



ING Bank Śląski S.A. Group

Quarterly consolidated report
for the 4 quarter 2016

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SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Selected financial data

	4Q 2016	4Q 2016 YTD	4Q 2015	4Q 2015 YTD
Net interest income	809.5	2 953.4	659.4	2 467.1
Net commission income	283.5	1 064.8	254.8	1 017.2
Result on basic activities	1 122.0	4 324.5	953.6	3 778.1
Result before tax	348.6	1 644.5	254.1	1 390.3
Net profit attributable to shareholders of ING Bank Śląski S.A.	254.9	1 253.0	205.7	1 127.0
Earnings per ordinary share (PLN)	1.96	9.63	1.58	8.66

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Loans and other receivables to customers (net) excluding Eurobonds	78 068.8	76 554.7	68 681.0	67 631.6
Liabilities to customers	95 825.4	92 304.6	87 818.5	83 825.9
Total assets	117 477.7	116 550.0	108 893.1	112 180.7
Equity attributable to shareholders of ING Bank Śląski S.A.	10 474.9	10 976.7	10 677.9	10 301.8
Initial capital	130.1	130.1	130.1	130.1

Key effectiveness ratios

	31 Dec 2016	30 Sep 2016	31 Dec 2015	30 Sep 2015
C/I - Cost/Income ratio (%)	48.5	48.1	57.1	53.4
ROA - Return on assets (%)	1.1	1.1	1.1	1.1
ROE - Return on equity (%)	11.7	11.3	11.0	11.4
NIM - net interest margin (%)	2.67	2.57	2.45	2.43
L/D - Loans-to-deposits ratio (%)	81.5	82.9	78.2	80.7
Total capital ratio (%)	14.7	14.8	13.7	13.7

Explanations:

C/I - Cost to Income ratio – total costs to income from operating activity per type.

ROA - Return on assets – net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average assets for 5 subsequent quarters.

ROE - Return on equity - net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average equity for 5 subsequent quarters.

NIM – total net interest income for 4 consecutive quarters to average interest assets for 5 consecutive quarters.

L/D - Loans-to-deposits ratio – loans and receivables to customers (net) excluding Eurobonds to liabilities due to customers.

Total capital ratio – equity to risk weighted assets and off-balance sheet liabilities.

Interim condensed consolidated income statement

		4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	Note	the period from 01 Oct 2016 to 31 Dec 2016	the period from 01 Jan 2016 to 31 Dec 2016	the period from 01 Oct 2015 to 31 Dec 2015	the period from 01 Jan 2015 to 31 Dec 2015
Net interest income	7.1	809.5	2 953.4	659.4	2 467.1
Net commission income	7.2	283.5	1 064.8	254.8	1 017.2
Net income on financial instruments at fair value through profit or loss and FX result	7.3	12.7	57.2	22.9	85.1
Net income on investments	7.4	3.0	232.3	0.3	165.0
Net income on hedge accounting	7.5	-0.7	-2.6	5.6	22.9
Net income on other basic activities	7.6	14.0	19.4	10.6	20.8
Net income on basic activities		1 122.0	4 324.5	953.6	3 778.1
General and administrative expenses	7.7	557.7	2 099.2	648.0	2 155.7
Impairment losses and provisions for off-balance sheet liabilities	7.8	138.5	300.6	51.5	232.1
Tax on certain financial institutions		77.2	280.2	0.0	0.0
Gross profit (loss)		348.6	1 644.5	254.1	1 390.3
Income tax	7.9	93.6	391.4	48.4	263.2
Net profit (loss)		255.0	1 253.1	205.7	1 127.1
- attributable to shareholders of ING Bank Śląski S.A.		254.9	1 253.0	205.7	1 127.0
- attributable to non-controlling interests		0.1	0.1	0.0	0.1
Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.		254.9	1 253.0	205.7	1 127.0
Weighted average number of ordinary shares		130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)		1.96	9.63	1.58	8.66

The diluted earnings per share are the same as the profit per one ordinary share

Interim condensed consolidated statement of comprehensive income

		4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
		the period from 01 Oct 2016 to 31 Dec 2016	the period from 01 Jan 2016 to 31 Dec 2016	the period from 01 Oct 2015 to 31 Dec 2015	the period from 01 Jan 2015 to 31 Dec 2015
Net profit for the period		255.0	1 253.1	205.7	1 127.1
Total other comprehensive income, including:		-756.9	-898.1	170.4	-383.9
Items which can be reclassified to income statement		-759.3	-898.0	171.4	-380.4
Items which will not be reclassified to income statement		2.4	-0.1	-1.0	-3.5
Net comprehensive income for the reporting period		-501.9	355.0	376.1	743.2
- attributable to owners of ING Bank Śląski S.A.		-502.0	354.9	376.1	743.1
- attributable to non-controlling interests		0.1	0.1	0.0	0.1

Interim Condensed Consolidated Income statement and Interim Condensed Consolidated Statement of Comprehensive Income shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof

Interim condensed consolidated statement of financial position

	Note	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Assets					
Cash in hand and balances with the Central Bank		1 825.0	1 299.1	3 589.7	3 940.7
Loans and other receivables to other banks	7.10	1 113.4	1 192.7	1 014.6	3 325.7
Financial assets at fair value through profit or loss	7.11	2 826.8	1 617.3	1 127.1	2 769.2
Valuation of derivatives		1 117.1	1 124.9	1 990.9	1 947.2
Investments	7.12	25 721.3	27 344.0	23 478.8	24 310.3
Derivative hedge instruments		1 338.6	2 138.9	2 454.8	2 521.2
Loans and other receivables to customers	7.13, 7.14	81 979.5	80 377.4	72 519.6	71 425.2
Receivables from customers under repo transactions		0.0	19.8	1 354.4	553.6
Non-financial assets	7.15	1 004.5	1 025.0	1 070.5	1 022.6
Assets held for sale		31.8	41.2	38.4	44.1
Tax assets		237.5	77.5	59.6	55.8
Other assets		282.2	292.2	194.7	265.1
Total assets		117 477.7	116 550.0	108 893.1	112 180.7
Liabilities					
Liabilities to other banks	7.16	5 043.0	7 032.5	3 913.5	10 917.1
Financial liabilities at fair value through profit or loss	7.17	474.8	598.6	629.4	934.1
Valuation of derivatives		1 116.0	1 101.9	2 002.7	2 037.4
Derivative hedge instruments		1 468.1	1 614.3	1 830.9	1 842.8
Liabilities to customers	7.18	95 825.4	92 304.6	87 818.5	83 825.9
Liabilities to customers under repo transactions		0.0	0.0	47.5	4.1
Liabilities under issue of debt securities		866.4	871.9	866.3	872.0
Subordinated liabilities		664.9	648.1	0.0	0.0
Provisions	7.19	73.8	79.8	67.2	70.3
Tax liabilities		121.3	146.8	156.8	122.9
Other liabilities		1 346.8	1 172.5	879.8	1 249.7
Total liabilities		107 000.5	105 571.0	98 212.6	101 876.3
Equity					
Share capital		130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3	956.3
Revaluation reserve		577.5	1 341.8	1 485.0	1 316.9
Retained earnings		8 811.0	8 548.5	8 106.5	7 898.5
Equity attributable to shareholders of ING Bank Śląski S.A.		10 474.9	10 976.7	10 677.9	10 301.8
Non-controlling interests		2.3	2.3	2.6	2.6
Total equity		10 477.2	10 979.0	10 680.5	10 304.4
Total equity and liabilities		117 477.7	116 550.0	108 893.1	112 180.7
Carrying amount		10 474.9	10 976.7	10 677.9	10 301.8
Number of shares		130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		80.51	84.37	82.07	79.18

Interim Condensed Consolidated Statement of Financial Position shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated statement of changes in equity

4 Q 2016 YTD

the period from 01 Jan 2016 to 31 Dec 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	130.1	956.3	1 485.0	8 106.5	2.6	10 680.5
Net result for the current period	-	-	-	1 253.0	0.1	1 253.1
Other net comprehensive income, including:	0.0	0.0	-907.5	9.7	-0.3	-898.1
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	-76.1	-	-	-76.1
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-183.7	-	-	-183.7
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-32.2	-	-	-32.2
effective part of cash flow hedging relationship	-	-	-606.0	-	-	-606.0
revaluation of non-current assets	-	-	-1.4	-	-0.2	-1.6
disposal of non-current assets	-	-	-9.8	9.7	-0.1	-0.2
actuarial gains/losses	-	-	1.7	-	-	1.7
Other changes in equity, including:	0.0	0.0	0.0	-558.2	-0.1	-558.3
valuation of share-based payments	-	-	-	1.2	-	1.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-0.1	-559.5
Closing balance of equity	130.1	956.3	577.5	8 811.0	2.3	10 477.2

4 Q 2015 YTD

the period from 01 Jan 2015 to 31 Dec 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	130.1	956.3	1 874.3	7 493.3	2.6	10 456.6
Net result for the current period	-	-	-	1 127.0	0.1	1 127.1
Other net comprehensive income, including:	0.0	0.0	-389.3	5.4	0.0	-383.9
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	12.9	-	-	12.9
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-47.2	-	-	-47.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-28.4	-	-	-28.4
effective part of cash flow hedging relationship	-	-	-317.7	-	-	-317.7
revaluation of non-current assets	-	-	-5.2	1.4	-	-3.8
disposal of non-current assets	-	-	-3.3	4.0	-	0.7
actuarial gains/losses	-	-	-0.4	-	-	-0.4
Other changes in equity, including:	0.0	0.0	0.0	-519.2	-0.1	-519.3
valuation of share-based payments	-	-	-	1.2	-	1.2
profit distribution with dividend payout allocation	-	-	-	-520.4	-0.1	-520.5
Closing balance of equity	130.1	956.3	1 485.0	8 106.5	2.6	10 680.5

Interim Condensed Consolidated Statement of Changes in Equity shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated cash flow statement

	4 Q 2016 YTD the period from 01 Jan 2016 to 31 Dec 2016	4 Q 2015 YTD the period from 01 Jan 2015 to 31 Dec 2015
Net profit attributable to shareholders of ING Bank Śląski S.A.	1 253.0	1 127.0
Adjustments	-1 586.4	-930.7
Profit (loss) attributable to non-controlling interests	0.1	0.1
Depreciation and amortisation	210.6	189.2
Interest accrued (from the income statement)	-2 953.4	-2 467.1
Interest paid	-964.0	-1 170.0
Interest received	3 873.1	3 659.1
Dividends received	-5.6	-87.6
Gains (losses) on investing activities	0.9	-19.3
Income tax (from the income statement)	391.4	263.2
Income tax paid	-604.8	-372.5
Change in provisions	6.6	-7.6
Change in loans and other receivables to other banks	12.5	664.2
Change in financial assets at fair value through profit or loss	-1 700.6	729.6
Change in available-for-sale financial assets	-163.1	286.1
Change in valuation of derivatives	-12.9	-97.5
Change in hedge derivatives	147.4	9.4
Change in loans and other receivables from customers	-8 203.1	-12 740.2
Change in other assets	-13.7	72.3
Change in liabilities to other banks	90.2	-1 730.3
Change in liabilities at fair value through profit or loss	-154.6	-288.0
Change in liabilities to customers	7 976.6	12 209.0
Change in other liabilities	480.0	-32.8
Net cash flow from operating activities	-333.4	196.3
Purchase of property plant and equipment	-75.7	-139.1
Disposal of property plant and equipment	17.7	14.0
Purchase of intangible assets	-115.3	-127.7
Disposal of assets held for sale	11.8	144.1
Purchase of held-to-maturity financial assets	-2 416.4	-1 138.6
Interest received from held-to-maturity financial assets	140.5	87.6
Dividends received	5.6	87.6
Net cash flow from investing activities	-2 431.8	-1 072.1
Long-term loans received	2 367.2	140.2
Long-term loans repaid	-655.1	-593.8
Interest on long-term loans repaid	-18.0	-25.4
Interest on debt securities issued	-22.6	-23.9
Dividends paid	-559.5	-520.5
Net cash flow from financing activities	1 112.0	-1 023.4
Effect of exchange rate changes on cash and cash equivalents	135.9	-40.5
Net increase/decrease in cash and cash equivalents	-1 653.2	-1 899.2
Opening balance of cash and cash equivalents	4 411.9	6 311.1
Closing balance of cash and cash equivalents	2 758.7	4 411.9

Interim Condensed Consolidated Cash Flow Statement shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Additional information

1. Information on the Bank and the ING Bank Śląski S.A. Group

1.1. Key Bank data

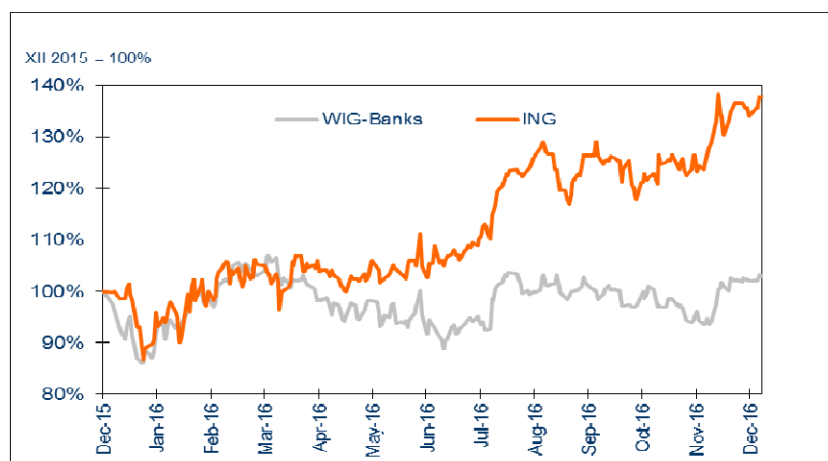
ING Bank Śląski S.A. ("Parent company", "Parent entity", "Bank") with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459. The parent entity statistic number is REGON 271514909, and the taxation identification number is NIP 634-013-54-75.

