

**Report of the ING Bank Śląski S.A. Supervisory Board
on Their Operations for 2015**

Pursuant to Article 382 §1 of the Commercial Companies and Partnerships Code and the Code of Best Practice for WSE Listed Companies, the Supervisory Board of ING Bank Śląski S.A. hereby submit the *Report of the ING Bank Śląski S.A. Supervisory Board on Their Operations for 2015* to the Ordinary General Meeting.

I. Legal basis of the functioning of the Supervisory Board at ING Bank Śląski S.A.

The Supervisory Board of ING Bank Śląski S.A. operates pursuant to the Banking Law, the Commercial Companies and Partnerships Code, the Bank's Charter and the Supervisory Board Bylaw. Pursuant to §19.5 of the Charter of ING Bank Śląski S.A., members of the Supervisory Board are appointed for a joint 5-year term of office. The current term of office commenced on 10 April 2014.

II. Composition of the Supervisory Board at ING Bank Śląski S.A., division of functions, and changes on the Supervisory Board during the financial year

From 01 January 2015 to 31 March 2015, the Supervisory Board worked in the following composition:

Antoni Reczek	-	Chairman (independent member)
Brunon Bartkiewicz	-	Deputy Chairman
Aleksander Galos	-	Secretary (independent member)
Roland Boekhout	-	Member
Nicolaas Jue	-	Member
Ad Kas	-	Member
Aleksander Kutela	-	Member (independent member)

The following changes took place on the Supervisory Board in 2015:

On 25 March 2015, Mr. Nicolaas Jue tendered his resignation from the capacity as member of the Supervisory Board, effective as of 31 March 2015. On 31 March 2015, the General Meeting appointed Mr. Diederik van Wassenauer as a new member of the Supervisory Board.

Upon accounting for the above changes, from 31 March 2015 to 31 December 2015, the Supervisory Board worked in the following composition:

Antoni Reczek	-	Chairman (independent member)
Brunon Bartkiewicz	-	Deputy Chairman
Aleksander Galos	-	Secretary (independent member)
Roland Boekhout	-	Member
Ad Kas	-	Member
Aleksander Kutela	-	Member (independent member)
Diederik van Wassenauer	-	Member

The Supervisory Board confirm that the number of members is sufficient for and adequate to the nature and to the scale of the Bank's operations.

III. Information on compliance with the Principles of Corporate Governance for Supervised Institutions and Best Practices of WSE Listed Companies.

The Supervisory Body fulfil their tasks pursuant to special authorisation under the Company's Charter and Bylaw of the Supervisory Board, as well as the requirements of the Principles of Corporate Governance for Supervised Institutions and the Code of Best Practice for WSE Listed Companies.

Under the corporate governance rules, there should be at least two independent members on the Supervisory Board. According to written statements filed by the members of the Supervisory Board, three (3) out of seven (7) members of the Supervisory Board meet the independence criteria set out in the Charter, notably the Supervisory Board Chairman – Mr. Antoni Reczek, the Supervisory Board Secretary – Mr. Aleksander Galos and Mr. Aleksander Kutela who is a member of the Supervisory Board. The other members, namely: Messrs. Brunon Bartkiewicz, Roland Boekhout, Ad Kas and Diederik van Wassenauer have ties with ING Bank N.V., the strategic shareholder of the Bank.

All independent members were appointed to the Supervisory Board by the Ordinary General Meeting on 10 April 2014; prior to that appointment, they submitted the statements on fulfilment of independence criterion. On 31 March 2015, that is on the day of the Ordinary General Meeting, they re-submitted the statements to confirm that they are free from any relations with the Bank, its shareholders or employees that could significantly affect their ability to take impartial decisions. Their status has not changed ever since. On the Bank's website, there are professional resumes of all members of the Supervisory Board with an annotation on filing independence statements or statements on ties with ING Bank N.V. The information on their functions on the Supervisory Board Committees is also given there. In keeping with the Code of Best Practice for WSE Listed Companies, there is also an update on the share of men and women in the Management Board and Supervisory Board of ING Bank Śląski S.A. on the Bank's website.

