line as a form of support for SMEs and sureties as part of the Portfolio Surety Line, introduced at the Bank on 15 March 2013 under the agreement with Bank Gospodarstwa Krajowego (BGK), are still popular among clients. In 2015, ING Bank Śląski S.A. was ranked fifth in the guarantee market with the 8.3%-share of the issued guarantees' amounts. As at the end of December 2015, the Bank granted 872 guarantees worth PLN 621 million and loans totalling PLN 1,242 million.

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 strived after increasing account flows and deposit volumes in the landscape of low interest rates. 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 – for over a year now, 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 2015, the Bank expanded its product offer by continuing two key projects:

- 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 the FM platform offer (FM products) which is an attractive solution, especially for simpler operations of low volumes.

Trade finance

2015 saw a dynamic business growth. When compared with 2014, the worth of activated letters of credit went up by 25%. The number of guarantees made by ING Bank Śląski S.A. rose by 1.4% and remained high. In turn, the number of purchased invoices went up by 11% from the year ago.

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. The share of L/Cs, guarantees and discount products orders placed via the ING BusinessOnLine system is close to 100%. In December 2015, this share settled at 99% for letters of credit and receivables purchase and 94% for guarantees.

In July 2015, the Bank rolled out a unique TF Express service. Owing to this solution, the Bank can issue guarantees, open letters of credit and purchase receivables within 2 hours from the full order or instruction receipt. Clients file urgent orders (Express processing) via the ING BusinessOnLine system or Help-Line. They can also make a relevant note in the "additional terms and conditions" field on the guarantee or L/C order form. TF Express is a unique trade finance service in the Polish market.

In November 2015, the Bank was first in the Polish market to launch e-guarantees – traditional bank guarantees issued as digital files, signed off and validated with a secure qualified electronic signature. E-guarantee beneficiaries can safely and at no cost verify that the signatures placed there are authentic.

In order to cater for clients' needs and make its offering more competitive, the Bank resolved to actively offer advanced technological solutions in the trade finance area – Export Finance products. The Bank plans to finance export contracts of its clients; funding agreements will be collateralised with insurance provided by KUKE S.A. as part of the export insurance programme guaranteed by the State Treasury.

The Bank continues to cooperate intensely with the Aleo platform in the trade finance area. The Vendors Financing on Aleo product is dynamically growing. In 2015, the Bank funded almost 13 thousand invoices totalling PLN 205 million. Apart from the option to fund overdue invoices and addition of FX handling service, the Bank also launched the option of a secure WebService interface between the client ERP system and Aleo.

In 2015, ING Bank Śląski S.A. issued 6,393 guarantees totalling over PLN 2.25 billion (a substantial share in the bank guarantee market).

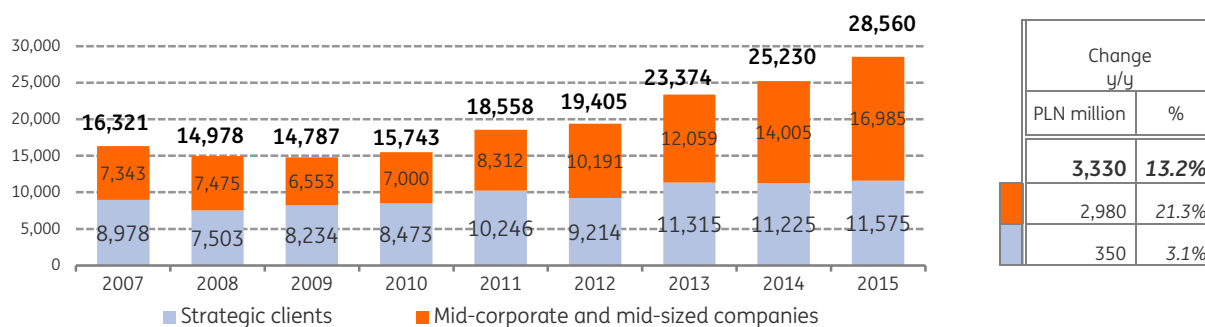
Aleo

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 the 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 expanded with all the companies registered in the National Court Register as well as the mechanisms ensuring daily update of registration data. Owing to this and the support of the Sourcing Team, Aleo enables addressing more than 400 thousand companies in Poland with a request for proposal. Aleo is supplemented with the "Company purchases" blog launched in June 2015, promoting professional and conscious approach to business procurement process management with the use of modern IT tools.

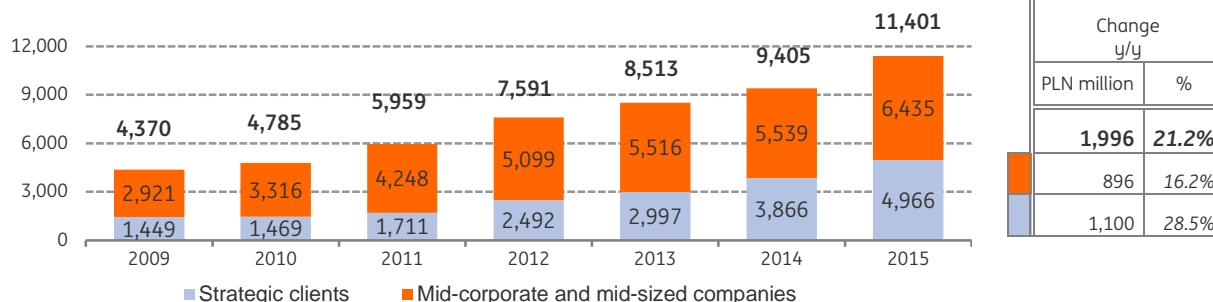
Deposits and settlements²⁰

As at 2015 yearend, the funds of the corporate clients accumulated in their accounts totalled PLN 28.6 billion, up by 13.2% from a year ago. Thus, the Bank had a 7.8% share in the institutional clients' deposits market (up by 0.4 p.p. from 2014 yearend).

Corporate client deposits (PLN million)

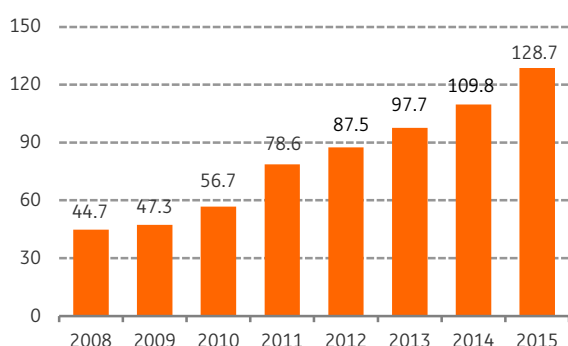


Volume of corporate client current accounts (PLN million)

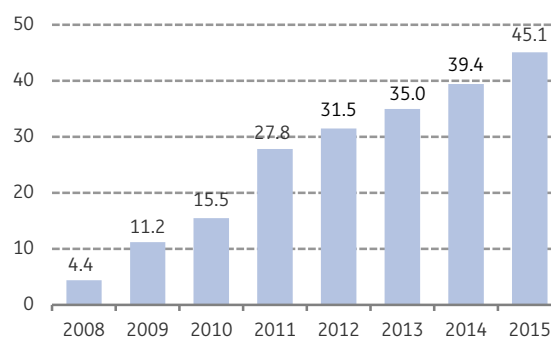


As at 2015 yearend, ING Bank Śląski S.A. maintained 129 thousand corporate current accounts (PLN and FX), up by 17.2% from December 2014. The vast majority of clients with current accounts at ING Bank Śląski S.A. use the ING BusinessOnLine system to interact with the Bank. In December 2015, the system was used by 45 thousand companies (versus 39 thousand in December 2014).

Number of corporate client current accounts (thousand)



Number of ING BusinessOnLine clients (thousand)*



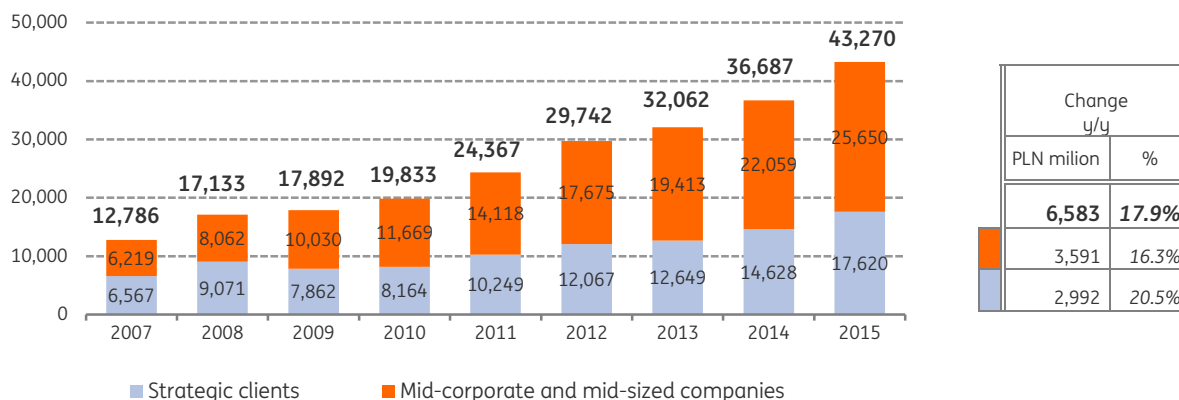
* In the case of holdings, individual holding members are recognised separately. Additionally, it covers some part of retail clients (housing communities), as the corporate segment provides them with operational service.

²⁰ Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

Lending²¹

As at the end of December 2015, corporate client funding granted by the ING Bank Śląski S.A. Group totalled PLN 43.3 billion. Throughout the year, this amount went up by PLN 6.6 billion, or 18%. The Bank is estimated to have held 10.2% of the institutional credit market share in December 2015 (9.0% a year earlier).

Loans to corporate clients (PLN million)



In 2015, the Bank won 69 bids worth over PLN 813 million for funding local government units. This result enabled the Bank to maintain its 7.6% share in financing local government institutions as at the end of December 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 started works to achieve compliance with MiFID II and MiFIR. At the same time, the Bank continued preparations to satisfy the requirements of EMIR as regards clearing of specified transactions through the Clearing House (the planned decision regarding the effective date of the clearing obligation in the EU was postponed until 2015 yearend).

Furthermore, ING Bank Śląski S.A. signed a cooperation agreement with the local clearing house, KDPW_CCP (membership makes it possible to directly clear derivative transactions).

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. The average monthly number of transactions was 13.9 thousand. In turn, the number of clients who made at least 1 transaction per month was 3.3 thousand. Furthermore, the FX Trader platform provided clients with economic news 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 2015, the Bank inter alia:

- being the consortium leader, in cooperation with three banks, arranged the market debut of 5Y bonds of Enea S.A. for PLN 1.0 billion under the issue programme worth PLN 5 billion set in June 2014. The Bank acted as: Payment Agent, Depositary, Dealer and Calculation Agent,
- co-arranged a new bond issue programme of TAURON Polska Energia S.A for the amount of PLN 6.3 billion and underwritten by a consortium of eight banks, set to refinance the bonds issued by the company under the bond issue programme from 2010 and warrant extra funding until 2020 (Bank's role: Lead Arranger, Underwriter, Paying Sub-Agent and Sub-Depositary),
- arranged independently 17 municipal bond issue programmes totalling nearly PLN 340 million.

²¹ Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

As at 31 December 2015, ING Bank Śląski S.A. ran securities trading of 88 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 10.3 billion, including PLN 2.5 billion under short-term securities issue. This enabled the Bank to win the third place in the corporate debt securities market in December 2015 (with the share of 13.5%) and the first place in the short-term securities market (with the share of 21.2%).

As regards sales of structured products in the Polish market, the Bank kept its strong fifth position with the 8%-share in 2015 sales. The Bank was also awarded in the Structured Retail Products sector rating.

Moreover, in 2015 ING Bank Śląski S.A. was ranked fourth (among 17 banks applying for the function) and was granted the 2015 Money Market Dealer status in the ranking by the National Bank of Poland assessing the banks' activity in the money and FX markets. The Ministry of Finance also granted the Bank the 2016 Dealer of Treasury Securities status. ING Bank Śląski was ranked fifth among 16 aspiring banks.

In 2015, the Bank's team of economists was honoured in numerous competitions, among others, it ranked:

- first in the prestigious ranking made by *Bloomberg* in the CPI inflation prediction category and third in the NBP rates forecast category,
- third in the "monthly projections" ranking by *Rzeczpospolita* daily, and
- fourth in the competition for the Best Economic Analyst organised by the National Bank of Poland and *Rzeczpospolita* daily.

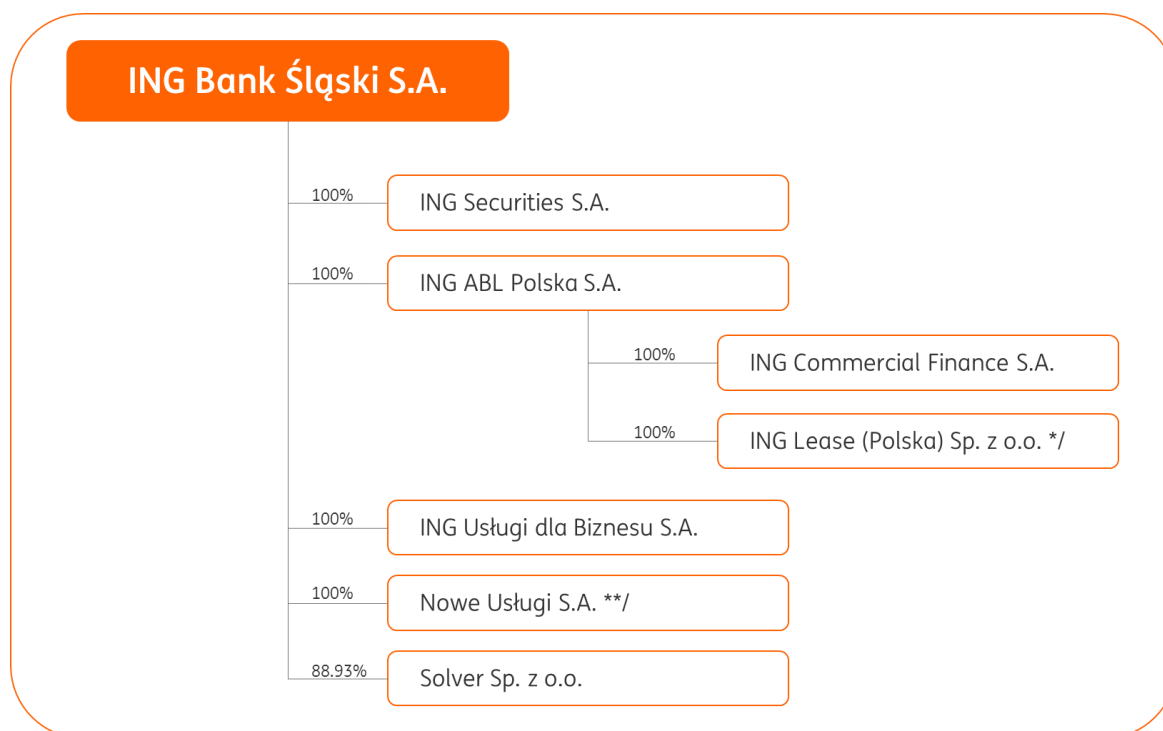
IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. GROUP COMPANIES

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

The ING Bank Śląski S.A. Group comprises subsidiaries operating predominantly in 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. The Group members have their current accounts and deposit their free funds in term deposits at ING Bank Śląski S.A. The Bank also finances 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.

In 2015, there was a change in the Group structure. On 20 July 2015, the sale transaction of a bundle of 20% of ING Powszechne Towarzystwo Emerytalne S.A. shares was concluded. Further, already after the year close, the Bank announced its intention to split ING Securities S.A. and incorporate its brokerage business into the Bank's structure. The other business will be moved to the incorporated in 2014 but still not operative subsidiary, Nowe Usługi S.A.

As at 31 December 2015, the composition of the ING Bank Śląski S.A. Group was the following:



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

** Nowe Usługi S.A. incorporated in H1 2014 as a subsidiary of ING Usługi dla Biznesu S.A. (the company is not fully operative yet). On 25 August 2015, ING Bank Śląski S.A. acquired 100% of Nowe Usługi S.A. shares from ING Usługi dla Biznesu S.A.

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

ING Lease (Polska) Sp. z o.o. has been operating in the market since 1996. It offers all basic types of lease (operating, financial and sale-and-leaseback) and a cash loan which can be used to finance both movables (being passenger cars and light-duty vehicles up to 3.5 tonnes, machinery and equipment, technological lines, commercial vehicles, medical and IT equipment) and immovables (office buildings, commercial facilities and logistics centres). In 2015, the company was very active first and foremost in the movables financing area. The offer was prepared for all corporate clients and some retail clients (entrepreneurs).

As at the end of December 2015, receivables from clients went up to PLN 5.85 billion (up by 8.5% over the year). The data of the Polish Leasing Association read that the company has the third biggest portfolio of receivables of all leasing companies in Poland. As far as new production – that is worth of agreements and assets provided in 2015 – is concerned, with its market share of 5.14%, the company is ranked eighth in the market.

In H1 2015, the company rolled out a modern operating system, whereby service of transactions was made more efficient. Further, the new system enabled the company to modify the offering in that simplified products were further standardised and their range expanded. As a consequence, the company was dynamically building its portfolio of leased movables, and machinery and equipment as well as vehicles in particular, retaining its leading market position.

Courtesy of vendor programmes with suppliers of end-to-end and up-to-the-minute IT solutions for business, ING Lease is the leader in the IT equipment leasing segment.

In June 2015, the ING Profesjonalista (ING Professional) product – a straightforward product for professional freelancers – was awarded by Gazeta Finansowa as the best product for SMEs in the Leasing category.

3. ING Commercial Finance Polska S.A.

ING Commercial Finance Polska S.A. provides factoring services and was included into the ING Bank Śląski S.A. Group structure at the beginning of 2012. Since then, it has been gradually expanding the scale of its business and the number of serviced clients.

In 2015, the company turnover totalled PLN 18.9 billion and was 12% over that of 2014. Ergo, the company won the first place among Polish factors in market share terms (14.1%). Clients from such industries as food and beverages (25%), house and horticulture (8%), packaging (6%), power and fuels (6%), construction (6%), computers and software (6%) and chemistry (5%) prevail in turnover.

In 2015, ING Commercial Finance was rewarded two honourable mentions. In the edition of the Book of Lists yearly published in Q2 2015, ING Commercial Finance 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. (Brokerage House) provides brokerage services both for retail and corporate clients. As at the end of December 2015, ING Securities S.A. maintained over 53,000 investment accounts.

2015 was the year of intensified works on the integration of brokerage and bank services, initiated in 2014, mainly in the field of online and mobile services. The cooperation led to launch on 15 July 2015 of a new offer of brokerage accounts for retail clients. Two new types of accounts were prepared, which were named brokerage accounts for the purpose of standardisation with the bank nomenclature. The former – Flexible Account – is for less active stock exchange players who need simple solutions. There is no fixed fee for this account, while the stock market trading commission is set at 0.3% (minimum PLN 3). With this package, clients have access to online quotations. The latter – Active Account – is designed for active investors that expect more advanced investment tools, attractive pricing conditions, as well as additional services supporting stock exchange investments. The account maintenance fee is PLN 10 per month and the stock market trading commission is 0.19% (minimum PLN 3). Apart from access to online quotations, clients may also use the 4 Max Quotations programme.

27 July 2015 was the day of launching a mobile application for making tickets as well as watching quotes and portfolio development. The application is available in the Android and iOS operating systems for all clients irrespective of the type of their brokerage accounts. High scores in Google Play and AppStore (4.4 and 4+, respectively) make the ING Securities application the highest-ranking among all the brokerage applications offered by competitive institutions.

ING Securities participated also in public offerings. The most important were: Wittchen S.A., Private Equity Managers S.A., Idea Bank S.A., Kerdos Group S.A., Enter Air S.A. and Krynica Vitamin S.A.

Offer modification and company operations were honoured in numerous contests and rankings. The company was, inter alia, ranked first in the ranking of the Comperia.pl service. Three factors, predominantly, decided about the victory: no account maintenance fee, vast account usability reflected in access to 12 from 13 parameters examined by Comperia.pl and attractive rate of commission charged for processing stock market tickets.

5. ING Usługi dla Biznesu S.A.

In 2015, ING Usługi dla Biznesu S.A. continued its actions to increase the number of businesses actively using the Aleo purchase platform and the investments to expand the scope and quality of the platform services offered. Clients making their purchase processes on the platform are acquired by the Advisory and Business Development Team, newly established in the company's structure, that cooperates closely with the Corporate Sales Network of ING Bank Śląski S.A. The offer and operations of the platform 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 vendors 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 vendors. The vendor database was expanded – currently, it is possible to place requests for proposal via Aleo with over 480 thousand businesses in Poland, including over 48 thousand vendors registered on the platform. The vendor finance service provided by ING Bank Śląski S.A. and arousing growing interest among clients is also a key and intensively developed element of the Aleo product offer. The monthly number of visits at the Aleo.com service over the year doubled.

As part of the ING Accounting service, actions focused mainly on the increase of customer service effectiveness and the cooperation with the Corporate Sales Network of ING Bank Śląski S.A. as regards distribution of accountancy and payroll services. The parallel developmental works allowed implementation of a number of client functionalities, like business trip settlement module, holiday planning module, leave requests forms servicing module, online VAT projections for clients as well as an extended list of available management reports.

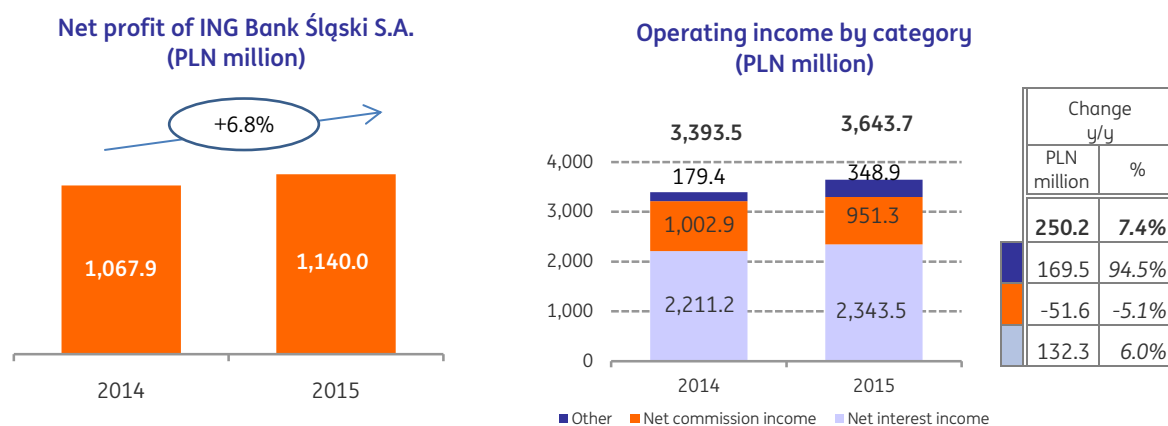
6. Solver Sp. z o.o.

