



# ING Bank Śląski S.A. Group

Quarterly consolidated report  
for the 1 quarter 2017

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## SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

### Selected financial data

	I quarter 2017	I quarter 2017
Net interest income	815.5	668.1
Net commission income	289.6	253.9
Result on basic activities	1 134.5	975.6
Result before tax	413.8	337.4
Net profit attributable to shareholders of ING Bank Śląski S.A.	300.2	259.2
Earnings per ordinary share (PLN)	2.31	1.99

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Loans and other receivables to customers (net) excluding Eurobonds	80 693.1	78 068.8	71 476.6	68 681.0
Liabilities to customers	96 620.7	95 825.4	90 403.0	87 818.5
Total assets	118 850.5	117 477.7	112 732.7	108 893.1
Equity attributable to shareholders of ING Bank Śląski S.A.	10 787.3	10 474.9	10 667.7	10 677.9
Initial capital	130.1	130.1	130.1	130.1

### Key effectiveness ratios

	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Dec 2015
C/I - Cost/Income ratio (%)	49.7	48.5	52.2	57.1
ROA - Return on assets (%)	1.1	1.1	1.0	1.1
ROE - Return on equity (%)	12.0	11.7	10.9	11.0
NIM - net interest margin (%)	2.75	2.67	2.48	2.45
L/D - Loans-to-deposits ratio (%)	83.5	81.5	79.1	78.2
Total capital ratio (%)	14.3	14.7	14.1	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

	Note	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Net interest income</b>	7.1	<b>815.5</b>	<b>668.1</b>
<b>Net commission income</b>	7.2	<b>289.6</b>	<b>253.9</b>
Net income on financial instruments at fair value through profit or loss and FX result	7.3	18.0	23.0
Net income on investments	7.4	10.2	28.7
Net income on hedge accounting	7.5	0.4	-2.6
Net income on other basic activities	7.6	0.8	4.5
<b>Net income on basic activities</b>		<b>1 134.5</b>	<b>975.6</b>
General and administrative expenses	7.7	564.4	508.8
Impairment losses and provisions for off-balance sheet liabilities	7.8	76.9	78.9
Tax on certain financial institutions		79.4	50.5
<b>Gross profit (loss)</b>		<b>413.8</b>	<b>337.4</b>
Income tax	7.9	113.6	78.2
<b>Net profit (loss)</b>		<b>300.2</b>	<b>259.2</b>
- attributable to shareholders of ING Bank Śląski S.A.		<b>300.2</b>	<b>259.2</b>
- attributable to non-controlling interests		0.0	0.0
Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.		<b>300.2</b>	<b>259.2</b>
Weighted average number of ordinary shares		130 100 000	130 100 000
Earnings per ordinary share (PLN)		2.31	1.99

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

## Interim condensed consolidated statement of comprehensive income

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Net profit for the period</b>	<b>300.2</b>	<b>259.2</b>
<b>Total other comprehensive income, including:</b>	<b>12.1</b>	<b>289.8</b>
Items which can be reclassified to income statement	12.1	290.0
Items which will not be reclassified to income statement	0.0	-0.2
<b>Net comprehensive income for the reporting period</b>	<b>312.3</b>	<b>549.0</b>
- attributable to owners of ING Bank Śląski S.A.	312.3	548.9
- attributable to non-controlling interests	0.0	0.1

Interim Condensed Consolidated Income statement and Interim Condensed Consolidated Statement of Comprehensive Income shall be read in conjunction 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 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Assets</b>					
Cash in hand and balances with the Central Bank		1 250.0	1 825.0	3 565.7	3 589.7
Loans and other receivables to other banks	7.10	1 125.7	1 113.4	954.3	1 014.6
Financial assets at fair value through profit or loss	7.11	1 505.2	2 826.8	2 067.7	1 127.1
Valuation of derivatives		1 210.6	1 117.1	1 613.8	1 990.9
Investments	7.12	26 569.7	25 721.3	25 072.0	23 478.8
Derivative hedge instruments		1 259.1	1 338.6	2 737.1	2 454.8
Loans and other receivables to customers	7.13, 7.14	84 379.6	81 979.5	75 330.0	72 519.6
Receivables from customers under repo transactions		19.9	0.0	19.9	1 354.4
Non-financial assets	7.15	995.6	1 004.5	1 037.8	1 070.5
Assets held for sale		19.7	31.8	49.8	38.4
Tax assets		181.9	237.5	71.4	59.6
Other assets		333.5	282.2	213.2	194.7
<b>Total assets</b>		<b>118 850.5</b>	<b>117 477.7</b>	<b>112 732.7</b>	<b>108 893.1</b>
<b>Liabilities</b>					
Liabilities to other banks	7.16	5 606.6	5 043.0	4 236.0	3 913.5
Financial liabilities at fair value through profit or loss	7.17	639.0	474.8	319.9	629.4
Valuation of derivatives		1 097.6	1 116.0	1 525.1	2 002.7
Derivative hedge instruments		1 206.4	1 468.1	1 818.0	1 830.9
Liabilities to customers	7.18	96 620.7	95 825.4	90 403.0	87 818.5
Liabilities to customers under repo transactions		0.0	0.0	10.4	47.5
Liabilities under issue of debt securities		872.0	866.4	872.0	866.3
Subordinated liabilities		634.2	664.9	641.6	0.0
Provisions	7.19	72.9	73.8	82.7	67.2
Tax liabilities		24.1	121.3	221.7	156.8
Other liabilities		1 287.6	1 346.8	1 932.1	879.8
<b>Total liabilities</b>		<b>108 061.1</b>	<b>107 000.5</b>	<b>102 062.5</b>	<b>98 212.6</b>
<b>Equity</b>					
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		589.6	577.5	1 774.8	1 485.0
Retained earnings		9 111.3	8 811.0	7 806.5	8 106.5
<b>Equity attributable to shareholders of ING Bank Śląski S.A.</b>		<b>10 787.3</b>	<b>10 474.9</b>	<b>10 667.7</b>	<b>10 677.9</b>
Non-controlling interests		2.1	2.3	2.5	2.6
<b>Total equity</b>		<b>10 789.4</b>	<b>10 477.2</b>	<b>10 670.2</b>	<b>10 680.5</b>
<b>Total equity and liabilities</b>		<b>118 850.5</b>	<b>117 477.7</b>	<b>112 732.7</b>	<b>108 893.1</b>
Carrying amount		10 787.3	10 474.9	10 667.7	10 677.9
Number of shares		130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		82.92	80.51	82.00	82.07

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

## Interim condensed consolidated statement of changes in equity

### 1Q 2017

The period from 01 Jan 2017 to 31 Mar 2017

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>577.5</b>	<b>8 811.0</b>	<b>2.3</b>	<b>10 477.2</b>
<b>Net result for the current period</b>	-	-	-	300.2	0.0	<b>300.2</b>
<b>Other net comprehensive income, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>12.1</b>	<b>0.0</b>	<b>0.0</b>	<b>12.1</b>
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	28.3	-	-	28.3
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-6.2	-	-	-6.2
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	-	-	-7.7	-	-	-7.7
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	-0.1	-	-	-0.1
effective part of cash flow hedging relationship	-	-	-2.2	-	-	-2.2
<b>Other changes in equity, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.1</b>
valuation of share-based payments	-	-	-	0.1	-	0.1
profit distribution with dividend payout allocation	-	-	-	-	-0.2	-0.2
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>589.6</b>	<b>9 111.3</b>	<b>2.1</b>	<b>10 789.4</b>

### 4Q 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>1 485.0</b>	<b>8 106.5</b>	<b>2.6</b>	<b>10 680.5</b>
<b>Net result for the current period</b>	-	-	-	1 253.0	0.1	<b>1 253.1</b>
<b>Other net comprehensive income, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>-907.5</b>	<b>9.7</b>	<b>-0.3</b>	<b>-898.1</b>
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
<b>Other changes in equity, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-558.2</b>	<b>-0.1</b>	<b>-558.3</b>
valuation of share-based payments	-	-	-	1.2	-	1.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-0.1	-559.5
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>577.5</b>	<b>8 811.0</b>	<b>2.3</b>	<b>10 477.2</b>

## Interim condensed consolidated statement of changes in equity - continued

### 1Q 2016

The period from 01 Jan 2016 to 31 Mar 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>1 485.0</b>	<b>8 106.5</b>	<b>2.6</b>	<b>10 680.5</b>
<b>Net result for the current period</b>	-	-	-	259.2	-	<b>259.2</b>
<b>Other net comprehensive income, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>289.8</b>	<b>0.0</b>	<b>0.0</b>	<b>289.8</b>
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	52.8	-	-	52.8
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-23.2	-	-	-23.2
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	-	-	-8.0	-	-	-8.0
effective part of cash flow hedging relationship	-	-	268.4	-	-	268.4
revaluation of non-current assets	-	-	-0.2	-	-	-0.2
<b>Other changes in equity, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-559.2</b>	<b>-0.1</b>	<b>-559.3</b>
valuation of share-based payments	-	-	-	0.2	-	0.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-0.1	-559.5
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>1 774.8</b>	<b>7 806.5</b>	<b>2.5</b>	<b>10 670.2</b>