The Supervisory Board confirm that the members of the Supervisory Board have the knowledge, skills and experience required to perform their duties in a proper manner. The competences of the individual members of the Supervisory Board are complementary and allow for ensuring adequate level of collective performance of supervision duties in respect of all the business areas of the Bank. All members have the relevant experience and knowledge that enable them to exercise oversight of the Bank.

IV. Form and practice of oversight. Number and frequency of the Supervisory Board's meetings. Number of resolutions issued by the Supervisory Board

The Supervisory Board exercised oversight of the Bank's operations primarily during the meetings and took the required decisions in the form of resolutions. During the meetings, the members of the Supervisory Board are joined by members of the Management Board, as well as the Bank Executive Director in charge of operational risk, compliance and anti-fraud area, as well as the Internal Audit

Department Director and other invited guests who give presentations on specific topics within their areas of duty.

In keeping with the approved work calendar, between 01 January 2015 and 31 December 2015, the Supervisory Board met six times at the following dates: 16 January, 02 March, 31 March, 18 June, 17 September and 27 November. In total, the Supervisory Board adopted 85 resolutions, including 19 passed by way of circulation. All the meetings were quorate and held in line with the procedures so that binding resolutions could be taken; the attendance rate during the meetings was very high. A detailed description of the actions taken by the Supervisory Board in 2015 is presented in the minutes from the Supervisory Board meetings; the minutes and the resolutions passed by the Supervisory Board are kept at the Company's registered office.

In addition to regular meetings, the members of the Supervisory Board stayed in regular and direct contact with the Bank Management Board; they attended many separate meetings with the members of the Management Board and senior management staff, and took an active part in all the material matters concerning the Company's operations. The Chairman of the Supervisory Board (who also chairs the Audit Committee) held regular meetings with the Bank's CFO to discuss the Bank's financial statements prior to their publication. The Chairman of the Supervisory Board also took part in the selection of the Bank's auditor for 2016 and 2017. At the request of the Supervisory Board, the Bank also held workshops on various subjects, such as risk management at the Bank. In consequence, the Supervisory Board were able to exercise comprehensive oversight of the operations of the Management Board and of the Company.

V. Agenda of the Supervisory Board meetings

Throughout 2015, the Supervisory Board exercised ongoing oversight over the Company's operations and kept watch over the Company's adherence to the relevant regulations in the area of accounting, finance and reporting of public companies. The works of the Supervisory Board proceeded smoothly with all Members taking an active part in them.

During the meetings, the Supervisory Board reviewed matters required under the Commercial Companies and Partnerships Code, as well as matters relating to the day-to-day operations of the Company. The Supervisory Board received extensive reports from the Bank Management Board regarding the current financial standing of the Bank, its functioning, action plans and all the material developments that may have an impact on its functioning.

The topics discussed by the Supervisory Board in 2015 included but were not limited to:

- 1) Accounting and reporting, including:
 - Approval of the Bank's Strategy for 2015-2017 and continuous oversight of the implementation of the approved financial plan,
 - The report on the results of review of the annual financial statements of ING Bank Śląski for 2014, Report of the ING Bank Śląski S.A. Management Board on the operations of the Bank in 2014 and review of the Management Board motion regarding distribution of the profit earned by the Bank in 2014,
 - The report on the results of assessment of the annual consolidated financial statements of