Solver Sp. z o.o. runs business on behalf of ING for Children Foundation. The company not only organises education and recreation as well as rehabilitation stays for children aided by the Foundation, but it also arranges recreation for Bank employees and their families as well as training programmes therefor. Moreover, space and parking lots lease as well as hotel rooms administration constitute additional company's objects.

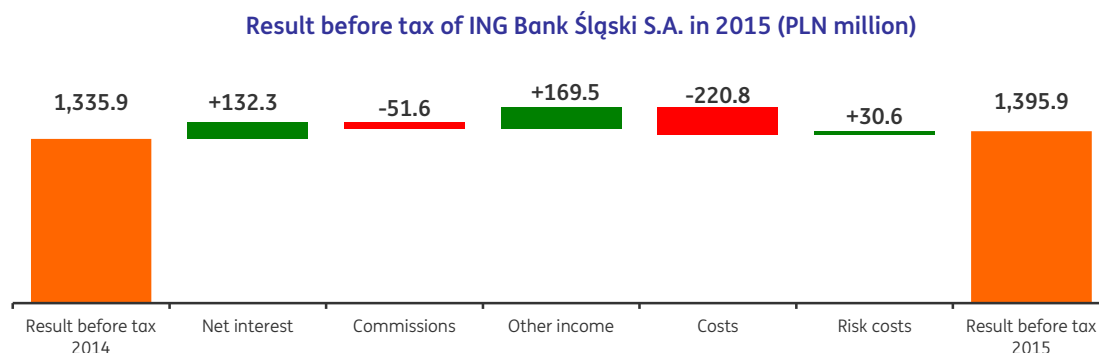
V. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. IN 2015

1. Profit before tax and net profit

In 2015, ING Bank Śląski S.A. generated a higher financial result as compared with last year, and thereby recorded all-time high net profit of PLN 1,140.0 million.



The factors which impacted the 2015 result before tax most, when compared with last year, are given on the below chart:



Basic income statement figures in analytical terms

	2015	2014	Change 2015/2014	
	PLN million	PLN million	PLN million	%
Net interest income	2,343.5	2,211.2	132.3	6.0%
Net commission income	951.3	1,002.9	-51.6	-5.1%
Other income	348.9	179.4	169.5	94.5%
Total income	3,643.7	3,393.5	250.2	7.4%
General and administrative expenses	2,035.0	1,814.2	220.8	12.2%
Result before risk costs	1,608.7	1,579.3	29.4	1.9%
Impairment losses and provisions	212.8	243.4	-30.6	-12.6%
Gross financial result	1,395.9	1,335.9	60.0	4.5%
Income tax	255.9	268.0	-12.1	-4.5%
Net financial result	1,140.0	1,067.9	72.1	6.8%

Total income of ING Bank Śląski S.A. (including, apart from net profit, other items of income and expenses recognized in equity) was PLN 756.6 million over PLN 2,426.9 million in 2014.

2. Net interest income

In 2015, net interest income of ING Bank Śląski S.A. totalled PLN 2,343.5 million over PLN 2,211.2 million a year earlier (up by 6.0%).

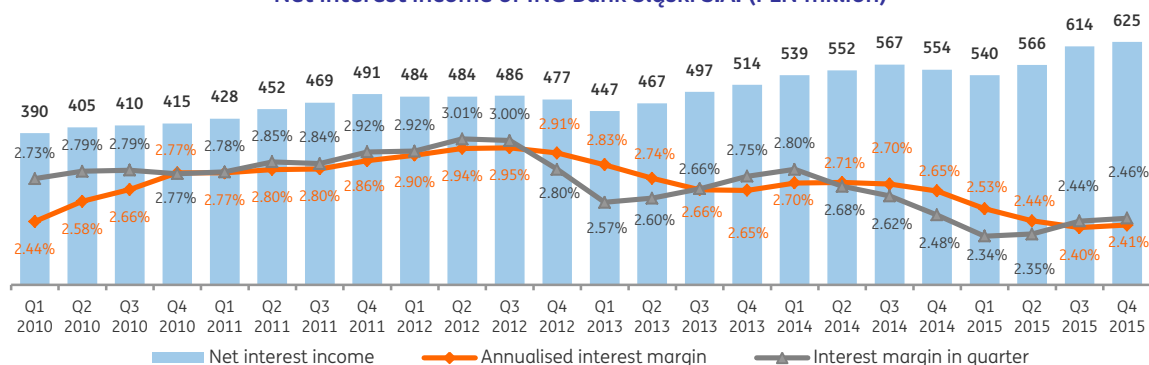
For the first nine months of 2014, the NBP reference rate was 2.5%. At the beginning of October 2014 it was set at 2.0% and in March 2015 it was cut back by another 0.5 p.p. to 1.5%. Despite declining interest rates, net interest income went up. This is the result of significantly higher business volumes (in 2015 the lending portfolio augmented by PLN 11.8 billion, or nearly 22%) and tailoring the deposit offer to market conditions.

A lower interest margin, which fell by 22 basis points over the year, is the natural effect of reduced interest rates.

Average base interest rate

	Segment		Bank total
	Retail	Corporate	
Deposits			
PLN	1.24%	1.22%	1.24%
FX	0.18%	0.02%	0.10%
Loans			
PLN	4.73%	2.98%	3.80%
FX	0.84%	1.99%	1.80%
Including:			
mortgage loans			
PLN	3.62%	-	3.62%
FX	0.84%	-	0.84%

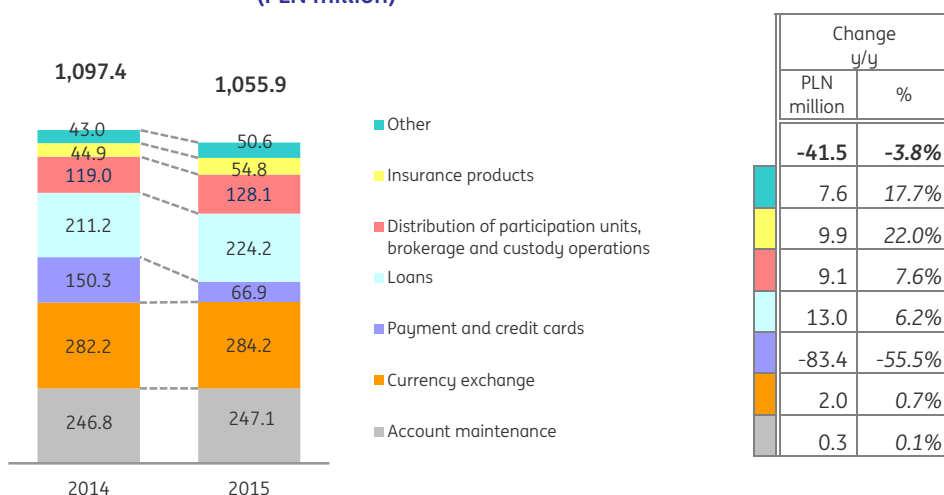
Net interest income of ING Bank Śląski S.A. (PLN million)



3. Non-interest income

Income on fees and commissions represented the major part of non-interest income of ING Bank Śląski S.A. In 2015, it totalled PLN 951.3 million and – despite a considerably higher volume of transactions and number of clients serviced – it was PLN 51.6 million (or 5.1%) lower than in 2014.

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



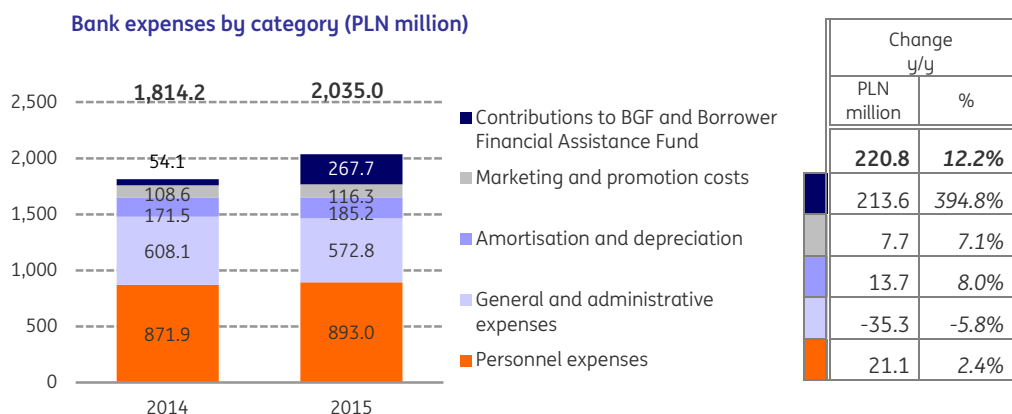
The most significant decrease in the income on fees and commissions was seen on the income on payment and credit cards, which dropped by PLN 83.4 million (or 55.5%). This phenomenon follows a considerable interchange fee reduction. On 01 July 2014, the regulations reducing the interchange fee on average by 0.7 p.p. (from 1.2%-1.3% of card transaction amount to 0.5%-0.6%) entered into force. On 29 January 2015, the interchange fee was again reduced to 0.2%-0.3%.

In 2015, other income of the Bank was PLN 170 million higher than in 2014. This result was first and foremost driven by two transactions:

- the sale of some bonds from the portfolio of available-for-sale securities in Q1 2015 (impact on the investment result of PLN 50 million),
- the dividend payout by ING PTE in Q2 2015 (PLN 82 million) and settlement of the sale of 20% of shares in ING PTE in Q3 2015 (PLN 88 million).

4. General and administrative expenses

In 2015, as compared with 2014, the general and administrative expenses were as follows:



Additional contribution to BGF earmarked for disbursement of guaranteed funds to the depositors of the bankrupt Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (SK Bank) of PLN 157.4 million contributed the most to the increase of the cost base. Excluding the costs of the said bankruptcy, the Bank expenses would settle at PLN 1,877.6 million, i.e. up by only 3.5% versus 2014. Moreover, regular contributions to BGF made in 2015 under the annual and stabilisation fund fees were significantly higher than previous year – impact on expenses of PLN 49.7 million. Additionally, the Bank provisioned PLN 6.4 million for contribution to the Borrower Financial Assistance Fund established at the end of the year.

5. Impairment losses and provisions

In 2015, the value of impairment losses for financial assets and provisions for off-balance sheet liabilities accounted for in the result was PLN 212.8 million compared with PLN 243.4 million a year earlier.

Provisions established in the corporate clients segment accounted for the majority of impairment losses; they totalled PLN 143.0 million compared with PLN 164.7 million in 2014 (down by 13.2%).

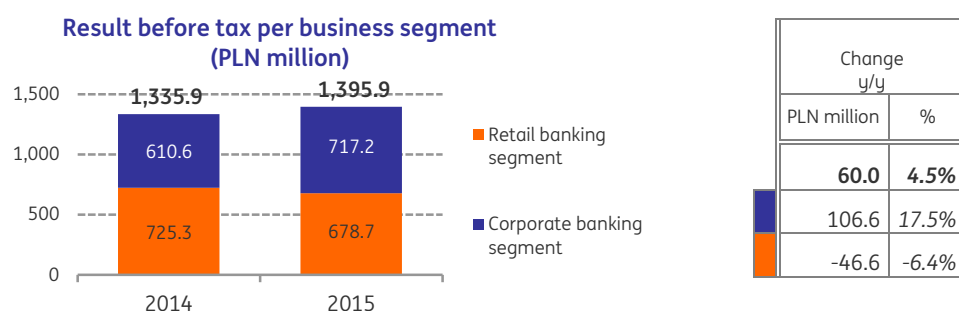
Also in the retail segment, the net loan loss provisions established in 2015 were lower than in 2014 – PLN 69.8 million compared with PLN 78.7 million respectively (down by 11.3%).

6. 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 and affluent clients sub-segments) and entrepreneurs (small businesses), and
- corporate banking segment, which comprises institutional clients and FM products' operations.

In 2015, the Bank result before tax broken down into segments was as follows:



In 2015, results of the retail banking segment and of the corporate banking segment accounted for 48.6% and 51.4% of the Bank result before tax respectively (in 2014: 54.3% and 45.7% respectively).

Result before tax drivers for retail banking segment

	2015	2014	Change 2015/2014	
	PLN million	PLN million	PLN million	%
Net interest income	1,489.6	1,358.0	131.6	9.7%
Net commission income	347.6	422.0	-74.4	-17.6%
Other income	207.3	160.8	46.5	28.9%
Total income	2,044.5	1,940.8	103.7	5.3%
General and administrative expenses	1,296.0	1,136.8	159.2	14.0%
Result before risk costs	748.5	804.0	-55.5	-6.9%
Impairment losses and provisions	69.8	78.7	-8.9	-11.3%
Gross financial result	678.7	725.3	-46.6	-6.4%

Result before tax drivers for corporate banking segment

	2015	2014	Change 2015/2014	
	PLN million	PLN million	PLN million	%
Net interest income	853.9	853.2	0.7	0.1%
Net commission income	603.7	580.9	22.8	3.9%
Other income	141.6	18.6	123.0	661.3%
Total income	1,599.2	1,452.7	146.5	10.1%
General and administrative expenses	739.0	677.4	61.6	9.1%
Result before risk costs	860.2	775.3	84.9	11.0%
Impairment losses and provisions	143.0	164.7	-21.7	-13.2%
Gross financial result	717.2	610.6	106.6	17.5%

7. Core effectiveness ratios

Core effectiveness ratios (%)

	2015	2014	Change 2015 / 2014
C/I ratio	55.8%	53.5%	+2.3 p.p.
ROA	1.11%	1.16%	-0.05 p.p.
ROE	11.4%	11.7%	-0.3 p.p.
Interest margin ratio	2.41%	2.65%	-0.24 p.p.
LTD	75.3%	71.7%	+3.6 p.p.
Total Capital Ratio	15.1%	15.5%	-0.4 p.p.

Cost to Income (C/I) – cost of operations/ income.

Return on Assets (ROA) – net profit/ average assets for 5 consecutive quarters.

Return on Equity (ROE) – net profit/ average equity for 5 consecutive quarters.

Interest margin ratio – net interest income/ average interest assets for 5 consecutive quarters.

Loans/ Deposits ratio (LTD) – total net loans and other customer receivables without Eurobonds/ liabilities to customers. The net value of Eurobonds was PLN 3,838.1 million in 2015 and PLN 3,923.4 million in 2014.

Total Capital Ratio – own funds/ off-balance sheet assets and liabilities including risk weights; the ratio calculated in line with Basel III regulations.



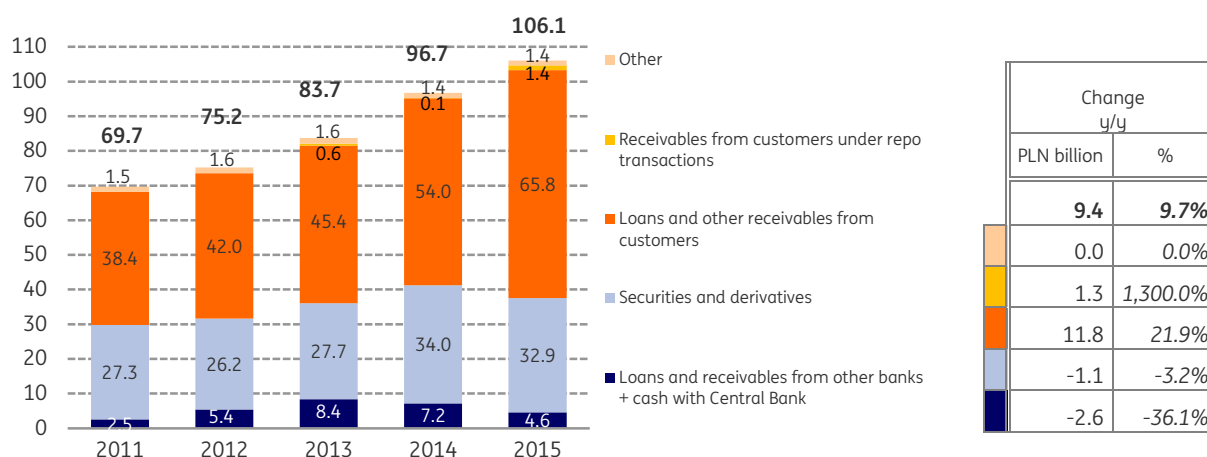
8. Statement of financial position

As at 31 December 2015, the balance sheet total of ING Bank Śląski S.A. was PLN 106.1 billion (97.4% of the Group's balance sheet total) versus PLN 96.7 billion in December 2014 (up by 9.7%).

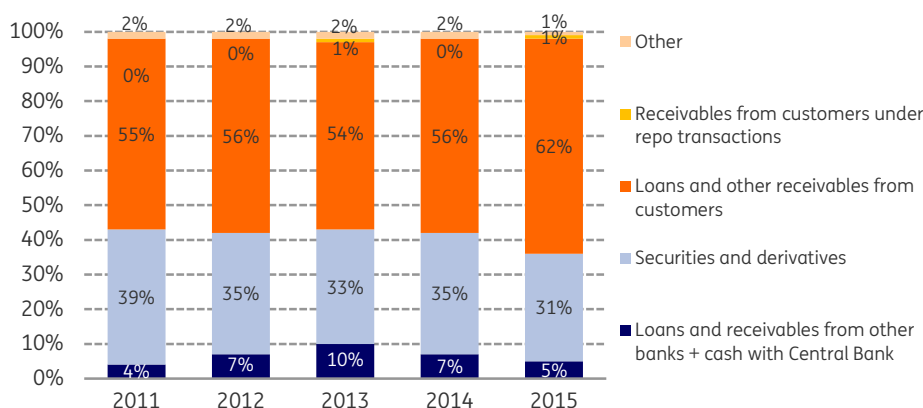
Assets

Loans and other receivables from customers (excluding receivables from customers under repo transactions) represent the biggest item of ING Bank Śląski S.A.'s assets. As at 31 December 2015, they represented 62% of all Bank assets.

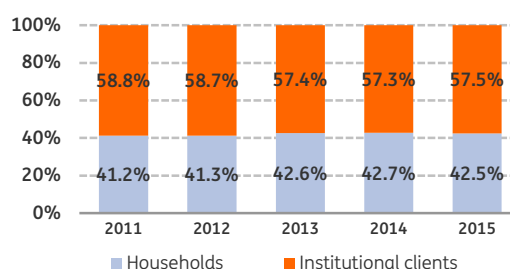
Assets of ING Bank Śląski S.A. (PLN billion)



Assets of ING Bank Śląski S.A. (%)



Net loans by customer group (%)



Currency structure of receivables from customers

	31.12.2015		31.12.2014	
	PLN million	%	PLN million	%
PLN	54,948.6	78.9	46,567.2	80.4
FX	14,684.8	21.1	11,384.9	19.6
Total	69,633.4	100.0	57,952.1	100.0

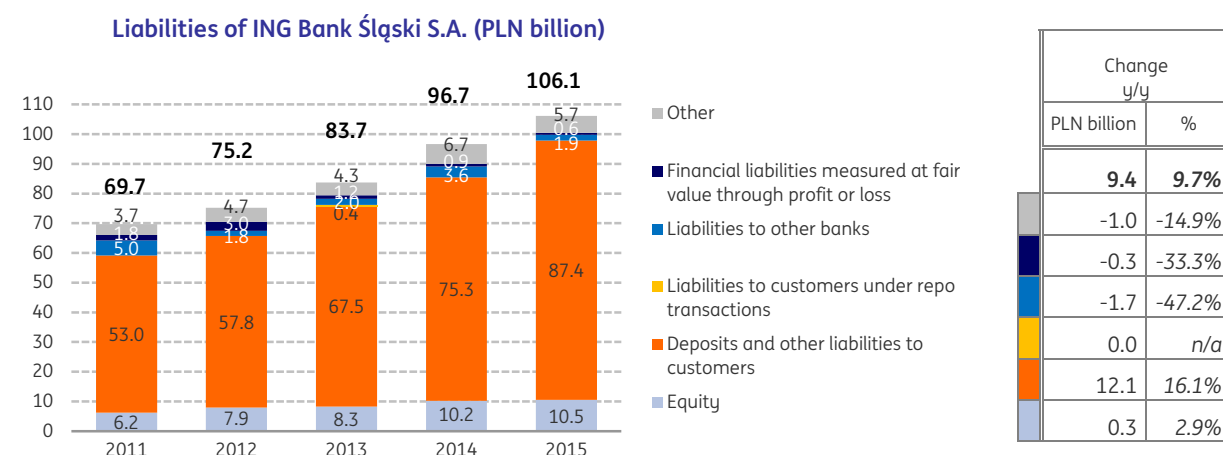
T-bonds (Eurobonds included) and derivatives represented a major item of PLN 32.9 billion (or 31% of assets) in the statement of financial position of the Bank. Debt securities, including investment assets of PLN 23.5 billion, including available-for-sale assets of PLN 20.7 billion and financial assets held to maturity of PLN 2.8 billion, dominated the portfolio.