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

## Interim condensed consolidated cash flow statement

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Net profit attributable to shareholders of ING Bank Śląski S.A.</b>	<b>300.2</b>	<b>259.2</b>
<b>Adjustments</b>	<b>232.4</b>	<b>-509.9</b>
Depreciation and amortisation	46.1	42.2
Interest accrued (from the income statement)	-815.5	-668.1
Interest paid	-208.1	-262.0
Interest received	999.7	955.1
Dividends received	-0.1	
Gains (losses) on investing activities	-0.3	1.3
Income tax (from the income statement)	113.6	78.2
Income tax paid	-155.2	-25.1
Change in provisions	-0.9	15.5
Change in loans and other receivables to other banks	-18.5	83.1
Change in financial assets at fair value through profit or loss	1 321.7	-941.7
Change in available-for-sale financial assets	295.2	-1 264.6
Change in valuation of derivatives	-111.9	-100.5
Change in hedge derivatives	-184.4	-26.8
Change in loans and other receivables from customers	-2 445.2	-1 484.4
Change in other assets	-82.6	-33.4
Change in liabilities to other banks	604.8	401.5
Change in liabilities at fair value through profit or loss	164.2	-309.5
Change in liabilities to customers	799.5	2 549.4
Change in other liabilities	-89.7	479.7
<b>Net cash flow from operating activities</b>	<b>532.6</b>	<b>-250.7</b>
Purchase of property plant and equipment	-18.7	-12.1
Disposal of property plant and equipment	0.5	2.5
Purchase of intangible assets	-6.9	-15.0
Disposal of assets held for sale	0.0	2.3
Purchase of held-to-maturity financial assets	-1 049.1	-304.4
Interest received from held-to-maturity financial assets	1.4	1.4
Dividends received	0.1	0.0
<b>Net cash flow from investing activities</b>	<b>-1 072.7</b>	<b>-325.3</b>
Long-term loans received	346.0	654.8
Long-term loans repaid	-383.7	-75.2
Interest on long-term loans repaid	-3.8	-5.0
Dividends paid	-0.2	-0.1
<b>Net cash flow from financing activities</b>	<b>-41.7</b>	<b>574.5</b>
Effect of exchange rate changes on cash and cash equivalents	-248.9	-58.4
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-581.8</b>	<b>-1.5</b>
<b>Opening balance of cash and cash equivalents</b>	<b>2 758.7</b>	<b>4 411.9</b>
<b>Closing balance of cash and cash equivalents</b>	<b>2 176.9</b>	<b>4 410.4</b>

Interim Condensed Consolidated Cash Flow Statement shall be read in conjunction 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

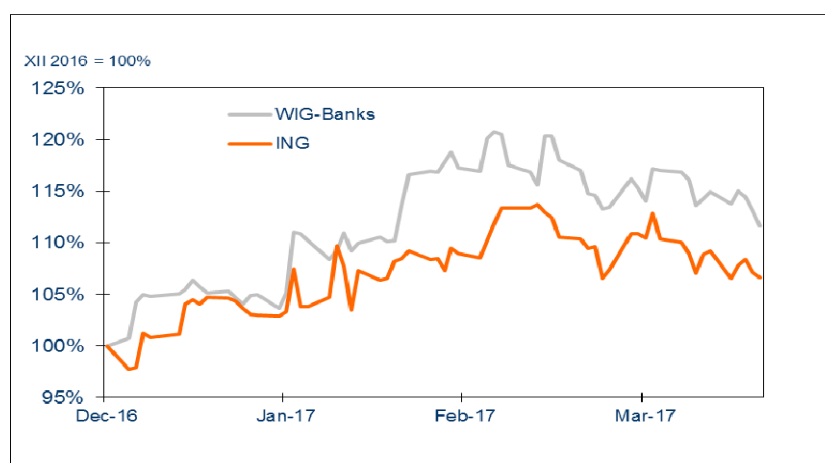
ING Bank Śląski S.A. ("Parent company", "Parent entity", "Bank") with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459. The parent entity 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 March 2017, the share price of ING Bank Śląski S.A. was PLN 172.1, whereas during the same period last year it was at the level of PLN 121.0. In the 3 months of 2017, 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 March 2017, 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.

#### 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 March 2017 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 per the current information, the shareholders having 5 per cent and more votes at the General Meeting of ING Bank Śląski Spółka Akcyjna were the following entities:

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	9,000,000	6.91

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

As at 31 March 2017, 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 2016 to 31 December 2016 were approved by the General Meeting on 21 April 2017.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 09 May 2017.

## **2. Significant events in 1 quarter 2017**

### **2.1. Polish Financial Supervision Authority letter regarding the individual recommendation on the dividend for 2016**

On 9 March 2017, ING Bank Śląski S.A. received a letter from the Polish Financial Supervision Authority concerning an individual recommendation to increase own funds through the Bank retaining all of the profit generated from 1 January 2016 to 31 December 2016.

Having regard to the above, on 21 April 2017, the General Meeting of ING Bank Śląski S.A. passed a resolution on earmarking the entire 2016 net profit for the Bank's equity injection

### **2.2. ING Bank Śląski S.A. Dividend Policy**

On 3 March 2017, the Supervisory Board approved the updated ING Bank Śląski S.A. Dividend Policy as proposed by the Bank. The update resulted from the published stance of the Polish Financial Supervision Authority on the banks' dividend policy and involved raising of the minimum Tier 1 capital ratio for the purposes of the payout of the Bank's dividend from 13.25% to 13.75%.

### **2.3. Resignation of an ING Bank Śląski S.A. Supervisory Board Member**

On 15 March 2017, Mr Roland Boekhout tendered his resignation as Member of the Supervisory Board of ING Bank Śląski S.A., effective as of 15 March 2017.

The reason why Mr Roland Boekhout tendered his resignation was his intention to take up another job within ING Group.

### **2.4. Ratings**

#### 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.

#### Ratings assignment by the Fitch agency

On 21 March 2017, ING Bank Śląski S.A. received from the Fitch Ratings agency ("Fitch") the notice of national credit ratings having been assigned to the Bank. The National Long-Term Credit Rating is AAA (pol) with stable outlook and the National Short-Term Rating is F1+ (pol). The other credit ratings of the Bank assigned by Fitch were not revised. The ratings on the National Rating Scale reflect a relative credit viability assessment for the entity vis-à-vis the lowest default risk in a given country. The ratings are compared neither internationally nor over time.

### **2.5. Sale of non-performing receivables portfolio**

On 2 February 2017, the Bank concluded a sales agreement for a portion of corporate receivables from the impaired portfolio. The positive impact of the transaction on the Bank's risk costs was PLN 1.2 million.

## **3. Significant events after the balance sheet date**

### **3.1. General Meeting of ING Bank Śląski S.A.**

On 21 April 2017, the General Meeting of ING Bank Śląski S.A. was held, during which the following resolutions were passed:

- on approval of the 2016 annual financial statements (separate and consolidated financial statements),
- on approval of the Management Board Report on Operations in 2016 (separate and consolidated reports),
- on acknowledgement of 2016 reports of the Bank Supervisory Board and assessment of the Bank's remuneration policy,
- on acknowledgement of the fulfilment of duties of the Management Board and Supervisory Board Members for 2016,
- on 2016 profit distribution,
- on amendments to the ING Bank Śląski S.A. Charter,
- on changes to the Supervisory Board composition (description under item 3.2. *Changes to the ING Bank Śląski S.A. Management Board and Supervisory Board composition*) and on an amendment to the Supervisory Board Members Remuneration Policy.

### **3.2. Changes to the ING Bank Śląski S.A. Management Board and Supervisory Board composition**

On 21 April 2017, Mr Mirosław Boda tendered his resignation as the Vice-President of the Management Board of ING Bank Śląski S.A., effective as of 31 May 2017.

At the same time, on 21 April 2017 the Supervisory Board appointed Ms Bożena Graczyk to the position of the Vice-President of the Management Board, effective as of 1 June 2017.

On 21 April 2017, the Ordinary General Meeting of ING Bank Śląski S.A. appointed, as of 21 April 2017, Mr Norman Tambach as Member of the Supervisory Board of ING Bank Śląski S.A.

### **3.3. Amount of annual contribution for BGF compulsory resolution fund**

On 25 April 2017, ING Bank Śląski S.A received from the Bank Guarantee Fund the information about the amount of annual contribution for the banks' compulsory resolution fund for 2017, which was set at PLN 70,478,769.54. The entire contribution amount was recognised in costs for the first quarter of 2017.

### **3.4. Application to the Polish Financial Supervision Authority**

On 26 April 2017, ING Bank Śląski S.A filed an application with the Polish Financial Supervision Authority for permission to establish a mortgage bank under the name of "ING Bank Hipoteczny S.A." with its registered office in Katowice. The share capital of ING Bank Hipoteczny S.A. will amount to PLN 50,000,000 and will be fully taken up by ING Bank Śląski S.A. The shares of ING Bank Hipoteczny S.A. will be covered by cash.

## **4. Compliance with International Financial Reporting Standards**

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1 quarter 2017 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 March 2017 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 2016 approved by the General Meeting on 21 April 2017.

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 2017 to 31 March 2017, and interim condensed consolidated statement of financial position as at 31 March 2017 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 1 quarter 2017 and 1 quarter 2016.

### **4.3. Financial statements scope and currency**

These interim condensed consolidated financial statements of the Group for the 1 quarter 2017 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 2016 to 31 March 2016 for the interim condensed consolidated income statement; the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated cash flow statement, additionally for the interim condensed consolidated statement of changes in equity as at 31 December 2016; in the case of the interim condensed consolidated statement of financial position data as of 31 December 2016, 31 March 2016 and 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 2016 (Annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2016 to 31 December 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 2016 Group Annual Consolidated Financial Statements. In Q1 2017, no changes to the accounting standards were published.