1.2. Scope and duration of operations

ING Bank Śląski S.A. offers a broad range of banking services rendered for individual and institutional clients in line with the scope of services outlined in the Bank's charter. The Bank runs operations both in the home currency and in foreign currencies. The Bank is also active on the domestic and foreign financial markets. The scope of services offered by the Bank was expanded with leasing and factoring operations, following the acquisition in 2012 of new companies. Additionally through subsidiaries the Group operates real estate, leasing of real estate and advisory and acts as a financial intermediary as well as provides other financial services. The duration of the parent entity and entities forming the Group is indefinite.

1.3. Initial capital, share capital

The initial capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares with a par value of PLN 1.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange (sector: banks). As of 31 December 2016, the share price of ING Bank Śląski S.A. was PLN 161.4, whereas during the same period last year it was at the level of PLN 117.2. In the 12 months of 2016, the price of ING Bank Śląski S.A. shares was as follows:



1.4. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group (“Capital Group”, “Group”). As at 31 December 2016, the composition of ING Bank Śląski S.A. Group was the following:

Name	Type of activity	Registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	Recognition in the Group Financial Statements
ING ABL Polska S.A.	financial holding	Katowice	100	100	full consolidation
ING Commercial Finance S.A.*	factoring services	Warszawa	100	100	full consolidation
ING Lease (Polska) Sp. z o.o.**	leasing services	Warszawa	100	100	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	full consolidation
Nowe Usługi S.A.	research and development of new market opportunities	Katowice	100	100	full consolidation
Solver Sp. z o.o.	holiday and training courses organisation	Katowice	88.93	88.93	full consolidation

* ING Bank Śląski S.A. has an indirect share in the company via ING ABL S.A.

** ING Bank Śląski S.A. has an indirect share in the company via ING ABL S.A. The ING Lease (Polska) Sp. z o.o Group incorporates 10 special-purpose vehicles wherein ING Lease Polska Sp. z o.o holds 100% of shares.

In 2016, the Bank subsidiary ING Securities S.A. was divided. As a result, the brokerage services provided until then via ING Securities S.A. and ING Bank Śląski S.A. were integrated within one entity (ING Bank Śląski S.A.). The services other than brokerage services which had been provided by ING Securities S.A. were transferred to Nowe Usługi S.A., a member of the ING Bank Śląski S.A. Group. Since ING Securities had been a fully-consolidated subsidiary until the merger with the Bank, the consolidation had no impact on the Group’s consolidated financial statements.

1.5. Shareholding structure of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 December 2016 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders. ING Bank NV belongs to the Capital Group, herein referred to as ING Group.

As at the date 31 December 2016, the shareholders owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna were:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97,575,000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	7,870,000	6.05

1.6. Number of ING Bank Śląski shares held by Bank Management Board and Supervisory Board members

As at 31 December 2016, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain.

1.7. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2015 to 31 December 2015 were approved by the General Meeting on 31 March 2016.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 31 January 2017.

2. Significant events in 4 quarter 2016

2.1. PFSA guidance on dividends

On 06 December 2016, the Polish Financial Supervision Authority (PFSA) adopted a stance on the banks dividend policy in 2017 (dividend for 2016). In order to ensure further stable sector development, the PFSA recommends the dividend policy to banks which will further consolidate their capital base, notably in the context of risk associated with the potential statutory resolution of the mortgage-backed FX loans issue. The PFSA recommends in particular that the dividend be paid out solely by banks meeting all the below criteria:

- banks which do not pursue the corrective programme,
- their BION final score is not worse than 2.5,
- their financial leverage is above 5%,
- the Tier 1 ratio plus the security buffer:
 - banks classified as other systemically important institutions (O-SII) – over 13.25% plus 75% of potential capital add-on for FX loans risk plus the buffer of other systemically-important institution,
 - other commercial banks – over 11.25% plus 75% of potential capital add-on for FX loans risk,
 - banks having the total capital ratio over 13.25% plus the FX buffer plus the buffer of other systemically-important institution

The PFSA recommends that the banks satisfying all the above criteria can pay out up to 50% of the profit earned.

By the end of Q1 2017, the PFSA Office will have provided the banks with individual dividend recommendations taking account of the current bank standing.

2.2. Decision of the Polish Financial Supervision Authority

On 10 October 2016, the Bank received a decision of the Polish Financial Supervision Authority on identification of the Bank as other systemically-important institution and on imposing on the Bank on a consolidated basis and stand-alone basis a buffer of other systemically-important institution equal to 0.50% of the total risk exposure, calculated as at 31 December 2015 pursuant to Article 92 section 3 of EU Regulation No. 575/2013. Pursuant to Article 39 section 4 of the Act on

macroprudential supervision over the financial system and crisis management in the financial system of 05 August 2015, the PFSA's decision was immediately enforceable.

2.3. Bank Guarantee Fund's resolution on mandatory contribution from the guaranteed deposits fund

On 28 October 2016, the Bank received from the Bank Guarantee Fund ("BGF") BGF Management Board Resolution No. 308/DGD/2016 concerning payout of guaranteed funds to the depositors of Bank Spółdzielczy in Nadarzyn and a notice to make a contribution of PLN 12.2 million by 2 November 2016 to BGF for the payout of guaranteed funds under the deposits accumulated in Bank Spółdzielczy in Nadarzyn. The amount of the contribution increased the Bank's cost in Q4 2016.

2.4. Rating affirmation by Fitch Agency

On 09 November 2016, the rating agency Fitch Ratings ("Fitch") upheld the following ratings for ING Bank Śląski S.A.:

- 1) Long-term IDR: A,
- 2) Outlook: Stable,
- 3) Short-term IDR: F1,
- 4) Viability rating: bbb+, and
- 5) Support rating: 1.

Fitch emphasised in its announcement that the ratings upheld for ING Bank Śląski S.A. reflected the Bank's solid financial standing and strong capital position, high asset quality and stable funding source relying on client deposits.

2.5. Sale of non-performing receivables portfolio

On 19 December 2016, the Bank concluded an agreement on the sale of a portion of corporate receivables from the impaired portfolio. The positive impact of the transaction on the Bank's risk costs was PLN 10.7 million.

2.6. Change of interest for ING Bank Śląski S.A.'s bonds

- bonds series INGBS191219

On 19 December 2016, due to commencing new, fifth coupon period and setting a new WIBOR rate for six-month deposits per the coupon period, the interest was changed for bonds series INGBS191219 of the total nominal value of PLN 300,000,000.00, issued by the Bank on 19 December 2014, under the *Own Debt Securities Issuance Programme of ING Bank Śląski S.A.* The bonds interest for the subsequent coupon period is 2.56% per annum. The next coupon date falls on 19 June 2017. The remaining rights under the said bonds did not change.

- bonds series INGBS061217

On 6 December 2016, due to commencing new, ninth coupon period and setting a new WIBOR rate for six-month deposits per the coupon period, the interest was changed for bonds series INGBS061217 of the total nominal value of PLN 565,000,000.00, issued by the Bank on 6 December 2012, under the *Own Debt Securities Issuance Programme of ING Bank Śląski S.A.* The bonds interest for the subsequent coupon period is 2.71% per annum. The next coupon date falls on 6 June 2017. The remaining rights under the said bonds did not change.

3. Significant events after the balance sheet date

3.1. Rating update by Moody's

On 23 January 2017, Moody's Investors Service rating agency ("Moody's") in its semi-annual review affirmed the ratings for ING Bank Śląski S.A.:

- 1) LT Rating: A3,
- 2) LT Rating Outlook: Stable
- 3) ST Rating: P-2,
- 4) Baseline Credit Assessment (BCA): baa3,
- 5) Adjusted Baseline Credit Assessment – Adjusted BCA: baa2,
- 6) Counterparty Risk Assessment (CR Assessment) long-term/ short-term: A2/P-1.

The agency stressed in its announcement that the ING Bank Śląski S.A.'s ratings reflect its good financial results, including the quality of its assets above the sector's average and the self-financing nature of the Bank's operations. Moody's rating for ING Bank Śląski S.A. is not a commissioned rating and it is assigned on the basis of available public disclosures.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 4 quarter 2016 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 December 2016 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the Bank's financial statements for the year ended 31 December 2015 approved by the General Meeting on 31 March 2016.

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the period from 1 January 2016 to 31 December 2016, and interim condensed consolidated statement of financial position as at 31 December 2016 together with comparable data were prepared according to the same principles of accounting for each period.

4.1. Going-concern

These interim condensed consolidated financial statements were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the balance sheet date. As of the date of approving these statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Capital Group is endangered.

4.2. Discontinued operations

No material operations were discontinued during the 4 quarters 2016 and 4 quarters 2015.

4.3. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the 4 quarter 2016 comprise the Bank and its subsidiaries. These interim condensed consolidated financial statements have been developed in Polish zloties ("PLN"). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

4.4. Comparable data and verification by the chartered auditor

The comparative data cover the period from 1 January 2015 to 31 December 2015 for the interim condensed consolidated income statement; the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated cash flow statement and for the interim condensed consolidated statement of changes in equity; and in the case of the interim condensed consolidated statement of financial position data as of 30 September 2016, 31 December 2015 and 30 September 2015. Interim condensed consolidated income statements, interim condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated income statements include data for the Q4 2016 (period from 1 October 2016 to 31 December 2016) as well as comparative data for the Q4 2015 (period from 1 October 2015 to 31 December 2015).

4.5. Changes to accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of the annual consolidated financial statements for the year 2015 (Annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2015 to 31 December 2015) as well as the standards and interpretations adopted by the European Union, effective for annual periods starting on or after 1 January 2016 presented in the Group's interim condensed consolidated financial statements for H1 2016 and in the Group's interim condensed consolidated financial statements for Q3 2016.

The standards and interpretations which were already issued but are still ineffective since not approved by the European Union or approved by the European Union but not previously applied by the Group were presented in the 2015 Group Annual Consolidated Financial Statements and in the previous Group Interim Condensed Consolidated Financial Statements.

In Q4, the European Union approved the following amendments to the accounting standards:

Amendment (EU application date in parentheses)	Impact on the Group statements
IFRS 9 <i>Financial Instruments</i> (the accounting year starting on 01 January 2018 or later)	The Group is working on implementation of the requirements of the new standard as part of the dedicated project. The new standard is expected to have a material impact on the financial statements upon its initial application due to the need of its retrospective application. Given the project works performed, the Group did not decide to apply the standard earlier. More detailed information will be presented in the 2016 Group Annual Financial Statements.

IFRS 15 <i>Revenue from Contracts with Customers</i> taking account of the application date change (the accounting year starting on 01 January 2018 or later)	The analyses show that the standard's application will not have material impact on the financial statements of the Group.
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The amendments to accounting standards which were published in the fourth quarter but which have not been approved by the European Union have been given below.