The increase in and structure of the portfolio of net receivables from customers over long term are presented in the table below:

Loans and other receivables to customers of ING Bank Śląski S.A. (PLN million)								
	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Credit receivables from households, including:	26,652.9	21,884.6	18,379.8	16,461.3	14,939.4	12,267.2	9,516.1	7,204.5
Loans and advances	26,652.9	21,884.6	18,379.8	16,461.3	14,939.4	12,267.2	9,516.1	7,204.5
Credit receivables from institutional clients ²² , including:	39,142.4	32,144.1	27,054.4	25,523.0	23,486.7	18,423.6	16,571.9	16,261.1
Loans and advances	36,012.3	29,322.7	24,791.4	23,350.2	21,331.0	17,156.0	15,797.9	15,526.1
– Business entities	25,810.0	20,582.2	17,253.9	15,852.4	15,238.1	11,753.9	10,954.3	11,647.1
– Financial entities (other than banks)	7,589.9	6,048.0	4,894.9	4,387.3	2,821.5	2,583.1	2,543.7	2,923.0
– Entities of the sector of central and local government agencies	2,612.4	2,692.5	2,642.6	3,110.5	3,271.4	2,819.0	2,299.9	956.0
Debt securities ²³	3,055.6	2,766.1	2,175.7	2,107.6	2,086.8	1,177.7	643.4	640.5
Other receivables	74.5	55.3	87.3	65.2	68.9	89.9	130.6	94.5
Total net credit receivables	65,795.3	54,028.7	45,434.2	41,984.3	38,426.1	30,690.8	26,088.0	23,465.6
– Net Eurobonds	3,838.1	3,923.4	3,685.4	3,779.7	3,872.6	3,268.5	3,261.9	1,654.0
Total net loans and other receivables to customers	69,633.4	57,952.1	49,119.6	45,764.0	42,298.7	33,959.3	29,349.9	25,119.6

Liabilities

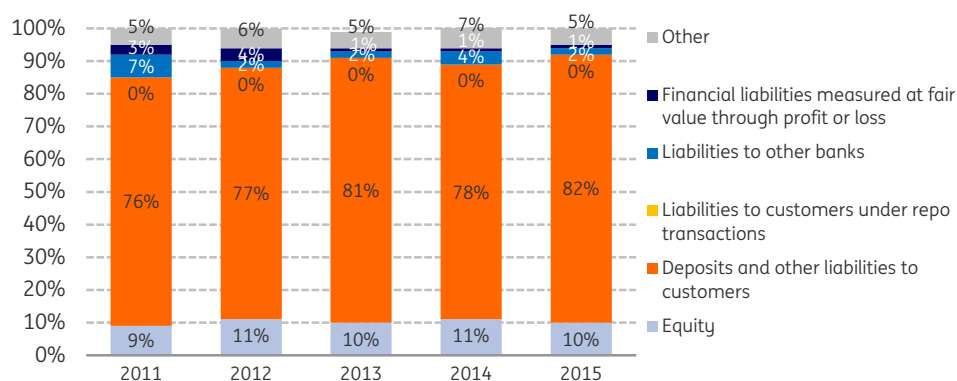
The funds deposited with the Bank by customers constituted the dominant source of funding for the operations of ING Bank Śląski S.A. In December 2015, the liabilities to customers amounted to PLN 87.4 billion, or 82% of all liabilities.



²² Excluding receivables from customers under repo transactions.

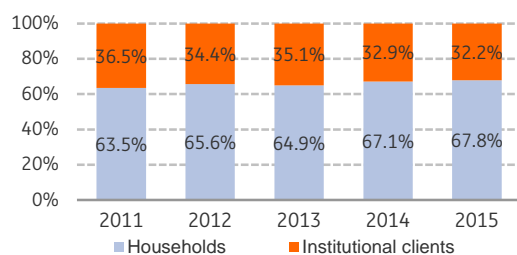
²³ Eurobonds excluded.

Liabilities of ING Bank Śląski S.A. (%)

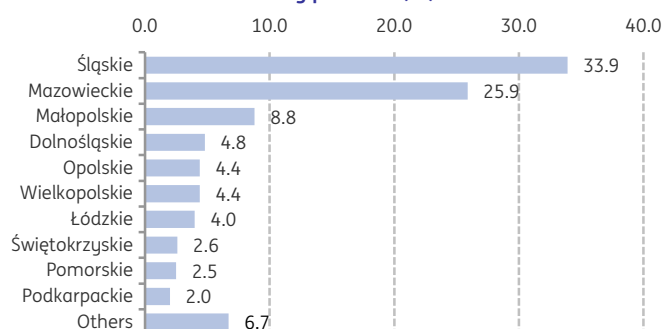


Equity was another most important funding source. As at the end of December 2015, it stood at PLN 10.5 billion and represented 10% of total liabilities.

Net deposits by customer group (%)



Deposits of ING Bank Śląski S.A. by province (%)



The increase in and structure of the portfolio of liabilities to customers over long term are presented in the table below:

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

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Liabilities to households, including:	58,812.4	50,135.2	43,451.2	37,522.1	33,343.2	30,001.9	29,954.9	27,894.0
Term deposits	58,751.6	50,077.2	43,387.2	37,477.7	33,303.8	29,954.6	29,890.7	27,828.8
Other liabilities	60.8	58.0	64.0	44.4	39.4	47.3	64.2	65.2
Liabilities to institutional clients ²⁴ , including:	28,571.3	25,190.8	24,016.9	20,301.4	19,629.6	17,477.0	17,436.5	19,114.6
Term deposits	27,845.2	24,575.1	23,444.8	19,722.1	19,197.2	17,019.4	16,944.9	18,596.5
– Business entities	23,615.3	20,238.5	17,863.1	13,850.5	13,969.6	12,554.4	11,906.2	11,230.5
– Financial entities (other than banks)	2,610.4	2,468.1	3,490.9	3,772.6	3,125.0	2,770.0	3,530.5	4,479.8
– Entities of the sector of central and local government agencies	1,619.5	1,868.5	2,090.8	2,099.0	2,102.6	1,695.0	1,508.2	2,886.2
Other liabilities	726.1	615.7	572.1	579.3	432.4	457.6	491.6	518.1
Total liabilities to customers	87,383.7	75,326.0	67,468.1	57,823.5	52,972.8	47,478.9	47,391.4	47,008.6

²⁴ Excluding liabilities to customers under repo transactions.

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 primary objective of the Bank in the credit risk management process is to warrant stable and effective accomplishment of business goals while keeping credit risk at the acceptable level.

The credit risk management objective is pursued by:

- supporting business initiatives,
- keeping adequate capital requirements for credit risk and provisions,
- adapting business to the changing environment,
- verifying and assessing the adequacy and development of applied procedures, models and other elements of the risk management system on an ongoing basis,
- keeping credit losses at the assumed level, and
- ensuring compliance with the regulatory requirements.

The risk management strategy sets out short-, mid- and long-term goals for the credit risk management area as well as their accomplishment manner. The strategy is defined to warrant optimum development of the lending portfolio while keeping adequate quality and profitability of credit operations and capital allocation. Risk appetite which translates the Bank's strategy into a consistent set of portfolio measures, defined as maximum thresholds for the lending portfolio, is an element of the that strategy. The credit risk management strategy is approved by the Supervisory Board. The Supervisory Board also periodically assess the degree of accomplishment of strategic goals by the Bank Management Board.

Lending policy mirrors the market strategy of the Bank. It defines the quality brackets for credit risk acceptance. It is operated based on principles of secure and prudent credit risk management. It 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.

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. This is how the Bank strives for the identification, assessment, measurement, monitoring and management actions taken for the business bearing credit risk to be 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). Also for the retail portfolio, after the testing stage, the Bank applied to the Polish Financial Supervision Authority for approval of using this method for the mortgage and consumer portfolios. The risk management models applied by the Bank are systematically validated and developed.

The Bank conducts stress tests to:

- assess and measure the impact of adverse (stress) internal and external conditions on the Bank's standing (lending portfolio and capital adequacy included),
- identify significant risk factors through determination of the Bank's sensitivity to changes to certain factors, and
- identify potential threats (possibility to work out hedging strategies).

The Bank actively uses stress tests to manage credit risk on an ongoing basis, inter alia to set the RAS limits and internal limits capping credit risk.

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

- first 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,
- second line of defence: credit risk function – ensuring that actions of business units remain within the approved principles and limits,
- third line of defence: internal audit function – verifying periodically and thoroughly that the actions taken by the first and second 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. For more automated paths, transaction risk is analysed 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

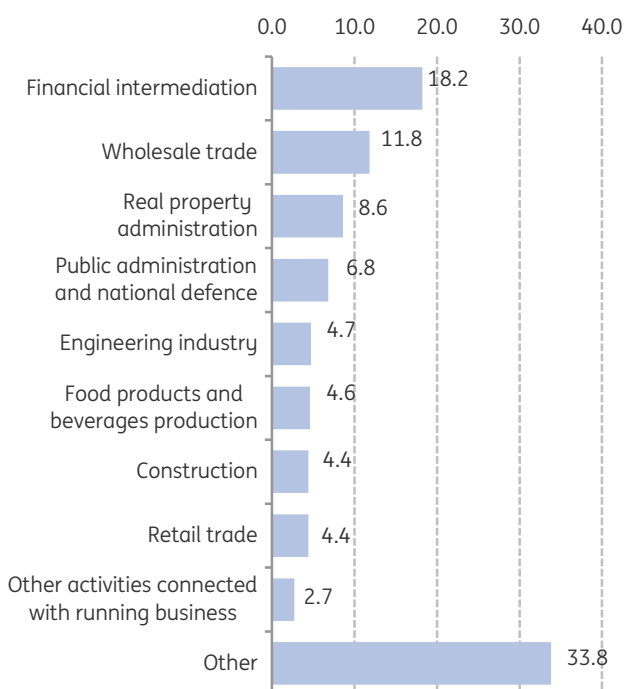
In 2015, the lending policy of ING Bank Śląski S.A. was modified so as to ensure proper and stable functioning and continuous improvement of the credit risk management system in the changing legal, economic and business landscape. Ensuring policy compliance with the approved credit risk appetite was the primary objective. The modifications took account of Poland's overall economic situation and the financial standing of individual groups of borrowers, among other factors.

The said modifications were aimed at the following in particular:

- making the lending process continuously more effective while ensuring adequate credit risk identification, measurement and control mechanisms,
- making the lending offer of the Bank more attractive for clients on the assumption that the Bank's credit risk is maintained at an acceptable level,
- adapting the internal regulations of the Bank to, among others:
 - Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR),
 - amendment to the Accounting Act of 11 July 2014 regarding introduction of the possibility of compiling simplified financial statements by micro units,
 - changes to the Act – Commercial Companies and Partnerships Code of 28 November 2014 regarding the possibility of setting up registered partnerships and limited partnerships via internet,

- changes to the Banking Law Act regarding deletion of the provisions concerning the banking writ of execution (Articles 96-98 of the Act) following the Constitutional Tribunal's ruling which read that the banking writ of execution was in breach of the constitutional principle of equality and introduction of Article 75c,
- Commission Implementing Regulation (EU) 2015/1278 of 09 July 2015 amending Implementing Regulation (EU) No. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions as regards instructions, templates and definitions,
- continuing development of credit risk reporting and monitoring systems to support fast and effective risk identification and measurement in the corporate credit portfolio,
- making the economic and financial ratios for individual economy sectors more available and making their use in the credit analysis and monitoring more extensive,
- strengthening further active sectorial policy management through appropriate diversification of lending policy principles on the basis of client qualification to pre-defined industry risk groups (preferred, neutral, under watch, and non-preferred industries),
- adapting the regulations and the credit process to the AIRB requirements in the retail area for the consumer credit and mortgage loan segments.

Concentration of (balance sheet and off-balance sheet) exposures towards corporate clients (%)²⁵



The main modifications of the Bank's lending policy for corporate clients were as follows:

- implementing the requirement resulting from CRR 194 on obtaining written legal opinions for collateral documents, confirming their effectiveness and enforceability within the adequate jurisdiction (that a given collateral item is subject to),
- defining the terms and conditions of using the solutions superseding the withdrawn banking writ of execution,
- implementing the principles for advising Bank clients of the debt restructuring option (under Article 75c of the Banking Law),
- enhancing the client ongoing monitoring process, including automation of selected actions for the clients from the non-performing portfolio,
- including in the lending process the data from the WITIP system concerning FM transactions and cases of breach at other banks,
- expanding or modifying the product offer, including the offer available under the so-called Fast Track, so as to make the products more attractive (under the assumed risk parameters) and tailor them to market requirements,
- adjusting the credit analysis standards, risk rating determination rules and limit setting principles to the changes introduced under the amended Accounting Act regarding the possibility of keeping simplified reporting by micro units,

²⁵ The breakdown includes exposure towards corporate clients excluding banks but embracing gross credit receivables (loans and corporate bonds) as well as off-balance sheet exposure.

- adapting the lending process rules to the changes made in the Commercial Companies and Partnerships Code Act as regards the capacity to conclude the limited partnership and registered partnership agreements electronically,
- streamlining the settlement and pre-settlement limit approval process for mutual funds,
- optimising the real property worth verification principles and process,
- implementing new credit application templates, supporting inclusion of the sector approach in the transaction credit risk assessment,
- optimising the collateral establishment process and automating the loan disbursement process (for small amounts and low-risk clients), and
- reviewing and updating the impairment triggers and evidence as well as the rules for reversing losses considering compliance with the international accounting standards.

The main modifications of the Bank's lending policy for retail clients were as follows:

- changing the credit regulations in terms of tightening up the process of identifying the borrower bankruptcy-related events in connection with the amendment to the Bankruptcy and Rehabilitation Law Act that came into force on 31 December 2014,
- modifying the rules for setting and applying the risk mitigation buffers for the risk resulting from the foreign exchange and interest rates volatility,
- expanding the use scope of the real property valuation in the form of an appraisal study,
- updating the mortgage loan regulations following the amendment to the Building Law Act,
- updating the rules for counterparty risk management, including the credit intermediary verification rules,
- launching the pilot programme of the credit line for entrepreneurs, set on the basis of the revenue amount,
- improving the organization of the credit approval process in the entrepreneurs and mortgage loans segments,
- instilling simplified principles of credit capacity assessment in keeping with Recommendation T into the regular Bank's offering for the consumer credit segment,
- changing DTI and LTV stress testing methodology,
- changing the approach to determination of households expenditures in the credit capacity assessment process for the mortgage segment,
- tailoring the minimum downpayment rules for the loans offered to housing communities to the market conditions, and
- modifying the business income computation methodology in the entrepreneurs segment and adapting the risk assessment rules for that segment accordingly.

Moreover, automated credit risk assessment paths were further tested – within the precisely set limits – for low amounts of transactions concluded with corporate clients in order to make the lending process more efficient while optimising the risk/reward ratio per transaction or a transaction portfolio.

The portfolio of corporate receivables classified as impaired loans or loans written off the balance sheet in full was sold on 14 May 2015. The total amount of receivables sold under the agreement equalled PLN 265.6 million (principal and interest). The positive impact of the transaction on the risk costs was PLN 7.0 million. As a consequence of the agreement described, the Group decreased its non-performing loans portfolio by PLN 191.7 million.

On 08 July 2015, the Group concluded the agreement on the sale of the portfolio, mainly of retail receivables classified as impaired loans or written off the balance sheet in full. The total amount of receivables sold under the agreement equalled PLN 253.4 million (principal and interest). The positive impact of the transaction on the Group's risk costs was PLN 21 million. As a consequence of the agreement described, the Group decreased its non-performing loans portfolio by PLN 139.4 million.

On 23 July 2015, the Group concluded an agreement on the sale of a portion of corporate receivables from the impaired portfolio. The impact of the transaction on the risk costs was PLN 9 million.

Credit risk modelling and reporting

In 2015, ING Bank Śląski S.A. remained compliant with the requirements of the Advanced Internal Rating-Based Approach (AIRB) under Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and – as far as applicable – under PFSA Resolution 76/2010 of 10 March 2010 on the scope and detailed principles of capital requirement determination for individual risk types. As part of those actions, among other things:

- the credit risk model management process was systematized by introduction of the Credit risk model management principles presenting in more detail the Risk model and valuation model management policy, and
- updated credit risk models were gradually rolled out in cooperation with ING Group. Model modifications comprised particularly:
 - regulatory LGD models for retail credit assets (consumer credits and mortgage loans) wherefor LGD in default parameters were estimated,
 - retail LGD models for consumer credits and mortgage loans and PD and LGD models for small businesses used to compute exposure impairment-based provisions,
 - as regards the calculation of provisions for corporate IBNR and INSFA portfolios – model update with the LGD parameter being dependent on the period of exposure default,
 - set-up of new parameters values for the LGD models dedicated to financing commercial properties and Leveraged Finance transactions.
- supplementation of the credit risk model development methodology with the rules for using the conservative modelling approach and with the issues relating to LGD risk parameter modelling for the exposures that are already in default,
- supplementation of the economic capital estimation for credit risk approach with the description of the EAD parameter for the counterparty credit risk,
- update of the adequacy verification process for the Loss Identification Period parameter used to compute provisions for the IBNR corporate and retail portfolios, and
- supplementation of the loan loss provisioning rules for impaired credit exposures with the general rules of DPD calculation.

Additionally, a number of changes in the reporting process for retail and corporate portfolios were made within the credit risk reporting area.

Quality of lending portfolio and provisioning

In 2015, the quality of the lending portfolio of ING Bank Śląski S.A. improved – the share of the impaired portfolio in the entire lending portfolio went down from 3.4% in December 2014 to 2.8% as at 2015 yearend. Impaired loans were similar – PLN 1,897.8 million as at 2015 yearend versus PLN 1,898.5 million a year earlier.

The quality of lending portfolios of ING Bank Śląski S.A. (both retail and corporate) is significantly better than the average in the entire banking sector. As at 2015 yearend, the share of impaired receivables was 6.4% in the sector.

In 2015, the quality of the Bank's portfolio was impacted, apart from the prudent lending policy, by three sale transactions of receivables classified as impaired loans or written off the balance sheet. The biggest of them were the sale of corporate receivables in H1 2015 – this transaction reduced the impaired loans portfolio by PLN 191.7 million – and the sale of retail receivables in H2 2015 – impaired receivables portfolio decline by PLN 139.4 million. The third transaction was made in H2 2015 and pertained to the corporate portfolio.

As at the end of December 2015, ING Bank Śląski S.A. had PLN 1,263.6 million worth of provisions for the impaired lending portfolio. The impaired portfolio provisioning ratio was 66.6%.

Quality of portfolio of loans and cash loans extended to ING Bank Śląski S.A. clients²⁶

	31.12.2015	31.12.2014	Change 2015 / 2014	
	PLN million	PLN million	PLN million	%
Total exposure	67,157.8	55,587.3	11,570.5	20.8%
Non-impaired portfolio	65,260.0	53,688.8	11,571.2	21.6%
Impaired portfolio	1,897.8	1,898.5	-0.7	0.0%
Impairment loss and provisions	1,463.1	1,632.2	-169.1	-10.4%
Non-impaired portfolio loss	173.4	160.2	13.2	8.2%
Impaired portfolio loss	1,263.6	1,453.7	-190.1	-13.1%
Provisions for off-balance sheet liabilities	26.1	18.3	7.8	42.6%
Share of impaired portfolio	2.8%	3.4%		-0.6 p.p.
Impaired portfolio provisioning ratio	66.6%	76.6%		-10.0 p.p.
Exposure – Corporate Banking	41,040.6	33,844.7	7,195.9	21.3%
Non-impaired portfolio	39,680.9	32,524.2	7,156.7	22.0%
Impaired portfolio	1,359.7	1,320.5	39.2	3.0%
Impairment loss and provisions	948.1	1,065.9	-117.8	-11.1%
Non-impaired portfolio loss	72.0	72.6	-0.6	-0.8%
Impaired portfolio loss	850.0	975.0	-125.0	-12.8%
Provisions for off-balance sheet liabilities	26.1	18.3	7.8	42.6%
Share of impaired portfolio	3.3%	3.9%		-0.6 p.p.
Impaired portfolio provisioning ratio	62.5%	73.8%		-11.3 p.p.
Exposure – Retail Banking	26,117.2	21,742.6	4,374.6	20.1%
Non-impaired portfolio	25,579.1	21,164.6	4,414.5	20.9%
Impaired portfolio	538.1	578.0	-39.9	-6.9%
Impairment loss	515.0	566.3	-51.3	-9.1%
Non-impaired portfolio loss	101.4	87.6	13.8	15.8%
Impaired portfolio loss	413.6	478.7	-65.1	-13.6%
Share of impaired portfolio	2.1%	2.7%		-0.6 p.p.
Impaired portfolio provisioning ratio	76.9%	82.8%		-5.9 p.p.

2. Off-balance sheet items (including contingent liabilities)

As at 31 December 2015, ING Bank Śląski S.A. had:

- committed but non-utilised credit lines, commitments to grant loans (such as overdrafts and card limits) and commitments under issued guarantees and letters of credit totalling PLN 23.5 billion (up by 0.3% from the end of 2014),
- received contingent liabilities in the amount of PLN 51.4 billion (up by 24.1% from a year earlier),
- off-balance sheet financial instruments (derivative transactions) totalling PLN 358.6 billion (up by 20.5% from the end of 2014).

Off-balance sheet items of ING Bank Śląski S.A. (PLN million)

	31.12.2015	31.12.2014
Contingent liabilities granted	23,453.5	23,394.6
Contingent liabilities received	51,424.8	41,454.6
Off-balance sheet financial instruments	358,622.2	297,537.4
Total off-balance sheet items	433,500.5	362,386.6

²⁶ Including corporate and municipal bonds.

3. Market risk management

General information

At ING Bank Śląski S.A. we apply a broad definition of market risk which takes into account (both at solo and consolidated level) sensitivity to changes to the market parameters and liquidity-related behaviours of clients, where:

- sensitivity encompasses both changes to the economic results and presentation in the relevant reports of financial results, changes to the extent where to the statutory and economic capital requirements are covered, as well as Bank's capacity to cover liabilities once they become due and payable,
- market parameters cover FX rates, interest rates, real estate and securities prices, implied variability of FX rates and interest rates. The market parameters derive from market rates and they include elements such as variability and correlation,
- liquidity-related behaviour of clients covers the profile of Bank's depositaries in terms of renewal and premature termination and profile of Bank's debtors in terms of prepayments, past due repayments and default.

General approach to market risk management

Market risk management process within ING Bank Śląski S.A. covers market risk identification, measurement, monitoring and reporting, both within the Bank itself and in its subsidiaries. Being independent from the Bank units generating market risk, the Market Risk Management Department provides the Supervisory Board Members, the Management Board Members, the Assets and Liabilities Management Committee, the Financial Markets Division Management and the Treasury Department with market risk updates. An important advisory role in the market risk management process is performed by the Bank's majority shareholder – ING Bank N.V.

The Market Risk Management Department is sub-divided into two sections:

- the Trading Risk Management & FM Product Control Section which deals with risk generated by the Bank's trading operations,
- and the ALCO Management Section, concentrated on the Bank's balance sheet and liquidity risk management.