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 2016 to 31 December 2016 published on 03 March 2017 that is available on the Internet site of ING Bank Śląski S.A. ([www.ingbank.pl](http://www.ingbank.pl)). In Q1 2017, the Group did not make any changes to the accounting standards applied.

### **6. Comparability of financial data**

The Group did not modify the manner of information disclosure in the interim condensed consolidated financial statements drawn up for Q1 2017 as compared with the interim condensed consolidated financial statements for Q1 2016.

## 7. Supplementary notes to interim condensed consolidated financial statements

### 7.1. Net interest income

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Interest income</b>		
Interest on loans and receivables to other banks	12.5	12.3
Interest on loans and receivables to customers	825.4	743.3
Interest on repo transactions made with customers	0.9	3.3
Interest on financial assets held for trading	7.2	4.2
Interest on available-for-sale financial assets	122.8	124.2
Interest on financial assets held to maturity	44.3	27.6
Net interest income on derivatives	12.2	20.1
<b>Total interest income</b>	<b>1 025.3</b>	<b>935.0</b>
<b>Interest expense</b>		
Interest on deposits from other banks	16.9	8.6
Interest on deposits from customers	183.7	251.0
Interest on repo transactions made with customers	0.1	0.1
Interest on issue of debt securities	5.7	5.7
Interest on financial liabilities held for trading	0.3	0.2
Interest on subordinated liabilities	3.1	1.3
<b>Total interest expense</b>	<b>209.8</b>	<b>266.9</b>
<b>Net interest income</b>	<b>815.5</b>	<b>668.1</b>
<b>NIM -net interest margin- cumulative (annualized) *</b>	<b>2.75%</b>	<b>2.48%</b>
<b>NIM -net interest margin- quarterly **</b>	<b>2.83%</b>	<b>2.52%</b>

\*) 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

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Commission income</b>		
transaction margin on currency exchange transactions	80.6	63.9
account maintenance fees	67.1	60.8
lending commissions	67.1	64.0
payment and credit cards fees	31.7	21.9
participation units distribution fees	23.5	21.8
insurance product offering commissions	14.1	13.8
factoring and lease agreements commissions	10.9	9.0
fiduciary and custodian fees	7.6	6.0
brokerage activity fees	7.4	8.8
foreign commercial business	6.7	5.2
other	7.4	8.7
<b>Total commission income</b>	<b>324.1</b>	<b>283.9</b>
<b>Total commission expenses</b>	<b>34.5</b>	<b>30.0</b>
<b>Net commission income</b>	<b>289.6</b>	<b>253.9</b>
<b>Share of the net commission income in Group revenue*</b>	<b>25.5%</b>	<b>26.0%</b>

\*) 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

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Net income on financial assets and liabilities held for trading, including:</b>	<b>59.8</b>	<b>117.0</b>
Net income on debt instruments	2.9	6.1
Net income on derivatives, including:	56.9	110.9
- currency derivatives	54.0	108.2
- interest rate derivatives	2.9	2.7
<b>FX result</b>	<b>-41.8</b>	<b>-94.0</b>
<b>Net income on financial instruments at fair value through profit or loss and FX result</b>	<b>18.0</b>	<b>23.0</b>



#### 7.4. Net income on investments

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
Net income on debt instruments	10.1	28.7
Dividend income	0.1	0.0
<b>Net income on investments</b>	<b>10.2</b>	<b>28.7</b>

#### 7.5. Net income on hedge accounting

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Fair value hedge accounting for securities:</b>	<b>0.0</b>	<b>-2.6</b>
valuation of the hedged transaction	-27.5	46.3
valuation of the hedging transaction	27.5	-48.9
<b>Cash flow hedge accounting:</b>	<b>0.4</b>	<b>0.0</b>
ineffectiveness under cash flow hedges	0.4	0.0
<b>Net income on hedge accounting</b>	<b>0.4</b>	<b>-2.6</b>

#### 7.6. Net income on other basic activities

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
Net income on the investment properties	0.0	1.5
Other	0.8	3.0
<b>Total</b>	<b>0.8</b>	<b>4.5</b>

## 7.7. General and administrative expenses

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
Personnel expenses	251.0	251.5
Other general and administrative expenses, including:	313.4	257.3
cost of marketing and promotion	24.6	25.5
depreciation and amortisation	46.1	42.2
Bank Guarantee Fund payments	89.1	31.7
<b>Total</b>	<b>564.4</b>	<b>508.8</b>

By virtue of the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Compulsory Resolution of 10 June 2016 (Journal of Laws, item 996 as amended), starting from 2017 the Bank is required to make the following contributions to the Bank Guarantee Fund:

- contribution to the banks' guarantee fund (paid quarterly) and
- contribution to the banks' compulsory resolution fund (paid annually).

The amount of PLN 89.1 million shown in this note under the "BGF contributions" item covers the amount of PLN 18.6 million of the contribution made to the banks' guarantee fund in Q1 2017 and the amount of PLN 70.5 million of the contribution made to the banks' compulsory resolution fund which the Bank is required to pay in Q3 2017.

Until 2016, the Bank was required to pay to the BGF the mandatory contribution and the prudential fee (both made quarterly). In Q1 2016, they totalled PLN 31.7 million.

### 7.7.1. Headcount

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

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
FTEs	7 912.6	7 969.6	8 215.8	8 218.7
Individuals	7 966	8 025	8 271	8 274

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

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
FTEs	7 563.0	7 618.7	7 756.7	7 771.3
Individuals	7 611	7 669	7 804	7 813

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

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
Impairment losses on loans and other receivables	219.7	300.4
Reversed impairment losses on loans and other receivables	-142.8	-221.5
<b>Net impairment losses and provisions for off-balance sheet liabilities</b>	<b>76.9</b>	<b>78.9</b>
Including:		
corporate banking	34.1	62.5
retail banking	42.8	16.4

## 7.9. Income tax

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
Profit before tax	413.8	337.4
Income tax	113.6	78.2
Net profit	300.2	259.2
<b>Effective tax rate</b>	<b>27.5%</b>	<b>23.2%</b>

The difference in the effective tax rate in Q1 2017 was caused first and foremost by:

- the bank levy of PLN 79.4 million (PLN 50.5 million in Q1 2016) and
- the BGF contributions totalling PLN 89.1 million, covering the contribution to the banks' guarantee fund and the contribution to the banks' compulsory resolution fund (the difference in the effective tax rate in Q1 2016 was effected by the prudential fee of PLN 10.2 million only; the other fee – the mandatory contribution – was tax deductible).

## 7.10. Loans and other receivables to other banks

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Current accounts	882.6	933.7	837.6	820.7
Interbank deposits	59.3	0.0	44.6	59.4
Loans and advances	149.2	156.0	62.3	81.7
Factoring receivables	34.8	24.0	8.5	51.4
Other	0.0	0.0	2.0	1.5
<b>Total (gross)</b>	<b>1 125.9</b>	<b>1 113.7</b>	<b>955.0</b>	<b>1 014.7</b>
Impairment losses, including:				
concerning loans and advances	-0.2	-0.3	-0.7	-0.1
<b>Total (net)</b>	<b>1 125.7</b>	<b>1 113.4</b>	<b>954.3</b>	<b>1 014.6</b>

### 7.11. Financial assets at fair value through profit or loss

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Financial assets held for trading, including:	1 505.2	2 826.8	2 067.7	1 127.1
debt instruments	1 470.6	2 805.2	2 067.7	964.3
transactions with the buy-back commitment	34.6	21.6	0.0	162.8
<b>Total, including:</b>	<b>1 505.2</b>	<b>2 826.8</b>	<b>2 067.7</b>	<b>1 127.1</b>
Treasury bonds and Treasury bills	1 443.4	2 795.7	2 067.7	964.3
European Investment Bank bonds	27.1	9.5	0.0	0.0

### 7.12. Investments

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Available-for-sale financial assets, including:	20 325.0	20 557.2	21 952.1	20 678.1
debt instruments, including:	20 273.0	20 508.4	21 768.6	20 494.9
- fair value hedge-hedged items	12 973.2	12 191.3	9 659.3	3 515.5
equity instruments	52.0	48.8	183.5	183.2
Financial assets held to maturity, including:	6 244.7	5 164.1	3 119.9	2 800.7
debt instruments	6 244.7	5 164.1	3 119.9	2 800.7
<b>Total, including:</b>	<b>26 569.7</b>	<b>25 721.3</b>	<b>25 072.0</b>	<b>23 478.8</b>
Treasury bonds and Treasury bills	23 363.4	23 038.1	22 696.0	20 620.6
European Investment Bank bonds	1 037.9	496.1	0.0	0.0

