

Assessment of the remuneration policy at ING Bank Śląski S.A.

On 22 July 2014, the Polish Financial Supervision Authority adopted a document concerning *Principles of corporate governance for supervised institutions* (hereinafter referred to as: "CG Principles"). The Management Board of ING Bank Śląski S.A. adopted and implemented the *Principles* as of 1 January 2015.

The assessment of the remuneration policy at ING Bank Śląski S.A. is performed under item 3 § 28 of CG Principles.

I. PRINCIPLES OF REMUNERATION POLICY AT ING BANK ŚLĄSKI S.A.

1. Remuneration Policy is a tool supporting the implementation of the Bank's business strategy. The aim thereof is to attract and retain employees by ensuring salaries at a competitive market level.
2. Remuneration depends on the scope of responsibilities and the level of accountability as defined in the job description which is subject to evaluation based on the Hay Group methodology.
3. The Bank reviews the remuneration levels each year. The analysis covers market data - salary reports and economical information. Pay rise amount is determined by the employee's position in pay brackets and the result of his/ her annual performance assessment.
4. The remuneration system is open and transparent, and its principles are communicated to all Bank's employees.

II. REMUNERATION COMPONENTS

1. The total remuneration is divided into fixed and variable parts.
2. Fixed remuneration represents a sufficiently high proportion of total remuneration to enable operating a fully flexible variable remuneration policy, including the ability to reduce or even not to disburse variable remuneration at all.
3. Variable remuneration represents all forms of remuneration and other benefits awarded in recognition of performance.
The bonus system is based on the balanced scorecard. It relies on setting and executing key performance indicators supporting the accomplishment of the Bank's strategy.
As part of the variable remuneration, employees may also receive:
 - a) an individual special award to show recognition and appreciation for outstanding achievements at work,
 - b) phantom stock of ING Bank Śląski S.A. to reward key employees, and support the long-term interests of the Bank and the Bank's customers.

4. The variable remuneration policy determines the components of variable remuneration that may be granted to persons holding managerial positions having a material impact on the risk profile of the Bank, as well as the rules for disbursement of that remuneration.

The most important principles include the following:

- a) The assessment of the individual work results is made on the basis of financial and non-financial criteria as well as risk-adjusted criteria,
 - b) At least 75% of the targets of persons responsible for Control Functions is based on targets resulting from their specific functions and include quality-related tasks; financial tasks may not be linked to the results obtained in the areas controlled by the person,
 - c) the deferred part of the variable remuneration, which is settled in three instalments during the period of verification of the work results to assess the impact of the employees' actions on the long-term results of the Bank,
 - d) the award of a part of the variable remuneration (at least 50%) in phantom stock, entitling to cash in the amount dependent on the value of ING Bank Śląski S.A. shares.
5. Fringe benefits as part of the Bank's remuneration policy:
 - a) medical care - Bank's employees can benefit from primary medical care, medical care for family and dental packages,
 - b) Employee Pension Plan - the voluntary Employee Pension Plan enables employees to save additional funds for their retirement,
 - c) company cars - company cars are granted to employees depending on their position within the Bank's organizational structure.

III. OVERSIGHT OF THE REMUNERATION POLICY

1. The oversight of the remuneration policy at the Bank is exercised by:
 - a) the General Meeting of ING Bank Śląski S.A. who perform an annual assessment whether the remuneration policy is conducive to the development and security of the Bank's activities,
 - b) the Supervisory Board of ING Bank Śląski S.A. who approve the Policy and supervise observance hereof,
 - c) the Remuneration and Nomination Committee of ING Bank Śląski S.A. who monitor the application of the Policy.
2. The Polish Financial Supervision Authority exercises oversight of the Bank's activities compliance with the provisions of the Variable Remuneration Policy.

IV. REPORT CONCERNING ASSESSMENT OF THE REMUNERATION POLICY AT THE BANK IN 2015

1. The Remuneration Policy is consistent with the Bank's strategy, values and risk appetite and supports the long-term interests of the Bank and its clients. Moreover, it promotes and supports effective risk management process in order to maintain and protect the Bank's secure capital base. It does not promote taking excessive risks, beyond the Bank's risk appetite accepted by the Supervisory Board and it is based on performance management as a key business process which combines individual goals with the long-term business strategy and ensures sustainable growth.
2. In 2015, the objectives of the remuneration policy have not been changed.

The Remuneration and Nomination Committee received twice the information about the market level remuneration in relation to the remuneration of ING Bank's employees prepared on the basis of Hay Group reports (autumn and spring editions). The tables of salaries were changed and a pay rise process was carried out, effective as of 1 November 2015. The changes were aimed to adjust the base salaries to the market level.

3. The Bank settled bonuses of the persons holding managerial positions according to the stipulations of the Variable Remuneration Policy:
 - a) the variable remuneration for 2014 was set and the non-deferred part was granted,
 - b) based on the positive outcome of the assessment verification with ex post risk adjustment and capital test, an appropriate part of the deferred variable remuneration for the years 2012 and 2013 was granted.

The conditions for bonus disbursement were met. The Remuneration and Nomination Committee gave positive advice based on which the cash bonus for the years 2012, 2013 and 2014 was paid out in 2015 whereas the part in phantom stock of ING Bank Śląski S.A. was granted and is subject to a one-year retention period.

4. Taking into account the quantitative and qualitative criteria of the RTS Regulation, the List of managerial positions having material impact on the risk profile of the Bank was extended as of 1 January 2015.
5. The wording of the Variable Remuneration Policy was adjusted to the provisions of the Directive of the European Parliament and the Council of the European Union 2013/36/ EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
6. In 2015 the Remuneration and Nomination Committee had six regular meetings and one by way of circulation.
7. The Remuneration Policy of the Bank's employees was subject to internal and external audits in 2015, notably:
 - a) an internal audit of the process of remuneration and performance assessment of persons holding managerial positions having a significant impact on the risk profile of the Bank. The audit did not identify any risks in the inspected areas and thus confirmed the adequacy and effectiveness of control mechanisms for the remuneration process of the employees holding managerial positions,
 - b) an inspection of the Polish Financial Supervision Authority. The inspection covered the Variable remuneration Policy of persons holding managerial positions at the Bank, with special focus on the Management Board Members. The inspection revealed no irregularities in the areas subject to control.

The Supervisory Board assess that the Bank implemented the principles of the remuneration policy in a proper manner in 2015.