- the ING Bank Śląski S.A. Group for 2014 and the Report of the Management Board on the operations of the ING Bank Śląski S.A. Group for 2014,
 - Approval of amendments to the *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and the Scope of Published Information of ING Bank Śląski S.A.*,
 - The Management Board's update on related-party agreements.
- 2) Internal audit at the Bank, including:
- Annual Report on the Standard of Internal Control of ING Bank Śląski S.A. as at 31 December 2014 with update as at 16 February 2015 and update on the completion of the 2014 Audit Plan,
 - Approval of the updated ING Bank Śląski S.A. Policy – Internal Control System,
 - Approval of the Audit Quality Assurance Plan for 2015,
 - Approval of the results of the internal quality review of the Internal Audit Department,
 - Approval of the Audit Strategy Memorandum (ASM) including long-term planning for the years 2016-2020 and the Annual Audit Plan 2016,
 - Approval of the *Detailed Scope of Cooperation between the Internal Audit Department with ING Bank N.V. Corporate Audit Services*.
- 3) Monitoring the efficiency of the risk management system at the Bank, including:
- Approval of the risk appetite parameters (RAS),
 - Regular Risk Report describing the main issues relating to the credit- and market risk area,
 - Approval of amendments to the *Capital Management and ICAAP Process Policy at ING Bank Śląski S.A.*,
 - Approval of updated *General Principles of Credit and Market Risk Management and Mitigation in ING Bank Śląski S.A.*,
 - Approval of amendments to the *Stress Testing Policy in ING Bank Śląski S.A.*,
 - Approval of the *Report on ICAAP Process Review at ING Bank Śląski S.A. for 2015*,
 - Approval of the *ING Bank Śląski S.A. ILAAP Review Report for 2015*,
 - Approval of the amendments to the *Funding and Liquidity Risk Management Policy at ING Bank Śląski S.A.*
- 4) Monitoring the efficiency of the compliance risk and non-financial risk management system at the Bank, including:
- Adoption of the Non-financial Risk Appetite Statement of the Bank for 2015, and oversight of its implementation,
 - Approval of amendments to the *ING Bank Śląski S.A. Compliance Risk Management Policy*,
 - Approval of amendments to the *ING Bank Śląski S.A. Operational Risk Management Policy*,
 - Implementation of the *Code of Best Practice for WSE Listed Companies 2016* at ING Bank Śląski S.A.,
 - Quarterly Report on Risk Tolerance Limits Utilisation for Non-Financial Risk Area,
 - Non-Financial Risk Dashboard.
- 5) Relations with the external auditor, including:
- Approval of the budget for the services provided by the chartered auditor in 2015 and update on the actual budget execution in 2014,

- Selection of the entity authorised to audit financial statements of the Bank for 2016 and 2017, and approval of the budget.
- 6) Monitoring and supervising the HR and payroll area at the Bank, including:
- Approval of amended *Variable Remuneration Policy of Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A.* in view of the CRD IV regulations,
 - Assessment of the 2014 performance of the members of the Bank Management Board and setting KPIs for 2015,
 - Appointment of the Bank Management Board for the new term of office, and approval of changes on the Management Board,
 - Approval of the results of the review of competence profiles, headcount level and structure at the Internal Audit Department,
 - Approval of the results of the review of the salaries of the Internal Audit Department employees and Director,
 - Approval of the Report from the Audit of HR Remuneration and Performance Management: Identified Staff in ING Bank Śląski S.A.
- 7) Implementation of the recommendations issued by the Polish Financial Supervision Authority
- Review of the Schedule of works regarding the execution of post-inspection recommendations of the Polish Financial Supervision Authority,
 - Bancassurance policy implementation under Recommendation U.
 - 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,
 - Report on the Bank Clients' complaints.

VI. Self-Assessment of the Supervisory Board's operations in 2015

The Supervisory Board confirm that they have exercised regular and ongoing supervision over the Bank's operations throughout 2015 in accordance with their powers and the legal requirements concerning joint-stock companies. In the opinion of the Supervisory Board, all the members exercised their duties with due care, while taking advantage of their knowledge and experience in terms of supervising a joint-stock company. The Supervisory Board Members are well prepared to exercise all statutory and Charter-defined rights and duties and perform their tasks properly, ensuring adequate supervision over the Bank in all material aspects of its operations. The Supervisory Board consider their operations in 2015 to have been effective and in keeping with the best market standards.

The cooperation with the Bank Management Board was very smooth; the Management Board provided the required information in a clear, reliable and proper manner. The Supervisory Board express their appreciation for the Bank Management Board's contribution in 2015, including in particular their determination in the implementation of the strategy and innovative solutions, as well as building a positive image of the Bank among the staff and in the society. The Supervisory Body wish to thank the Management Board and the employees of ING Bank Śląski S.A. for their commitment and hard work in 2015.

Keeping in mind the Bank's financial results and overall performance, the Supervisory Board request that the General Meeting acknowledge the fulfilment of duties by the members of the Bank's bodies in 2015.

Report of the Supervisory Board Committees on Their Operations in 2015

In order to ensure support for the Supervisory Board in exercising their powers, the Supervisory Board established the Audit Committee and the Remuneration & Nomination Committee from among their members. In November 2015, the Supervisory Board also appointed the Risk Committee. The Committees perform consulting and advising functions.