### 7.13. Loans and other receivables to customers

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Customer loan portfolio, including:</b>	<b>82 130.0</b>	<b>79 447.9</b>	<b>72 907.0</b>	<b>70 046.9</b>
Loans and advances	69 318.4	66 783.9	61 492.4	58 563.8
Leasing receivables	5 814.2	5 760.5	5 066.4	4 922.1
Factoring receivables	4 536.9	4 373.6	3 413.9	3 402.0
Corporate and municipal bonds	2 460.5	2 529.9	2 934.3	3 159.0
<b>Other receivables, including:</b>	<b>3 765.8</b>	<b>3 999.3</b>	<b>3 980.1</b>	<b>4 019.6</b>
T-eurobonds	3 686.5	3 910.7	3 853.4	3 838.6
Other	79.3	88.6	126.7	181.0
<b>Total loans and receivables to customers (gross)</b>	<b>85 895.8</b>	<b>83 447.2</b>	<b>76 887.1</b>	<b>74 066.5</b>
<b>Impairment losses (with IBNR), including:</b>	<b>-1 516.2</b>	<b>-1 467.7</b>	<b>-1 557.1</b>	<b>-1 546.9</b>
<b>concerning customer loan portfolio, including:</b>	<b>-1 515.5</b>	<b>-1 467.0</b>	<b>-1 555.9</b>	<b>-1 545.9</b>
concerning loans and advances	-1 435.1	-1 376.7	-1 365.7	-1 390.7
concerning leasing receivables	-40.9	-50.4	-43.1	-39.4
concerning factoring receivables	-23.1	-22.8	-17.1	-12.3
concerning debt securities (corporate and municipal bonds)	-16.4	-17.1	-130.0	-103.5
<b>concerning other receivables, including:</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-1.2</b>	<b>-1.0</b>
concerning T-eurobonds	-0.7	-0.7	-0.7	-0.5
other	0.0	0.0	-0.5	-0.5
<b>Total loans and receivables to customers (net), including:</b>	<b>84 379.6</b>	<b>81 979.5</b>	<b>75 330.0</b>	<b>72 519.6</b>
to entities from the financial sector other than banks	2 373.6	2 347.3	2 306.6	2 510.0
to entities from the non-financial sector	74 940.8	72 306.2	65 329.9	62 285.6
to entities from the government and self-government institutions' sector	7 065.2	7 326.0	7 693.5	7 724.0

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

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Loans and advances, including:	1 917.8	1 879.0	1 787.1	1 936.1
- in the current account	592.0	376.3	166.7	157.3
- term ones	1 325.8	1 502.7	1 620.4	1 778.8
Leasing receivables	0.6	0.6	0.6	0.7
Factoring receivables	0.1	0.5	20.4	21.1
Debt securities (notes)	386.5	386.6	386.5	384.5
Other receivables	69.4	81.6	113.1	168.3
<b>Total (gross)</b>	<b>2 374.4</b>	<b>2 348.3</b>	<b>2 307.7</b>	<b>2 510.7</b>
<b>Impairment losses (including IBNR), including:</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-0.7</b>
concerning loans and advances	-0.7	-0.9	-1.0	-0.6
concerning debt securities	-0.1	-0.1	-0.1	-0.1
<b>Total (net)</b>	<b>2 373.6</b>	<b>2 347.3</b>	<b>2 306.6</b>	<b>2 510.0</b>

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

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Business entities, including:</b>	<b>41 779.1</b>	<b>40 321.0</b>	<b>37 657.4</b>	<b>35 998.3</b>
Loans and advances, including:	31 553.4	30 245.8	28 659.8	26 884.8
- in the current account	8 521.8	6 964.2	7 764.9	6 999.9
- term ones	23 031.6	23 281.6	20 894.9	19 884.9
Leasing receivables	4 925.1	4 903.4	4 399.4	4 319.5
Factoring receivables	4 401.3	4 208.5	3 297.3	3 279.8
Debt securities (corporate bonds and notes)	889.4	956.3	1 287.8	1 502.0
Other receivables	9.9	7.0	13.1	12.2
<b>Households, including:</b>	<b>34 675.2</b>	<b>33 450.0</b>	<b>29 226.9</b>	<b>27 832.0</b>
Loans and advances, including:	33 747.0	32 513.5	28 514.8	27 173.5
- in the current account	1 855.0	1 762.7	1 753.6	1 632.9
- term ones	31 892.0	30 750.8	26 761.2	25 540.6
Leasing receivables	888.5	856.5	666.4	601.9
Factoring receivables	39.7	80.0	45.2	56.1
Other receivables	0.0	0.0	0.5	0.5
<b>Total (gross)</b>	<b>76 454.3</b>	<b>73 771.0</b>	<b>66 884.3</b>	<b>63 830.3</b>
<b>Impairment losses (including IBNR), including:</b>	<b>-1 513.5</b>	<b>-1 464.8</b>	<b>-1 554.4</b>	<b>-1 544.7</b>
<b>Business entities, including:</b>	<b>-890.2</b>	<b>-880.2</b>	<b>-1 022.5</b>	<b>-989.3</b>
concerning loans and advances	-813.3	-792.9	-834.5	-836.1
concerning leasing receivables	-38.9	-48.8	-41.3	-37.9
concerning factoring receivables	-22.1	-21.9	-17.0	-12.2
concerning debt securities	-15.9	-16.6	-129.7	-103.1
<b>Households, including:</b>	<b>-623.3</b>	<b>-584.6</b>	<b>-531.9</b>	<b>-555.4</b>
concerning loans and advances	-620.4	-582.1	-529.5	-553.3
concerning leasing receivables	-2.0	-1.6	-1.8	-1.5
concerning factoring receivables	-0.9	-0.9	-0.1	-0.1
concerning other receivables	0.0	0.0	-0.5	-0.5
<b>Total (net)</b>	<b>74 940.8</b>	<b>72 306.2</b>	<b>65 329.9</b>	<b>62 285.6</b>

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

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Loans and advances, including:	2 100.2	2 145.6	2 530.7	2 569.4
- in the current account	88.7	7.4	85.5	6.8
- term ones	2 011.5	2 138.2	2 445.2	2 562.6
Factoring receivables	95.8	84.6	51.0	45.0
Debt securities (municipal bonds)	1 184.6	1 187.0	1 260.0	1 272.5
T-eurobonds	3 686.5	3 910.7	3 853.4	3 838.6
<b>Total (gross)</b>	<b>7 067.1</b>	<b>7 327.9</b>	<b>7 695.1</b>	<b>7 725.5</b>
<b>Impairment losses (including IBNR), including:</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-1.6</b>	<b>-1.5</b>
concerning loans and advances	-0.7	-0.8	-0.7	-0.7
concerning factoring receivables	-0.1	0.0	0.0	0.0
concerning debt securities (municipal bonds)	-0.4	-0.4	-0.2	-0.3
concerning T-eurobonds	-0.7	-0.7	-0.7	-0.5
<b>Total (net)</b>	<b>7 065.2</b>	<b>7 326.0</b>	<b>7 693.5</b>	<b>7 724.0</b>

**Portfolio of loans and receivables by client segment**

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Gross value, including:</b>	<b>82 130.0</b>	<b>79 447.9</b>	<b>72 907.0</b>	<b>70 046.9</b>
Corporate banking segment, including:	49 343.8	47 807.3	45 146.0	43 593.4
- loans and advances	37 077.8	35 645.6	34 111.8	32 445.9
- leasing receivables	5 278.0	5 258.2	4 686.2	4 586.7
- factoring receivables	4 527.5	4 373.6	3 413.7	3 401.8
- corporate and municipal debt securities	2 460.5	2 529.9	2 934.3	3 159.0
Retail banking segment, including:	32 786.2	31 640.6	27 761.0	26 453.5
- mortgages	24 585.4	23 887.1	21 152.6	20 294.5
- other loans and advances	8 200.8	7 753.5	6 608.4	6 159.0
<b>Impairment loss of value (including IBNR), including:</b>	<b>-1 515.5</b>	<b>-1 467.0</b>	<b>-1 555.9</b>	<b>-1 545.9</b>
Corporate banking segment, including:	-952.4	-939.8	-1 069.8	-1 030.0
- loans and advances	-873.1	-850.5	-877.8	-875.5
- leasing receivables	-39.9	-49.4	-44.8	-38.6
- factoring receivables	-23.0	-22.8	-17.2	-12.4
- corporate and municipal debt securities	-16.4	-17.1	-130.0	-103.5
Retail banking segment, including:	-563.1	-527.2	-486.1	-515.9
- mortgages	-198.5	-195.0	-151.4	-197.1
- other loans and advances	-364.6	-332.2	-334.7	-318.8
<b>Net value, including:</b>	<b>80 614.5</b>	<b>77 980.9</b>	<b>71 351.1</b>	<b>68 501.0</b>
Corporate banking segment, including:	48 391.4	46 867.5	44 076.2	42 563.4
- loans and advances	36 204.7	34 795.1	33 234.0	31 570.4
- leasing receivables	5 238.1	5 208.8	4 641.4	4 548.1
- factoring receivables	4 504.5	4 350.8	3 396.5	3 389.4
- corporate and municipal debt securities	2 444.1	2 512.8	2 804.3	3 055.5
Retail banking segment, including:	32 223.1	31 113.4	27 274.9	25 937.6
- mortgages	24 386.9	23 692.1	21 001.2	20 097.4
- other loans and advances	7 836.2	7 421.3	6 273.7	5 840.2