The Bank books structure is based on intentions of concluded transactions and it reflects the types and areas of market risk existing at the Bank, which should be internally transferred and hedged. Notably, the structure of books includes the following purposes of the Bank's activity:

- *Trading Book.* It includes books of the Financial Markets Division area (FX, FX options and interest rate books). These books include short items kept for selling back or obtaining financial benefits due to current or expected in short-term changes to prices or items included for arbitrary purposes. Examples are own trading items, items resulting from servicing the client and/or market making.
- *Banking Book.* It includes Commercial Banking Books and Banking Books of the Treasury Department. Commercial Banking Books are banking books of the retail and corporate divisions, including commercial deposits and loans. The risk embedded in these items is transferred to the Treasury Department's banking books by means of internal transactions, where it is further managed under the market risk limits adopted by the Bank.

Risk models

Risk models are calibrated to the profile, scale and complexity of market risk at ING Bank Śląski S.A. The models take into account both the current and planned scope of Bank's business. All models are periodically (at least once a year) reviewed (models' assumptions in particular). The review includes back-testing.

Risk models cover:

- VaR models – applied to manage interest rate risk, FX risk and FX options risk,
- ALM models including:
 - liquidity models – regulatory and internal models applied in liquidity risk management (covering assets and liabilities),

- interest rate models – applied in interest rate risk management, including demand deposits replication.
- internal capital adequacy models – applied to the economic capital requirements calculation.

When particularised, model life cycle can be split into the following elements:

- model development or change initiation,
- model development and testing,
- model pre-validation preceding its acceptance,
- model acceptance,
- model implementation,
- model implementation validation,
- model functioning and its monitoring, and
- periodical validation.

4. Interest rate risk and FX risk management

General information

Interest rate risk may be defined as a risk of loss due to changes to the specified features of interest rates. Interest rate risk management applies to all balance and off-balance sheet items of the Bank sensitive to interest rate changes.

FX risk is a risk of loss due to FX rates changes.

General approach to interest rate risk and FX risk management

The methods of interest rate risk management are adjusted to the structure of books at the Bank. The risk transfer system plays a key role in the banking books. The risk transfer process is intended to transfer the interest rate risk (including the underlying risk) and the liquidity risk (understood as the revaluation risk of the liquidity premium) of products registered in the commercial books (loans and deposits) to the Treasury Department's books where the risk is further managed under the risk appetite adopted by the Bank. Risk transfer encompasses the risk modelling process (optionality risk in particular) and internal pricing of the products recorded in the commercial books.

The acceptable level of interest rate risk (risk appetite) is expressed as a set of limits used to manage the interest rate risk level. The limits system is adjusted to the general level of risk as approved by the Supervisory Board.

The Bank manages the FX risk by transferring it internally to the Financial Markets Division where the risk is further managed under the system of internal limits for FX risk, as accepted by the Bank Management Board, reflecting the general risk level approved by the Supervisory Board.

For subsidiaries, the Bank's intent is to keep the market risk low, which is reflected in the limits for FX risk and IR risk accepted by the Bank Management Board. When needed, subsidiaries close their FX positions and IR exposures with the Bank.

Main methods of IR risk and FX risk measurement

Value at Risk (VaR) is the main methodology used to measure market risk both in FM books (trading) and Treasury Department's books (banking). The VaR index specifies a potential loss, which in line with expectations should not be exceeded with a given confidence (probability) level assumed. The Bank calculates VaR separately for individual interest rate, FX transactions and FX options portfolios. The Market Risk Management Department applies the historical simulation method for trading books and banking books of the Treasury Department. The VaR metrics does not present a full picture of the risk, as it fails to show potential loss under stressed circumstances. In order to cover the abovementioned risk, the Market Risk Management Department calculates a Stressed VaR and runs stress tests for market risk.

Additionally, to measure interest rate risk for banking book items (both for the Treasury Department and for trading books) the Bank applies:

- measurement of value of the earnings at risk (with the use of the simple and advance methods: Earnings at Risk – EaR, Advanced Earnings at Risk – AeaR) with the use of adverse scenarios,
- measurement of the NPV of the discounted future cash flows at risk (NPV at Risk), which is a yardstick of the sensitivity of the economic interest rate position to abrupt interest rates changes,
- measurement of mismatch between the position transferred to the Treasury Department's books and the model-based position (for demand deposits), and
- measurement of residual risk, which was not transferred to the books of the Treasury Department.

Market risk (underlying risk included) is transferred and centralised via the Risk Transfer System (RTS). The underlying risk is valued and then transferred to the Treasury Department's books, where it is actively managed. Earnings at Risk (EaR) concept is applied to measure that risk inside the interest rate risk. The Bank measures the revaluation reserve change risk. The level of the revaluation reserve resulting from keeping the AFS portfolio is sensitive to changes to the yield curve following the changes to the interest rates and asset swap levels.

The Bank uses the following revaluation reserve change risk metrics:

- IR RRaR or Interest Rate Revaluation Reserve at Risk showing potential impact of interest rate change on the revaluation reserve, and
- CS RRaR or Credit Spread Revaluation Reserve at Risk showing potential impact of the credit spread change on the revaluation reserve.

VaR exposures and limits in 2015

In 2015, the Bank maintained the following trading exposure versus the binding limits:

- low exposure for FX risk – average limit utilization by the FX and FX options sections below 20%, and
- significant exposure for interest rate risk – average limit utilization of 53%.

Average utilization of VaR limits for interest rate risk of the banking book (Treasury Department's positions) was below 53%.

In 2015, the Bank did not report any VaR limits overrun.

The following VaR limits for the FX trade portfolio were changed in 2015:

- limit cut back from EUR 1,000,000 to EUR 800,000 for the FX section, and
- limit cut back from EUR 500,000 to EUR 400,000 for the FX options section.

5. Liquidity risk management

General information

Liquidity and funding risk is understood by ING Bank Śląski S.A. as a risk consisting in inability to fulfil, at a reasonable price, cash liabilities under balance sheet and off-balance sheet items. The Bank maintains liquidity so that the Bank's cash liabilities could be met at all times with the use of available funds and inflows from maturing transactions.

The liquidity risk management can be broken down as follows depending on the timeframe:

- operational liquidity management – focused on current funding of Bank's positions and management of nostro positions, and
- strategic liquidity management – focused on ensuring that structural (all maturity dates) liquidity items of the Bank were at acceptable levels.

General approach to liquidity risk management

General approach to funding and liquidity risk management consists of the cycle of five repetitive actions: risk identification, assessment, control, monitoring and reporting.

The currently binding Internal Liquidity Adequacy Assessment Process (ILAAP) originates from the Basel Committee on Banking Supervision. Meeting ILAAP principles by the Bank may be perceived as “compliance with industry’s best practices, which is not directly required under Polish supervisory regulations”. It needs to be highlighted that ILAAP and Polish regulations do not clash, on the contrary, they do overlap in many areas. Meeting ILAAP requirements is compliant with the ING Bank N.V. policy.

The liquidity and funding risk management relating to the stress understood as risk of Bank’s inability to satisfy its own financial liabilities once they mature due to insufficient funds available or due to failure to generate such funds at any price is a specific element of that process.

The contingency funding plan which provides guidance as regards active identification of the liquidity crisis and actions to be taken to survive it.

The acceptable level of liquidity risk is defined by a two-element system:

- general level of Bank’s acceptable risk, which is approved by the Supervisory Board (following the Bank Management Board’s recommendation). The Supervisory Board are updated on compliance with the said metrics at least on a quarterly basis,
- a set of limits based on Bank’s strategic objectives, identified liquidity risks and principles specified by regulatory bodies. The limits are taken into consideration in the planning processes (i.e. accomplishment of the adopted targets cannot lead to limit overrunning). In majority of cases, the limits have a warning level defined for their under- or overrunning. The acceptable level of liquidity risk is determined and updated at least once a year.

Regular stress tests are an additional and material element of the process. The Bank launched the stress tests programme, which ensures that stress tests are planned, developed, run and analysed in order to indicate the sources of potentially limited liquidity and to specify how such situations can be prevented so that the current exposures remain within the set limits.

Main methods of liquidity risk measurement and replicating portfolios

ING Bank Śląski S.A. applies the following liquidity risk measures:

- NBP, EBA and DNB liquidity ratios,
- intraday liquidity norms,
- funding concentration per client and client segment,
- structural liquidity gap,
- Cash&Collateral gap for major currencies (PLN, EUR, USD, CHF), and
- liquidity gap for the stress scenario.

The basic model employed to manage liquidity risk is the model used in establishing a stable and volatile deposit bases. We use the internal statistical model to that purpose.

Due to the balance sheet structure, and the Bank’s deposit base in particular, the Bank applies the advanced approach to modelling the risks associated with demand deposits – the replicating portfolio concept. It consists in “replicating”, i.e. reproducing the actual period during which clients keep demand deposits at the Bank as well as the Bank’s pricing policy. This concept makes it possible to convert demand deposits into interest rate forwards. The reinvestment mode of the acquired funds is different for the “volatile” and “stable” parts.

Market risk (liquidity risk included) is transferred and centralised via the Risk Transfer System (RTS). This process covers full transfer of (modelled) liquidity risk to the Treasury Department’s books in particular.

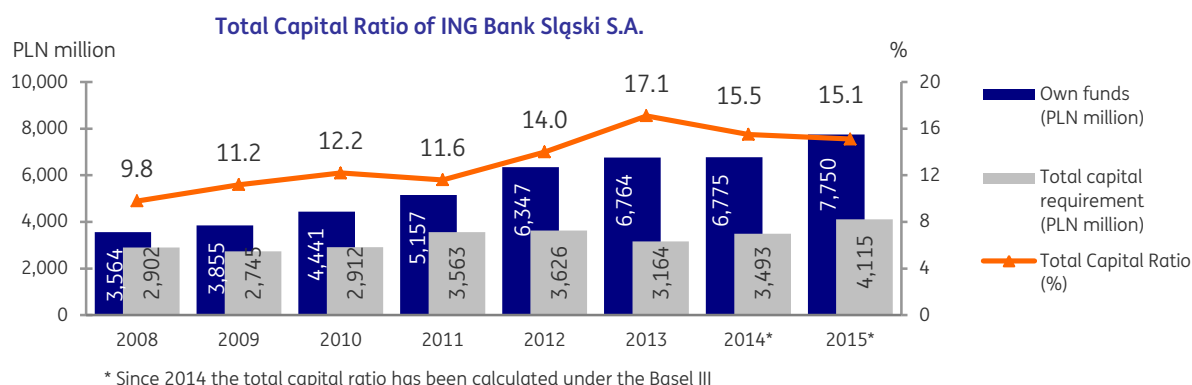
In H2 2015, the Bank accommodated in-house regulations and the liquidity risk management process to Recommendation P.

Liquidity limits in 2015

2015 saw no cases of liquidity risk regulatory limits overrunning.

6. Capital adequacy

As at 2015 yearend, the total capital ratio settled at 15.1% which betokens a safe position of the Bank as regards capitals and further lending growth capacity.



In 2015, the Bank 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.

7. Operational risk management

ING Bank Śląski S.A. manages operational and anti-fraud risks pursuant to the laws, recommendations and resolutions of the Polish Financial Supervision Authority and other regulatory bodies as well as abiding by the standards developed by ING Group.

Operational risk is recognised at ING Bank Śląski S.A. as the risk of sustaining direct or indirect material loss or reputational damage resulting from inadequate or failing internal processes, people, technical systems or external events. Reputation and business risk factors and impact are also watched within the operational risk domain.

Having obtained the Supervisory Board's approval, the Bank Management Board outlined the strategy for managing operational and anti-fraud risks by implementing a coherent set of internal prescriptive documents governing the scope, principles and duties of Bank employees relating to mitigation of effects and probability of incidents' occurrence in that area.

In agreement with the Supervisory Board, the Bank Management Board adopted the Non-Financial Risk Appetite Statement in 2015, wherein they specified the maximum acceptable limits of losses, capital limits and the risk that the Bank would be willing to undertake when achieving planned business goals in full compliance with the law and regulatory requirements. The level of limits utilisation is monitored and presented from time to time to the Bank Management Board, Audit Committee, Risk Committee and Supervisory Board.

The role of the Bank Non-Financial Risk Committee and Non-Financial Risk Committees within individual business lines which support the former in performing supervisory and decision-taking functions is crucial for ensuring continuity and consistency of risk management.

In 2015, caring about the safety of funds entrusted by clients and maintenance of the acceptable operational risk level, the Bank continued its efforts to ensure compliance with the new regulatory requirements and enhance the risk management system. The most important activities in that regard are as follows:

- analysis of key business development-related threats to the Bank business,
- testing of controls mitigating key risks at the Bank,
- review of the scope of scenario analyses and their adaptation to the business strategy of the Bank,
- update of risk assessment regulations and implementation of the operational risk limits-based risk assessment method,
- continued risk analyses for individual Bank processes,

- monitoring and testing of business continuity mechanisms for key processes, the crisis management system and the mechanisms ensuring physical security of individuals and the Bank's property,
- further improvement of the efficiency of counteracting the cyber-crime practices involving payment transactions and identity or funds theft, counteracting the Advanced Persistent Threat (ATP) to the Bank's IT infrastructure targeting data theft or destruction and counteracting Distributed Denial of Service (DDoS) attacks,
- performance of a series of risk analyses for critical and important business applications and support applications, including an in-depth analysis of IT systems security vulnerabilities (in particular for e-banking systems), penetration tests and intensive monitoring of the electronic banking systems,
- fulfilment of the requirements to be implemented in 2015 under the revised PFSA Recommendation D concerning management of information technology and ICT security at banks,
- renewal of the local insurance programme of the ING Bank Śląski S.A. Group as regards third-party liability and property insurance adjusted to the current market situation,
- update of regulations on non-financial risk transfer to insurance market,
- development of the integrated system supporting the operational risk management processes,
- continued preparatory works to implement the advanced methods of operational risk measurement (AMA) for the purpose of regulatory capital requirements calculation,
- modification of organisational structure from the aspect of operational risk management, including:
 - establishment as of 01 June 2015 of a new organisational unit – IT Security Department, whose role is to make the actions aimed at mitigating the information (technology) security risk more efficient,
 - entrusting the Bank Management Board Member supervising the Risk Division with oversight of non-financial risk management units, following the amendments to the Banking Law Act, as of 22 December 2015, and
- raising employees' awareness as regards effective operational and anti-fraud risks management by introducing new mandatory training courses for all Bank employees.

8. Compliance risk management

ING Bank Śląski S.A. defines compliance risk as the consequences of the Bank's failure to comply with applicable laws, internal regulations or standards of conduct adopted by the Bank when pursuing its business. The said consequences may include, among others: reputation damage, the Bank's exposure to losses following legal claims, or fines or any other sanctions imposed by the regulators or other control bodies.

The Bank's basic objectives in terms of compliance risk management are: safeguarding clients' and stakeholders' trust and protecting the Bank's reputation. The Bank Management Board ensure effective compliance risk management, whereas the Bank Supervisory Board oversee that risk management. Based on periodic management information, the latter assess the effectiveness of the said actions.

The Bank manages compliance risk in line with applicable laws, regulatory requirements, as well as standards specified in that regard in the ING Group's regulations. Compliance risk management tasks are performed as part of the Three Lines of Defence Model determined by the Bank Management Board and aimed at protection against threats.

The primary principles of the Bank's compliance risk management process are provided for in the Compliance Risk Management Policy approved by the Bank Management Board and accepted by the Supervisory Board. The said Policy incorporates the requirements of the Banking Law Act, resolutions and recommendations of the Polish Financial Supervision Authority as well as the European Securities and Markets Authority (ESMA) standards outlined in the Guidelines on certain aspects of the MiFID compliance function requirements.

In 2015, upon approval by the Bank Management Board and acceptance by the Supervisory Board, a new version of the above-referred Policy was implemented, where inter alia the requirements laid down by the Polish Financial Supervision Authority in the Principles of Corporate Governance for Supervised Institutions were incorporated.

Furthermore, in 2015, the Bank established new in-house regulations defining its policy for:

- personal data protection for clients, vendors, business partners and Bank employees, and also
- assurance of compliance with the Act on execution of agreement between the government of the United States of America and the government of the Republic of Poland to improve international tax compliance and to implement FATCA.

In 2015, the Bank continued the programme of the training courses intended to upgrade employees' knowledge and awareness of compliance risk and observance of the business ethics standards.

VII. ORGANISATION AND INFRASTRUCTURE DEVELOPMENT AT ING BANK ŚLĄSKI S.A. IN 2015

1. IT and Operations

The main focus of IT actions at ING Bank Śląski S.A. is on developing valuable business solutions while keeping high quality, accessibility and the top security standards. The key tasks performed in 2015 include:

- implementation of a new internet banking system for retail clients – Moje ING,
- development of mobile electronic banking systems, both for retail and corporate clients, including the launch as the first bank in Poland of the Apple Watch-dedicated application for corporate clients, as well as of the fingerprint login function for retail clients in the ING BankMobile application,
- rollout of a new method for payments and withdrawals made at ATMs with the use of BLIK codes/cheques,
- launch of micro-CDMs for corporate clients with which they can make cash deposits without leaving their company office, and
- rollout of the BigData environment to enhance the possibility of making advanced analyses of big data volumes, especially as concerns cash loan processes.

At the same time, we continued to:

- migrate applications to the private cloud of ING Bank Śląski S.A. and use the Continuous Integration & Delivery environment on an increasingly wider scale as part of the Zero Touch project,
- exchange the payment card service systems, and
- work on the new electronic banking system for corporate clients.

The achievements translated into the Bank having been awarded with the Lider Informatyki 2015 (IT Leader 2015) prize in the Banking and Finance category in the contest organised by the Computerworld magazine. The jury recognised our projects: Orange Express and Zero Touch. As the Computerworld magazine justified, "ING Bank Śląski revolutionised the IT approach to foster achievement of their business goals".

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

- outsourcing of attachments on accounts and document handling in the operational processes (insurance policies, credit documents and deposit documents) – we implemented outsourcing of selected manual activities, like recording and scanning of documents and inputting of basic data,
- introduction of a new monitoring strategy for retail and mortgage loans that lowers the operating expenses and at the same time maintains fixed risk costs parameters,
- in the cash machines area:
 - as at 2015 yearend, ING Bank Śląski S.A. had 813 cash self-service machines, including 799 machines with proximity readers and closed-loop cash management (so-called recyclers),
 - 227 cash machines located outside bank branches were transferred to be serviced by an external company under co-branding, and
 - machines for corporate clients were diversified – we launched 30 light depositories, 3 light CDMs, 15 fee collection machines and 2 ultra-light CDMs,
- assumption of the responsibility for the regulations and procedures regarding investment and insurance products for retail clients, and
- complaints – the top-notch service quality for complaints was reported. As at the end of December 2015, the ratio of complaints handled within 24 hours was 69%.

2. Development of electronic distribution channels

Online banking

The Bank is running the process of replacing the online banking system with a new one – Moje ING, where it deploys new generation tools to increase customer satisfaction. The purpose of the Bank is to move the relations with the client to the next league – from processing payments and offering products to satisfying customer individual needs.

In November 2015, all individual clients got access to the new online and mobile banking system Moje ING, in the Polish and English language versions. By the end of 2015, 335 thousand clients used the system. Along with the launch of the new system, the Bank completed the pilot programme that had started back in December 2014 in which 11 thousand clients and employees took part.

The new system Moje ING has most of the features that clients find the most relevant. The works on the system were substantiated by the studies with clients (over 650 hours). The following features were made available:

- upgraded module for transfers – unification of the manner of making different transfers together with an additional intuitive search engine allowing the user to quickly track down historical transactions and find elements that match the expression input when he was filling in a transfer form,
- transaction history showing the balance after each transaction,
- the balance figure and information on products,
- intuitive transition into the new system thanks to easy switching between the new and existing system, and
- practical introduction that welcomes the users after logging into the new system and launching new features.

Among the implemented system features there are also such that help clients to manage their home budgets, remind them about any upcoming payments and motivate them to act (budget, savings objectives, planned transactions and orders). The components of the tool assisting client's finance management (Financemeter) were integrated with other elements of the system.

The Bank designed and made available to clients the demo version of the Moje ING system in Polish and in English that helps users to become familiar with specific features via the virtual assistant. That version can be accessed by all clients via the internet site, also from all the internet spots at branches.

Moje ING is a complete system, not only in terms of its visual part that is seen by clients, but also in terms of the Bank IT systems. The system was developed under the Responsive Web Design (RWD) owing to which clients can see “the same” system regardless of the device they use (a PC, smartphone or tablet); that enables them to perform the same operations with equal easiness anytime and anywhere.

The most important changes to online banking include:

- changes and new functionalities connected with the implementation of a new internet banking system Moje ING (e.g. convenient switch between the two systems), and
- changes to raise the transactional system security level under the Fighting Cyber Crime project.

Mobile banking

In 2015, there was also a number of initiatives to enhance the features of mobile applications available for smartphones ING BankMobile and for tablets ING BankMobile HD, such as:

- logging into the application using one's fingerprint (Touch ID) – the features made available to the users of 5S and next versions of iPhones,
- adding new sections dedicated to:
 - investment products – enables the client to view their investment assets,
 - loyalty programme You Buy You Win (Bankujesz-zyskujesz) – which enables the users to check the number of points scored and move from the application directly to the service website to make their purchase,

- implementing new features:
 - push notification – messages with information on balance changes in the user's account are displayed directly on the smartphone screen. They keep the users updated on their finance,
 - BLIK – it enables the users to 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,
 - phone transfer – users can transfer funds to any bank in Poland without knowing the beneficiary account number; all it takes is to enter the phone number or retrieve it from the mobile directory. The phone transfer feature was upgraded in November – ING Bank Śląski S.A. as one of the first banks launched instant phone transfers between accounts in different banks that are part of the BLIK system,
 - Split your expenses – users can easily square their bill with friends. Users just enter the amount of expenses and choose people from their mobile directory who will receive an e-mail or a text message with the amount and account number for the transfer,
- launching the English version of the application,
- adding details of debit cards (e.g. sum of transactions in a current month) – users can change PIN for a card, activate or stoplist the card.

In 2015, also the application designed for corporate clients was being developed. In January, clients using 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 paper ones collected from the former.