Update	Impact on the Group statements
Changes arising from IFRS reviews executed during the 2014-2016 cycle (published in December 2016) Apply to IFRS 1, IFRS 12 and IAS 28 (the accounting year starting on 01 January 2018/ 01 January 2017)	The changes will not have a material impact on the financial statements of the Group.
IFRIC 22 <i>Transactions in foreign currency and advance payments</i> (the accounting year starting on 01 January 2018)	The change will not have a material impact on the financial statements of the Group.
IAS 40 <i>Reclassification of investment property</i> (the accounting year starting on 01 January 2018)	The change will not have a material impact on the financial statements of the Group.

In view of the ongoing process of IFRS introduction in the EU and the business run by the Company, as at the approval date of this report, there were no differences between the already effective IFRSs and the IFRSs approved by the EU in terms of the accounting principles applied by the Company.

5. Material accounting principles

Detailed accounting principles are presented in annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2015 to 31 December 2015 published on 29 February 2016 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl). Below presented are the amendments made in Q4 2016 to the description of the accounting principles applied by the Group in consequence of approach revision.

5.1. Application of estimates to intangible assets amortisation charges

The item includes the ING Bank Śląski S.A. Capital Group change for the capitalisation limit for software purchase or production expenses. The full item was presented below.

"The amortisation period and method for intangible assets are verified at the end of each accounting year. Changes to the useful life or expected pattern of consumption of the future economic benefits embodied in the intangible asset are recognised by changing the amortisation period and method, accordingly. The said changes are approached as changes to estimates.

As a result of verification of rates and useful life of intangible assets, the useful life for the intangible assets created under strategic projects was determined as 5 years.

Strategic applications are made under strategic projects that are key to the Bank's operations. Change to the amortisation period will be recognised prospectively from the application date, that is: 01 January 2016.

Further, the Group increased the capitalisation limit for purchase (from PLN 50,000 to PLN 440,000) or in-house production (from PLN 1 million to PLN 10 million) of computer software.

Following the changed estimates, the costs of software that are below the predefined capitalisation limit are recognised as a one-off item."

Impact of a one-off recognition of computer software costs on the 2016 gross result closes with PLN 25.7 million.

5.2. Other amendments

The other amendments were editorial in nature and were to specify and supplement or adjust the descriptions of the principles applied.

6. Comparability of financial data

Amendments to the Statement of Financial Position

When compared with the interim consolidated financial statements for previous periods, in the Interim Condensed Consolidated Financial Statements for the period from 01 January 2016 to 31 December 2016, the Group moved valuation of employee incentive programmes to the item *Retained earnings* in the statement of financial position. The Group is of the opinion that by dint of the said amendment the statement of financial position became more transparent. The amendment did not impact the balance sheet totals of the reporting periods.

The below table show individual items of the consolidated statement of financial position as per amounts disclosed in the in the interim condensed consolidated financial statements for the Q4 2015 and in the current statements.

EQUITY	Financial statements for Q4 2015 as of 31 Dec 2015 (approved data)	change	Financial statements for Q4 2016 as of 31 Dec 2015 (comparable data)
Revaluation of share-based payments	49.4	-49.4	-
Retained earnings	8 057.1	49.4	8 106.5

In the interim reports, the Group presents detailed information about individual items of interest and commission income and costs in the explanatory notes.

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Interest income				
Interest on loans and receivables to other banks	12.3	51.2	14.4	62.8
Interest on loans and receivables to customers	819.8	3 125.3	748.2	2 859.2
Interest on repo transactions concluded with customers	1.3	9.6	2.2	8.0
Interest on financial assets held for trading	5.1	17.5	4.9	25.3
Interest on available-for-sale financial assets	127.1	510.4	125.9	562.7
Interest on financial assets held to maturity	38.3	133.3	25.5	78.3
Net interest income on derivatives	12.3	75.6	14.0	32.3
Total interest income	1 016.2	3 922.9	935.1	3 628.6
Interest expense				
Interest on deposits from other banks	13.0	44.6	14.3	65.2
Interest on deposits from customers	184.4	889.8	255.5	1 070.9
Interest on repo transactions made with customers	0.0	0.2	0.1	0.4
Interest on issue of debt securities	5.8	22.7	5.7	23.7
Interest on financial liabilities held for trading	0.3	1.0	0.1	1.3
Interest on subordinated liabilities	3.2	11.2	0.0	0.0
Total interest expense	206.7	969.5	275.7	1 161.5
Net interest income	809.5	2 953.4	659.4	2 467.1
NIM -net interest margin- cumulative (annualized) *	2.67%		2.45%	
NIM -net interest margin- quarterly **	2.84%		2.50%	

*) NIM -net interest margin - cumulative (annualized) was calculated as the quotient of the total net interest income of 4 consecutive quarters to average interest assets of 5 consecutive quarters.

**) NIM -net interest margin - quarterly was calculated as the quotient of the quarterly net interest income x4 to average interest earning assets of a quarter.

Interest assets used for the calculations include the total of assets under the consolidated statement of financial position less cash in hand and balances with the central bank, non-financial assets, held-for-sale assets, tax assets, and other assets.

7.2. Net commission income

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Commission income				
transaction margin on currency exchange transactions	77.9	281.5	69.6	284.1
account maintenance fees	64.3	252.0	62.8	246.6
lending commissions	67.2	250.4	51.5	221.1
payment and credit cards fees	27.1	115.6	12.2	57.5
participation units distribution fees	23.1	88.9	24.9	100.4
insurance product offering commissions	18.9	51.1	15.3	64.2
factoring and lease agreements commissions	12.3	43.4	10.0	34.2
foreign commercial business	6.5	24.0	5.3	19.9
fiduciary and custodian fees	6.1	24.6	5.7	26.4
brokerage activity fees	4.7	29.1	15.4	46.2
other	12.4	43.3	13.9	34.1
Total commission income	320.5	1 203.9	286.6	1 134.7
Total commission expenses	37.0	139.1	31.8	117.5
Net commission income	283.5	1 064.8	254.8	1 017.2
Share of the net commission income in Group revenue*	25.3%	24.6%	26.7%	26.9%

*) Net income on core operations is treated as the Group's income.

7.3. Net income on financial instruments at fair value through profit or loss and FX result

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Net income on financial assets and liabilities held for trading, including:	-86.7	27.5	-31.0	-2.4
Net income on debt instruments	6.5	25.0	6.3	5.1
Net income on derivatives, including:	-93.2	2.5	-37.3	-7.5
- currency derivatives	-88.8	7.9	-41.9	-41.6
- interest rate derivatives	-4.4	-5.4	4.6	34.0
- securities derivatives	0.0	0.0	0.0	0.1
FX result	99.4	29.7	53.9	87.5
Net income on financial instruments at fair value through profit or loss and FX result	12.7	57.2	22.9	85.1

7.4. Net income on investments

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Net income on equity instruments	0.0	189.6	0.0	23.1
Net income on debt instruments	2.9	37.1	0.3	54.3
Dividend income	0.1	5.6	0.0	87.6
Net income on investments	3.0	232.3	0.3	165.0

The amount of PLN 189.6 million under the *net income on equity instruments* item shows the result of the June 2016 settlement of the acquisition of Visa Europe Limited by Visa Inc.

The net income on equity instruments in Q4 2015 data showed the result on sale of shares of ING Powszechne Towarzystwo Emerytalne S.A. Company of PLN 18.4 million. The dividend income encompassed PLN 82.1 million worth of the 2014 dividend received from ING Powszechne Towarzystwo Emerytalne S.A..

7.5. Net income on hedge accounting

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Fair value hedge accounting for securities:	-0.6	-1.7	4.4	21.8
valuation of the hedged transaction	-225.8	-276.7	-23.9	-113.2
valuation of the hedging transaction	225.2	275.0	28.3	135.0
Cash flow hedge accounting:	-0.1	-0.9	1.2	1.1
ineffectiveness under cash flow hedges	-0.1	-0.9	1.2	1.1
Net income on hedge accounting	-0.7	-2.6	5.6	22.9

7.6. Net income on other basic activities

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Net income on the investment properties	0.3	4.4	1.1	5.8
Other	13.7	15.0	9.5	15.0
Total	14.0	19.4	10.6	20.8

7.7. General and administrative expenses

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Personnel expenses	276.7	1 039.3	252.3	972.0
Other general and administrative expenses, including:	281.0	1 059.9	395.7	1 183.7
cost of marketing and promotion	25.6	95.0	23.9	117.1
depreciation and amortisation	76.7	210.6	57.2	189.2
Bank Guarantee Fund payments	46.0	143.9	189.4	267.7
Total	557.7	2 099.2	648.0	2 155.7

Apart from the mandatory payments and prudential fees, the amounts of BGF fees also covered the contributions allocated for payment of guaranteed funds:

- PLN 12.2 million in Q4 2016 – the amount earmarked for payment of guaranteed funds to depositors of Bank Spółdzielczy in Nadarzyn, and
- PLN 157.4 million in Q4 2015 – the amount earmarked for payment of guaranteed funds to depositors of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin.

7.7.1. Headcount

The headcount in the ING Bank Śląski S.A. Group was as follows:

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
FTEs	7 969.6	8 130.4	8 218.7	8 254.4
Individuals	8 025	8 179	8 274	8 314

The headcount in the ING Bank Śląski S.A. was as follows:

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
FTEs	7 618.7	7 776.0	7 771.3	7 810.3
Individuals	7 669	7 821	7 813	7 856

7.8. Impairment losses and provisions for off-balance sheet liabilities

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Impairment losses on loans and other receivables	268.8	990.1	115.6	918.2
Reversed impairment losses on loans and other receivables	-130.3	-689.5	-64.1	-686.1
Net impairment losses and provisions for off-balance sheet liabilities	138.5	300.6	51.5	232.1
<i>Including:</i>				
corporate banking	63.4	163.1	46.9	162.3
retail banking	75.1	137.5	4.6	69.8

7.9. Income tax

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Profit before tax	348.6	1 644.5	254.1	1 390.3
Income tax	93.6	391.4	48.4	263.2
Net profit	255.0	1 253.1	205.7	1 127.1
Effective tax rate	26.9%	23.8%	19.0%	18.9%

The difference in the effective tax rate in 2016 was influenced by the bank tax (PLN 280.2 million) and a prudential fee to BGF (PLN 42.3 million).

7.10. Loans and other receivables to other banks

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Current accounts	933.7	947.2	820.7	1 165.8
Interbank deposits	0.0	161.5	59.4	603.1
Loans and advances	156.0	55.5	81.7	70.7
Factoring receivables	24.0	28.9	51.4	7.4
Reverse repo transactions	0.0	0.0	0.0	1 467.2
Other	0.0	0.0	1.5	13.1
Total (gross)	1 113.7	1 193.1	1 014.7	3 327.3
Impairment losses, including:				
concerning loans and advances	-0.3	-0.4	-0.1	-1.6
Total (net)	1 113.4	1 192.7	1 014.6	3 325.7

7.11. Financial assets at fair value through profit or loss

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Financial assets held for trading, including:	2 826.8	1 617.3	1 127.1	2 769.2
debt instruments	2 805.2	1 617.3	964.3	2 411.8
transactions with the buy-back commitment	21.6	0.0	162.8	357.4
Total, including:	2 826.8	1 617.3	1 127.1	2 769.2
Treasury bonds and Treasury bills	2 795.7	1 607.5	964.3	2 411.8
European Investment Bank bonds	9.5	9.8	0.0	0.0

7.12. Investments

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Available-for-sale financial assets, including:	20 557.2	22 794.1	20 678.1	21 977.1
debt instruments, including:	20 508.4	22 749.5	20 494.9	21 971.8
- fair value hedge-hedged items	12 191.3	14 058.8	3 515.5	3 496.0
equity instruments	48.8	44.6	183.2	5.3
Financial assets held to maturity, including:	5 164.1	4 549.9	2 800.7	2 333.2
debt instruments	5 164.1	4 549.9	2 800.7	2 333.2
Total, including:	25 721.3	27 344.0	23 478.8	24 310.3
Treasury bonds and Treasury bills	23 038.1	24 586.8	20 620.6	21 056.9
European Investment Bank bonds	496.1	505.7	0.0	0.0

In the amount shown as at 31 December 2015 under the *Available-for-sale financial assets – equity instruments* item, PLN 177.9 million represented the fair value of Visa Europe Limited's shares. In June 2016, the shares were divested and the Group received *inter alia* Visa Inc.'s preferred stock under the sale transaction settlement. In the amounts shown as at 31 December 2016 and as at 30 September 2016, the fair values of received Visa Inc.'s shares were PLN 43.4 million and PLN 39.2 million respectively.