## 7.14. Quality of customer loan portfolio

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Corporate banking segment</b>				
<b>Gross value, including:</b>	<b>49 343.8</b>	<b>47 807.3</b>	<b>45 146.0</b>	<b>43 593.4</b>
unimpaired	47 772.3	46 269.2	43 220.0	41 867.2
impaired	1 571.5	1 538.1	1 926.0	1 726.2
<b>Impairment losses and provisions, including:</b>	<b>973.3</b>	<b>962.3</b>	<b>1 102.4</b>	<b>1 056.1</b>
unimpaired	67.9	70.2	74.1	79.2
impaired	884.5	869.6	995.7	950.8
provisions for off-balance sheet liabilities	20.9	22.5	32.6	26.1
Share of impaired portfolio	3.2%	3.2%	4.3%	4.0%
Impaired portfolio coverage ratio	56.3%	56.5%	51.7%	55.1%
<b>Retail banking segment</b>				
<b>Gross value, including:</b>	<b>32 786.2</b>	<b>31 640.6</b>	<b>27 761.0</b>	<b>26 453.5</b>
unimpaired	32 192.9	31 101.9	27 254.0	25 911.3
impaired	593.3	538.7	507.0	542.2
<b>Impairment losses and provisions, including:</b>	<b>567.4</b>	<b>531.5</b>	<b>494.6</b>	<b>515.9</b>
unimpaired	139.2	141.9	103.3	101.7
impaired	423.9	385.3	382.8	414.2
provisions for off-balance sheet liabilities	4.3	4.3	8.5	0.0
Share of impaired portfolio	1.8%	1.7%	1.8%	2.0%
Impaired portfolio coverage ratio	71.4%	71.5%	75.5%	76.4%
<b>Total gross value</b>	<b>82 130.0</b>	<b>79 447.9</b>	<b>72 907.0</b>	<b>70 046.9</b>
<b>Total impairment losses and provisions, including:</b>	<b>1 540.7</b>	<b>1 493.8</b>	<b>1 597.0</b>	<b>1 572.0</b>
unimpaired	207.1	212.1	177.4	180.9
impaired	1 308.4	1 254.9	1 378.5	1 365.0
provisions for off-balance sheet liabilities	25.2	26.8	41.1	26.1
Total coverage ratio	1.9%	1.9%	2.2%	2.2%
Share of impaired portfolio	2.6%	2.6%	3.3%	3.2%
<b>Impaired portfolio coverage ratio</b>	<b>60.4%</b>	<b>60.4%</b>	<b>56.7%</b>	<b>60.2%</b>



### Changes in impairment losses on loans and advances

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Opening balance of impairment losses</b>	<b>1 495.9</b>	<b>1 573.7</b>
<b>Changes in the period, including:</b>	<b>46.9</b>	<b>25.9</b>
changes in income statement	76.9	78.9
write-offs and decreases under sale of debt claims	-20.3	-53.5
other	-9.7	0.5
<b>Closing balance of impairment losses</b>	<b>1 542.8</b>	<b>1 599.6</b>

### 7.15. Non-financial assets

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Investment properties	0.3	0.3	53.2	53.2
Property, plant and equipment	580.2	578.0	566.7	597.7
Intangible assets	415.1	426.2	417.9	419.6
<b>Total</b>	<b>995.6</b>	<b>1 004.5</b>	<b>1 037.8</b>	<b>1 070.5</b>

### 7.16. Liabilities to other banks

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Current accounts	1 377.7	933.4	1 767.9	1 527.1
Interbank deposits	646.6	1 050.6	454.7	316.5
Repo transactions	542.1	0.0	0.0	0.0
Loans received*	2 846.3	3 023.3	1 921.9	1 997.0
Other liabilities	193.9	35.7	91.5	72.9
<b>Total</b>	<b>5 606.6</b>	<b>5 043.0</b>	<b>4 236.0</b>	<b>3 913.5</b>

\*) 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 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Financial liabilities held for trading, including:	34.6	21.6	0.0	162.8
repo transactions	34.6	21.6	0.0	162.8
Book short position in trading securities	604.4	453.2	319.9	466.6
<b>Total</b>	<b>639.0</b>	<b>474.8</b>	<b>319.9</b>	<b>629.4</b>

## 7.18. Liabilities to customers

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Deposits	95 065.2	94 113.4	89 106.8	86 463.7
Other liabilities	1 555.5	1 712.0	1 296.2	1 354.8
<b>Total liabilities due to customers, including:</b>	<b>96 620.7</b>	<b>95 825.4</b>	<b>90 403.0</b>	<b>87 818.5</b>
liabilities due to entities from the financial sector other than banks	2 957.6	3 617.9	2 527.9	2 417.3
liabilities due to entities from the non-financial sector	91 082.7	90 456.5	86 077.3	83 769.3
liabilities due to entities from the government and self-government institutions' sector	2 580.4	1 751.0	1 797.8	1 631.9

### *Liabilities due to entities from the financial sector other than banks*

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Deposits, of which:	2 847.6	3 429.2	2 469.0	2 353.8
- current accounts	2 709.1	3 233.8	2 393.6	2 272.3
- term deposit	138.5	195.4	75.4	81.5
Other liabilities	110.0	188.7	58.9	63.5
<b>Total</b>	<b>2 957.6</b>	<b>3 617.9</b>	<b>2 527.9</b>	<b>2 417.3</b>

### *Liabilities due to entities from the non-financial sector*

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Business entities, including:</b>	<b>26 273.1</b>	<b>26 840.9</b>	<b>24 268.7</b>	<b>24 792.9</b>
Deposits, including:	24 901.1	25 395.4	23 122.5	23 594.2
- current accounts	15 262.4	15 542.2	12 346.1	13 123.8
- saving accounts	7 932.5	8 414.4	8 948.5	8 000.5
- term deposit	1 706.2	1 438.8	1 827.9	2 469.9
Other liabilities	1 372.0	1 445.5	1 146.2	1 198.7
<b>Households, including:</b>	<b>64 809.6</b>	<b>63 615.6</b>	<b>61 808.6</b>	<b>58 976.4</b>
Deposits, including:	64 744.0	63 548.0	61 729.1	58 896.2
- current accounts	12 385.0	11 960.2	10 004.1	9 875.2
- saving accounts	48 905.0	47 726.0	45 921.7	42 989.9
- term deposit	3 454.0	3 861.8	5 803.3	6 031.1
Other liabilities	65.6	67.6	79.5	80.2
<b>Total</b>	<b>91 082.7</b>	<b>90 456.5</b>	<b>86 077.3</b>	<b>83 769.3</b>

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

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Deposits, including:	2 572.5	1 740.8	1 786.2	1 619.5
- current accounts	1 693.5	1 684.3	1 669.6	1 530.6
- term deposit	879.0	56.5	116.6	88.9
Other liabilities	7.9	10.2	11.6	12.4
<b>Total</b>	<b>2 580.4</b>	<b>1 751.0</b>	<b>1 797.8</b>	<b>1 631.9</b>

## 7.19. Provisions

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Provision for issues in dispute	4.6	4.2	3.4	3.3
Provision for off-balance sheet liabilities	25.2	26.8	41.1	26.1
Provision for retirement benefits	29.6	29.3	22.5	22.1
Provision for unused holidays	13.5	13.5	15.7	15.7
<b>Total</b>	<b>72.9</b>	<b>73.8</b>	<b>82.7</b>	<b>67.2</b>

## 7.20. Fair value

Please find below the breakdown of carrying amounts of financial assets and liabilities into individual categories of valuation levels. In 2017, there were no movements between particular valuation levels.

As of 31 Mar 2017

	Level 1	Level 2	Level 3	TOTAL
<b>Financial assets, including:</b>	<b>21 743.6</b>	<b>2 504.3</b>	<b>52.0</b>	<b>24 299.9</b>
Financial assets held for trading, including:	1 470.6	34.6	0.0	1 505.2
- treasury bonds	1 443.4	0.0	0.0	1 443.4
- European Investment Bank bonds	27.2	0.0	0.0	27.2
- repo transactions	0.0	34.6	0.0	34.6
Valuation of derivatives	0.0	1 210.6	0.0	1 210.6
Financial assets available-for sale, including:	20 273.0	0.0	52.0	20 325.0
- treasury bonds	19 150.4	0.0	0.0	19 150.4
- French government bonds	503.3	0.0	0.0	503.3
- European Investment Bank bonds	619.3	0.0	0.0	619.3
- equity instruments	0.0	0.0	52.0	52.0
Derivative hedge instruments	0.0	1 259.1	0.0	1 259.1
<b>Financial liabilities, including:</b>	<b>604.4</b>	<b>2 338.6</b>	<b>0.0</b>	<b>2 943.0</b>
Financial liabilities held for trading, including:	0.0	34.6	0.0	34.6
- repo transactions	0.0	34.6	0.0	34.6
Book short position in trading securities	604.4	0.0	0.0	604.4
Valuation of derivatives	0.0	1 097.6	0.0	1 097.6
Derivative hedge instruments	0.0	1 206.4	0.0	1 206.4

As of 31 Dec 2016

	Level 1	Level 2	Level 3	TOTAL
<b>Financial assets, including:</b>	<b>23 313.6</b>	<b>2 477.3</b>	<b>48.8</b>	<b>25 839.7</b>
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
<b>Financial liabilities, including:</b>	<b>453.2</b>	<b>2 605.7</b>	<b>0.0</b>	<b>3 058.9</b>
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

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

As of 31 Mar 2017

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash in hand and balances with the Central Bank	1 250.0	-	1 250.0	-	<b>1 250.0</b>
Financial assets held to maturity	6 244.7	6 110.9	-	-	<b>6 110.9</b>
Loans and receivables to other banks	1 125.7	-	1 125.4	-	<b>1 125.4</b>
Loans and receivables to customers	84 379.6	-	3 697.2	77 168.8	<b>80 866.0</b>
Other assets	77.9	-	-	77.9	<b>77.9</b>
<b>Liabilities</b>					
Liabilities due to other banks	5 606.6	-	5 606.6	-	<b>5 606.6</b>
Liabilities due to customers	96 620.7	-	-	96 624.6	<b>96 624.6</b>
Liabilities under issue of debt securities	872.0	-	870.7	-	<b>870.7</b>
Subordinated liabilities	634.2	-	-	634.2	<b>634.2</b>