Audit Committee

The Audit Committee support the Supervisory Board in monitoring the financial reporting, monitoring and supervising the internal- and external audit and the management system at the Bank and its subsidiaries. In particular, the Committee oversee the adequacy and effectiveness of the internal control system and the risk management system, including compliance risk, relations between the Bank and related entities as well as between the Bank and the entity auditing Bank's financial statements.

Between 01 January and 31 March 2015, the Audit Committee worked in the following composition:

Antoni Reczek	–	Chairman (independent member)
Brunon Bartkiewicz	–	Member
Aleksander Galos	–	Member (independent member)
Nicolaas Jue	–	Member
Ad Kas	–	Member

In 2015, there was only one change on the Audit Committee:

On 25 March 2015, Mr. Nicolaas Jue tendered his resignation from the capacity as member of the Supervisory Board and also member of the Audit Committee, effective as of 31 March 2015.

As at the end of 2015, the composition of the Audit Committee was as follows:

Antoni Reczek	–	Chairman (independent member)
Brunon Bartkiewicz	–	Member
Aleksander Galos	–	Member (independent member)
Ad Kas	–	Member

Number and frequency of the Audit Committee meetings. Number of recommendations issued by the Committee

The Audit Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations. During the meetings, the members of the Audit Committee are joined by members of the Management Board, as well as the Bank Executive Director – Finance,

the Bank Executive Director in charge of operational risk, compliance and anti-fraud area, as well as the Internal Audit Department Director and representatives of external auditors.

In keeping with the approved work calendar, between 01 January 2015 and 31 December 2015, the Audit Committee met five times at the following dates: 16 January, 02 March, 18 June, 17 September and 26 November. The Audit Committee issued 27 recommendations for the Supervisory Board and three letters of advice. All the meetings were quorate and held in line with the procedures so that binding recommendations could be issued; the attendance rate during the meetings was very high.

I. Agenda of the Audit Committee meetings

The topics discussed by the Audit Committee in 2015 included but were not limited to:

- 1) Accounting and reporting, including:
 - Assessment of the current financial results of the Bank,
 - Letter of advice on the Management Letter for 2014,
 - Amendments to the *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and the Scope of Published Information of ING Bank Śląski S.A.*,
 - The Management Board's update on related-party agreements.

- 2) Internal audit at the Bank, including:
 - Annual Report on the Standard of Internal Control of ING Bank Śląski S.A. as at 31 December 2014 with update as at 16 February 2015 and update on the completion of the 2014 Audit Plan,
 - Updated *ING Bank Śląski S.A. Policy – Internal Control System*,
 - Audit Quality Assurance Plan for 2015,
 - Results of the internal quality assurance review of the Internal Audit Department,
 - The Audit Strategy Memorandum (ASM) including long-term planning for the years 2016-2020 and the Annual Audit Plan 2016,
 - *The Detailed Scope of Cooperation between the Internal Audit Department with ING Bank N.V. Corporate Audit Services*.

- 3) Monitoring the efficiency of the risk management system at the Bank, including:
 - Determination of the RAS parameters,
 - Regular Risk Report describing the main issues relating to the credit- and market risk area,
 - Amendments to the *Capital Management and ICAAP Process Policy at ING Bank Śląski S.A.*,
 - Updated *General Principles of Credit and Market Risk Management and Mitigation in ING Bank Śląski S.A.*,
 - Amendments to the *Stress Testing Policy At ING Bank Śląski S.A.*,
 - *The Report on ICAAP Process Review at ING Bank Śląski S.A. for 2015*,
 - *The ING Bank Śląski S.A. ILAAP Review Report for 2015*,
 - Amendments to the *Liquidity & Funding Risk Management Policy at ING Bank Śląski S.A.*

- 4) Monitoring the efficiency of the compliance risk and non-financial risk management system at the Bank, including:

- Adoption of the Non-financial Risk Appetite Statement of the Bank for 2015, and oversight of its implementation,
 - Amendments to the *ING Bank Śląski S.A. Compliance Risk Management Policy*,
 - Amendments to the *ING Bank Śląski S.A. Operational Risk Management Policy*,
 - Quarterly Report on Risk Tolerance Limits Utilisation for Non-Financial Risk Area in Q3 2015,
 - Non-Financial Risk Dashboard.
- 5) Relations with the external auditor, including:
- Approval of the budget for the services provided by the chartered auditor in 2015 and update on the actual budget execution in 2014,
 - Selection of the entity authorised to audit financial statements of the Bank for 2016 and 2017, and approval of the budget.
- 6) Implementation of the recommendations issued by the Polish Financial Supervision Authority, including:
- 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,

In line with the requirements of the Bylaw of the Audit Committee, on 26 November 2015 the Audit Committee also held a closed meeting with the representatives of the external and internal auditors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee support the Supervisory Board in the monitoring and supervision of the HR and payroll area, including, in particular, succession plans, employee-turnover processes, employee satisfaction surveys as well as the remunerating and rewarding policy.

From 01 January 2015 to 31 January 2015, the Remuneration and Nomination Committee worked in the following composition:

Aleksander Galos	-	Chairman (independent member)
Brunon Bartkiewicz	-	Member
Roland Boekhout	-	Member
Aleksander Kutela	-	Member (independent member)

The following changes took place in 2015 on the Supervisory Board:

On 16 January 2015, the Supervisory Board accepted Mr. Aleksander Galos's resignation from his function as the Chairman of the Remuneration and Nomination Committee, effective as of 31 January 2015. At the same time, the Supervisory Board appointed Mr. Aleksander Kutela to hold that function as of 01 February 2015.

On 31 March 2015, the Supervisory Board appointed Mr. Diederik van Wassenauer as a member of the Committee.

As at the end of 2015, the composition of the Remuneration and Nomination Committee was as

follows:

Aleksander Kutela	-	Chairman (independent member)
Brunon Bartkiewicz	-	Member
Roland Boekhout	-	Member
Diederik van Wassenauer	-	Member

I. Number and frequency of the Remuneration and Nomination Committee's meetings. Number of recommendations issued by the Committee

The Remuneration and Nomination Committee met six times in 2015. The meetings of the Remuneration and Nomination Committee were held as scheduled at the following dates: 16 January, 02 March, 31 March, 18 June, 17 September and 27 November. The Committee issued 18 recommendations in total (including three by way of circulation) and two letters of advice for the Supervisory Board.

The CEO and the Bank Executive Director in charge of HR Area join the Committee meetings on a regular basis.

II. Agenda of the Remuneration and Nomination Committee meetings

The topics discussed by the Remuneration and Nomination Committee in 2015 included but were not limited to:

- The assumptions for the 2015 payroll policy,
- Approval of the amended *Variable Remuneration Policy of Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A.* in view of the CRD IV regulations,
- The amended List of Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A.,
- Amendments to the *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and the Scope of Published Information of ING Bank Śląski S.A.*,
- Assessment of the 2014 performance of the members of the Bank Management Board and setting KPIs for 2015,
- Appointment of the Bank Management Board for the new term of office, changes on the Management Board,
- The results of the review of competence profiles, headcount level and structure at the Internal Audit Department,
- The results of the review of the salaries of the Internal Audit Department employees and Director,
- Report from the Audit of HR Remuneration and Performance Management: Identified Staff in ING Bank Śląski S.A.,
- Employee turnover report for 2014 and 2015.

Risk Committee

Following the amendments to the Banking Law which came into effect on 01 November 2015 and which were implemented by way of the Macroprudential Supervision over Financial System and Crisis

Management in Financial System Act of 05 August 2015, on 27 November 2015 the Supervisory Board appointed a new committee – Risk Committee – in the following composition:

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|----------------------------------|--------------------------------------|
| - Ad Kas | - Chairman |
| - Roland Boekhout | - Member |
| - Antoni Reczek | - Member (independent member) |
| - Diederik van Wassenauer | - Member |

The Risk Committee are to support the Supervisory Board in the oversight of the business risk management strategy implementation by the senior management staff. There was no meeting of the Risk Committee until the end of 2015, as there were no issues that would require their attention. The first meeting of the Risk Committee was held on 25 January 2015, and the Committee's works were included in the 2016 Work Calendar.