7.13. Loans and other receivables to customers

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Customer loan portfolio, including:	79 447.9	77 888.3	70 046.9	69 046.5
Loans and advances	66 783.9	65 486.5	58 563.8	58 058.7
Leasing receivables	5 760.5	5 555.7	4 922.1	4 828.0
Factoring receivables	4 373.6	4 286.0	3 402.0	3 151.4
Corporate and municipal bonds	2 529.9	2 560.1	3 159.0	3 008.4
Other receivables, including:	3 999.3	3 944.0	4 019.6	3 884.6
T-eurobonds	3 910.7	3 822.7	3 838.6	3 793.6
Other	88.6	121.3	181.0	91.0
Total loans and receivables to customers (gross)	83 447.2	81 832.3	74 066.5	72 931.1
Impairment losses (with IBNR), including:	-1 467.7	-1 454.9	-1 546.9	-1 505.9
concerning customer loan portfolio, including:	-1 467.0	-1 453.7	-1 545.9	-1 504.9
concerning loans and advances	-1 376.7	-1 384.6	-1 390.7	-1 376.6
concerning leasing receivables	-50.4	-46.4	-39.4	-38.4
concerning factoring receivables	-22.8	-21.3	-12.3	-12.0
concerning debt securities (corporate and municipal bonds)	-17.1	-1.4	-103.5	-77.9
concerning other receivables, including:	-0.7	-1.2	-1.0	-1.0
concerning T-eurobonds	-0.7	-0.7	-0.5	-0.5
other	0.0	-0.5	-0.5	-0.5
Total loans and receivables to customers (net), including:	81 979.5	80 377.4	72 519.6	71 425.2
to entities from the financial sector other than banks	2 347.3	2 065.4	2 510.0	2 017.2
to entities from the non-financial sector	72 306.2	70 845.1	62 285.6	61 918.4
to entities from the government and self-government institutions' sector	7 326.0	7 466.9	7 724.0	7 489.6

Loans and other receivables to entities from the financial sector other than banks

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Loans and advances, including:	1 879.0	1 563.5	1 936.1	1 921.3
- in the current account	376.3	258.4	157.3	164.1
- term ones	1 502.7	1 305.1	1 778.8	1 757.2
Leasing receivables	0.6	0.6	0.7	11.0
Faktoring receivables	0.5	0.5	21.1	7.5
Debt securities (notes)	386.6	386.5	384.5	0.0
Other receivables	81.6	115.2	168.3	78.0
Total (gross)	2 348.3	2 066.3	2 510.7	2 017.8
Impairment losses (including IBNR), including:	-1.0	-0.9	-0.7	-0.6
- concerning loans and advances	-0.9	-0.8	-0.6	-0.6
- concerning debt securities	-0.1	-0.1	-0.1	0.0
Total (net)	2 347.3	2 065.4	2 510.0	2 017.2

Loans and other receivables to entities from the non-financial sector

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Business entities, including:	40 321.0	39 999.4	35 998.3	36 599.2
Loans and advances, including:	30 245.8	30 118.1	26 884.8	27 429.3
- in the current account	6 964.2	7 765.9	6 999.9	7 564.3
- term ones	23 281.6	22 352.2	19 884.9	19 865.0
Leasing receivables	4 903.4	4 772.5	4 319.5	4 270.7
Factoring receivables	4 208.5	4 163.4	3 279.8	3 047.7
Debt securities (corporate bonds and notes)	956.3	939.8	1 502.0	1 839.0
Other receivables	7.0	5.6	12.2	12.5
Households, including:	33 450.0	32 297.8	27 832.0	26 823.0
Loans and advances, including:	32 513.5	31 464.6	27 173.5	26 218.8
- in the current account	1 762.7	1 792.9	1 632.9	1 682.6
- term ones	30 750.8	29 671.7	25 540.6	24 536.2
Leasing receivables	856.5	782.6	601.9	546.3
Factoring receivables	80.0	50.1	56.1	57.4
Other receivables	0.0	0.5	0.5	0.5
Total (gross)	73 771.0	72 297.2	63 830.3	63 422.2
Impairment losses (including IBNR), including:	-1 464.8	-1 452.1	-1 544.7	-1 503.8
Business entities, including:	-880.2	-935.7	-989.3	-957.0
Concerning loans and advances	-792.9	-869.3	-836.1	-831.0
Concerning leasing receivables	-48.8	-44.9	-37.9	-36.4
Concerning factoring receivables	-21.9	-20.6	-12.2	-11.9
Concerning debt securities	-16.6	-0.9	-103.1	-77.7
Households, including:	-584.6	-516.4	-555.4	-546.8
concerning loans and advances	-582.1	-513.7	-553.3	-544.2
concerning leasing receivables	-1.6	-1.5	-1.5	-2.0
concerning factoring receivables	-0.9	-0.7	-0.1	-0.1
concerning other receivables	0.0	-0.5	-0.5	-0.5
Total (net)	72 306.2	70 845.1	62 285.6	61 918.4

Loans and other receivables to entities from the government and self-government institutions' sector

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Loans and advances, including:	2 145.6	2 340.3	2 569.4	2 489.3
- in the current account	7.4	110.5	6.8	77.6
- term ones	2 138.2	2 229.8	2 562.6	2 411.7
Factoring receivables	84.6	72.0	45.0	38.8
Debt securities (municipal bonds)	1 187.0	1 233.8	1 272.5	1 169.4
T-eurobonds	3 910.7	3 822.7	3 838.6	3 793.6
Total (gross)	7 327.9	7 468.8	7 725.5	7 491.1
Impairment losses (including IBNR), including:	-1.9	-1.9	-1.5	-1.5
concerning loans and advances	-0.8	-0.8	-0.7	-0.8
concerning debt securities (municipal bonds)	-0.4	-0.4	-0.3	-0.2
concerning T-eurobonds	-0.7	-0.7	-0.5	-0.5
Total (net)	7 326.0	7 466.9	7 724.0	7 489.6

Portfolio of loans and receivables by client segment

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Gross value, including:	79 447.9	77 888.3	70 046.9	69 046.5
Corporate banking segment, including:	47 807.3	47 306.5	43 593.4	43 494.5
- loans and advances	35 645.6	35 364.5	32 445.9	32 805.3
- leasing receivables	5 258.2	5 096.0	4 586.7	4 529.7
- factoring receivables	4 373.6	4 285.9	3 401.8	3 151.1
- corporate and municipal debt securities	2 529.9	2 560.1	3 159.0	3 008.4
Retail banking segment, including:	31 640.6	30 581.8	26 453.5	25 552.0
- mortgages	23 887.1	23 059.0	20 294.5	19 572.4
- other loans and advances	7 753.5	7 522.8	6 159.0	5 979.6
Impairment loss of value (including IBNR), including:	-1 467.0	-1 453.7	-1 545.9	-1 504.9
Corporate banking segment, including:	-939.8	-994.1	-1 030.0	-990.3
- loans and advances	-850.5	-926.0	-875.5	-862.8
- leasing receivables	-49.4	-45.7	-38.6	-37.6
- factoring receivables	-22.8	-21.0	-12.4	-12.0
- corporate and municipal debt securities	-17.1	-1.4	-103.5	-77.9
Retail banking segment, including:	-527.2	-459.6	-515.9	-514.6
- mortgages	-195.0	-151.5	-197.1	-206.0
- other loans and advances	-332.2	-308.1	-318.8	-308.6
Net value, including:	77 980.9	76 434.6	68 501.0	67 541.6
Corporate banking segment, including:	46 867.5	46 312.4	42 563.4	42 504.2
- loans and advances	34 795.1	34 438.5	31 570.4	31 942.5
- leasing receivables	5 208.8	5 050.3	4 548.1	4 492.1
- factoring receivables	4 350.8	4 264.9	3 389.4	3 139.1
- corporate and municipal debt securities	2 512.8	2 558.7	3 055.5	2 930.5
Retail banking segment, including:	31 113.4	30 122.2	25 937.6	25 037.4
- mortgages	23 692.1	22 907.5	20 097.4	19 366.4
- other loans and advances	7 421.3	7 214.7	5 840.2	5 671.0

7.14. Quality of customer loan portfolio

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Corporate banking segment				
Gross value, including:	47 807.3	47 306.5	43 593.4	43 494.5
unimpaired	46 269.2	45 644.6	41 867.2	41 800.2
impaired	1 538.1	1 661.9	1 726.2	1 694.3
Impairment losses and provisions, including:	962.3	1 024.6	1 056.1	1 004.8
unimpaired	70.2	68.5	79.2	85.9
impaired	869.6	925.6	950.8	904.4
provisions for off-balance sheet liabilities	22.5	30.5	26.1	14.5
Share of impaired portfolio	3.2%	3.5%	4.0%	3.9%
Impaired portfolio coverage ratio	56.5%	55.7%	55.1%	53.4%
Retail banking segment				
Gross value, including:	31 640.6	30 581.8	26 453.5	25 552.0
unimpaired	31 101.9	30 084.0	25 911.3	25 032.9
impaired	538.7	497.8	542.2	519.1
Impairment losses and provisions, including:	531.5	468.3	515.9	514.7
unimpaired	141.9	104.1	101.7	106.5
impaired	385.3	355.5	414.2	408.1
provisions for off-balance sheet liabilities	4.3	8.7	0.0	0.1
Share of impaired portfolio	1.7%	1.6%	2.0%	2.0%
Impaired portfolio coverage ratio	71.5%	71.4%	76.4%	78.6%
Total gross value	79 447.9	77 888.3	70 046.9	69 046.5
Total impairment losses and provisions, including:	1 493.8	1 492.9	1 572.0	1 519.5
unimpaired	212.1	172.6	180.9	192.4
impaired	1 254.9	1 281.1	1 365.0	1 312.5
provisions for off-balance sheet liabilities	26.8	39.2	26.1	14.6
Total coverage ratio	1.9%	1.9%	2.2%	2.2%
Share of impaired portfolio	2.6%	2.8%	3.2%	3.2%
Impaired portfolio coverage ratio	60.4%	59.3%	60.2%	59.3%

Changes in impairment losses on loans and advances

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01Oct2016 to 31Dec 2016	the period from 01Jan2016 to 31Dec 2016	the period from 01Oct2015 to 31Dec 2015	the period from 01Jan2015 to 31Dec 2015
Opening balance of impairment losses	1 495.4	1 573.6	1 522.6	1 743.8
Changes in the period, including:	0.5	-77.7	51.0	-170.2
changes in income statement	138.5	300.6	51.5	232.1
write-offs and decreases under sale of debt claims	-105.9	-356.1	-7.6	-424.7
other	-32.1	-22.2	7.1	22.4
Closing balance of impairment losses	1 495.9	1 495.9	1 573.6	1 573.6

As at 31 December 2016, the Bank had a portfolio of retail CHF mortgage loans of PLN 1.3 billion (CHF 308.4 million). The Bank Management Board is of the opinion that the said portfolio bears an increased CHF-associated credit risk which will materialise if the PLN/CHF exchange rate materially decelerates or the PLN/CHF exchange rate deceleration sustains. The Management Board believes that the continuing CHF/PLN exchange rate can adversely impact the borrowers' capacity to pay their liabilities. The historical data/parameters for the portfolio in question do not mirror sufficiently the CHF-associated credit risk which can materialise in future cash flows in the loss identification period.

The Bank analysed the portfolio focusing on key risk parameters which are most affected by FX rate changes; that is LTV and DTI and resolved in keeping with IAS 39.62 to adjust the (PD) risk parameter used for calculation of the provisions for incurred but not reported losses for the portion of the portfolio with an increased risk profile by PLN 31.8 million vis-a-vis the provisions stemming from the historical liability repayment data-based model.

7.15. Non-financial assets

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Investment properties	0.3	53.2	53.2	61.0
Property, plant and equipment	578.0	540.0	597.7	574.2
Intangible assets	426.2	431.8	419.6	387.4
Total	1 004.5	1 025.0	1 070.5	1 022.6

The Group has a real property Chorzowska 50 which since used for own investment purposes was classified partly as *investment property* and partly as *property, plant and equipment*. In Q4 2016, the entire property was classified as *property, plant and equipment*, as its utilisation for own purposes increased considerably.