**As of 31 Dec 2016**

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

## 7.21. Total capital ratio

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Own funds</b>				
<b>A. Own equity in the statement of financial position, including:</b>	<b>10 789.4</b>	<b>10 477.2</b>	<b>10 670.2</b>	<b>10 680.5</b>
<b>A.I. Own equity included in the own funds calculation, including:</b>	<b>9 127.4</b>	<b>9 069.9</b>	<b>8 893.1</b>	<b>8 479.1</b>
share capital and agio	1 086.4	1 086.4	1 086.4	1 086.4
retained earnings	7 858.5	7 874.8	7 494.3	7 237.3
- including financial net result for reporting period	308.5	308.5	-	305.5
revaluation reserve (unrealised losses)	-35.2	-62.0	-21.8	-73.2
revaluation reserve (unrealised gains)	217.7	170.7	334.2	228.6
<b>A.II. Own equity excluded from own funds calculation, including:</b>	<b>1 662.0</b>	<b>1 407.3</b>	<b>1 777.1</b>	<b>2 201.4</b>
revaluation reserve	407.1	468.8	1 462.4	1 329.6
retained earnings	1 252.8	936.2	312.2	869.2
other	2.1	2.3	2.5	2.6
<b>B. Other elements of own funds (decreases and increases), including:</b>	<b>100.0</b>	<b>123.7</b>	<b>-546.7</b>	<b>-559.0</b>
subordinated debt	632.9	663.6	-	-
goodwill and other intangible assets	-411.7	-423.6	-418.1	-421.0
AIRB shortfall/surplus of credit risk adjustments to expected losses	-120.8	-115.7	-128.6	-138.0
value adjustments due to the requirements for prudent valuation	-0.4	-0.6	0.0	0.0
<b>Own funds taken into account in total capital ratio calculation (A.I. + B), including:</b>	<b>9 227.4</b>	<b>9 193.6</b>	<b>8 346.4</b>	<b>7 920.1</b>
Core Tier I capital	8 618.6	8 553.1	8 346.4	7 920.1
Tier II capital	608.8	640.5	0.0	0.0
<b>Capital requirements</b>				
capital requirements for credit risk	4 261.1	4 121.5	4 108.4	3 935.1
other capital requirements	649.1	598.6	585.6	600.1
supplement to the overall level of capital requirements	255.2	273.5	39.3	75.9
<b>Total capital requirements</b>	<b>5 165.4</b>	<b>4 993.6</b>	<b>4 733.3</b>	<b>4 611.1</b>
<b>Total capital ratio</b>	<b>14.3%</b>	<b>14.7%</b>	<b>14.1%</b>	<b>13.7%</b>
<b>Tier I ratio</b>	<b>13.3%</b>	<b>13.7%</b>	<b>14.1%</b>	<b>13.7%</b>

Starting from January 2017, the Bank's calculation of own funds has included 80% 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 2016, the Bank recognised 60% 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 March 2017 and 31 December 2016.

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

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

- The ING Bank Śląski S.A. economists are of the opinion that Q1 2017 should see a further acceleration of the GDP growth. The economic growth rate reached the lowest level in Q3 2016, while Q4 2016 was better than expected, owing to the starting of the first investment projects from the new European Union budget. The next quarters are expected to bring a continuation of the economic upturn. The main driving force behind the economy are household outlays triggered by a good situation in the labour market and the 500+ child benefits programme. Throughout 2017, also investment projects will enjoy a growth impetus. The progress in signing contracts for projects co-financed by the EU allows one to expect a further growth in public investment projects; corporate investment projects should also revive (business entities from some sectors declare an increase in their investment plans). The ING Bank Śląski S.A. economists expect that the GDP growth rate will speed up to about 3.8% y/y towards the end of 2017, while the mid-year GDP growth rate will be approximately 3.5% y/y.
- According to the expectations of the ING Bank Śląski S.A. economists, the pay pressure in the domestic economy will continue to intensify. Business entities declare growing difficulties in finding employees; the problem may be additionally reinforced by regulatory changes (like a relatively high rise in the minimum wage or introduction of the minimum hour rate, as well as the lowering of the retirement age). In the view of the economists from ING Bank Śląski S.A., this will translate into maintaining a relatively high growth rate of consumer spending in 2017.
- A higher internal demand in Poland, i.e. investment projects and consumption, will most probably boost imports. 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. According to ING Bank Śląski S.A.'s projections, the imports increase will be predominantly compensated by higher exports, as indicated by the improved economic activity among Poland's chief trade partners and opening of new production facilities (among others, automotive ones), directed mainly to international markets.
- In the opinion of the ING Bank Śląski S.A. economists, the CPI inflation in Poland throughout 2017 will stay below the National Bank of Poland inflation target (2.5% y/y). A high rise in the prices growth rate in Q1 2017 mirrors the underlying effects relating to higher prices of energy sources as well as the moderate increase in core inflation. Moderate inflation pressure and only a stepwise rise in investment projects will, in the opinion of the ING Bank Śląski S.A. economists, make the Monetary Policy Council keep the unchanged level of interest rates during the entire 2017.
- A marked improvement in tax collection (of VAT, in particular) shows that despite the growing budgetary burden (following, among others, the activation of the child benefits programme in 2016, lowering of the retirement age as of Q4 2017 and starting of public investment projects), the deficit of the public finance sector in 2017 will settle significantly below 3% of GDP.
- Due to the material decrease in the risk of compulsory and simultaneous conversion of FX mortgage loans into PLN, the comments of rating agencies have been much more neutral for several months. However, the long-term budgetary burden linked to the lowering of the retirement age will most probably prevent the rating agencies from upgrading the ratings

## 9. Off-balance sheet items

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Off-balance sheet liabilities granted	27 380.2	27 954.5	25 730.3	24 423.2
Off-balance sheet liabilities received	83 069.7	79 093.3	56 320.0	53 515.3
Off-balance sheet financial instruments	535 194.1	439 511.9	312 215.9	358 574.2
<b>Total off-balance sheet items</b>	<b>645 644.0</b>	<b>546 559.7</b>	<b>394 266.2</b>	<b>436 512.7</b>

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

None.

## 11. Dividends paid

On 21 April 2017, the General Meeting approved earmarking the entire 2016 net profit of the Group's dominant entity for the equity injection.

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.

## 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)

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Status at the period beginning</b>	<b>4.2</b>	<b>3.3</b>
Establishment of provisions	0.5	0.1
Release of provisions	0.0	0.0
Utilisation of provision	-0.1	0.0
Others	0.0	0.0
<b>Status as at the period</b>	<b>4.6</b>	<b>3.4</b>

Both as at the end of Q1 2017 and Q1 2016, 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 March 2017 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 Mar 2017		as of 31 Mar 2016	
<b>Receivables</b>				
Nostro accounts	42.8	0.4	4.7	2.8
Deposits placed	59.3	-	5.0	-
Loans	26.6	64.1	35.1	44.4
Positive valuation of derivatives	263.3	100.2	200.2	219.0
Other receivables	4.3	1.0	6.1	1.7
<b>Liabilities</b>				
Deposits received	13.9	25.2	417.6	18.6
Loans received	2 768.3	-	1 686.4	-
Subordinated loan	634.2	-	641.6	-
Loro accounts	2.5	125.1	58.4	14.3
Negative valuation of derivatives	244.8	91.6	225.2	159.1
Other liabilities	74.1	1.0	67.1	2.5
<b>Off-balance-sheet operations</b>				
Off-balance sheet liabilities granted	428.7	209.9	755.7	300.2
Off-balance sheet liabilities received	1 377.0	103.0	2 938.2	90.3
FX transactions	26 104.8	64.0	6 235.6	154.2
Forward transactions	2 454.0	-	86.3	-
IRS	3 651.1	2 664.2	6 180.7	3 028.6
Options	6 299.8	276.6	2 253.0	475.3
	<b>1Q 2017</b>		<b>1Q 2016</b>	
	the period from 01Jan 2017 to 31 Mar 2017		the period from 01Jan 2016 to 31 Mar 2016	
<b>Income and expenses</b>				
Income, including:	65.8	4.3	-75.9	8.6
interest and commission income/expenses	-5.0	1.6	-4.6	6.1
income on financial instruments	70.7	2.7	-71.4	2.5
net income on other basic activities	0.1	-	0.1	-
General and administrative expenses	18.2	2.1	7.2	3.4
<b>Outlays for non-current assets</b>				
Outlays for property, plant and equipment	-	-	-	-
Outlays for intangible assets	-	-	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 3 months 2017, the Bank revised the allocation key for the ALCO's income. The data for previous periods presented herein were made comparable.

**1Q 2017**

the period from 01 Jan 2017 to 31 Mar 2017

	Retail banking segment	Corporate banking segment	TOTAL
<b>Income total</b>	<b>634.2</b>	<b>500.3</b>	<b>1 134.5</b>
net interest income	505.7	309.8	815.5
net commission income	104.4	185.2	289.6
other income/expenses	24.1	5.3	29.4
<b>Expenses total</b>	<b>344.3</b>	<b>220.1</b>	<b>564.4</b>
<b>Segment result</b>	<b>289.9</b>	<b>280.2</b>	<b>570.1</b>
Impairment losses	42.8	34.1	76.9
Tax on certain financial institutions	31.9	47.5	79.4
<b>Segment profit before tax</b>	<b>215.2</b>	<b>198.6</b>	<b>413.8</b>
Income tax	-	-	113.6
<b>Result after tax</b>	<b>-</b>	<b>-</b>	<b>300.2</b>
<b>- attributable to shareholders of ING Bank Śląski S.A.</b>	<b>-</b>	<b>-</b>	<b>300.2</b>
<b>Allocated equity</b>	<b>4 631.3</b>	<b>6 156.0</b>	<b>10 787.3</b>
<b>ROE - Return on equity (%)*</b>	<b>16.8</b>	<b>8.5</b>	<b>12.0</b>

\*) 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.