At the beginning of June 2015, ING Bank Śląski S.A. launched a new ING Business mobile application version for corporate clients. It is transparent, universal and it supports customisation of settings. The new version was rolled out to respond to the changing client habits and expectations. Interestingly, back in 2013 ING Bank Śląski S.A. was the first bank in the Polish market to launch a mobile application for businesses.

In Q3 2015, ING Bank Śląski S.A. was the first bank in Poland to launch the dedicated Apple Watch application. Apple Watch-compatible ING Business application can be used by all corporate clients. The application features the items of information most frequently sought by clients when logging into the system through the mobile banking service. The account balance percentage index enables clients to check their corporate account balance at one glance. Clients can also view the current number of pending transfers to be signed or sent. Bank's bid and offer rates for selected currencies are also at hand. Individual elements like the default account or the currency pair can be changed in the application settings. All items of information are available on the spot as the so-called Glances and data can be refreshed using the Force Touch technology.

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 were most popular with consumers in 2014.

As at the end of 2015, over 3 million clients used the electronic banking systems of ING Bank Śląski S.A. By the end of 2015, ING BankMobile for smartphones and ING BankMobile HD for tablets were downloaded 1.2 million times. They are actively used by 700 thousand clients.

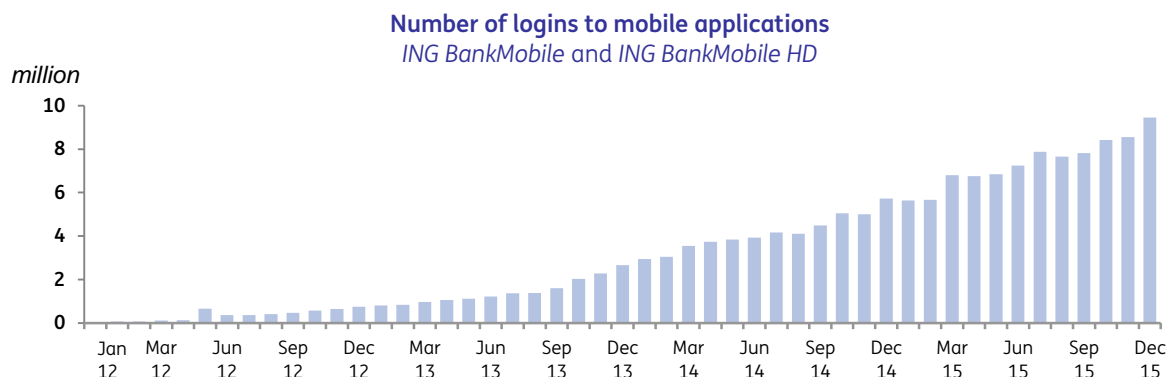
Number of clients ²⁷ of electronic banking systems at ING Bank Śląski S.A.

	31.12.15	31.12.14	31.12.13	31.12.12	31.12.11	31.12.10	31.12.09
ING BankOnLine, ING BusinessOnLine	3,178,500	2,846,079	2,575,708	2,350,269	2,115,325	1,879,525	1,559,504
HaloŚląski	2,083,323	1,819,028	1,605,063	1,433,433	1,285,261	1,072,099	786,008
ING BankMobile*	1,231,376	764,457	364,867	123,269			
ING Business	9,541	6,703	3,712				

*/ Number of application downloads

²⁷ The number of clients does not correspond to the number of users, one client can have a few users in a given system.

Bank mobile applications – ING BankMobile and ING BankMobile HD – are used more and more often by clients to make day-to-day transactions. In December 2015, 9.5 million logins were recorded (versus 5.7 million in December 2014).



3. Network of Bank branches

As at 2015 yearend, ING Bank Śląski S.A. had 395 retail branches (including 113 non-cash branches – where cash transactions are done only in multifunctional devices or in ATMs). 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 2015 yearend, the Bank had 239 branches in the new standard. Moreover, relocation of 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.

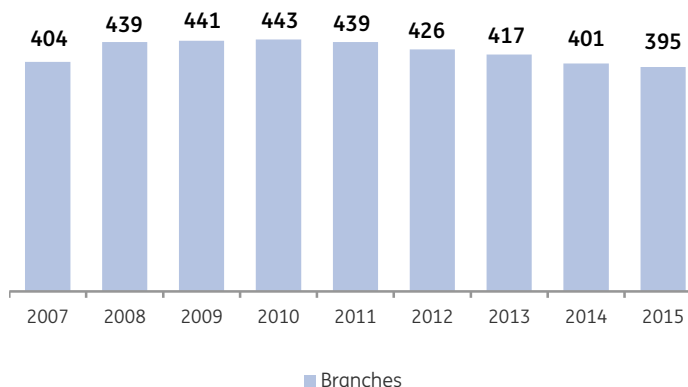
Moreover, clients that use the sign language can also talk to the advisor with the help of a sign language interpreter available online. In Q1 2015, the Bank launched this service in 20 branches. Since October 2015 the sign language interpreter has been available in all branches. ING Bank Śląski S.A. was recognised in the Banking World and Insurance Leader Competition in the CSR category for an innovative way of communicating with deaf people.

The Bank also 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 2015, the ING Express network had 64 points and acquired over 50 thousand new clients.

In Q3 2015, all branches in the new standard were equipped with a new way of communication with the Retail Loans Centre and Private Banking Centre advisors. A client that visits a retail branch can connect with the expert at the Bank through the video communication and remote document presentation option. The new communication method ensures comfort and saves time.

Corporate clients from mid-sized and mid-corporates segment were serviced at the Bank by 37 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.

Network of ING Bank Śląski S.A. branches (as at 31 December 2015)



4. Human resources management

Headcount

As at 31 December 2015, ING Bank Śląski S.A. had 7,728 employees, which is 41 persons more (or 0.5%) over December 2014.

Headcount at ING Bank Śląski S.A.

	31.12.2015		31.12.2014	
	number of persons	%	number of persons	%
Retail Banking	3,892	50.4	3,877	50.4
Corporate Banking and Financial Markets	1,185	15.3	1,107	14.4
Operations/IT/Services	1,887	24.4	1,961	25.5
Risk/Organisation/Finance/HR	764	9.9	742	9.7
Bank Total	7,728	100.0	7,687	100.0

Remuneration policy

In 2015, ING Bank Śląski S.A. kept its remuneration policy; the aim whereof is to effectively support the strategic goals. The assumptions of the policy are to offer marked-to-market, transparent and coherent remuneration to employees.

Once again, the Bank settled the bonuses for employees covered by the Variable remuneration policy of persons holding managerial positions having material impact on the risk profile of ING Bank Śląski S.A. In compliance with the Policy, the variable remuneration is deferred and at least 50% thereof is paid in phantom stock entitling to cash dependent on the value of ING Bank Śląski S.A. shares. In H1 2015, a portion of the deferred bonus for years 2012 and 2013 was paid to the persons holding managerial positions.

In order to implement 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 into the internal regulations, the content of the Variable remuneration policy of persons holding managerial positions having material impact on the risk profile of ING Bank Śląski S.A. was adjusted.

In November 2015, the base remuneration at the Bank was marked to market. The pay rise amount depended on the employee's existing remuneration and on the assessment of their performance.

Recruitment and employer branding

In 2015, ING Bank Śląski S.A. continued its employer branding activities geared towards professionals and students. There was a new tab added to the Bank's internet website – Career. The site was designed with Responsive Web Design, which enhances customer experience when entering it via mobile devices.

The recruitment and employer branding activities were launched at social networking services such as Facebook and LinkedIn. We started to use the LinkedIn search engine in the recruitment process to reach passive candidates, being the ones who at given time do not actively look for a job. Moreover, we developed ING Bank Śląski S.A. profile on LinkedIn, which promotes the Bank as an employer.

Also, long-term collaboration with Computerworld monthly continued as regards promoting the Bank as a workplace among IT specialists. Further, we entered into cooperation with praca.pl portal, and now all our job offers are published there.

The promotion of ING Bank Śląski S.A. as an employer was facilitated by image and reputation campaign taking advantage of the graphic elements of the "It's the people that count" marketing campaign.

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

- Participation in spring and autumn job fairs.
- ING Ambassadors Programme (for students representing the Bank at the universities), where teaming up with the students being Bank ambassadors, we organised the professional workshops/training courses for students. Moreover, the stands promoting the employer were put at the universities.
- Internship programme – Internship with the Lion – addressed to students following multiple majors and specialisations and planning 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 which resulted in hiring 5 new programme participants.
- 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 S.A. was a partner to 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 S.A. 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 S.A. 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 internships 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 in Poland.

ING Bank Śląski S.A. 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 desired employers. The Bank came sixth in the survey conducted by AIESEC international student organisation among students of 39 universities, one notch up from the seventh position a year earlier.

Employee development and training courses

In 2015, ING Bank Śląski S.A. pursued the development and training policy based on the priorities under the Bank Strategy and HR Strategy.

In line with the assumptions made, there were 4 areas of focus:

- Fostering corporate culture. In this area of focus, the Bank mainly continued the well-trying actions performed in the past with the use of the following enablers:
 - multifaceted programme for fledgling managers,
 - two two-day conferences organised for more than 200 managers (Skills Academy) and
 - evolution of multimedia development tools, among others.

In 2015, the Bank started the groundwork for a prestigious programme for senior managers.

- Upgrading employees' competences and behaviours through, above all, training courses on products and sales quality as well as wide offer of development actions. The Bank continued to hold meetings with guiding spirits, there were 4 such meetings in 2015. Moreover, in this focus area the knowledge sharing and working with another person activities, including: coaching, mentoring and individual consultations, took place. Apart from these actions, the development assignments were organised.
- The specialist and expert knowledge, through: highly specialised training courses, domestic and international sector conferences geared towards field specialists as well as certifications (e.g. audit-, bank advisory- and IT-related certificates).
- Dedicated development programmes for indicated organisational units or identified audience as a response to strategic challenges, such as: credit process analysis, knowledge sharing or retail sale management.

Actions supporting implementation of the Orange Code (a set of ING behaviours and values) across the organisation were of great significance here. We developed a website for employees and managers where the key information is published. Moreover, over 400 meetings and workshops were organised to make sure that the employees fully understand the Orange Code and to encourage them to act on these behaviours.

The Bank promotes development with the use of diverse tools, which are chosen based on actual needs and as being the most effective ones, including: on-the-job training, formal and informal knowledge sharing, working with another person and self-learning. We employ modern technologies when working on development, especially in the knowledge sharing area, such as: chats, webinars and fora. Thanks to the diversity of the available tools, almost every employee took advantage of at least one development action.

Apart from in-house development actions, we used external training courses, workshops and conferences. The Bank supports also self-enhancement of skills by employees, through certification, post-graduate studies or the Polish Bank Association standards.

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

HR processes digitalisation

In 2015, the Bank continued adding new features to the SAP HR system. The electronic attendance roll was introduced in all Bank units where electronic access cards are used, which streamlined the attendance registration process by making it paperless. Also the important HR-related dates started to be monitored, which enables the managers to undertake relevant HR actions with due advance.

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

The Preferred Bank strategy is based on three pillars:

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

In order to ensure long-term growth of the goodwill, the Bank undertakes actions to reinforce and then keep the leading position in the Polish banking sector by harmonious development of core operations; i.e. retail and corporate banking. The multichannel and integrated sales and customer service model, with special focus put on enhancing the electronic banking systems, is further developed.

Retail banking

In 2016, ING Bank Śląski S.A. will strive to strengthen its position in the consolidating market environment and aim at becoming 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 will pay more attention to the potential created by digitalisation and innovations in satisfying the client changing needs.

Key principles which actively support the delivery of the strategic goals have proved successful and therefore remain unchanged: clear and transparent product offer with good value for money, broad and innovative multichannel distribution network (395 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 2016:

- increase in the number of acquired clients,
- enhancement 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 customer experience. 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 increase the number of transactions made by clients.

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 makes necessary modifications in its strategy. In particular, the Bank puts more emphasis on direct distribution channels: internet, mobile and phone banking. The purpose is to have a vast majority of client instructions 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 will expand its offer in the payment service area. In 2016, it will offer clients the payment card acquiring services. With the new service, the Bank will offer payment terminals enabling acceptance of card and mobile payments (Blik, Visa, MasterCard) and sale of additional services like GSM phone top-ups. In the next stages, the Bank plans to enlarge its offering with acceptance of online payments, a loyalty programme and many other features. With this offer the Bank will cater for business clients from all segments, regardless of their business form and size.

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

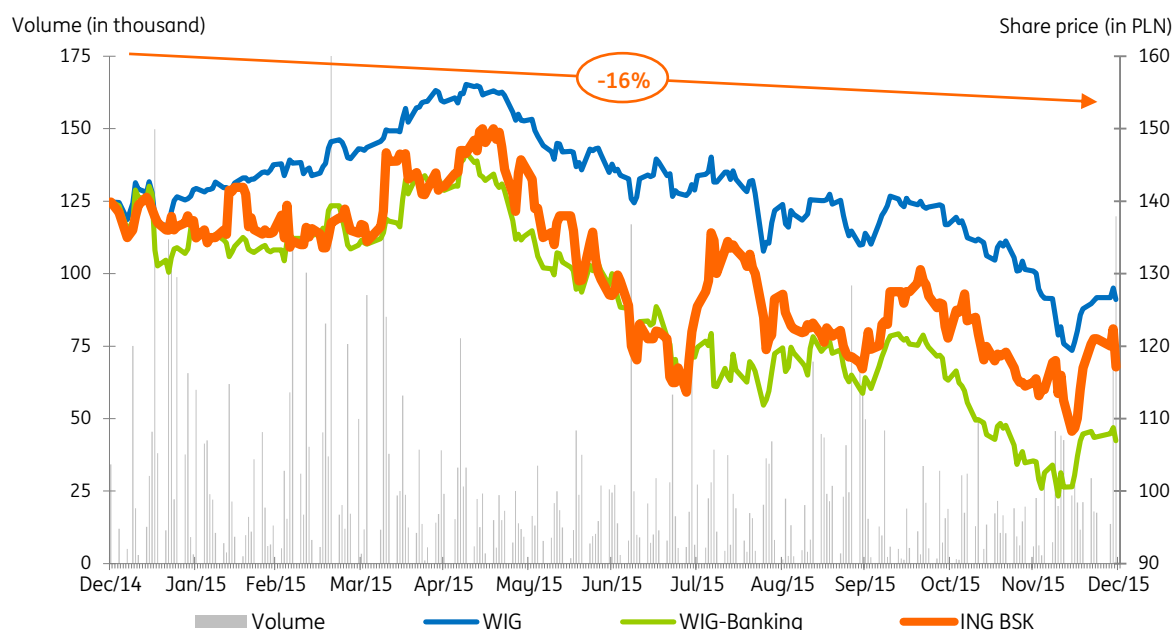
1. ING Bank Śląski S.A. share price

In 2015, the ING Bank Śląski S.A. share price as at the close of the WSE session fluctuated from PLN 108.25 (on 14 December) to PLN 150.00 (at the sessions on 14 and 18 May). On 30 December 2015, the price of ING Bank Śląski S.A. share amounted to PLN 117.15 and went down by 16.3% from the last quotation day in 2014 (to compare: WIG-Banking sub-index went down by 23.5% at that time).

As at 2015 yearend, the Bank's market value arrived at PLN 15.2 billion, while its book value amounted to PLN 10.7 billion.

ING Bank Śląski S.A. has been listed in WIG30, mWIG40 and RESPECT Index since their beginnings.

ING Bank Śląski S.A. share quotations in 2015 versus comparable selected WSE indexes



2. Ratings

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

Fitch Ratings Ltd. assigns a full rating to ING Bank Śląski S.A. under the 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 was the result of the same rating action taken towards ING Bank N.V. – the Bank's majority 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 on banking operations. The Agency believes the new regulations substantially reduce the likelihood of sovereign support for the banks; as a result, current ratings do not account for the potential support from the sovereign. Other ratings assigned by the Agency are unaffected by the revision of the Long-Term IDR and its outlook.

The agency carried out its annual review of ratings at the end of October and beginning of November. As a result, all the ratings of the Bank were affirmed (Fitch agency press release of 23 November 2015).

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 a 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 a rating to ING Bank Śląski S.A. on the basis of public information. In May 2015, Moody's Investors Service upgraded the long-term deposit rating for ING Bank Śląski S.A. to A3 from Baa1 and assigned a stable outlook revised from "review for possible upgrade" (Moody's press release of 21 May 2015 and Credit Opinion of 03 June 2015). The rating was reviewed following the implementation 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.

The agency affirmed the ratings assigned to the Bank in May by publishing its Credit Opinion on 26 November 2015.

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

3. Investor relations

ING Bank Śląski S.A. strives after the highest standards of capital market communications. The Bank pays particular attention to reliable and transparent information and to 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 presented to the broad capital market. The Investor Relations Bureau is responsible for investor and share analyst communications.

In 2015, the representatives of the Management Board and the Bureau held over 70 individual and group meetings with investors and participated in key investor conferences on the banking sector.

As a rule, open meetings for investors and analysts are held once a quarter, at the quarterly report publication date. Each time, approximately 30 representatives of brokerage houses and investors attend such a conference.

The Bank pays a lot of attention to the quality of communication with stakeholders through its website: <http://en.ingbank.pl/company-profile/investor-relations>. The webpage contains up-to-date information such as ING BSK shares quotations on the WSE, company shareholding structure, General Meetings or ratings. In 2015, the dividends payout history was one of the topics added to the content published on the Bank's website. Current, interim and annual reports, results presentations, Excel sheets with key financial and business information as well as video footage from the quarterly meetings dedicated to Bank's results are also published on the website. With the RWD technology, the website also adapts to mobile devices – tablets and smartphones.

ING Bank Śląski S.A. is one of the companies that are observed and analysed by the market. As at 2015 yearend, analysts representing 16 domestic and foreign financial institutions published reports and recommendations for the Bank's shares.

4. Dividend

By the approval date hereof, the Management Board of ING Bank Śląski S.A. did not take a decision on the 2015 profit distribution proposal to be recommended to the General Meeting.

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.

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

In line with the Executive Compensation Bylaw for Members of the Management Board of ING Bank Śląski S.A. which follows the Variable remuneration policy of persons holding managerial positions having material impact on the risk profile of ING Bank Śląski S.A., remuneration of a Bank Management Board Member is composed of:

- fixed remuneration composed of base remuneration as well as fringe benefits, and
- variable remuneration, i.e. annual bonus.

Base remuneration is determined by benchmarking it to the market, in accordance with the salary grade under the Hay job valuation methodology.

ING Bank Śląski S.A. provides the Bank Management Board Members with the following fringe benefits:

- life insurance and accident insurance with the guaranteed insured sum totalling the gross annual base remuneration, another type of protection-and-investment insurance or a mutual fund as part of the same premium,
- payments towards the mutual fund in the amount equivalent to 15% of the monthly base remuneration of a Bank Management Board Member, and
- medical care (Golden Card Family Package).

Furthermore, the Supervisory Board may decide on granting other benefits, e.g. covering the education costs of children in a private school, rent and fittings of an apartment or a house or payment of a rent allowance, covering membership fees in clubs and associations in Poland and abroad, provided it is in the interest of the Bank.

A Management Board Member may be awarded a bonus of up to 100% of the annual base remuneration for performance of the bonus tasks set by the Supervisory Board. Bonus tasks support creating long-term goodwill of the Bank and take account of care about the risk cost of the Bank, the capital cost and liquidity risk. Objectives have the following nature:

- financial, including the Bank's profit before tax, financial risk cost and tasks within the Management Board Member's responsibility,
- non-financial,

except for the Management Board Member exercising control functions where the objectives are based in at least 75% on the function-based targets and comprise quality tasks. Moreover, the financial tasks cannot be linked to the results generated in the areas controlled by this particular Management Board Member.

The Bank tests capital to ensure that the total bonus pool for all employees does not limit the ING Bank Śląski S.A.'s ability to maintain an adequate capital base and activates the bonus fund upon satisfying the predetermined condition.

40% of the bonus is deferred and if the threshold defined by the Bylaw is exceeded – 60%. The results of assessment of the objectives performance are verified in the deferral period, i.e. for three subsequent years, so as to evaluate the impact of employee's actions on the Bank's long-term results.

The bonus is divided into two parts (rounding up to the integer of a financial instrument):

- at least 50% as phantom stocks making its beneficiaries eligible for cash in the amount conditional on the ING Bank Śląski S.A. stock value, and
- the remainder as cash.

No bonus shall be due should the employment contract be terminated under Article 52 of the Polish Labour Code. The Supervisory Board may also decide to reduce the annual bonus or not to pay it out in a given bonus award period on the basis of verification of assessment of bonus tasks execution, taking ex post risk into account.

Emoluments paid out to Members of ING Bank Śląski S.A. Management Board in 2015 (PLN thousand)					
Name and surname	From – to	Remuneration	Awards*	Other benefits**	Total
Małgorzata Kołakowska	01.01.2015 - 31.12.2015	1,801.5	1,433.9	502.2	3,737.6
Miroslaw Boda	01.01.2015 - 31.12.2015	1,232.2	957.7	218.8	2,408.7
Michał Bolesławski	01.01.2015 - 31.12.2015	1,266.0	1,023.8	399.1	2,688.9
Joanna Erdman	01.01.2015 - 31.12.2015	1,128.0	565.6	307.1	2,000.7
Ignacio Juliá Vilar	01.01.2015 - 31.12.2015	1,121.7	906.2	947.7	2,975.6
Justyna Kesler	01.01.2015 - 31.12.2015	1,184.3	953.6	222.7	2,360.6
Oscar Swan	01.01.2015 - 30.06.2015	584.3	898.8	248.7	1,731.8
Patrick Roesink	01.07.2015 - 31.12.2015	464.7	0.0	505.6	970.3
Total		8,782.7	6,739.6	3,351.9	18,874.2

*/ Awards include awards paid out in 2015, but due to be paid out for the periods until 31 December 2014:

– 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.

**/ Other benefits cover, among other things: insurance, payments towards the mutual fund, medical care, tax advisory services, social insurance contributions in the home country and other benefits awarded by the Supervisory Board, and financial instruments exercised under the Long-term Incentive Schemes of ING Group.

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 2016-2020. Accordingly, a reserve was formed for the cash payment of the 2015 bonus for the Bank Management Board Members, which as at 31 December 2015 was PLN 9.0 million. The Bank Supervisory Board will take the final decision on the bonus amount.