7.16. Liabilities to other banks

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Current accounts	933.4	1 579.9	1 527.1	2 031.3
Interbank deposits	1 050.6	404.2	316.5	1 898.3
Repo transactions	0.0	2 018.2	0.0	4 816.0
Loans received*	3 023.3	2 957.0	1 997.0	2 153.3
Other liabilities	35.7	73.2	72.9	18.2
Total	5 043.0	7 032.5	3 913.5	10 917.1

*) The financing of the long-term leasing contracts in EUR ("the matched funding") received by the subsidiary ING Lease Polska Sp. z o.o. from ING Bank NV.

7.17. Financial liabilities at fair value through profit or loss

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Financial liabilities held for trading, including:	21.6	0.0	162.8	315.7
repo transactions	21.6	0.0	162.8	315.7
Book short position in trading securities	453.2	598.6	466.6	618.4
Total	474.8	598.6	629.4	934.1

7.18. Liabilities to customers

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Deposits	94 113.4	90 785.0	86 463.7	82 585.0
Other liabilities	1 712.0	1 519.6	1 354.8	1 240.9
Total liabilities due to customers, including:	95 825.4	92 304.6	87 818.5	83 825.9
liabilities due to entities from the financial sector other than banks	3 617.9	2 775.5	2 417.3	2 689.7
liabilities due to entities from the non-financial sector	90 456.5	87 572.3	83 769.3	79 348.8
liabilities due to entities from the government and self-government institutions' sector	1 751.0	1 956.8	1 631.9	1 787.4

Liabilities due to entities from the financial sector other than banks

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Deposits, of which:	3 429.2	2 700.8	2 353.8	2 630.9
- current accounts	3 233.8	2 241.3	2 272.3	2 515.6
- term deposit	195.4	459.5	81.5	115.3
Other liabilities	188.7	74.7	63.5	58.8
Total	3 617.9	2 775.5	2 417.3	2 689.7

Liabilities due to entities from the non-financial sector

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Business entities, including:	26 840.9	25 975.1	24 792.9	23 347.8
Deposits, including:	25 395.4	24 618.5	23 594.2	22 258.5
- current accounts	15 542.2	13 431.2	13 123.8	12 693.5
- saving accounts	8 414.4	8 271.1	8 000.5	7 254.3
- term deposit	1 438.8	2 916.2	2 469.9	2 310.7
Other liabilities	1 445.5	1 356.6	1 198.7	1 089.3
Households, including:	63 615.6	61 597.2	58 976.4	56 001.0
Deposits, including:	63 548.0	61 521.0	58 896.2	55 918.0
- current accounts	11 960.2	11 259.2	9 875.2	9 043.7
- saving accounts	47 726.0	45 901.4	42 989.9	41 448.3
- term deposit	3 861.8	4 360.4	6 031.1	5 426.0
Other liabilities	67.6	76.2	80.2	83.0
Total	90 456.5	87 572.3	83 769.3	79 348.8

Liabilities due to entities from the government and self-government institutions' sector

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Deposits, including:	1 740.8	1 944.7	1 619.5	1 777.6
- current accounts	1 684.3	1 747.1	1 530.6	1 657.4
- term deposit	56.5	197.6	88.9	120.2
Other liabilities	10.2	12.1	12.4	9.8
Total	1 751.0	1 956.8	1 631.9	1 787.4

7.19. Provisions

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Provision for issues in dispute	4.2	1.9	3.3	20.5
Provision for off-balance sheet liabilities	26.8	39.2	26.1	14.6
Provision for retirement benefits	29.3	23.0	22.1	20.8
Provision for unused holidays	13.5	15.7	15.7	14.4
Total	73.8	79.8	67.2	70.3

As at 31 December 2016, the Bank additionally recognised under the *Provisions for off-balance sheet liabilities* item provisions for off-balance sheet credit exposures towards clients in the amount of PLN 10.6 million (PLN 15.8 million as at 30 September 2016), which used to be recognised together with the impairment loss and decreased the carrying amount of *Loans and other receivables to customers*. On account of the change insignificance for the balance sheet total (approximately 0.01%), the Bank did not adjust the data for previous periods.

7.20. Fair value

Please find below the breakdown of carrying amounts of financial assets and liabilities into individual categories of valuation levels. In 2016, there were no movements between particular valuation levels.

As of 31 Dec 2016

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	23 313.6	2 477.3	48.8	25 839.7
Financial assets held for trading, including:	2 805.2	21.6	0.0	2 826.8
- treasury bonds	2 795.7	0.0	0.0	2 795.7
- European Investment Bank bonds	9.5	0.0	0.0	9.5
- repo transactions	0.0	21.6	0.0	21.6
Valuation of derivatives	0.0	1 117.1	0.0	1 117.1
Financial assets available-for sale, including:	20 508.4	0.0	48.8	20 557.2
- treasury bonds	19 681.3	0.0	0.0	19 681.3
- French government bonds	533.0	0.0	0.0	533.0
- European Investment Bank bonds	294.1	0.0	0.0	294.1
- equity instruments	0.0	0.0	48.8	48.8
Derivative hedge instruments	0.0	1 338.6	0.0	1 338.6
Financial liabilities, including:	453.2	2 605.7	0.0	3 058.9
Financial liabilities held for trading, including:	0.0	21.6	0.0	21.6
- repo transactions	0.0	21.6	0.0	21.6
Book short position in trading securities	453.2	0.0	0.0	453.2
Valuation of derivatives	0.0	1 116.0	0.0	1 116.0
Derivative hedge instruments	0.0	1 468.1	0.0	1 468.1

As of 31 Dec 2015

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	20 959.5	5 108.2	183.2	26 250.9
Financial assets held for trading, including:	964.4	162.7	0.0	1 127.1
- treasury bonds	964.4	0.0	0.0	964.4
- repo transactions	0.0	162.7	0.0	162.7
Valuation of derivatives	0.0	1 990.9	0.0	1 990.9
Financial assets available-for sale, including:	19 995.1	499.8	183.2	20 678.1
- treasury bonds	19 476.6	0.0	0.0	19 476.6
- French government bonds	518.5	0.0	0.0	518.5
- NBP bills	0.0	499.8	0.0	499.8
- equity instruments	0.0	0.0	183.2	183.2
Derivative hedge instruments	0.0	2 454.8	0.0	2 454.8
Financial liabilities, including:	466.6	3 996.4	0.0	4 463.0
Financial liabilities held for trading, including:	0.0	162.8	0.0	162.8
- repo transactions	0.0	162.8	0.0	162.8
Book short position in trading securities	466.6	0.0	0.0	466.6
Valuation of derivatives	0.0	2 002.7	0.0	2 002.7
Derivative hedge instruments	0.0	1 830.9	0.0	1 830.9

As at 31 December 2015, the Group classified to the 3rd valuation level, among other instruments, the shares of Visa Europe Limited whose fair value as at 2015 yearend was PLN 177.9 million. In 2016, the shares were divested and the Group received *inter alia* Visa Inc.'s preferred stock under the sale transaction settlement. The Group also classifies to the 3rd valuation level the shares of VISA Inc. whose fair value as at 31 December 2016 was PLN 43.4 million. Visa Inc. shares are not quoted, but in the future they will be gradually converted into A-series shares (which are quoted). The assumptions adopted for pricing shares at fair value were defined having regard to such factors as limited capacity to divest shares in the initial period and share conversion conditions (among others, conversion period and rates).

7.20.1. Financial assets and liabilities not carried at fair value in statement of financial position

As of 31 Dec 2016

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Assets					
Cash in hand and balances with the Central Bank	1 825.0	-	1 825.0	-	1 825.0
Financial assets held to maturity	5 164.1	5 058.0	-	-	5 058.0
Loans and receivables to other banks	1 113.4	-	1 113.2	-	1 113.2
Loans and receivables to customers	81 979.5	-	3 904.2	75 122.1	79 026.3
Other assets	195.6	-	-	195.6	195.6
Liabilities					
Liabilities due to other banks	5 043.0	-	5 043.0	-	5 043.0
Liabilities due to customers	95 825.4	-	-	95 824.6	95 824.6
Liabilities under issue of debt securities	866.4	-	864.5	-	864.5
Subordinated liabilities	664.9	-	-	664.9	664.9

As of 31 Dec 2015

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Assets					
Cash in hand and balances with the Central Bank	3 589.7	-	3 589.7	-	3 589.7
Financial assets held to maturity	2 800.7	2 758.4	-	-	2 758.4
Loans and receivables to other banks	1 014.6	-	1 014.6	-	1 014.6
Loans and receivables to customers	72 519.6	-	3 854.5	65 692.4	69 546.9
Receivables from customers due to repo transactions	1 354.4	-	1 354.4	-	1 354.4
Other assets	108.3	-	-	108.3	108.3
Liabilities					
Liabilities due to other banks	3 913.5	-	3 913.5	-	3 913.5
Liabilities due to customers	87 818.5	-	-	87 817.8	87 817.8
Liabilities due to customers under repo transactions	47.5	-	47.5	-	47.5
Liabilities under issue of debt securities	866.3	-	862.3	-	862.3

7.21. Total capital ratio

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Own funds				
A. Own equity in the statement of financial position, including:	10 477.2	10 979.0	10 680.5	10 304.4
A.I. Own equity included in the own funds calculation, including:	9 069.9	9 150.1	8 479.1	8 386.0
share capital and agio	1 086.4	1 086.4	1 086.4	1 086.4
retained earnings	7 874.8	7 874.7	7 237.3	7 235.0
- including financial net result for reporting period	308.5	308.5	305.5	305.5
revaluation reserve (unrealised losses)	-62.0	-23.6	-73.2	-108.3
revaluation reserve (unrealised gains)	170.7	212.6	228.6	172.9
A.II. Own equity excluded from own funds calculation, including:	1 407.3	1 828.9	2 201.4	1 918.4
revaluation reserve	468.8	1 152.8	1 329.6	1 252.3
retained earnings	936.2	673.8	869.2	663.5
other	2.3	2.3	2.6	2.6
B. Other elements of own funds (decreases and increases), including:	123.7	82.2	-559.0	-543.8
subordinated debt	663.6	646.8	-	-
goodwill and other intangible assets	-423.6	-430.1	-421.0	-390.7
AIRB shortfall/surplus of credit risk adjustments to expected losses	-115.7	-134.5	-138.0	-153.1
value adjustments due to the requirements for prudent valuation	-0.6	0.0	0.0	0.0
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	9 193.6	9 232.3	7 920.1	7 842.2
Core Tier I capital	8 553.1	8 612.4	7 920.1	7 842.2
Tier II capital	640.5	619.9	0.0	0.0
Capital requirements				
capital requirements for credit risk	4 121.5	4 249.2	3 935.1	4 039.2
other capital requirements	598.6	609.2	600.1	553.0
supplement to the overall level of capital requirements	273.5	132.6	75.9	0.0
Total capital requirements	4 993.6	4 991.0	4 611.1	4 592.2
Total capital ratio	14.7%	14.8%	13.7%	13.7%
Tier I ratio	13.7%	13.8%	13.7%	13.7%

Starting from January 2016, the Bank's calculation of own funds has included 60% of unrealised profits and 100% of unrealised losses from the valuation of available-for-sale financial assets presented in the revaluation reserve (as per Article 171a of the Banking Law). In 2015, the Bank recognised 40% of unrealised profits and 100% of unrealised valuation losses respectively in the calculation of own funds.

Under Regulation (EU) No. 241/2014 with regard to regulatory technical standards for own funds requirements for institutions and the Polish Financial Supervision Authority's decision of 15 September 2016, the Group recognised the Bank's net profit of PLN 308.5 million for the period from 01 January 2016 to 30 June 2016 in their own funds as at 31 December 2016 and 30 September 2016.

On 23 February 2016, ING Bank Śląski S.A. and ING Bank N.V. with its registered office in Amsterdam entered into a subordinated loan agreement for EUR 150 million. On 19 April 2016, the Polish Financial Supervision Authority approved loan amount recognition under Tier II capital by the Bank.