**1Q 2016**

the period from 01 Jan 2016 to 31 Mar 2016

	Retail banking segment	Corporate banking segment	TOTAL
<b>Income total</b>	<b>527.5</b>	<b>448.1</b>	<b>975.6</b>
net interest income	402.9	265.2	668.1
net commission income	90.1	163.8	253.9
other income/expenses	34.5	19.1	53.6
<b>Expenses total</b>	<b>304.5</b>	<b>204.3</b>	<b>508.8</b>
<b>Segment result</b>	<b>223.0</b>	<b>243.8</b>	<b>466.8</b>
Impairment losses	16.4	62.5	78.9
Tax on certain financial institutions	17.8	32.7	50.5
<b>Segment profit before tax</b>	<b>188.8</b>	<b>148.6</b>	<b>337.4</b>
Income tax	-	-	78.2
<b>Result after tax</b>	<b>-</b>	<b>-</b>	<b>259.2</b>
<b>- attributable to shareholders of ING Bank Śląski S.A.</b>	<b>-</b>	<b>-</b>	<b>259.2</b>
<b>Allocated equity</b>	<b>4 555.0</b>	<b>6 112.7</b>	<b>10 667.7</b>
<b>ROE - Return on equity (%)*</b>	<b>14.3</b>	<b>8.6</b>	<b>10.9</b>

\*) 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.

#### 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.

On 21 March 2017, the Agency assigned national ratings to the Bank. The National Long-Term Rating was set at AAA (pol) with stable outlook, while the National Short-Term Rating – at F1+ (pol).

As at 31 March 2017, 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
National Long-Term Rating	AAA (pol)
Outlook for sustaining the above rating	Stable
National Short-Term Rating	F1+ (pol)

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.

The ratings on the National Rating Scale reflect a relative credit viability assessment for the entity vis-à-vis the lowest default risk in a given country. The ratings are compared neither internationally nor over time.

### 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 23 January 2017, 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 March 2017, 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 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Number of outlets	381	384	394	395
Number of ING Express sales points at shopping malls	66	65	65	64

As at 31 March 2017, Clients could use 1,111 machines for cash self-service, including 184 standard ATMs and 927 dual machines. As at 31 March 2016, there were 1,138 machines for cash self-service, including 203 standard ATMs, 1 standard CDM and 934 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 clients<sup>1</sup> are as follows:

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

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
ING BankOnLine, Moje ING and ING BusinessOnLine (in million)	3.4	3.4	3.2	3.2
HaloŚląski (in million)	2.2	2.3	2.1	2.1
ING BankMobile, Moje ING Mobile* (in million)	2.2	2.0	1.4	1.2
ING BusinessMobile (in thousands)	13.2	12.1	10.1	9.5

\* / Number of downloaded applications

The monthly number of transactions in March 2017 was at the level of 33.3 million, whereas at the end of December 2016 it was 32.2 million and in the analogical period last year it was 28.6 million.

#### **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 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Debit cards	2 917	2 832	2 722	2 685
Credit cards	219	218	212	211
Other cards	115	110	104	107
<b>Total payment cards, in which:</b>	<b>3 251</b>	<b>3 160</b>	<b>3 038</b>	<b>3 003</b>
<i>Paywave</i> <sup>2</sup>	2 560	2 485	2 379	2 343
<i>Virtual cards</i>	60	50	43	42

<sup>2</sup> 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.

2017-05-09	<b>Brunon Bartkiewicz</b> President	<i>Signed on the Polish original</i>
2017-05-09	<b>Mirosław Boda</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Michał Bolesławski</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Joanna Erdman</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Marcin Giżycki</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Justyna Kesler</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Patrick Roesink</b> Vice-President	<i>Signed on the Polish original</i>

## SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2017-05-09	<b>Jolanta Alvarado Rodriguez</b>	Director of Accounting Department Chief Accountant	<i>Signed on the Polish original</i>
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## Interim condensed standalone income statement

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
Interest income	989.8	900.2
Interest expenses	205.8	262.7
<b>Net interest income</b>	<b>784.0</b>	<b>637.5</b>
Commission income	312.7	267.4
Commission expenses	35.0	28.1
<b>Net commission income</b>	<b>277.7</b>	<b>239.3</b>
Net income on financial instruments at fair value through profit or loss and FX result	17.6	22.9
Net income on investments	11.7	29.6
Net income on hedge accounting	0.4	-2.6
Net income on other basic activities	-0.8	1.7
<b>Net income on basic activities</b>	<b>1 090.6</b>	<b>928.4</b>
General and administrative expenses	544.5	479.1
Impairment losses and provisions for off-balance sheet liabilities	78.6	70.9
Tax on certain financial institutions	79.4	50.5
<b>Gross profit (loss)</b>	<b>388.1</b>	<b>327.9</b>
Income tax	108.1	74.2
<b>Net profit (loss)</b>	<b>280.0</b>	<b>253.7</b>
Weighted average number of ordinary shares	130 100 000	130 100 000
Earnings per ordinary share (PLN)	2.15	1.95

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

## Interim condensed standalone statement of comprehensive income

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Net profit for the period</b>	<b>280.0</b>	<b>253.7</b>
<b>Total other comprehensive income, including:</b>	<b>12.2</b>	<b>289.8</b>
Items which can be reclassified to income statement	12.2	289.9
Items which will not be reclassified to income statement	0,0	-0,1
<b>Net comprehensive income for the reporting period</b>	<b>292.2</b>	<b>543,5</b>

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

## Interim condensed standalone statement of financial position

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
<b>Assets</b>				
Cash in hand and balances with the Central Bank	1 250.0	1 825.0	3 565.7	3 589.7
Loans and other receivables to other banks	1 125.7	1 113.4	952.4	1 013.1
Financial assets at fair value through profit or loss	1 505.2	2 826.8	2 067.7	1 127.1
Valuation of derivatives	1 210.6	1 117.1	1 613.8	1 990.9
Investments	26 569.7	25 721.3	25 071.9	23 478.7
Derivative hedge instruments	1 259.1	1 338.6	2 737.1	2 454.8
Loans and other receivables to customers	80 560.1	78 038.0	72 621.9	69 633.4
Receivables from customers under repo transactions	19.9	0.0	19.9	1 354.4
Investments in controlled entities	239.2	239.2	269.3	269.3
Non-financial assets	981.8	991.2	1 013.3	1 036.1
Assets held for sale	19.7	31.8	39.6	38.4
Tax assets	94.5	154.2	2.7	0.0
Other assets	167.6	132.8	122.0	120.0
<b>Total assets</b>	<b>115 003.1</b>	<b>113 529.4</b>	<b>110 097.3</b>	<b>106 105.9</b>
<b>Liabilities</b>				
Liabilities to other banks	2 594.3	2 019.9	2 301.0	1 855.4
Financial liabilities at fair value through profit or loss	639.0	474.8	319.9	629.4
Valuation of derivatives	1 097.6	1 116.0	1 525.1	2 002.8
Derivative hedge instruments	1 206.4	1 468.1	1 818.0	1 830.9
Liabilities to customers	96 042.3	95 168.4	90 036.9	87 383.7
Liabilities to customers under repo transactions	0.0	0.0	10.4	47.5
Liabilities under issue of debt securities	872.0	866.4	872.0	866.3
Subordinated liabilities	634.2	664.9	641.6	0.0
Provisions	70.4	71.2	79.2	63.8
Tax liabilities	20.8	119.6	219.3	153.7
Other liabilities	1 238.9	1 265.2	1 804.4	787.2
<b>Total liabilities</b>	<b>104 415.9</b>	<b>103 234.5</b>	<b>99 627.8</b>	<b>95 620.7</b>
<b>Equity</b>				
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	589.0	576.8	1 763.9	1 474.1
Retained earnings	8 911.8	8 631.7	7 619.2	7 924.7
<b>Total equity</b>	<b>10 587.2</b>	<b>10 294.9</b>	<b>10 469.5</b>	<b>10 485.2</b>
<b>Total equity and liabilities</b>	<b>115 003.1</b>	<b>113 529.4</b>	<b>110 097.3</b>	<b>106 105.9</b>
Carrying amount	10 587.2	10 294.9	10 469.5	10 485.2
Number of shares	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)	81.38	79.13	80.47	80.59

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

## Interim condensed standalone statement of changes in equity

### 1Q 2017

the period from 01 Jan 2017 to 31 Marc 2017

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>576.8</b>	<b>8 631.7</b>	<b>10 294.9</b>
<b>Net result for the current period</b>	-	-	-	280.0	<b>280.0</b>
<b>Other net comprehensive income, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>12.2</b>	<b>0.0</b>	<b>12.2</b>
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	28.4	-	28.4
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-6.2	-	-6.2
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	-	-	-7.7	-	-7.7
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	-0.1	-	-0.1
effective part of cash flow hedging relationship	-	-	-2.2	-	-2.2
<b>Other changes in equity, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>
valuation of share-based payments	-	-	-	0.1	0.1
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>589.0</b>	<b>8 911.8</b>	<b>10 587.2</b>