Emoluments paid out to Members of ING Bank Śląski S.A. Management Board in 2014 (PLN thousand)					
Name and surname	From – to	Remuneration	Awards*	Other benefits**	Total
Małgorzata Kołakowska	01.01.2014-31.12.2014	1,779.0	1,220.4	846.6	3,846.0
Miroslaw Boda	01.01.2014-31.12.2014	1,215.7	833.5	215.0	2,264.2
Michał Bolesławski	01.01.2014-31.12.2014	1,242.0	885.1	490.2	2,617.3
Joanna Erdman	01.01.2014-31.12.2014	1,032.0	200.9	217.6	1,450.5
Ignacio Juliá Vilar	01.01.2014-31.12.2014	1,007.5	683.5	790.1	2,481.1
Justyna Kesler	01.01.2014-31.12.2014	1,167.8	820.3	448.4	2,436.5
Oscar Swan	01.01.2014-31.12.2014	1,155.8	747.3	447.9	2,351.0
Total		8,599.8	5,391.0	3,455.8	17,446.6

*/ Awards include awards paid out in 2014, but due to be paid out for the periods until 31 December 2013:

– Bonus under the Variable Remuneration Programme: for 2013 non-deferred cash and for 2012 1st tranche of deferred cash,

– Phantom Stocks under the Variable Remuneration Programme for 2012 – retained,

– Deferred bonus for 2010 and 2011.

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

As at 2014 yearend, the reserve for the 2014 bonus cash payment for the Management Board Members was PLN 8.3 million.

Employment contracts provide for benefits for all Bank Management Board Members being threefold their monthly base remuneration calculated for the last three months prior to the employment contract termination, if, inter alia, their term of office expires and they are not appointed for the next term of office or they are dismissed.

The above does not apply should the employment relationship be terminated under Article 52 of the Polish Labour Code if, inter alia, the employment contract is terminated following Management Board Member resignation or if a Management Board Member or the entire Management Board of the Bank has been suspended by the Polish Financial Supervision Authority under the Polish Banking Law.

Furthermore, Bank Management Board Members conclude non-competition agreements with the Bank to govern the rights and obligations of the parties to the agreement as regards competitive activities during and after the expiry of the employment contract, during 12 months from the employment contract termination date with the option of payout being twelvefold the gross base remuneration received by the Management Board Member during the term of the agreement.

The Bank Management Board Members and other individuals employed by ING Bank Śląski S.A. receive neither compensation nor awards for holding functions in the governing bodies of subsidiaries or affiliates of the ING Bank Śląski S.A. Group.

In 2015, the total remuneration (as defined hereinabove) due and paid out by ING Bank Śląski S.A. to the Supervisory Board Members was PLN 620.9 thousand, while in 2014 it was PLN 508.6 thousand.

Emoluments paid out to Members of ING Bank Śląski S.A. Supervisory Board in 2015 (PLN thousand)

Name and surname	From – to	Remuneration and awards*	Other benefits	Total
Brunon Bartkiewicz	01.01.2015-31.12.2015	0.0	0.0	0.0
Roland Boekhout	01.01.2015-31.12.2015	0.0	0.0	0.0
Aleksander Galos	01.01.2015-31.12.2015	173.3	0.0	173.3
Nicolaas Cornelius Jue	01.01.2015-31.03.2015	0.0	0.0	0.0
Ad Kas	01.01.2015-31.12.2015	0.0	0.0	0.0
Aleksander Kutela	01.01.2015-31.12.2015	172.0	0.0	172.0
Antoni Reczek	01.01.2015-31.12.2015	275.6	0.0	275.6
Diederik van Wassenauer	03.31.2015-31.12.2015	0.0	0.0	0.0
Total		620.9	0.0	620.9

*/ Remuneration and awards include the return of the Social Insurance Institution contributions due to exceeding the annual basis of contribution rates for retirement and disability pension insurance in keeping with the Social Insurance Institution decision.

Emoluments paid out to Members of ING Bank Śląski S.A. Supervisory Board in 2014 (PLN thousand)

Name and surname	From – to	Remuneration and awards	Other benefits	Total
Brunon Bartkiewicz	01.01.2014-31.12.2014	0.0	0.0	0.0
Roland Boekhout	01.01.2014-31.12.2014	0.0	0.0	0.0
Anna Fornalczyk	01.01.2014-10.04.2014	59.2	0.0	59.2
Aleksander Galos	10.04.2014-31.12.2014	108.3	0.0	108.3
Nicolaas Cornelius Jue	01.01.2014-31.12.2014	0.0	0.0	0.0
Ad Kas	01.01.2014-31.12.2014	0.0	0.0	0.0
Mirosław Kośmider	01.01.2014-10.04.2014	43.9	0.0	43.9
Aleksander Kutela	10.04.2014-31.12.2014	86.7	0.0	86.7
Wojciech Popiołek	01.01.2014-10.04.2014	37.2	0.0	37.2
Antoni Reczek	10.04.2014-31.12.2014	173.3	0.0	173.3
Total		508.6	0.0	508.6

No Member of the Bank Management Board or Supervisory Board held any shares of ING Bank Śląski S.A. as at 2015 yearend.

X. CORPORATE SOCIAL RESPONSIBILITY (CSR) AT ING BANK ŚLĄSKI S.A. IN 2015

Corporate Social Responsibility is embedded in the operations of ING Bank Śląski S.A. Constant and close interaction with key stakeholders being: clients, employees, investors, suppliers, non-government organisations and academic circles is of utmost importance in CSR as it enables the Bank to learn about their experiences and act on them accordingly.

In 2015, ING Bank Śląski S.A. made the transparent and ethical relations with stakeholders its priority. As part of a cyclical revision, the ING Values – the guidelines the Bank employees follow on a daily basis, were updated. The ING Values (We are honest, We are prudent, We are responsible) are now coupled with the ING Behaviours (You take it on and make it happen, You help others to be successful, You are always a step ahead). They are bound together as the Orange Code – a set of guidelines applied across ING worldwide. In 2015, the launch of the Orange Code was followed-up with 400 meetings and workshops, a contest for employees, a special edition of desk calendars for 2016, online tests as well as articles in the intranet and in-house magazine. All these endeavours were to make employees familiar with the ING Values and ING Behaviours and to encourage workers to act on them.

ING Bank Śląski S.A. predicates its operation on international standards – the Universal Declaration of Human Rights and the principles of Global Compact drafted by the United Nations. The Bank also applies the Good Banking Practice Principles and, as a company listed on the Warsaw Stock Exchange, it ensures that all shareholders are treated equally, as well as it pays attention to wide information access and effective communication with the participants of the capital market. Since 2009 ING Bank Śląski S.A. has been invariably present in Respect Index, the index of socially responsible companies listed on the Warsaw Stock Exchange.

In 2015, the Bank issued the Corporate Social Responsibility Report of ING Bank Śląski S.A. for 2013 and 2014. The second CSR report in the Bank's track record is entitled Zoom in on Responsibility and it was developed under Global Reporting Initiative (GRI) G4 guidelines. The report is available at: www.raportcsr.ingbank.pl/en/. The compilation of the report was preceded by materiality research conducted with the use of AccountAbility Stakeholder Engagement Standard AA 1000SES questionnaire. As a result, the Materiality Matrix was developed with 10 key reporting aspects which represent the Bank areas considered by its stakeholders as the key ones. The key areas are linked to the safety, quality and ethics of ING Bank Śląski S.A. operations. Our key stakeholders appreciate innovative initiatives, they expect openness to dialogue and clear complaint management policy. They also want to be sure that the Bank takes care of its employees' development and their job satisfaction, and that their relation is open. The report gives an overview of Bank's approach to managing key reporting aspects and measures illustrating them.

ING Bank Śląski S.A. was the only financial institution to be awarded with Srebrny Listek (CSR Silver Leaf) last year by the POLITYKA weekly magazine. It was emphasised that the winners set CSR trends and might become guiding spirits for others. Moreover, our last year's achievements were also recognised by Forum Odpowiedzialnego Biznesu (Responsible Business Forum) in 2014 Responsible Business in Poland. Best Practice report, which listed 14 best practices of ING Bank Śląski S.A.

1. Relations with clients

ING Bank Śląski S.A. pays a lot of attention to the dialogue with clients, and its form is constantly tailored to clients' needs and the evermore changing communication trends. We gather clients' feedback and analyse complaints on an ongoing basis.

To make sure that the provided hints go live and to respond to the market changes, the Bank enhances the innovative attitude of the employees. In 2015, the Innovation Team was established. Its goal was to empower all employees to engage in innovative actions. Innovation Bootcamp was one of the initiatives to boost employees' creativity and spur the out-of-the box thinking. As part of this contest, employees submitted their ideas, and the best ones were implemented in the organisation. Every idea was to address one of specific challenges that the organisation is facing. In 2015, the employees could also participate in the so-called Inspirational Sessions, get inspired by ideas published in the electronic magazine on innovation across the world and from different fields and discuss them with intranet community members. The employees were also trained in innovative methods of products and services implementation under Design Thinking, Lean Start up and Agile approaches.

Communication with clients

Simplification of the information sent to clients was a crucial change to building relations with clients. The new standard developed after teaming up with the Polish language experts applies to all content sent to individual clients of the Bank, for example, the complaint responses and their layout are now developed with eyes set on their clarity. For a few months now there have been new templates used for concluding online banking, account with card and savings account agreements with the clients. The new templates are easier to read and more visually appealing. During the tests of the new agreement template, the respondents indicated that the document produced by ING was as much as 44% clearer than the most recent agreement they could remember. Moreover, finding the information they needed was easier by 41%. The experiences of ING Bank Śląski S.A. have already inspired other countries where ING Group entities operate.

In 2015, there was a lot of effort put to launch new features to the Bank's website www.ingbank.pl, to make it more user-friendly, more available and to change the offer itself. The cash loan e-application form for individual clients was made available online, which thanks to the Responsive Web Design (RWD) can be accessed from any device (be it computer, table or smartphone).

As part of the new version of the online and mobile banking system for retail clients (Moje ING) the ING Offer tab was developed, which provides an overview of Bank's products and services available without going to the www.ingbank.pl website. As a result, all product and service descriptions were edited and linked directly to relevant processes in online and mobile banking. As part of the Moje ING system, a new information platform was opened.

In 2015, the website www.bankujesz-zyskujesz.pl was made available in RDW technology, which facilitates its adjustment to all devices. Also, a new way of delivery was introduced next to the courier mail, namely InPost parcel lockers. The service is extremely popular among our clients due to, e.g. low cost and option to collect the products at any time.

In January 2015, ING Bank Śląski S.A. launched the Premium Service telephone help-line dedicated to affluent clients. The Premium Service team is a group of thoroughly trained individuals who answer all clients' questions, process financial transactions, accept clients' instructions or credit application forms. The Premium Service is intended to provide clients with remote service of held products and services and relieving relationship managers of day-to-day banking. After the change, the relationship managers may devote more time to advising clients and help them plan their financial future.

In December 2015, ING Bank Śląski S.A. started the cycle of meetings with entrepreneurs Business relies on seizing opportunities, your business relies on you. Grzegorz Albrecht and Jakub Bączek shared their experiences in the inaugural meeting held in the Opera and Concert Hall in Białystok. Further meetings under the same cycle took place in December 2015 and January 2016 in Rzeszów, Szczecin and Bydgoszcz. The speakers equipped the entrepreneurs with useful tips on running the business and answered their questions on leveraging opportunities and trends and inspired them to change and make these changes happen.

In 2015, our social media-based interaction with clients was enabled by:

- ING Bank Śląski S.A. forum, which since its opening back in October got approx. 50 thousand visitors and then in November it was superseded by ING Community (www.spolecznosc.ingbank.pl) which was visited by approx. 34 thousand people per month;
- Facebook profile (www.facebook.com/INGBankSlaski) with 188 thousand followers at the yearend;
- Video channel on YouTube (www.youtube.com/ingbsk) with 15.7 million views;
- Twitter account (www.twitter.com/INGBankSlaski) followed by 4.8 thousand viewers at the yearend.

Yet in June 2014, ING Bank Śląski S.A. was the first bank in Poland to start the pilot programme of sign language-based service. The solution was tested in 20 branches across the country for 6 months, and then starting from mid-2015 the service assisted with the sign language video-interpreter is available in all retail branches of the Bank. This initiative was assisted by a nationwide media campaign with spots presenting people using the sign language.

ING Bank Śląski S.A. contacted corporate clients using both traditional service channels such as visiting the branch, e-mail or phone, as well as diverse new media. In 2015, the Bank activated a new, more user-friendly and intuitive version of the mobile application for companies. Also a trailblazing, in the Polish banking sector, smartphone app was launched; the application enables clients to access their banking details even quicker.

ING Bank Śląski S.A. significantly streamlined the process of bank account opening. Clients may initiate the process by calling the Bank and the bank account is active even on the very same business day.

To respond to clients' needs we expanded the offer of cash devices to be mounted at clients' premises by adding the micro cash deposit machine. It is a smaller and cheaper machine geared towards companies with smaller turnovers.

ING Bank Śląski S.A. also started the blog called Company purchases under the Aleo brand. It is intended to present the potential of strategic sourcing and share the best procurement practices, which impact positively not only the procurement area itself, but the overall performance of the company.

As in previous years, also in 2015 corporate clients of the Bank participated in educational meetings, including:

- conference on proper succession planning and putting it in practice – an event held in 2014, held once again in 2015 as a response to clients' needs. The conference was attended by the experts for the Family Business Institute and law firms,
- a round of lectures conducted by a banking expert on applying for the European Union subsidies for the company, and
- lecture of the business psychologist on boosting effectiveness when running a business.

Customer satisfaction surveys

In 2015, ING Bank Śląski S.A. continued its efforts to enhance the quality of customer service across all distribution channels. The Bank checked whether clients are satisfied with services as well as gathered and analysed their feedback on a regular basis.

The Mystery Shopping methodology was applied to measure the individual customer experience. In Q3 and Q4 there were surveys on the needs of clients using the direct channels; the findings were translated into conclusions and recommendations. They will be used to modify the client service model early 2016.

The Bank continues using the Net Promoter Score (NPS) to perform a regular survey on recommendation and satisfaction; the NPS is applied for clients who opened a current or savings account, took a cash loan, interacted with the Bank at the branch, through mobile banking, online banking or who lodged a complaint. This survey has been conducted since 2012 in cooperation with an external company and covers 7 banks, including ING Bank Śląski S.A. The survey is conducted with CATI method, that is with telephone surveys on a randomly selected group of bank clients (covering the same number of clients per bank). This survey helps us to monitor the degree to which bank clients recommend their bank to friends and family. On the one hand NPS survey provides the knowledge of customer satisfaction, on the other it enables us to compare with competitors.

The respondent may use a 0 to 10 score rating scale. Based on the scores awarded, clients are categorised as belonging to one of the three groups:

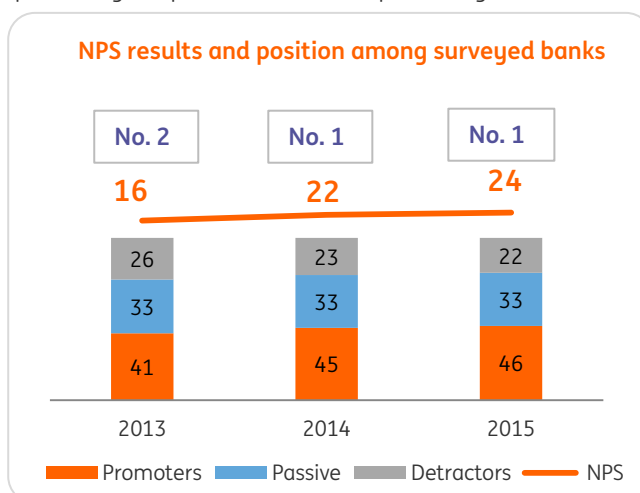
- Promoters (score from 9 to 10) – clients who willingly recommend the Bank and give positive opinion,
- Passive (score from 7 to 8) – clients not that eager to recommend us, but not talking poorly about us either, and
- Detractors (score from 0 to 6) – clients whose loyalty and satisfaction we have to fight for.

The NPS index stands for the difference between the percentage of promoters and the percentage of detractors.

NPS is a key index that we use to monitor the level of our clients' recommendations. In 2015, the Bank took first position among surveyed banks.

Since 2015 the NPS index has been applied for all ING Group countries around the world. This survey also confirmed ING Bank Śląski S.A. first place among the surveyed competitive Polish banks.

The quarterly presentation of respondents' recommendations in the NPS survey is shown on the below graph:



The Bank modifies its processes and products following the survey's findings and clients' comments. The Bank also acts on feedback provided by clients spontaneously when visiting a Bank branch.

The Customer Effort Score is being regularly used to measure the easiness of banking with us. It checks whether clients find it easy or difficult to purchase Bank products online (current account and cash loan) and to use online banking.

The First Contact Resolution survey is also continued. This metric shows whether clients are able to get things done at first contact with the Bank with the use of direct channels, Contact Centre or a Bank branch.

All metrics falling within the Customer Experience area, being the experiences of retail clients, are presented in a monthly report, and then analysed.

Corporate clients and strategic clients also undergo regular satisfaction surveys. Hence, clients' opinion about the offer and service quality, as well as other aspects of cooperation with the Bank can be continuously monitored. To measure the satisfaction of strategic clients, the Bank uses the NPS methodology. In 2015, the groundwork for applying NPS for corporate clients was being done.

Complaint analysis

Just like in previous years, we adjusted the complaint handling process to clients' needs. We simplified the content of the complaint response and shortened the turn-around time. The Bank was enhancing the clarity of complaint responses. Thanks to the application of the new content layouts, clients find it easier to spot the most relevant information. In 2015, as many as 63% of complaints were handled within 24 hours (54% in 2014). The result was improving gradually throughout the year arriving at 69%, the best result, in December. In 2015, we kept high customer satisfaction with the complaint handling – with NPS result being +27%.

Regardless of the growing number of clients and performed transactions, the number of complaints lodged in 2015 went down by 4% as compared with the 2014 result. The decrease was driven by but not limited to elimination of certain errors resulting in ATM and CDM cash jams.

Just like in the past, the root causes of complaints were thoroughly analysed. The feedback embedded in complaints gave rise to numerous changes to product processes.

2. Relations with vendors

In 2015, potential vendors could continue to use the self-registration form on the ING Bank Śląski S.A. website. 62 vendors completed the qualification process successfully and could later participate in the procurement processes at the Bank.

Last year, the works intended to implement a standardised vendor qualification process across ING Group were started. Its aim is to gather all relevant information on the vendor. With this initiative the Bank emphasised the importance of the unbiased sourcing and that the procurement decisions need to be based on objective criteria.

All vendors represent that they observe the standards set forth in ING Bank Śląski S.A. Vendors Code of Conduct. When cooperating with the Bank, the vendor must abide by the Code. The key standards include: observing the applicable laws, employees' rights included, in relations with the employees as well as respecting personal dignity, privacy and rights of an individual. Vendors should also provide their employees with safe and harmless workplace in health terms and consider environment protection by striving for reducing environmental burden as part of their business and ought to undertake actions leading to environment improvement. Moreover, vendors should observe prohibition of forced labour, child labour, corruption and discrimination.

ING Bank Śląski S.A. vendors were also active users of Aleo – a trading and auction platform for businesses. Following registration on the www.aleo.com/pl website, vendors could participate in auctions organized under the Bank tender proceedings. There were over 65 auctions held via the platform last year. Bank vendors and clients could also use that platform to support their own procurement processes.

3. Relations with employees

ING Bank Śląski S.A. provides all the employees with favourable employment conditions, facilitate their development and empower to make well-informed career path selection. The key facets of the Bank's actions for the benefit of the employees were presented in the Human resources management item.

The corporate culture is regularly examined at ING Bank Śląski S.A. Since 2008, once a year we conduct employee satisfaction survey (Winning Performance Culture) that covers all ING companies across the world. In 2015, for the first time all employees of ING Group were invited to fill in a new survey – Organizational Health Index (OHI). As a result, WPC scan was postponed to 2016. Over 5.6 thousand employees of the ING Bank Śląski S.A. Group took part in the Organizational Health Index survey (65% of all the headcount) OHI findings helped to get the comprehensive insight into organisation functioning, including its capability to adapt to the changing environment and to ensure exceptionally high performance in the long run. The survey showed management practices for specific behaviours, actions and processes.

In 2015, ING Bank Śląski S.A. was awarded the Top Employers certificate for the fifth time; the certificate is granted by the international organisation Top Employers Institute to those companies that are the best in pursuing HR policy. ING Bank Śląski S.A. 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 thousand respondents from Poland.

Moreover, the Bank was mentioned in the Responsible Business in Poland report, developed by Forum Odpowiedzialnego Biznesu (Responsible Business Forum). The Labour-related Practices category presented inspirational lectures for employees, Meeting with Specialist initiative, in-house traineeships for employees and facilities for employees being parents and – as long-term internships – Dobry Pomysł (Good Idea) voluntary initiative contest. When it comes to the Community Involvement and Development category the following initiatives were mentioned: Corporate Readiness Certificate, in the Biegnij Warszawo (Run Warsaw) sports event as well as in the Globalne Wyzwanie (Global Challenge) voluntary activity and also – as long-term internships – Praktyka z Lwem (Internship with the Lion) addressed to students. Finally, the educating of Bank's employees in the realm of ecology was appreciated by listing it in the Ecological Education category.

4. Activities for community

In 2015, ING Bank Śląski S.A. got involved in the BAKCYL project – a banking sector joint project to facilitate finance-related education of teenagers from junior high schools launched by the Warsaw Institute of Banking. Under the project, the Bank employees voluntarily conduct classes in junior high schools, the topics include: Your money, Put your mind into borrowing, Wise investment, Lifelong finances. The 4-lesson cycle is a compendium of finance-related knowledge for youngsters entering their adulthood with financial literacy. In total there were 13 employees of ING Bank Śląski S.A. who underwent a special training. Nine of them conducted 35 lessons in high schools located in the Silesia and Łódź provinces.

Last year, together with the ING for Children Foundation, the Bank continued to pursue the ING Voluntary Services Programme:

- projects for local communities – as part of the Good Idea contest, employees conducted 47 initiatives at hospitals, schools, kindergartens and community youth centres across Poland;
- projects for selected community partner – under 21 group initiatives employees worked for the benefit of, among others, community youth centres, therapeutic centres and hospital-based schools. The biggest initiative for the benefit of one of the Single Mom Houses was attended by 60 employees of the Services Division;
- a charity sales and meetings with children – the sales and meetings coupled with reading the therapeutic book Lucjan, the Lion One of Its Kind were attended by 688 persons. On this occasion, 780 free copies of the book issued by the Bank were distributed among the children participating in the meetings and furnished to local libraries, community youth centres, hospitals, schools and kindergartens.