On 10 October 2016, the Bank received a decision of the Polish Financial Supervision Authority on identification of the Bank as other systemically-important institution and on imposing on the Bank, on a stand-alone and consolidated basis, a buffer of other systemically-important institution equal to 0.50% of the total risk exposure calculated as at 31 December 2015, pursuant to Article 92 section 3 of EU Regulation No. 575/2013.

8. Factors potentially affecting the financial results in the following quarters

The macroeconomic factors that may impact the results in subsequent quarters include:

- In the opinion of the economists from ING Bank Śląski S.A., the GDP growth in Q4 2016 will approximate to 2.0% y/y. This means a slowdown when compared with Q3 2016 (the GDP growth rate totalled 2.5% y/y then) caused by a stoppage of public investment projects co-financed with the EU funds. The rise in private consumption following the pay-out of 500+ benefits was probably lower than expected – according to the consumer surveys, a significant part of households used the received funds either to increase their savings or repay their debt, which is visible in the slowdown of the consumer credits growth.
- As per ING Bank Śląski S.A.'s projections, in 2017, we should expect acceleration of the GDP growth that will average at 3.0% y/y. The progress in signing contracts for the projects co-financed with the EU funds allows us to expect a marked revival of public investments in mid-2017. At the same time, private businesses from certain sectors, like the power sector, declare a rise in their investment plans.
- The economists from ING Bank Śląski S.A. expect that 2017 will see a further intensification of the pay pressure in the domestic economy. Business entities declare growing difficulties in finding employees. The problem may be further reinforced by regulatory changes, such as a relatively high rise in minimum remuneration, introduction of a minimum hour rate, as well as lowering of the pension age. 2017 will be the first year when the 500+ benefits will be paid out in all quarters. In the view of the economists from ING Bank Śląski S.A., this will translate into the accelerated growth rate of consumer spending in 2017, reaching nearly 4% y/y.
- A higher internal demand in Poland, i.e. investment projects and consumption, will most probably lead to a trade balance deterioration. The investment process in Poland tends to be import-intensive and the increase in household disposable income will probably trigger a higher demand for imported durable goods (cars, for example). According to ING Bank Śląski S.A.'s projections, the imports increase will be partly compensated with higher exports, as suggested by better economic effectiveness of Poland's key trade partners.
- In the view of the economists from ING Bank Śląski S.A., CPI inflation in Poland in H1 2017 will exceed the bottom threshold of the National Bank of Poland target (1.5% y/y) due to, among others, a strong rise in fuel prices, whereas average inflation throughout the year will go beyond 2.0% y/y. Despite that, the Monetary Policy Council will in all likelihood not decide to tighten its policy before 2018. The growth in prices is largely dictated by external factors (crude oil prices, for example) that remain beyond the MPC's control. This overlaps with

the uncertainty as to the moment of Poland's GDP rebound and changes in the external environment (like the USA's trade policy).

- The risk of Poland's rating downgrade by one of the leading agencies came down: the threat of the banking sector destabilisation abated owing to the Swiss Franc Act. Concerns raised by some international institutions about the National Bank of Poland's independence did not come true; rating agencies assume that a substantial rise in outlays may be covered from the income obtained thanks to better tax collection. However, lowering of the pension age does pose a risk, which refrains the agencies from upgrading their ratings.
- Domestic regulatory landscape remains the cause of uncertainty for the banking sector. The Financial Stability Committee announced introduction of the solutions designed to induce banks to convert FX mortgage loans. In the light of the recent announcements, the risk weight of that class of assets will be maximised (150%) and a minimum LGD level will be put in place. Furthermore, there is a risk of increasing capital requirements through the so-called systemic risk buffer of 3%.

9. Off-balance sheet items

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Off-balance sheet liabilities granted	27 954.5	27 081.1	24 423.2	24 766.0
Off-balance sheet liabilities received	79 093.3	65 804.8	53 515.3	51 765.2
Off-balance sheet financial instruments	439 511.9	394 457.4	358 574.2	314 013.8
Total off-balance sheet items	546 559.7	487 343.3	436 512.7	390 545.0

10. Issues, redemption or repayments of debt securities and equities

None.

11. Dividends paid

On 31 March 2016, the General Meeting passed a resolution regarding dividend payout for 2015, pursuant to which the Bank paid out the dividend for 2015 totalling PLN 559,430.0 thousand, (PLN 4.3 gross per share). On 20 April 2016 the shareholders of record became entitled to the dividend payout which took place on 5 May 2016.

On 31 March 2015, the General Meeting passed a resolution regarding dividend payout for 2014, pursuant to which the Bank paid out the dividend for 2014 totalling PLN 520,400.0 thousand, (PLN 4.0 gross per share). On 20 April 2015 the shareholders of record became entitled to the dividend payout which took place on 5 May 2015.

12. Settlements due to disputable cases

ING Bank Śląski maintains detailed records of court cases and other liabilities being legal claims. The Bank establishes reserves for the cases, which in the opinion of the legal staff and/or management staff are encumbered with a high risk of losing the case or it is impossible to recover the lost assets. Possible future settlements are made against the reserves established.

Changes to the litigation reserves (in PLN million)

	4Q 2016 the period from 01 Oct 2016 to 31 Dec 2016	4Q 2016 YTD the period from 01 Jan 2016 to 31 Dec 2016	4Q 2015 the period from 01 Oct 2015 to 31 Dec 2015	4Q 2015 YTD the period from 01 Jan 2015 to 31 Dec 2015
Status at the period beginning	1.9	3.3	20.5	21.5
Establishment of provisions	2.3	2.9	0.3	0.7
Release of provisions	-0.1	-1.5	-1.6	-1.9
Utilisation of provision	0.1	-0.5	-14.8	-15.9
Others	0.0	0.0	-1.1	-1.2
Status as at the period	4.2	4.2	3.3	3.3

Both as at the end of Q4 2016 and Q4 2015, there were no pending proceedings concerning liabilities or debt claims at ING Bank Śląski S.A. Group whose value or total value would constitute at least 10% of the Bank's equity before any court of law, competent body for the arbitration proceedings or any public administration authority.

13. Seasonality or cyclicity of activity

Activity of ING Bank Śląski Group is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

14. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 December 2016 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. Moreover, ING Lease Sp. z o.o. received long-term funding for leasing contracts in EUR ("matched funding"). The abovementioned transactions are carried out on an arm's length basis.

There were also other transactions between the related entities and ING Bank Śląski. They originated from agreements concluded as to co-operation, sublease of premises, lease of equipment, data processing as well as employees' insurance contributions.

Costs are presented as per their net value (VAT excluded).

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	ING Bank NV	Other ING Group entities
	as of 31 Dec 2016		as of 31 Dec 2015	
Receivables				
Nostro accounts	16.5	14.3	4.7	31.1
Loans	27.3	52.6	25.9	23.7
Positive valuation of derivatives	206.9	127.5	364.8	235.7
Other receivables	7.4	2.3	8.7	2.2
Liabilities				
Deposits received	135.6	34.5	274.2	12.6
Loans received	2 746.0	-	1 745.7	-
Subordinated loan	665.0	-	-	-
Loro accounts	9.3	57.8	54.6	5.8
Negative valuation of derivatives	261.9	119.7	351.6	166.2
Other liabilities	61.9	1.0	66.4	3.1
Off-balance-sheet operations				
Off-balance sheet liabilities granted	433.1	209.5	813.1	156.7
Off-balance sheet liabilities received	1 588.1	97.7	2 835.8	95.1
FX transactions	11 828.7	125.5	8 329.4	35.6
Forward transactions	2 747.9	-	72.2	-
IRS	3 824.6	2 816.0	11 186.7	3 532.9
Options	7 401.7	293.0	2 141.3	478.3
	4Q 2016 YTD the period from 01Jan 2016 to 31 Dec 2016		4Q 2015 YTD the period from 01Jan 2015 to 31 Dec 2015	
Income and expenses				
Income, including:	-181.2	-38.8	17.4	49.1
interest and commission income/expenses	-30.2	14.8	-15.8	22.1
income on financial instruments	-151.7	-53.6	32.4	26.5
net income on other basic activities	0.7	-	0.8	0.5
General and administrative expenses	61.2	6.7	65.8	16.6
Outlays for non-current assets				
Outlays for property, plant and equipment	-	0.9	-	0.3
Outlays for intangible assets	3.8	0.3	2.7	0.2

When compared with the financial statements for previous periods, the Bank adapted comparable data to agree with the changed note presentation. Receivables, liabilities, income and expenses are shown as in the financial statements. In the Bank's opinion, change of the presentation method enhanced the quality of financial statements disclosures.

15. Segmentation of revenue and financial results of the Group

15.1. Segments of operation

The management of ING Bank Śląski is conducted within the areas defined in the Bank's business model.

The Bank's business model, above all for the purpose of management reporting, includes division of clients into two main segments:

- retail banking segment,
- corporate banking segment.

The segments are separated based on the financial (especially turnover, level of collected assets) and subject-related criteria. The specific rules of putting clients to respective segments are governed by the clients segmentation criteria specified in the Bank's internal regulations.

ING Bank Śląski S.A. has separated in organisational terms the operations performed by the Bank Treasury. The Bank Treasury manages short-term and long-term liquidity risk in line with the effective regulations and risk appetite internally set at the Bank, manages interest rate risk and invests surpluses obtained from business lines while maintaining the liquidity buffer in the form of liquid assets. The Bank Treasury's net income on operations is allocated to the business lines considering its support function for the Bank's business lines.

15.1.1. Retail banking segment

Within the framework of retail banking, the Bank provides services for individual customers (segments of mass customers and wealthy customers) and for sole traders.

This activity is analysed by the leading products, including i.e.: credit products (overdraft on the savings and settlement account - ROR, loans related to cards, hire purchase loans, housing loans, mortgage loans), deposit products (current accounts, term deposits, savings accounts), structured product, ING fund units, brokerage services and bank cards.

15.1.2. Corporate banking segment

Corporate banking area encompasses as follows:

- providing services to institutional clients,
- Financial Markets products.

Services to institutional clients encompasses strategic clients, large corporate entities and mid-sized companies. For corporate activity, the Bank provides reporting broken down by leading products covering i.e. loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), financial markets products, trust services, capital market operations conducted by the parent and by ING Securities, products related to leasing and factoring services offered by ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.

Financial Markets products encompass operations performed in money and capital markets, conducted both on the proprietary basis as well as for the customers' benefit. Within the framework of this activity, currency, money and derivative instrument market products and securities operations (treasury securities, shares and notes) are specified.

15.1.3. Measurement

The measurement of the segment's assets and liabilities, segment's revenue and costs is based on the accounting standards applied by the Bank, included in notes describing applied accounting standards. In particular, both internal and external interest income and costs for individual segments are determined with the use of the transfer price system within the Risk Transfer System (RTS). Transfer prices are defined based on the yield curve for a given currency that is common for assets and liabilities. The transfer price that is determined for the products being assets and liabilities with the same position on the yield curve is identical. The original transfer price – coming from the product measurement regarding the yield curve can be modified and the factors adjusting the transfer price can be the following: a premium for obtainment of long-term liquidity, matching of the Bank's position, a hedging cost for sophisticated products and the pricing policy. Thereafter, based on quotation rates available at news services, yield curves are developed using mathematical equations. Revenue, costs, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises. The Bank presents segment's interest income reduced by the cost of the interest. In 12 months 2016, the Bank revised the allocation key for the ALCO's income. The data for previous periods presented herein were made comparable.

4Q 2016 YTD

the period from 01 Jan 2016 to 31 Dec 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	2 475.8	1 848.7	4 324.5
net interest income	1 866.4	1 087.0	2 953.4
net commission income	380.7	684.1	1 064.8
other income/expenses	228.7	77.6	306.3
Expenses total	1 235.6	863.6	2 099.2
Segment result	1 240.2	985.1	2 225.3
Impairment losses	137.5	163.1	300.6
Tax on certain financial institutions	101.7	178.5	280.2
Segment profit before tax	1 001.0	643.5	1 644.5
Income tax	-	-	391.4
Result after tax	-	-	1 253.1
- attributable to shareholders of ING Bank Śląski S.A.	-	-	1 253.0
Allocated equity	4 434.6	6 040.3	10 474.9
ROE - Return on equity (%)*	16.7	8.0	11.7

*) ROE - Return on equity - net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average equity for 5 subsequent quarters.