### 4Q 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
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>1 474.1</b>	<b>7 924.7</b>	<b>10 485.2</b>
<b>Net result for the current period</b>	-	-	-	1 208.7	<b>1 208.7</b>
<b>Other net comprehensive income, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>-897.4</b>	<b>1.5</b>	<b>-895.9</b>
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
<b>Other changes in equity, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>-503.2</b>	<b>-503.1</b>
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
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>576.8</b>	<b>8 631.7</b>	<b>10 294.9</b>

## Interim condensed standalone statement of changes in equity - continued

1Q 2016

the period from 01 Jan 2016 to 31 Mar 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
<b>Opening balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>1 474.1</b>	<b>7 924.7</b>	<b>10 485.2</b>
<b>Net result for the current period</b>	-	-	-	253.7	<b>253.7</b>
<b>Other net comprehensive income, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>289.8</b>	<b>0.0</b>	<b>289.8</b>
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	52.7	-	52.7
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-23.2	-	-23.2
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	-	-	-8.0	-	-8.0
effective part of cash flow hedging relationship	-	-	268.4	-	268.4
revaluation of non-current assets	-	-	-0.1	-	-0.1
<b>Other changes in equity, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-559.2</b>	<b>-559.2</b>
valuation of share-based payments	-	-	-	0.2	0.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-559.4
<b>Closing balance of equity</b>	<b>130.1</b>	<b>956.3</b>	<b>1 763.9</b>	<b>7 619.2</b>	<b>10 469.5</b>

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

## Interim condensed standalone cash flow statement

	1Q 2017 the period from 01 Jan 2017 to 31 Mar 2017	1Q 2016 the period from 01 Jan 2016 to 31 Mar 2016
<b>Net profit (loss)</b>	<b>280.0</b>	<b>253.7</b>
<b>Adjustments</b>	<b>208.3</b>	<b>-586.3</b>
Depreciation and amortisation	45.7	41.5
Interest accrued (from the income statement)	-784.0	-637.5
Interest paid	-204.3	-257.9
Interest received	946.8	907.0
Dividends received	-1.7	-1.0
Gains (losses) on investing activities	-0.3	1.3
Income tax (from the income statement)	108.1	74.2
Income tax paid	-147.2	-11.3
Change in provisions	-0.8	15.4
Change in loans and other receivables to other banks	-18.5	83.1
Change in financial assets at fair value through profit or loss	1 321.7	-941.7
Change in available-for-sale financial assets	295.3	-1 264.7
Change in valuation of derivatives	-111.9	-100.6
Change in hedge derivatives	-184.4	-26.8
Change in loans and other receivables to customers	-2 549.8	-1 649.2
Change in other assets	-66.2	-16.0
Change in liabilities to other banks	574.3	444.4
Change in liabilities at fair value through profit or loss	164.2	-309.5
Change in liabilities to customers	878.1	2 618.2
Change in other liabilities	-56.8	444.8
<b>Net cash flow from operating activities</b>	<b>488.3</b>	<b>-332.6</b>
Purchase of property plant and equipment	-18.5	-12.1
Disposal of property plant and equipment	0.5	2.5
Purchase of intangible assets	-6.1	-14.8
Disposal of assets held for sale	0.0	2.3
Purchase of held-to-maturity financial assets	-1 049.1	-304.4
Interest received from held-to-maturity financial assets	1.4	1.4
Dividends received	1.7	1.0
<b>Net cash flow from investing activities</b>	<b>-1 070.1</b>	<b>-324.1</b>
Long-term loans received	0.0	654.8
<b>Net cash flow from financing activities</b>	<b>0.0</b>	<b>654.8</b>
Effect of exchange rate changes on cash and cash equivalents	-248.9	-58.4
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-581.8</b>	<b>-1.9</b>
<b>Opening balance of cash and cash equivalents</b>	<b>2 758.7</b>	<b>4 410.4</b>
<b>Closing balance of cash and cash equivalents</b>	<b>2 176.9</b>	<b>4 408.5</b>

Interim Condensed Standalone Cash Flow Statement shall be read in conjunction 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 1 quarter 2017 and 1 quarter 2016.

#### 1.3. *Compliance with International Financial Reporting Standards*

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 1 quarter 2017 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 March 2017 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 1 quarter 2017 and the Bank's financial statements for the year ended 31 December 2016 approved by the General Meeting on 21 April 2017.

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 2017 to 31 March 2017, and interim condensed standalone statement of financial position as at 31 March 2017 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 2016 to 31 March 2016 for the interim condensed standalone income statement, the interim condensed standalone statement of comprehensive income and the interim condensed standalone cash flow statement, additionally for the interim condensed standalone statement of changes in equity as at 31 December 2016; in the case of the interim condensed standalone statement of financial position data as of 31 December 2016, 31 March 2016 and 31 December 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 2016 annual standalone financial statements. In Q1 2017, the Bank did not make any changes to the accounting standards applied.

### **1.7. Approval of financial statements**

These interim condensed standalone financial statements have been approved by the Bank Management Board on 09 May 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 2016 to 31 December 2016 published on 03 March 2017 that is available on the Internet site of ING Bank Śląski S.A. ([www.ingbank.pl](http://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 2016 to 31 December 2016



published on 03 March 2017 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl). In Q1 2017, the Bank did not change its estimations.

#### 4. Comparability of financial data

In the interim condensed standalone financial statements for the 1 quarter 2017 the Bank did not change the principles of presentation, compared to the financial statements for the 1 quarter 2016.

#### 5. Significant events in 1 quarter 2017

Significant events that occurred in 1 quarter 2017 are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 2. *Significant events in 1 quarter 2017*.

#### 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 21 April 2017, the General Meeting approved earmarking the entire 2016 net profit of the Bank for the equity injection.

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.

#### 9. Acquisitions

In 1 quarter 2017, the ING Bank Śląski did not make any acquisitions, as in 1 quarter 2016.

#### 10. Off-balance sheet items

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Off-balance sheet liabilities granted	26 271.0	26 994.5	23 907.6	23 453.5
Off-balance sheet liabilities received	81 865.1	77 680.1	54 164.1	51 424.8
Off-balance sheet financial instruments	535 382.5	439 561.7	312 264.0	358 622.2
<b>Total off-balance sheet items</b>	<b>643 518.6</b>	<b>544 236.3</b>	<b>390 335.7</b>	<b>433 500.5</b>

## 11. Total capital ratio

	as of 31 Mar 2017	as of 31 Dec 2016	as of 31 Mar 2016	as of 31 Dec 2015
Own funds	9 118.2	9 068.1	8 240.2	7 750.1
Total capital requirement	4 522.7	4 369.1	4 281.9	4 115.4
<b>Total capital ratio</b>	<b>16.1%</b>	<b>16.6%</b>	<b>15.4%</b>	<b>15.1%</b>
<b>Tier I ratio</b>	<b>15.0%</b>	<b>15.4%</b>	<b>15.4%</b>	<b>15.1%</b>

## 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 Mar 2017			as of 31 Mar 2016		
<b>Receivables</b>						
Nostro accounts	42.8	0.4	-	4.7	2.8	-
Deposits placed	59.3	-	-	5.0	-	-
Loans	-	2.2	6 393.2	4.1	5.4	6 057.5
Positive valuation of derivatives	263.3	100.2	2.2	200.2	219.0	3.1
Other receivables	4.3	1.0	0.3	6.1	1.7	0.1
<b>Liabilities</b>						
Deposits received	13.9	25.2	75.5	417.6	18.6	272.5
Subordinated loan	634.2	-	-	641.6	-	-
Loro accounts	2.5	125.1	-	58.4	14.3	-
Negative valuation of derivatives	244.8	91.6	-	225.2	159.1	-
Other liabilities	74.1	1.0	1.9	67.1	2.5	2.1
<b>Off-balance-sheet operations</b>						
Off-balance sheet liabilities granted	338.8	96.8	1 910.7	755.7	89.1	1 477.0
Off-balance sheet liabilities received	346.9	103.0	-	782.3	90.3	300.0
FX transactions	26 104.8	64.0	-	6 235.6	154.2	-
Forward transactions	2 454.0	-	-	86.3	-	48.8
IRS	3 651.1	2 664.2	70.4	6 180.7	3 028.6	74.2
Options	6 299.8	276.6	47.5	2 253.0	475.3	48.1
	<b>1Q 2017</b> the period from 01 Jan 2017 to 31 Mar 2017			<b>1Q 2016</b> the period from 01 Jan 2016 to 31 Mar 2016		
<b>Income and expenses</b>						
Income, including:	69.5	3.8	34.4	-71.4	8.6	30.3
interest and commission income/expenses	-1.2	1.1	35.0	0.1	6.1	29.6
income on financial instruments	70.7	2.7	-0.6	-71.5	2.5	2.2
net income on other basic activities	-	-	-	-	-	-1.5
General and administrative expenses	18.0	1.5	2.3	7.0	2.4	-0.7
<b>Outlays for non-current assets</b>						
Outlays for property, plant and equipment	-	-	-	-	-	-
Outlays for intangible assets	-	-	-	0.2	-	-

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

2017-05-09	<b>Brunon Bartkiewicz</b> President	<i>Signed on the Polish original</i>
2017-05-09	<b>Mirosław Boda</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Michał Bolesławski</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Joanna Erdman</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Marcin Giżycki</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Justyna Kesler</b> Vice-President	<i>Signed on the Polish original</i>
2017-05-09	<b>Patrick Roesink</b> Vice-President	<i>Signed on the Polish original</i>

## SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2017-05-09	<b>Jolanta Alvarado Rodriguez</b>	Director of Accounting Department Chief Accountant	<i>Signed on the Polish original</i>
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