In total, 1.5 thousand employees participated in all the above-mentioned initiatives held under ING Voluntary Services Programme.

Following the long-standing tradition of social initiatives, employees engaged themselves in charity collections for children – charges of the ING for Children Foundation. An Orange Schoolbag collection of school supplies was organised in September, while in December the employees prepared 592 Christmas gifts under Santa's Helpers initiative.

In October 2015, 262 employees took part in yet another edition of Run Warsaw. For each runner belonging to the ING team the Bank gave funds to the ING for Children Foundation, in total the Foundation obtained PLN 26.2 thousand. The amount will be allocated to carry out the projects suggested by partner non-government organisations selected through competition. These are: Help Association Sparkle”(Stowarzyszenie Pomocy ISKIERKA) from Wrocław and Help Association for Children and Youngsters Guardian Angels Home (Stowarzyszenie Pomocy Dzieciom i Młodzieży Dom Aniołów Stróżów) in Katowice. The Foundation will also co-sponsor the Scouting Association of the Republic of Poland Forest Clearing scout troop – 8th Scout Team – Forest Trackers from Gorzów Wielopolski (Związek Harcerzy Rzeczpospolitej – Hufiec Poland” 8-Gorzowskiej Drużyny Harcerskiej Tropiele lasu).

Following the tradition, in 2015 blood donation initiatives were held in spring and autumn in ING Bank Śląski S.A. 101 Bank employees took part in 6 such initiatives. In total, they donated 46 litres of blood.

All charity donations are made by the Bank under ING Bank Śląski S.A. Donation Policy. There were 12 donations made in 2015 in the total amount of PLN 188.4 thousand to Fundacja Wrocławskie Hospicjum dla Dzieci (Children Hospice in Wrocław Foundation), Towarzystwo Przyjaciół Dzieci (Children Friends Association), Fundacja Dzieciom „Zdążyć z pomocą” (Children Foundation Help on Time) among other institutions.

The Bank also donates IT equipment and office furniture which are no longer used by the Bank, but yet in good condition. In 2015, the value of such donations amounted to PLN 38.6 thousand. The donated items were given primarily to schools and kindergartens.

In 2015, ING Bank Śląski S.A. also sponsored educational, economic and cultural initiatives such as:

- year-long scientific initiatives of the University of Silesia (research and science promotion),
- European Economic Congress in Katowice,
- Eurobild Awards 2015 Gala for the best companies in the commercial real property sector in the Central and Eastern Europe, and
- Ave Arte – Paderewski International Festival.

Furthermore, regional branches of ING Bank Śląski S.A. supported smaller initiatives relevant to local communities.

Activity of ING for Children Foundation

The ING for Children Foundation continued programmes to provide equal chances by educating children from poor areas and chronically ill children:

- ING Voluntary Services Programme – as part of the employee voluntary activities conducted together with the Bank, the Foundation supported public benefit institutions, urban and commune welfare centres that Bank volunteers cooperate with and provided more than PLN 400 thousand thereto (more details to be found in *Activities for community* section),
- Smile Stays – nearly 1,100 children participated in 22 such stays. These were profile stays: educational, therapy and rehabilitation ones as well as summer and winter camps for Foundation charges from primary schools, community youth centres and therapeutic groups,
- ING Internet Clubs – 2 internet clubs were modernised in 2015. In total, there are 30 internet clubs across Poland.

ING Bank Śląski S.A. employees provided financial support for the activity of the Foundation in the form of 1% tax deductions – it total nearly PLN 30.0 thousand and monthly remuneration-related deductions – totalling PLN 17.8 thousand.

Activity of ING Polish Art Foundation

In 2015, the ING Polish Art Foundation – one of the first corporate collections in Poland – celebrated its 15th anniversary. To mark the anniversary, the Foundation staged an exhibition *Art in Our Age* (Sztuka w naszym wieku) in cooperation with Zachęta – the National Gallery of Art showing the works from ING Polish Art Foundation and Zachęta's collections. The Foundation commissioned Rafał Dominik and Szymon Żydek, a duet consisting of an artist and a curator, to create an exhibition in Zachęta which would introduce and explain the complexity of perception and usage of the contemporary art in daily life.

A book titled *Art in Our Age* was also published to commemorate that jubilee. It is a story on the contemporary art consisting of mini-essays, richly and surprisingly illustrated with reproductions of works of contemporary Polish artists taken from the collections of the two institutions. Professionals make use of funny or serious, often provocative texts to give answers to basic questions about the contemporary art. The texts were written by: Hanna Wróblewska, director of Zachęta; Sebastian Cichocki, deputy director of the Museum of Contemporary Art; Dorota Jarecka, journalist; Oskar Dawicki, artist; Łukasz Gorczyca, gallerist and writer; Maria Poprzęcka, art historian, and many other individuals renowned in the world of art.

In 2015, there were 4 new works added to the collection of the ING Polish Art Foundation, namely the works of Katarzyna Przezwańska, Oskar Dawicki i Łukasz Jastrubczyk.

The contemporary art is a crucial element of the culture, and cultural competencies are vital in building civil society. Yet, the familiarity and interest in the contemporary art among Poles are very small. It is viewed as an exclusive welfare which requires specialist knowledge. That is why last year, the ING Polish Art Foundation started a number of educational activities addressed to ING Bank Śląski S.A. employees. Every week we organise a 15-20-minute meetings for interested employees in which they can learn about given works of arts from the collection and its author output, the trend the given work represents and historical references in the background.

5. Activities for natural environment

In September 2015, TÜV Nord auditors conducted supervision audit applicable to the Environmental Management System under the international standard ISO 14001 (EMS). The auditors met the employees of the Services Division, Management Board Bureau, and a retail branch in the Katowice Region. The standards of environmental footprint management and environmental awareness of Bank employees were given a high score.

ING Bank Śląski S.A. was successful in further implementation of new technologies intended to save electricity. The electric wire system was modernised in yet another premises - in 52 branches and on six floors of the Head Office in Katowice. Moreover, the new energy-efficient electric systems were made in 12 new facilities to which units were relocated. The newly adopted technical standards reduced the electricity consumption due to lightening systems by 40%. LED technology was applied to light exterior advertisement in 64 branches which were either modernised or redeveloped in 2015. In total, there are 202 branches with exterior advertisement lit with this technology.

As part of the Ecosphere 2015 project, in 64 branches the old air conditioning elements containing R22 refrigerant (with freon) were replaced with modern air conditioning systems using eco-friendly refrigerant.

In November 2015, the Head Office facilities in Katowice (at ul. Sokolska 34 and Chorzowska 50) were assessed for the applied technical solution lowering the consumption of electricity, heat, water, paper and related to waste segregation. Following the positive assessment the building was granted the prestigious Green Office Certificate. A similar certificate was granted to the Head Office in Warsaw (at ul. Puławska 2).

Caring for the environment, the Bank continued to introduce additional waste segregation into: paper, glass, plastic, metal and batteries. Such solution is used in the Head Office in Katowice and Warsaw. In all Bank facilities apart from the mandatory waste segregation, paper and wastepaper is collected and utilised.

All Bank head office employees in Warsaw and Katowice used the follow-me printing system. This solution enables printing a document only upon tapping the employee's identification batch against the printer. As a consequence, in 2015 almost 475 thousand of A4 sheets, which throughout the year could be translated into reduction of CO₂ emission to the atmosphere by 2,371 kg, consumption of clean water by 859 m³ and saving 40 trees.

As part of the Orange Bike initiative, bicycle racks for Bank employees and clients are successively mounted at our facilities. In 2015, 179 new racks were mounted in 55 locations and employees were provided with 38 orange bikes in 10 locations: Gdańsk, Poznań, Gliwice and Wrocław. Since the very beginning of the initiative, there were 337 racks mounted in 93 locations and the employees were provided with 59 bikes in 14 regional offices and Head Offices in Katowice and Warsaw.

In 2015, the Bank continued the introduction of internal eco-friendly e-solutions, e.g. e-mailing room, superseding paper correspondence with electronic one. Every day there are approx. 7.5 thousand documents, which on a monthly basis give rise to 164 thousand of sheets of papers. This is mainly correspondence with external institutions, but also letters from counterparties and Bank's clients. The introduction of the e-mailing room solution allows for forwarding 97% of paper correspondence in electronic form. The process applies to: queries sent by external institutions, clients letters, bank accounts seizures, direct debits, invoices as well as any other settlements with Bank employees.

In mid-2015, ING Bank Śląski S.A. Policy on Company Cars was amended, which resulted in fleet standardisation. After the changes, the option to lease SUV cars, known for its larger engines and high CO₂ emission was excluded. A standard engine capacity is in line with binding Euro5 and Euro6 fuel emission standards. Changing the rules governing business cars usage and making business cars available to more employees increased their mobility and reduced the number of leased cars.

The environment-wise education actions conducted in 2015 included the following:

- World Water Day – the Bank engaged in a global action called: Water and Sustainable Development, the initiative was used to remind employees that water is a precious supply and how to manage its resources. The initiative was coupled with a quiz for employees, in which they could check their knowledge on water supplies. There were 533 employees who took part in this initiative.
- Environment Day – to mark the World Environment Day, there was a special how-to book for prepared for employees on how to lower their travel footprint. Apart from the how-to book, there was also Green Quotient contest organised where the employees could verify their knowledge on Bank's actions for natural environment both in branches and Bank Head Office buildings. There were 179 persons participating in the contest.
- Eco-responsible competition – to increase ecological awareness of employees, there was a year-long competition organised, in which employees were invited to send and share their ideas on rational consumption of water, energy, paper, plastic as well as provide feedback on positive eco-changes in the office. The most interesting comments were published in the in-house magazine

6. Further information

Information about corporate social responsibility at ING Bank Śląski S.A. and mailing details are available on the <http://en.ingbank.pl/> site in the *Corporate Social Responsibility* of ING Bank Śląski S.A. tab.

XI. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD REPORT ON OBSERVANCE OF PRINCIPLES OF CORPORATE GOVERNANCE IN 2015

Pursuant to §91 section 5 item 4 of the Minister of Finance Ordinance on current and interim information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent of 19 February 2009 (consolidated text Journal of Laws of 2014, item 133), ING Bank Śląski S.A. Management Board hereby present the Report on Observance of Principles of Corporate Governance in 2015.

1. Principles and scope of corporate governance

The Principles of Corporate Governance which in 2015 were binding for ING Bank Śląski S.A. (hereinafter referred to as: the "Bank"), are set out in the Code of Best Practice for WSE Listed Companies as enclosed with WSE Supervisory Board Resolution no. 19/1307/2012 on amendments to the Best Practices of WSE Listed Companies of 21 November 2012. The content of the aforementioned set of rules has been published on the Warsaw Stock Exchange website at: http://www.gpw.pl/dobre_praktyki_spolek_regulacje.

On 02 March 2015, the Bank in its current report no. 01/2015 (Electronic Information Base) gave notice that it upheld decision taken in previous years on non-observance of the principle IV.10. of the Code of Best Practice for WSE Listed Companies whereunder shareholders may take the floor during a General Meeting from a location other than the meeting venue. The Bank Management Board took the said decision due to the risk of legal as well as organisational and technical nature related to providing shareholders not participating personally in the General Meeting with real time bilateral communication with the use of electronic communication means, which may negatively impact the course of the General Meeting. According to the Management Board the currently binding principles of participation in the Bank General Meetings properly secure the interests of shareholders by enabling them to exercise all the rights arising from the held shares.

Nevertheless, the Bank gives notice that as regards Recommendation no. 12, in 2015 it transmitted the Ordinary General Meeting making it possible for all interested parties to watch the meeting; it did not organise the General Meeting in a manner enabling shareholders to exercise their voting rights from a location other than the meeting venue with the use of electronic communication means (e-GM).

At the same time the Bank gives notice that since 01 January 2015 the Principles of Corporate Governance for Supervised Financial Institutions introduced by the Polish Financial Supervision Authority with Resolution no. 218/2014 of 22 July 2014 (Official Journal of the PFSA item 17) (hereinafter referred to as CG Principles) have been applied at ING Bank Śląski S.A. in the scope as specified in Bank Management Board Report of 30 December 2014 published on the Bank website. In accordance with the abovementioned Report, the Bank implemented the principles provided for in the CG Principles, with the proviso that:

- due to the impossibility of end-to-end elimination of risks of legal nature and organisational and technical nature that can negatively impact the course of the General Meeting, the Bank applies the rule set out under Article 8 section 4 of the CG Principles to an extent limited to transmission of Bank General Meeting debates via the internet,
- for the rules introduced under Article 11 section 2 and Article 22 section 6 of the CG Principles, the practice applied by the Bank to-date was supplemented with additional powers of the Supervisory Board upon adoption of the amended Charter by the subsequent General Meeting; the amendment was introduced under Resolution no. 26 of the Ordinary General Meeting of the Bank of 31 March 2015.

At the same with its Resolution no. 25 of 31 March 2015 the Ordinary General Meeting accepted the Bank Management Board Report of 30 December 2014 and declared readiness to apply CG Principles in the part regarding shareholders and relations of the Bank as supervised institution with its shareholders, on the terms and conditions set out in this Resolution. The Resolution is available on the Bank's website: http://en.ingbank.pl/_files/server/item/1100308.

The Principles of Corporate Governance for Supervised Institutions are available on the Bank's website: <http://en.ingbank.pl/company-profile/corporate-governance>.

Taking into account the abovementioned explanations, the Bank Management Board hereby submit the following report on observance of principles of corporate governance:

The Management Board of ING Bank Śląski S.A. hereby declare that in 2015 the Bank observed the principles of corporate governance as set out in the Code of Best Practice for WSE Listed Companies and the Principles of Corporate Governance for Supervised Institutions, in the scope as adopted by the Bank.

There were no cases of non-observance of the principles of corporate governance adopted by the Bank in the reporting period.

As of 01 January 2016, the Bank is subject to the principles of corporate governance set out in the Code of Best Practice for WSE Listed Companies 2016 introduced with Resolution No. 26/413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015. The document is available on the Bank's website: <http://en.ingbank.pl/company-profile/corporate-governance>.

On 05 January 2016, the Bank filed a report no. 01/2016 (Electronic Information Base) as regards application of the said document.

2. Control and risk management systems in process of financial statements development

Internal control

Financial statements are developed by the Finance Division; the process is among the key elements of compliance. The basic elements enabling execution of the process comprise: the Accounting Policy adopted by the Bank Management Board and the accounting framework within the Bank, which defines the main principles of recording business events at the Bank.

Recording of events leads to formation of the Bank books, which, in turn, are the basis for the development of financial statements.

The following risks were identified in financial statements development process:

- risk of incorrect input data,
- risk of inappropriate presentation of data in financial statements,
- risk of use of incorrect estimates, and
- risk of lack of integration of IT systems and operating and reporting applications.

To mitigate the aforementioned risk, the process of financial statements development was structured in two layers: application- and content-related.

The application part of the process comprises the flow of data from the Bank core operating systems via various interfaces to the reporting database, which hosts reporting applications. The application layer is controlled in line with the IT systems security policy adopted by the Bank. The following elements are controlled in particular: user management, development environment management and integrity of data transmission systems, including correct operation of interfaces in terms of completeness of data transfer from operating systems to the reporting environment.

To ensure adequate management of the process of financial statements development, it was described in line with the principles binding at the Bank. The description covers the workflow, its actors and the "if... then..." situations. It also indicates the key controls which include but are not limited to:

- quality control of input data for the financial statements, supported by the data control applications; a variety of principles concerning data correctness, error correction track and close monitoring of data quality were defined in the applications,
- control of data mapping from source systems to the financial statements ensuring correct data presentation,
- analytic review based on the experts' knowledge, the main objective of which is to confront business know-how with financial data and identify potential indications of incorrect data presentation or incorrect input data, if any.

The estimates adopted by the Bank and compliant with IAS/ IFRS were detailed in the Accounting Policy. To avoid the risk of incorrect estimates, the following solutions were adopted, among others:

- to estimate loan impairment – specific models and applications as well as internal regulations for credit risk assessment were implemented,
- to measure debt financial instruments quoted in active markets or in case of which the valuation is based on those quotations – the required functionality of core systems was implemented; furthermore, the control exercised by the market risk management units was instituted,

- to measure financial instruments not quoted in active markets – valuation models were implemented, which had been subject to a validation before application,
- to estimate the pension and disability provisions – an independent actuary was commissioned to make an estimate,
- to estimate the provisions for employees and executive staff bonuses – the calculations used are in line with the General Terms and Conditions of Bonus Award adopted at the Bank, considering the forecasts regarding Bank's results,
- to appraise investment properties and own properties – the following rule was adopted: the appraisal is obtained from independent experts on an annual basis – for investment properties of significant value, and every three to five years for other properties.

The accounting principles have been detailed in the Annual Consolidated Financial Statements in the section called Accounting policies and additional explanatory notes and Material principles of accounting.

The Bank organisational structure makes it possible to retain the segregation of duties between the Front Office, Back Office, Risk and Finance. In addition, institution of an adequate internal control system enforces the implementation of control of transactions and financial data in the back office and support units. The area is subject to an independent and objective assessment performed by the Internal Audit Department in terms of adequacy of the internal control system and risk management as well as in terms of corporate governance.

3. Entity authorised to audit financial statements

The independent chartered auditor of financial statements is selected by the Bank Supervisory Board on the basis of the recommendation provided by the Audit Committee, and taking into consideration the requirement to consolidate the financial statements and the related unified approach of ING Group as regards the change of the auditor, which is in line with applicable EU regulations.

On 18 January 2013, the 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 ING Bank Śląski S.A. Group for the period of 2013-2015.

On 27 November 2015, the Bank 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 2016-2017.

Auditor's net fee

	Accounting year ended 31 December 2015	Accounting year ended 31 December 2014
Audit of the annual financial statements	PLN 450.0 thousand + reimbursement of documented direct expenses (maximum PLN 60 thousand)	PLN 400.0 thousand + reimbursement of documented direct expenses (maximum PLN 60 thousand)
Other attestation services	For review of the financial statements PLN 146 thousand	For review of the financial statements PLN 146 thousand
	Other – PLN 90 thousand	Other – PLN 90 thousand
Tax advisory services	–	–
Other related services	–	PLN 70 thousand

4. Shares and shareholders of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V., which as at 31 December 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.

Throughout 2015, the value of ING Bank Śląski S.A. share capital as well as the majority shareholder's stake in the share capital remained unchanged.

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
	31 December 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)	7,601,000	5.84%	Aviva Otwarty Fundusz Emerytalny (Open-End Pension Fund)	7,370,000	5.66%
Aviva BZ WBK ²⁸			Aviva BZ WBK ²⁹		
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.

5. Charter and mode of operation of General Meeting of ING Bank Śląski S.A.

Rules of amending the Charter

An amendment to the Bank Charter requires resolution of the General Meeting as well as registration in the entrepreneurs register of the National Court Register (KRS). Any amendment to the Charter within the scope stipulated in Article 34 section 2 of the Banking Law Act requires approval of the Polish Financial Supervision Authority.

An amendment to the Bank Charter as for change of the business objects of the Bank does not require buyout of shares from those shareholders who do not approve such an amendment, provided that the resolution of the General Meeting concerning such an amendment was adopted by a two-third majority of votes in the presence of individuals representing at least a half of share capital.

In 2015, amendments were introduced to the Bank Charter as regards its adaptation to the Principles of Corporate Governance for Supervised Institutions introduced by the Polish Financial Supervision Authority, in particular as regards the Supervisory Board powers and Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) no. 648/2012 (CRR) while accounting for the requirements concerning Charter definition of the bank's own funds under the Banking Law.

Operation of the General Meeting and its essential rights and shareholders' rights

The General Meeting is convened by way of a notice published on the Bank's website as well as in the way specified for publishing current information by public companies, and it functions according to the principles defined in the regulations of the Commercial Companies and Partnerships Code and the Bank Charter as either an Ordinary or Extraordinary General Meeting.

General Meetings are convened at the time enabling all eligible and interested shareholders to attend them.

²⁸ Based on the list of shareholders registered at the Ordinary General Meeting of ING Bank Śląski S.A. on 31 March 2015.

²⁹ Based on the list of shareholders registered at the Ordinary General Meeting of ING Bank Śląski S.A. on 10 April 2014.

Bank shareholders representing at least one twentieth of the share capital are entitled to:

- request putting particular items on the agenda of the nearest General Meeting, and
- submit draft resolutions concerning items put on the agenda prior to the General Meeting.

Each shareholder is entitled to submit draft resolutions concerning items put on the agenda during the General Meeting.

When an Extraordinary General Meeting is convened, the Management Board present the rationale for convening such a meeting and for putting specific matters on the agenda or ask for presentation of the rationale, if the General Meeting was convened upon the request of another eligible entity.

Draft resolutions are presented to the General Meeting by the Management Board upon advice of the Bank Supervisory Board.

The General Meeting shall be valid regardless of the number of shares represented. Each share shall represent one vote. In principle, the resolutions of the General Meeting are passed with the absolute majority of votes, except for the cases as provided for in the Commercial Companies and Partnerships Code and the Charter. Apart from the Commercial Companies and Partnerships Code, the issues regarding the convening and functioning of the General Meeting are specified in the Bank Charter, the Bylaw of the General Meeting and the Notice of the General Meeting.

General Meetings are held at the Company's registered office in Katowice. The debate of the General Meeting is transmitted via the internet. The debate of the General Meeting may be also attended by interested media representatives acting as observers.

The principles concerning shareholders participation in the General Meeting, the mode of conduct during the General Meeting as well as the manner of shareholders' communication with the Bank are provided for in the Bylaw of the General Meeting.

The amendments to the Bylaw become effective as of the subsequent General Meeting.

The powers of the General Meeting are set out in particular in the regulations of the Commercial Companies and Partnerships Code, the Banking Law Act and the stipulations of the Bank Charter.

6. Supervisory Board operations

Supervisory Board composition

The Supervisory Board consist of 5 to 11 members appointed by the General Meeting for a 5-year term of office. The General Meeting determine the number of the Supervisory Board Members for a given term of office. The Members of the Supervisory Board may be dismissed at any time with the resolution of the General Meeting.