4Q 2016

the period from 01 Oct 2016 to 31 Dec 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	622.6	499.4	1 122.0
net interest income	523.5	286.0	809.5
net commission income	100.1	183.4	283.5
other income/expenses	-1.0	30.0	29.0
Expenses total	311.8	245.9	557.7
Segment result	310.8	253.5	564.3
Impairment losses	75.1	63.4	138.5
Tax on certain financial institutions	28.6	48.6	77.2
Segment profit before tax	207.1	141.5	348.6
Income tax	-	-	93.6
Result after tax	-	-	255.0
- attributable to shareholders of ING Bank Śląski S.A.	-	-	254.9

4Q 2015 YTD
 the period from 01 Jan 2015 to 31 Dec 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	2 088.3	1 689.8	3 778.1
net interest income	1 516.9	950.2	2 467.1
net commission income	363.0	654.2	1 017.2
other income/expenses	208.4	85.4	293.8
Expenses total	1 317.4	838.3	2 155.7
Segment result	770.9	851.5	1 622.4
Impairment losses	69.8	162.3	232.1
Segment profit before tax	701.1	689.2	1 390.3
Income tax	-	-	263.2
Result after tax	-	-	1 127.1
- attributable to shareholders of ING Bank Śląski S.A.	-	-	1 127.0
Allocated equity	4 485.5	6 192.4	10 677.9
ROE - Return on equity (%)*	13.5	9.3	11.0

*) ROE - Return on equity - net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average equity for 5 subsequent quarters.

4Q 2015
 the period from 01 Oct 2015 to 31 Dec 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	508.5	445.1	953.6
net interest income	394.5	264.9	659.4
net commission income	86.9	167.9	254.8
other income/expenses	27.1	12.3	39.4
Expenses total	390.0	258.0	648.0
Segment result	118.5	187.1	305.6
Impairment losses	4.6	46.9	51.5
Segment profit before tax	113.9	140.2	254.1
Income tax	-	-	48.4
Result after tax	-	-	205.7
- attributable to shareholders of ING Bank Śląski S.A.	-	-	205.7

15.1.4. Geographical segments

The business activities of the Capital Group are performed on the territory of the Republic of Poland.

16. Other informations

16.1. Ratings

Fitch Ratings Ltd.

The Fitch Ratings Ltd. Agency assigns full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency. In the announcement of 20 April 2016, the Agency upgraded the Long-Term Issuer Default Rating (Long-Term IDR) for ING Bank Śląski S.A. from A- to A. The rating outlook is stable. The upgrade is the result of the same rating action taken towards ING Bank N.V. which is the Bank's dominant shareholder. Additionally, the Agency upheld the support rating at 1.

On 09 November 2016 the Agency upheld the ratings for ING Bank Śląski S.A. The Agency emphasised in its announcement that the ratings upheld for ING Bank Śląski S.A. reflected the Bank's solid financial standing and strong capital position, high asset quality and stable funding source relying on client deposits.

As at 31 December 2016, the Bank had the rating of financial credibility, issued by the Agency:

Rating	Level
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 determine the entity's ability to meet financial commitments on a timely basis. Long-term IDR at A level reflects high ability of the Bank to timely settle long-term financial obligations. Short-term IDR at the F1 level means the highest rating for the ability to meet short-term commitments (up to 13 months) on a timely basis. In case of both ratings the Fitch agency considered the high probability of obtaining potential support from the dominant shareholder. ING Bank NV (ING Bank Śląski) was assigned the highest support rating – 1). Viability rating of bbb+ means that according to the Agency, the intrinsic creditworthiness of the Bank; i.e., without any support (understood as the capacity to pay one's liabilities on time) is high. The Agency is of the opinion that the Bank has strong capital and liquidity position.

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. On 25 July 2016, the Agency in its semi-annual review affirmed the ratings for ING Bank Śląski S.A. The agency stressed in its announcement that the ING Bank Śląski S.A.'s ratings reflected its good financial results, including the quality of its assets above the sector's average and the self-financing nature of the Bank's operations.

As at 31 December 2016, the Bank's financial viability rating issued by the Agency was as follows:

Rating	Level
LT Rating	A3
ST Rating	P-2
Baseline Credit Assessment (BCA)	baa3
Adjusted Baseline Credit Assessment (Adjusted BCA)	baa2
LT rating outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A2/P-1

16.2. Number of Branches and ATMs, CDMs

The number of outlets of the Bank in particular periods was as follows:

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Number of outlets	384	386	395	398
Number of ING Express sales points at shopping malls	65	65	64	60

As at 31 December 2016, Clients could use 1,145 machines for cash self-service, including 213 standard ATMs and 932 dual machines. As at 31 December 2015, there were 1,109 machines for cash self-service, including 206 standard ATMs, 9 standard CDMs and 894 dual machines.

16.3. Electronic distribution channels

Development of electronic distribution channels is one of the Bank's priorities. A regular update of this offer results in an increase of the number of Clients interested in e-banking. The figures for electronic banking clients¹ are as follows:

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
ING BankOnLine, Moje ING and ING BusinessOnLine (in million)	3.4	3.3	3.2	3.1
HaloŚląski (in million)	2.3	2.2	2.1	2.0
ING BankMobile, Moje ING Mobile* (in million)	2.0	1.7	1.2	1.1
ING BusinessMobile (in thousands)	12.1	11.4	9.5	8.8

* / Number of downloaded applications

The monthly number of transactions in December 2016 was at the level of 32.2 million, whereas at the end of December 2015 it was 28.9 million.

¹ The number of clients is not the same as the number of users as one client may represent several users in a given system.

16.4. Banking cards

ING Bank Śląski S.A. is one of the largest issuers of banking cards in Poland. The data concerning the number of payment cards issued to ING Bank Śląski S.A. clients are as follows:

in thousands	as of	as of	as of	as of
	31 Dec 2016	30 Sep 2016	31 Dec 2015	30 Sep 2015
Debit cards	2 832	2 818	2 685	2 636
Credit cards	218	217	211	210
Other cards	110	105	107	103
Total payment cards, in which:	3 160	3 140	3 003	2 949
Paywave ²	2 485	2 467	2 343	2 295
Virtual cards	50	46	42	42

² Cards: Contactless VISA, Contactless Visa Business, Contactless MasterCard Debit, Visa Zbliżak, Zbliżak VISA 2016, VISA NFC.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2017-01-31	Brunon Bartkiewicz President	<i>Signed on the Polish original</i>
2017-01-31	Mirosław Boda Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Michał Bolesławski Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Joanna Erdman Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Marcin Giżycki Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Justyna Kesler Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Patrick Roesink Vice-President	<i>Signed on the Polish original</i>

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2017-01-31	Jolanta Alvarado Rodriguez	Director of Accounting Department Chief Accountant	<i>Signed on the Polish original</i>
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Interim condensed standalone income statement

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01 Oct 2016 to 31 Dec 2016	the period from 01 Jan 2016 to 31 Dec 2016	the period from 01 Oct 2015 to 31 Dec 2015	the period from 01 Jan 2015 to 31 Dec 2015
Interest income	978.7	3 778.5	895.7	3 483.6
Interest expenses	202.7	953.5	270.8	1 140.1
Net interest income	776.0	2 825.0	624.9	2 343.5
Commission income	308.1	1 146.6	262.2	1 055.9
Commission expenses	35.7	131.5	28.2	104.6
Net commission income	272.4	1 015.1	234.0	951.3
Net income on financial instruments at fair value through profit or loss and FX result	12.7	55.7	22.9	81.9
Net income on investments	3.1	245.3	0.4	245.5
Net income on hedge accounting	-0.7	-2.6	5.6	22.9
Net income on other basic activities	-1.2	-2.5	2.7	-1.4
Net income on basic activities	1 062.3	4 136.0	890.5	3 643.7
General and administrative expenses	538.6	2 009.7	619.8	2 035.0
Impairment losses and provisions for off-balance sheet liabilities	124.1	268.5	46.3	212.8
Tax on certain financial institutions	77.2	280.2	0.0	0.0
Gross profit (loss)	322.4	1 577.6	224.4	1 395.9
Income tax	85.7	368.9	40.9	255.9
Net profit (loss)	236.7	1 208.7	183.5	1 140.0
Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)	1.82	9.29	1.41	8.76

The diluted earnings per share are the same as the profit per one ordinary share.

Interim condensed standalone statement of comprehensive income

	4 Q 2016	4 Q 2016 YTD	4 Q 2015	4 Q 2015 YTD
	the period from 01 Oct 2016 to 31 Dec 2016	the period from 01 Jan 2016 to 31 Dec 2016	the period from 01 Oct 2015 to 31 Dec 2015	the period from 01 Jan 2015 to 31 Dec 2015
Net profit for the period	236.7	1 208.7	183.5	1 140.0
Total other comprehensive income, including:	-757.0	-895.9	170.5	-383.4
Items which can be reclassified to income statement	-759.4	-898.1	171.4	-379.9
Items which will not be reclassified to income statement	2.4	2.2	-0.9	-3.5
Net comprehensive income for the reporting period	-520.3	312.8	354.0	756.6

Interim Condensed Standalone Income Statement and Interim Condensed Standalone Statement of Comprehensive income shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone statement of financial position

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Assets				
Cash in hand and balances with the Central Bank	1 825.0	1 299.1	3 589.7	3 940.6
Loans and other receivables to other banks	1 113.4	1 192.7	1 013.1	3 312.6
Financial assets at fair value through profit or loss	2 826.8	1 617.3	1 127.1	2 769.2
Valuation of derivatives	1 117.1	1 124.9	1 990.9	1 947.2
Investments	25 721.3	27 344.0	23 478.7	24 310.2
Derivative hedge instruments	1 338.6	2 138.9	2 454.8	2 521.2
Loans and other receivables to customers	78 038.0	76 534.9	69 633.4	68 563.6
Receivables from customers under repo transactions	0.0	19.7	1 354.4	553.6
Investments in controlled entities	239.2	239.2	269.3	269.3
Non-financial assets	991.2	1 012.9	1 036.1	989.7
Assets held for sale	31.8	31.0	38.4	44.1
Tax assets	154.2	0.0	0.0	0.0
Other assets	132.8	141.9	120.0	175.8
Total assets	113 529.4	112 696.5	106 105.9	109 397.1
Liabilities				
Liabilities to other banks	2 019.9	4 075.6	1 855.4	8 759.7
Financial liabilities at fair value through profit or loss	474.8	598.6	629.4	934.1
Valuation of derivatives	1 116.0	1 101.9	2 002.8	2 037.5
Derivative hedge instruments	1 468.1	1 614.3	1 830.9	1 842.8
Liabilities to customers	95 168.4	91 636.3	87 383.7	83 490.4
Liabilities to customers under repo transactions	0.0	0.0	47.5	4.1
Liabilities under issue of debt securities	866.4	871.9	866.3	872.0
Subordinated liabilities	664.9	648.1	0.0	0.0
Provisions	71.2	77.4	63.8	66.0
Tax liabilities	119.6	145.9	153.7	123.5
Other liabilities	1 265.2	1 111.4	787.2	1 135.9
Total liabilities	103 234.5	101 881.4	95 620.7	99 266.0
Equity				
Share capital	130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3
Revaluation reserve	576.8	1 333.8	1 474.1	1 305.9
Retained earnings	8 631.7	8 394.9	7 924.7	7 738.8
Total equity	10 294.9	10 815.1	10 485.2	10 131.1
Total equity and liabilities	113 529.4	112 696.5	106 105.9	109 397.1
Carrying amount	10 294.9	10 815.1	10 485.2	10 131.1
Number of shares	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)	79.13	83.13	80.59	77.87

Interim Condensed Standalone Statement of Financial Position shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone statement of changes in equity

4 Q 2016 YTD

the period from 01 Jan 2016 to 31 Dec 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 474.1	7 924.7	10 485.2
Net result for the current period	-	-	-	1 208.7	1 208.7
Other net comprehensive income, including:	0.0	0.0	-897.4	1.5	-895.9
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	-76.2	-	-76.2
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-183.7	-	-183.7
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-32.2	-	-32.2
effective part of cash flow hedging relationship	-	-	-606.0	-	-606.0
revaluation of non-current assets	-	-	0.6	-	0.6
disposal of non-current assets	-	-	-1.5	1.5	0.0
actuarial gains/losses	-	-	1.6	-	1.6
Other changes in equity, including:	0.0	0.0	0.1	-503.2	-503.1
valuation of share-based payments	-	-	-	1.1	1.1
settlement of subsidiary takeover	-	-	0.1	55.1	55.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-559.4
Closing balance of equity	130.1	956.3	576.8	8 631.7	10 294.9

4 Q 2015 YTD

the period from 0 Jan 2015 to 31 Dec 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 869.0	7 292.4	10 247.8
Net result for the current period	-	-	-	1 140.0	1 140.0
Other net comprehensive income, including:	0.0	0.0	-394.9	11.5	-383.4
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	13.4	-	13.4
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-47.2	-	-47.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-28.4	-	-28.4
effective part of cash flow hedging relationship	-	-	-317.7	-	-317.7
revaluation of non-current assets	-	-	-3.7	-	-3.7
disposal of non-current assets	-	-	-10.8	11.5	0.7
actuarial gains/losses	-	-	-0.5	-	-0.5
Other changes in equity, including:	0.0	0.0	0.0	-519.2	-519.2
valuation of share-based payments	-	-	-	1.2	1.2
dividends paid	-	-	-	-520.4	-520.4
Closing balance of equity	130.1	956.3	1 474.1	7 924.7	10 485.2

Interim Condensed Standalone Statement of Changes in Equity shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone cash flow statement

	4 Q 2016 YTD the period from 01 Jan 2016 to 31 Dec 2016	4 Q 2015 YTD the period from 01 Jan 2015 to 31 Dec 2015
Net profit (loss)	1 208.7	1 140.0
Adjustments	-504.4	-1 410.4
Depreciation and amortisation	208.8	185.2
Interest accrued (from the income statement)	-2 825.0	-2 343.5
Interest paid	-948.0	-1 148.3
Interest received	3 665.7	3 461.3
Dividends received	-18.5	-99.2
Gains (losses) on investing activities	2.9	-87.6
Income tax (from the income statement)	368.9	255.9
Income tax paid	-557.2	-350.7
Change in provisions	7.4	-6.5
Change in loans and other receivables to other banks	12.5	664.1
Change in financial assets at fair value through profit or loss	-1 700.6	729.6
Change in available-for-sale financial assets	-163.3	286.0
Change in valuation of derivatives	-13.0	-97.7
Change in hedge derivatives	147.4	9.4
Change in loans and other receivables to customers	-7 084.8	-12 903.8
Change in other assets	137.3	54.8
Change in liabilities to other banks	164.4	-1 788.5
Change in liabilities at fair value through profit or loss	-154.6	-288.0
Change in liabilities to customers	7 754.5	12 107.1
Change in other liabilities	490.8	-50.0
Net cash flow from operating activities	704.3	-270.4
Purchase of property plant and equipment	-75.1	-137.2
Disposal of property plant and equipment	3.2	5.1
Purchase of intangible assets	-111.3	-129.1
Purchase of shares in controlled entities	0.0	-0.1
Disposal of assets held for sale	11.8	144.1
Purchase of held-to-maturity financial assets	-2 416.4	-1 138.6
Interest received from held-to-maturity financial assets	140.5	87.6
Dividends received	18.5	99.2
Net cash flow from investing activities	-2 428.8	-1 069.0
Long-term loans received	654.8	0.0
Interest on debt securities issued	-22.6	-23.9
Dividends paid	-559.4	-520.4
Net cash flow from financing activities	72.8	-544.3
Effect of exchange rate changes on cash and cash equivalents	135.9	-40.5
Net increase/decrease in cash and cash equivalents	-1 651.7	-1 883.7
Opening balance of cash and cash equivalents	4 410.4	6 294.1
Closing balance of cash and cash equivalents	2 758.7	4 410.4

Interim Condensed Standalone Cash Flow Statement shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. *Going-concern*

These interim condensed standalone financial statements of the ING Bank Śląski S.A. were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the balance sheet date. As of the date of approving this statement, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Bank is endangered.

1.2. *Discontinued operations*

No material operations were discontinued during 4 quarters 2016 and 4 quarters 2015.

1.3. *Compliance with International Financial Reporting Standards*

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 4 quarter 2016 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 December 2016 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the interim condensed consolidated financial statements for the 4 quarter 2016 and the Bank's financial statements for the year ended 31 December 2015 approved by the General Meeting on 31 March 2016.

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity, and interim condensed standalone cash flow statement for the period from 1 January 2016 to 31 December 2016, and interim condensed standalone statement of financial position as at 31 December 2016 together with comparable data were prepared according to the same principles of accounting for each period.

1.4. *Comparative data*

The comparative data cover the period from 1 January 2015 to 31 December 2015 for the interim condensed standalone income statement, the interim condensed standalone statement of comprehensive income, the interim condensed standalone cash flow statement and the interim condensed standalone statement of changes in equity; and in the case of the interim condensed standalone statement of financial position data as of 30 September 2016, 31 December 2015 and 30 September 2015.

1.5. *Financial statements scope and currency*

From the Bank's point of view all significant disclosures are presented in interim condensed consolidated financial statements.

These interim condensed financial statements have been developed in Polish zloties ("PLN"). Unless

provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

1.6. Changes to accounting standards

In these interim condensed standalone financial statements the same principles of accounting have been applied as the ones applied for developing the 2015 annual standalone financial statements and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 01 January 2016 or afterwards presented in the interim condensed consolidated financial statements of the Group for H1 2016 and in the interim condensed consolidated financial statements of the Group for Q3 2016

Amendments to standards published in Q4 2016 are described in interim condensed consolidated statements of the ING Bank Śląski S.A. Capital Group for the 4 quarter 2016 enclosed herewith ("interim condensed consolidated financial statements"), in chapter *Additional information* in item 4.5. *Changes to accounting standards*.

1.7. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank Management Board on 31 January 2017.

2. Material accounting principles

Detailed accounting principles are presented in annual financial statements of ING Bank Śląski S.A. for the period from 1 January 2015 to 31 December 2015 published on 29 February 2016 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl).

The same accounting principles were applied to interim condensed standalone financial statements and interim condensed consolidated financial statements, except for the changes in recording capital investments described above.

2.1. Subsidiaries

Subsidiaries are entities that are controlled directly or indirectly by the bank. Control is the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. All of the following conditions have to be fulfilled simultaneously in order to confirm control over a specified unit:

- holding an existing right (power) to manage the relevant activities of the unit on an ongoing basis (activities that significantly affect return from a specific involvement with a given unit),
- exposure to variable returns or holding rights to variable returns,
- having the ability to use the existing rights (power) to affect its returns from a given involvement.

The conditions indicated hereinabove are not deemed fulfilled if the existing rights are of the protective nature only, i.e. are defined as rights securing Bank's interests related to a given involvement.

Recognition and valuation

The Bank recognises in its financial statements investments in its subsidiaries at the purchase price. The carrying amount of the investment is subject to tests for impairment under IAS 36. Any identified impairment is recognised in the income statement under the item *Impairment losses for financial assets and provisions for off-balance-sheet liabilities*. Dividends being investment income are

recognised in the income statement as at the date when the Bank is vested with the right to receive them.

3. Accounting estimates

The most significant accounting estimates made by the Bank are described in the annual financial statements of ING Bank Śląski S.A. for the period from 1 January 2015 to 31 December 2015 published on 29 February 2016 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl).

Changes to the estimates made in Q4 2016 were described in the interim condensed consolidated financial statements, in chapter *Additional information*, item 5.1. *Application of estimates to intangible assets amortisation charges*.

4. Comparability of financial data

When compared with the interim standalone financial statements for previous periods, in the interim condensed standalone financial statements for the 4 quarter 2016, the Bank moved valuation of employee incentive programmes to the item *Retained earnings* in the statement of financial position, the fact which was described in chapter *Additional information* of the interim condensed consolidated financial statements in item 6. *Comparability of financial data*.

5. Significant events in 4 quarter 2016

Significant events that occurred in 4 quarter 2016 are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 2. *Significant events in 4 quarter 2016*.

6. Seasonality or cyclicity of activity

Activity of ING Bank Śląski S.A. Group is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

7. Issues, redemption or repayments of debt securities and equities

None.

8. Dividends paid

On 31 March 2016, the General Meeting passed a resolution regarding dividend payout for 2015, pursuant to which the Bank paid out the dividend for 2015 totalling PLN 559,430.0 thousand, (PLN 4.3 gross per share). On 20 April 2016 the shareholders of record became entitled to the dividend payout which took place on 5 May 2016.

On 31 March 2015, the General Meeting passed a resolution regarding dividend payout for 2014, pursuant to which the Bank paid out the dividend for 2014 totalling PLN 520,400.0 thousand, (PLN 4.0 gross per share). On 20 April 2015 the shareholders of record became entitled to the dividend payout which took place on 5 May 2015.

9. Acquisitions

In 4 quarter 2016, the ING Bank Śląski did not make any acquisitions, as in 4 quarter 2015.

10. Off-balance sheet items

	as of 31 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Off-balance sheet liabilities granted	26 994.5	25 769.7	23 453.5	23 206.0
Off-balance sheet liabilities received	77 680.1	64 416.6	51 424.8	49 748.8
Off-balance sheet financial instruments	439 561.7	394 505.9	358 622.2	314 061.5
Total off-balance sheet items	544 236.3	484 692.2	433 500.5	387 016.3

11. Total capital ratio

	as of 30 Dec 2016	as of 30 Sep 2016	as of 31 Dec 2015	as of 30 Sep 2015
Own funds	9 068.1	9 105.9	7 750.1	7 671.5
Total capital requirement	4 369.1	4 392.2	4 115.4	4 182.4
Total capital ratio	16.6%	16.6%	15.1%	14.7%
Tier I ratio	15.4%	15.5%	15.1%	14.7%

12. Significant events after the balance sheet date

Significant events after the balance sheet date are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 3. *Significant events after the balance sheet date*.

13. Transactions with related entities

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	Subsidiaries	ING Bank NV	Other ING Group entities	Subsidiaries
	as of 31 Dec 2016			as of 31 Dec 2015		
Receivables						
Nostro accounts	16.5	14.3	-	4.7	31.1	-
Loans	-	0.5	6 114.6	3.8	5.9	5 811.6
Positive valuation of derivatives	206.9	127.5	2.9	364.8	235.7	0.9
Other receivables	7.4	2.3	0.6	8.7	2.2	0.1
Liabilities						
Deposits received	135.6	34.5	73.8	274.2	12.6	277.7
Subordinated loan	665.0	-	-	-	-	-
Loro accounts	9.3	57.8	-	54.6	5.8	-
Negative valuation of derivatives	261.9	119.7	-	351.6	166.2	0.2
Other liabilities	61.9	1.0	-	66.4	3.1	0.1
Off-balance-sheet operations						
Off-balance sheet liabilities granted	330.8	94.2	2 189.3	706.7	95.0	1 723.7
Off-balance sheet liabilities received	351.9	97.7	-	745.3	95.1	300.0
FX transactions	11 828.7	125.5	-	8 329.4	35.6	-
Forward transactions	2 747.9	-	-	72.2	-	77.3
IRS	3 824.6	2 816.0	74.9	11 186.7	3 532.9	74.1
Options	7 401.7	293.0	49.8	2 141.3	478.3	48.0
	4Q 2016 YTD			4Q 2015 YTD		
	the period from 01 Jan 2016 to 31 Dec 2016			the period from 01 Jan 2015 to 31 Dec 2015		
Income and expenses						
Income, including:	-164.6	-40.3	128.7	45.5	49.0	110.7
interest and commission income/expenses	-13.4	13.3	126.7	11.8	22.0	109.3
income on financial instruments	-151.6	-53.6	1.4	33.1	26.5	0.8
net income on other basic activities	0.4	0.0	0.6	0.6	0.5	0.6
General and administrative expenses	59.7	4.5	8.3	64.8	12.0	-3.9
Outlays for non-current assets						
Outlays for property, plant and equipment	-	0.9	-	-	0.3	-
Outlays for intangible assets	3.8	0.2	2.0	2.6	0.2	14.2

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2017-01-31	Brunon Bartkiewicz President	<i>Signed on the Polish original</i>
2017-01-31	Mirosław Boda Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Michał Bolesławski Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Joanna Erdman Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Marcin Giżycki Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Justyna Kesler Vice-President	<i>Signed on the Polish original</i>
2017-01-31	Patrick Roesink Vice-President	<i>Signed on the Polish original</i>

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2017-01-31	Jolanta Alvarado Rodriguez	Director of Accounting Department Chief Accountant	<i>Signed on the Polish original</i>
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