Independent Members shall be included in the Bank Supervisory Board composition pursuant to the Principles of Corporate Governance. In line with the Charter, at least two Members of the Supervisory Board should have no ties with the Bank, its shareholders or employees, if such relations could have a significant impact on the ability of such Member to take impartial decisions (Independent Members). The minimum number of Independent Members of the Supervisory Board as well as detailed criteria of independence result from the Code of Best Practice for WSE Listed Companies adopted by the Bank and are specified in detail in the Bylaw of the Supervisory Board.

Throughout 2015, there were the following changes to the composition of the Supervisory Board of ING Bank Śląski S.A.:

- Mr Nicolaas Cornelis Jue tendered his resignation as the Member of the Supervisory Board, effective as of 31 March 2015, Mr. Nicolaas Cornelis Jue resigned because he was entrusted with other duties at ING Bank N.V.
- on 31 March 2015, the Ordinary General Meeting appointed Mr Diederik van Wassenauer as Member of the Supervisory Board.

Taking into account the abovementioned changes, as at the end of December 2015, the Supervisory Board of ING Bank Śląski S.A. worked in the following composition:

- | | |
|------------------------------|--------------------------------|
| ● Mr Antoni Reczek | Chair, Independent Member, |
| ● Mr Brunon Bartkiewicz | Deputy Chair, |
| ● 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. |

The powers of the Supervisory Board members of ING Bank Śląski S.A. are presented on the Bank's website at <http://en.ingbank.pl/company-profile#management=2>.

Rights and duties of the Supervisory Board

The primary mission of the Supervisory Board is to perform the supervisory function – the Supervisory Board conduct ongoing oversight of the Bank operations in all areas. Special powers and duties of the Supervisory Board include assessment of the report on the Bank operations and financial statements for the previous financial year, motions of the Bank Management Board regarding profit distribution or loss coverage as well as submitting the annual written report on the results of the said assessment to the General Meeting.

Apart from the aforementioned powers and duties, the Supervisory Board pass resolutions in cases specified in the Bank Charter.

The resolutions of the Supervisory Board are passed with the absolute majority of votes, whereas in case of a tie, the Chair of the Supervisory Board has the casting vote.

The resolutions of the Supervisory Board may be passed, if more than a half of the Supervisory Board Members are present at the meeting, including their Chair or Deputy Chair, to which all Supervisory Board Members have been invited.

The meetings of the Supervisory Board shall take place at least 5 times a year.

In cases stipulated in the Charter and the Bylaw of the Supervisory Board, the resolutions of the Supervisory Board may be passed without holding a meeting, using the written mode or by means of remote communication.

Detailed principles of the operations of the Supervisory Board are determined in the Bank Charter and the Bylaw of the Supervisory Board approved by the Supervisory Board.

The Supervisory Board shall appoint members of the Audit Committee, Remuneration and Nomination Committee and Risk Committee out of their members to support the Supervisory Board in performing their duties.

Audit Committee

The Audit Committee support the Supervisory Board in the process of financial reporting monitoring, monitoring and supervision over internal and external audits and management system at the Bank and its subsidiaries. In particular, this covers the adequacy and effectiveness of the internal control system and the system of risk management, including operational risk, compliance risk, credit risk and market risk and the relations between the Bank and its related entities as well as between the Bank and the entity auditing the Bank's financial statements.

The operations of the Audit Committee are described in more detail in the Bylaw of the Audit Committee of the Supervisory Board of ING Bank Śląski S.A. passed by the Supervisory Board.

In line with the Bylaw, the Audit Committee consists of at least 3 members, including at least one independent member of the Supervisory Board. The independent member should have qualifications in accounting or financial audit. Currently, there are two independent members of the Supervisory Board in the Audit Committee which fulfils the requirements of the Principles of Corporate Governance for Supervised Institutions.

In 2015, the Audit Committee worked in the following composition:

- Mr Antoni Reczek – Chair,
- Mr Brunon Bartkiewicz – Member,
- Mr Aleksander Galos – Member,
- Mr Ad Kas – Member.

The Audit Committee meet at least once per quarter. While performing their tasks, the Audit Committee may make use of experts' assistance.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee support the Supervisory Board in the area of monitoring and supervision over the Bank's HR and payroll area, including in particular succession plans, the process of employee turnover, measuring the Bank employees' satisfaction and policy of remuneration and bonus award system, inclusive of the variable remuneration policy.

The operations of the Remuneration and Nomination Committee are described in detail in the Bylaw of the Supervisory Board Remuneration and Nomination Committee of ING Bank Śląski S.A. passed by the Supervisory Board.

The Remuneration and Nomination Committee consists of at least 3 Members of the Supervisory Board, including at least one Independent Member. Currently one independent member of the Supervisory Board is also the Committee member.

In 2015, the Remuneration and Nomination Committee worked in the following composition:

- Mr Aleksander Galos – Chair until 31 January 2015,
- Mr Aleksander Kutela – Chair as of 01 February 2015,
- Mr Brunon Bartkiewicz – Member,
- Mr Roland Boekhout – Member,
- Mr Nicolaas Cornelis Jue – Member by 31 March 2015,
- Mr Diederik van Wassenauer – Member as of 31 March 2015.

The Remuneration and Nomination Committee meet at least once per quarter. While performing their tasks, the Committee may make use of experts' assistance.

Risk Committee

Following the introduction as of 01 November 2015 of amendments to the Banking Law, the Supervisory Body appointed a new Risk Committee and enacted the Committee Bylaw.

The Risk Committee will support the Supervisory Board in the scope of monitoring and supervision over the risk management process, including operational risk, credit risk and market risk, as well as the internal capital assessment and capital planning processes, the model risk and the capital adequacy area.

According to the Bylaw, the Risk Committee consists of at least 3 Members of the Supervisory Board. Currently one independent member of the Supervisory Board is also the Committee member.

In 2015, the Risk Committee was appointed in the following composition:

- Mr Ad Kas – Chair,
- Mr Roland Boekhout – Member,
- Mr Antoni Reczek – Member,
- Mr Diederik van Wassenauer – Member.

The Risk Committee shall meet at least once per quarter. While performing their tasks, the Committee may make use of experts' assistance.

7. Bank Management Board operations

Bank Management Board composition

The Bank Management Board is composed of 3 to 8 members appointed by the Bank Supervisory Board. The number of the Bank Management Board Members in a given term of office is determined by the Bank Supervisory Board.

The Bank Management Board Members are appointed for a 5-year term of office. In the event of changes to the Bank Management Board composition during the term of office, the mandate of the Bank Management Board Member appointed during the term of office expires upon the termination of the Bank Management Board's term of office.

At least a half of the Bank Management Board Members have to be Polish citizens. Two Bank Management Board Members, including the Bank Management Board President and Vice-President in charge of credit risk management, are appointed upon approval of the Polish Financial Supervision Authority. Other Bank Management Board Members are appointed by the Bank Supervisory Board upon consultation with the Bank Management Board President. The Bank Management Board Members may be dismissed at any time by the Bank Supervisory Board. Vice-President of the Bank Management Board may be dismissed by the Bank Supervisory Board upon consultation with the Bank Management Board President.

As of 30 June 2015, Mr Oscar 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.

The powers of the individual Bank Management Board Members are presented on ING Bank Śląski S.A. website at <http://en.ingbank.pl/company-profile#management=1>.

Powers of the Bank Management Board

The Bank Management Board manage the Bank and represent it with external matters. Any matters not restricted to the powers of other Bank's bodies pursuant to the laws or the Bank Charter shall rest with the Bank Management Board. The Bank Management Board act collectively with reservation of those matters which in line with the Bank's internal regulations have been entrusted to individual Bank Management Board Members.

The Bank Management Board formulate the strategy of the Bank's operations as part of a three-year rolling action plan, to be approved by the Supervisory Board.

The Bank Management Board pass resolutions, provided that the meeting is attended by more than a half of the Members and all Bank Management Board Members were invited. Bank Management Board Resolutions are passed with the absolute majority of votes. In the case of a tie, the Bank Management Board President shall have the casting vote.

The Bank Management Board Members supervise individual divisions and organisational units in accordance with the segregation of duties defined by the Supervisory Board, at the request of the Bank Management Board President, and bear responsibility for implementation of their missions and core tasks.

Organisation of the Bank Management Board's work, the scope of matters requiring a resolution of the Bank Management Board and the mode of their operations are defined in the Bylaw of the Bank Management Board passed by the Bank Management Board and approved by the Supervisory Board. Powers of individual Bank Management Board Members are defined in the Bank Organisational Bylaw and the regulations concerning functioning of their areas as enacted by the Bank Management Board.

Scope of responsibilities of Bank Management Board Members

As at 31 December 2015		As at the report publication date	
● 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, HR units) and of the following subsidiary – ING Securities S.A.	● 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, HR units) and of the following subsidiary – ING Securities S.A.
● Mr Mirosław Boda	Vice-President of the Bank Management Board in charge of the Finance Division and Treasury Department	● Mr Mirosław Boda	Vice-President of the Bank Management Board in charge of the Finance Division and Treasury Department
● Mr Michał Bolesławski	Vice-President of the Bank Management Board in charge of the Corporate Sales Network Division and of the following subsidiaries – ING Usługi dla Biznesu S.A. and ING ABL Polska S.A. (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)	● Mr Michał Bolesławski	Vice-President of the Bank Management Board in charge of the Corporate Sales Network Division and of the following subsidiaries – ING Usługi dla Biznesu S.A. and ING ABL Polska S.A. (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)
● Ms Joanna Erdman	Vice-President of the Bank Management Board in charge of the Strategic Customers Division and the Financial Markets Division and of the following subsidiary – Nowe Usługi S.A.	● Ms Joanna Erdman	Vice-President of the Bank Management Board in charge of the Strategic Customers Division and the Financial Markets Division and of the following subsidiary – Nowe Usługi S.A.
● Mr Ignacio Juliá Vilar	Vice-President of the Bank Management Board in charge of the Retail Banking Division	● Mr Ignacio Juliá Vilar	Bank Management Board Vice-President 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 as well as the Project Management Department and the position of the Bank Management Board Representative for the Environmental Management System and of the following subsidiary – Solver Sp. z o.o., and	● Ms Justyna Kesler	Vice-President of the Bank Management Board in charge of: the Operations Division, Services Division and IT Division as well as the Project Management Department and the position of the Bank Management Board Representative for the Environmental Management System and of the following subsidiary – Solver Sp. z o.o., and
● Mr Patrick Roesink	Vice-President of the Bank Management Board in charge of the Credit and Market Risk Management Division, the Model Validation Department, the Credit Risk Inspection Department, the Compliance Department and the non-financial risk management units (Operational Risk Management Department and Antifraud Department)	● Mr Patrick Roesink	Vice-President of the Bank Management Board in charge of the Credit and Market Risk Management Division, the Model Validation Department, the Credit Risk Inspection Department, the Compliance Department and the non-financial risk management units (Operational Risk Management Department and Antifraud Department)

XII. SUPERVISORY BOARD'S ASSESSMENT OF OPERATIONS OF ING BANK ŚLĄSKI S.A. IN 2015

2015 was the second year in which we saw a high economic growth in Poland. It is estimated that the generated Gross Domestic Product rose by 3.6% over 3.3% in 2014. The labour market saw further improvement – over the year the unemployment rate went down by 1.6 p.p. and as at the end of December for the first time since 2008 it settled below 10% , i.e. at 9.8%. Also real salaries augmented by 3.5% from 3.9% a year ago on the yearly average basis. The downward trend in consumer prices started back in H2 2014 continued. It resulted in the average deflation arriving at -0.9%.

The condition of the banking sector was directly impacted by statutory and regulatory changes as well as changes of the Central Bank's monetary policy. On 29 January 2015, the laws lowering the interchange fees even further, namely from 0.5%-0.6% to 0.2%-0.3%, became effective. In early March, the NBP base interest rate was lowered by 0.5 p.p., which made the reference rate of the National Bank of Poland arrive at 1.5% and the lombard rate at 2.5%. At the end of the year, the banking sector was affected by two developments impacting its performance: bankruptcy of Bank Rzemiosła i Rolnictwa in Wołomin (additional contributions to the Bank Guarantee Fund amounted to PLN 2 billion) and formation of the Borrower Financial Assistance Fund (total cost incurred by the sector arrived at PLN 600 million).

Regardless of the additional, unexpected encumbrances, ING Bank Śląski S.A. generated in 2015 the net profit of PLN 1,140 million over PLN 1,068 million in 2014 (up by 6.7%). The increase was possible due to:

- higher income. In 2015, the Bank's income totalled PLN 3,644 million over PLN 3,394 million a year earlier (up by 7.4%). The main driver was the increase of the net interest income by 6.0%, triggered mainly by significant business volume boost. Also the sale of 20% of ING PTE's shares – impact of PLN 170 million and the sale of some part of the portfolio of securities with positive valuation – PLN 50 million contributed to the income. The net income on fees and commissions was lower by 5.1%, mainly due to lower commissions on card transactions,
- optimal operation expenses. Admittedly, in 2015, the Bank incurred costs of PLN 2,035 million, being PLN 221 million (or 11%) more than in 2014; however, the costs reported in 2015 were affected by three considerable and extra encumbrances: contribution to BGF for the release of deposits guaranteed to clients of the bankrupt Bank Rzemiosła i Rolnictwa in Wołomin in the amount of PLN 157.4 million, contribution for the newly established Borrower Financial Assistance Fund in the amount of PLN 6.4 million and increased annual and prudential contributions to BGF – PLN 50 million. The factors increasingly differentiating this-year costs from the ones incurred previous year totalled PLN 214 million. Excluding their impact, the costs were similar to the ones in 2014 (growth rate of 0.4%), whereas the scale of Bank's operations increased significantly,
- lower balance of loan loss provisions. Very good quality of the lending portfolio as well as the sale of irregular receivables – a positive impact on risk costs of approx. PLN 37 million – resulted in relatively low loan loss provisions. In 2015, the increase of the net loan provisions was PLN 213 million and it was nearly PLN 31 million lower than last year. The provision coverage ratio for impaired receivables being 66.6% proves the loan provisions to be adequate. The ratio went down when compared with 2014 by 10 p.p.; however, this is a natural consequence of selling irregular receivables, which if still included in the balance sheet are fully provisioned for.

As part of the operations of the Audit Committee, the Supervisory Board supervise on an ongoing basis the management of various types of risk at ING Bank Śląski S.A.

As part of monitoring the effectiveness of internal control systems and internal audit function in 2015, the Audit Committee recommended that the Supervisory Board approve the following: updated ING Bank Śląski S.A. Policy – Internal Control System, Annual report on the standard of internal control of ING Bank Śląski S.A. as at 31 December 2014 updated as at 16 February 2015 along with the update on the completion of the 2014 Audit Plan, the results of the competence profiles review, headcount level and structure of the Internal Audit Department, the 2015 quality assurance plan, updated internal audit plan for 2015, results of the internal quality review of the Internal Audit Department, as well as the scope and rules of cooperation specified in Detailed scope of cooperation between Internal Audit Department and Corporate Audit Services of ING Bank N.V. The Audit Committee also recommended that the Supervisory Board approve the Audit Strategy Memorandum with Long-Term Internal Audit Plan for years 2016-2020 and Internal Audit Plan for 2016.

Also the Committee recommended to the Supervisory Board to acknowledge the results of the audit concerning verification of the Bank's compliance with the requirements of Recommendation D as presented in the Recommendation D Implementation Audit Form.

At each of their meetings, the Audit Committee acquainted themselves with the periodic management information on the operational risk and compliance risk – Non-Financial Risk Dashboard (NFRD). The Committee received quarterly risk reports on utilisation of non-financial risk tolerance limits. Both documents are a fixed item on the agenda of the Supervisory Board meeting. Furthermore, the Audit Committee recommended that the Supervisory Board approve the Non-Financial Risk Appetite Statement of the Bank for the year 2015 as well as amended ING Bank Śląski S.A. Compliance Risk Management Policy and ING Bank Śląski S.A. Operational Risk Management Policy.

The Audit Committee support the Supervisory Board in terms of monitoring and overseeing the financial risk management system (credit risk and market risk). As part of the said actions, the Audit Committee during each of its meetings acquaint themselves with the periodic Risk Dashboard presenting the retail and corporate credit risk management as well as market risk management areas. The Audit Committee recommended that the Supervisory Board approve the updated General principles of credit and market risk management and mitigation in ING Bank Śląski S.A., and amended Funding and Liquidity Risk Management Policy at ING Bank Śląski S.A. In their sessions, the Audit Committee also accepted the changes to the parameters of the Risk Appetite Statement (RAS) for 2015 regarding the strategic clients lending portfolio and the corporate loan portfolio and recommended that the Supervisory Board approve the same.

The Committee also supervise the internal capital assessment, capital management and capital planning processes. In 2015, the Committee recommended that the Supervisory Board approve the following updated documents: ICAAP and Capital Management Policy at ING Bank Śląski S.A., Stress-Testing Policy in ING Bank Śląski S.A., Funding and Liquidity Risk Management Policy at ING Bank Śląski S.A. The Audit Committee also acquainted themselves with the Report on the 2015 ICAAP Review at ING Bank Śląski S.A. and the Report on 2015 ILAAP Review at ING Bank Śląski S.A., and issued relevant recommendations to the Supervisory Board. Furthermore, the Committee recommended that the Supervisory Board approve the changes to the internal limit of the total capital requirement for the entire Group.

To fulfil the requirement arising from PFSA Resolution No. 385/2008, the Audit Committee recommended that the Supervisory Board approve the updated Policy of disclosing qualitative and quantitative information on capital adequacy and the scope of published information of ING Bank Śląski S.A.

The Chairman of the Audit Committee holds periodic meetings with the Chief Financial Officer in which the Chairman is updated on the interim financial results of the Bank prior to their publication.

Following the amendments to the Banking Law Act as of 01 November 2015, on 26 November 2015 the Supervisory Body established the Risk Committee and passed a resolution on their Bylaw. The Risk Committee will support the Supervisory Board in monitoring and supervising the risk management process, including operational risk, credit risk and market risk, as well as in the internal capital assessment and capital planning processes, the model risk management and the capital adequacy area. The Committee consists of 4 Members of the Supervisory Board, including one Independent Member.

In the opinion of the Supervisory Board, ING Bank Śląski S.A. risk management system covers all risk types material. Moreover, to identify, measure and manage risks the Bank applies instruments and techniques adequate for a given risk type. In 2015, ING Bank Śląski S.A. fulfilled all the requirements of sound business operations and capital adequacy, and in particular:

- pursued prudent lending policy. The lending processes and procedures applied by the Bank were compliant with the regulatory requirements and best practices on the market. In 2015, the Bank took account of the economic situation in its lending policy and applied more restrictive procedures towards sectors characterised by increased risk. The Bank's lending portfolio was diversified with a significant share of high-quality loans extended to business entities. The quality of the bank's lending portfolio was significantly better than the market average.
- has systems and procedures in the market risk management area (related to interest rate or currency, among others) that meet the top market standards. Throughout 2015, individual market risk categories were managed actively so that their levels were within the limits effective at the Bank. The balance sheet structure is balanced from the currency perspective; its distinctive feature is the low share of FX receivables in the total mortgage receivables, among other things,

- maintained good liquidity. As at 2015 yearend, the deposits volume was substantially higher than the loans volume. The sound liquidity position of the Bank is attributable to one of the largest among Polish banks (and still growing) stable household deposits base,
- had a high level of equity. In December 2015, the solvency ratio of ING Bank Śląski S.A. totalled 15.1%. At the same time, the Company's own funds were fully high-quality capital; i.e. Tier 1 capital.

Furthermore, the internal audit and compliance risk management procedures binding at the Bank effectively secure its operations against unexpected developments in that regard.

The expected continuation of the economic growth in 2016 and stabilisation of interest rates may contribute to sustained demand on loans and increase in their volume in the banking sector. However the new regulations encumbering banks may limit their capacity to build the capital base needed to keep the lending growing. This is why, the Supervisory Board are of the opinion that the Bank should continue to focus on the actions to enhance its security as well as competitiveness of products and customer experience, such as:

- adequate capital management in order to ensure a safe increase in lending as well as fulfilment of all present and future regulatory requirements.
- further development of the product offer and electronic distribution channels. In stiff competition, it is possible to increase revenues by expanding the customer base through acquiring new customers and increasing loyalty of existing ones. Such an approach boosts customer balances and transaction volumes,
- increasing lending capabilities, while being prudent when assessing clients' risk. This will foster keeping high quality of the portfolio and boost net interest income.
- maintenance of adequate stable deposits. It will ensure liquidity indispensable to develop lending,
- optimal use of available resources. Further improvement of cost effectiveness by enlarging the scale of operations with the use of available resources and maintaining high quality of the processes.

According to the Supervisory Board, the strategy pursued by the Bank over the last few years to increase the scale of its operations proved to be successful which is reflected in the achieved financial and commercial results. It justifies the assumption that also in 2016 the Bank will continue its strategy, while keeping adequate capital base.

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

1. Truthfulness and fairness of statements

To the best knowledge of the Bank Management Board, the annual financial data for 2015 and the comparable data presented in the annual financial statements of ING Bank Śląski S.A. were prepared, in all material aspects, in accordance with the effective accounting principles and reflect fairly, truthfully and transparently the property and financial situation of the Bank 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 risks) of the Bank in 2015.

2. Selection of entity authorised to audit financial statements

The entity authorised to review the interim financial statements and to audit the annual financial statements of ING Bank Śląski S.A. 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.

3. Additional information

Agreements concluded

The Bank Management Board declare that as at 31 December 2015 ING Bank Śląski S.A. did not have any:

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

As at 31 December 2015, the Bank had PLN 866.3 million worth of contractual liabilities under the own bonds issued.

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 31 December 2015, the number of writs of execution issued by the Bank with regard to loans for business activity was 482 and covered total debt of PLN 464.8 million.

As regards retail clients, in 2015 the Bank issued 1,798 banking writs of execution totalling PLN 61.7 million and filed 8,170 claims totalling PLN 67.1 million.

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

The Bank is of the opinion that neither the individual proceedings that were pending in 2015 and that were heard before any court of justice or competent arbitration body, or before any public administration authority, nor any proceedings in total pose any 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 Boleśławski
Vice-President
(signed on the Polish original)

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

Ignacio Juliá Vilar
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)

22 February 2016

