

# ING Bank Śląski S.A.

Business and Financial Results  
for Q1 2017

Katowice, 10 May 2017



# Investor Information

ING Bank Śląski S.A. develops the financial statements under the International Accounting Standards (IAS) adopted by the European Union (IFRS-EU).

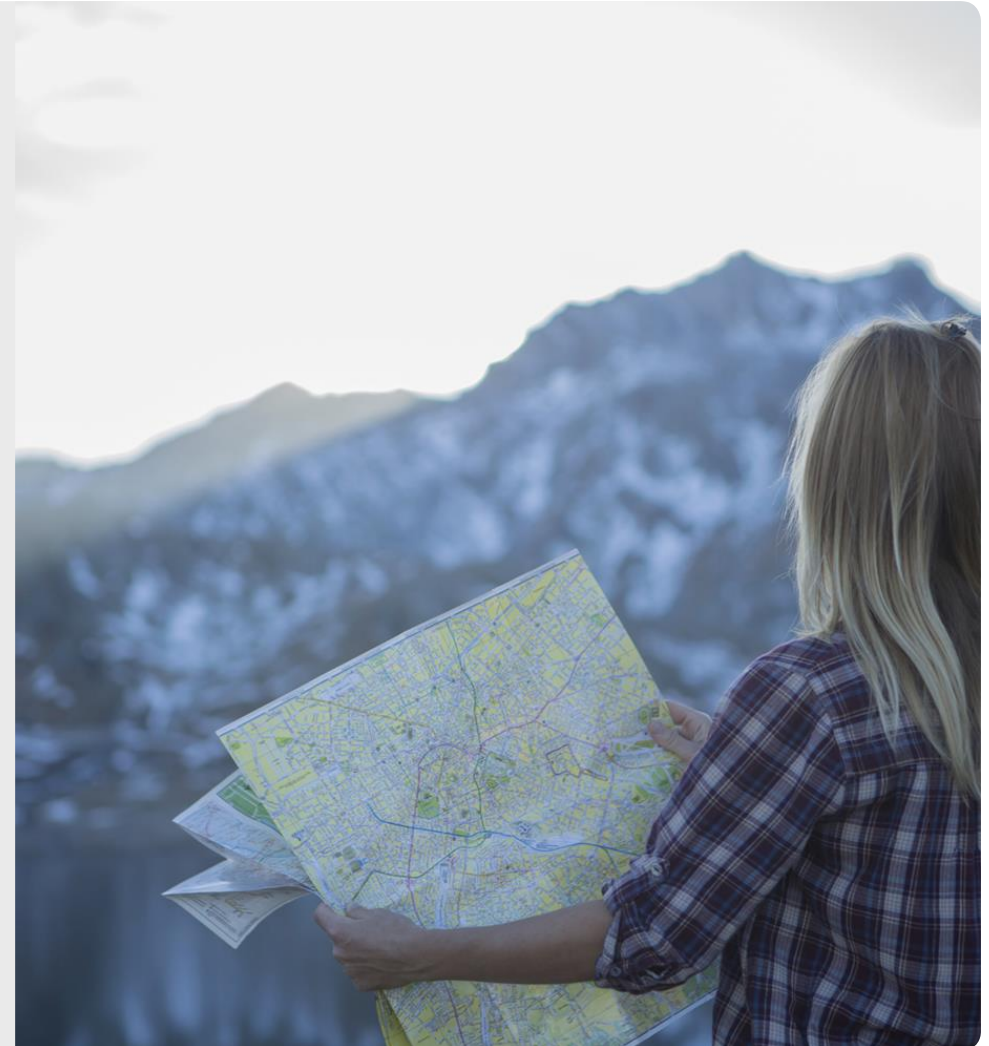
The financial information presented in this document has been prepared based on the same accounting principles as applied in the ING Bank Śląski S.A. Annual Report. All figures in this document are unaudited. Small differences in figures are possible.

Certain statements contained herein are not historical facts; some of them in particular are forecasts and future expectations that are based on current views and assumptions of the Management Board and that involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from data contained or implied in such statements due to the following: (1) changes in general economic conditions, (2) changes in performance of financial markets, (3) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (4) changes affecting interest rate levels, (5) changes affecting currency exchange rates, (6) changes in general competitive factors, (7) changes in laws and regulations, (8) changes in the policies of governments and/or regulatory authorities, (9) conclusions with regard to purchase accounting assumptions and methodologies. ING Bank Śląski S.A. assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

[www.ingbank.pl](http://www.ingbank.pl)

# Table of contents

1. Introduction to financial results and the Bank's market position
2. Agile in ING Bank Śląski S.A.
3. Business development
4. Financial results for Q1 2017
5. Appendixes

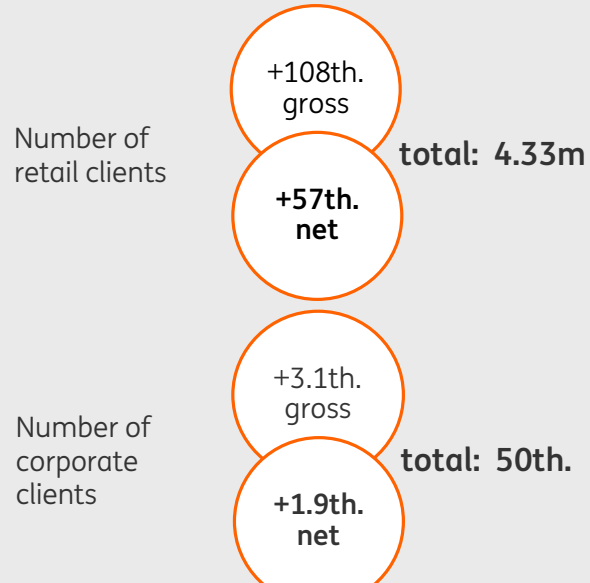


# Introduction to financial results and the Bank's market position



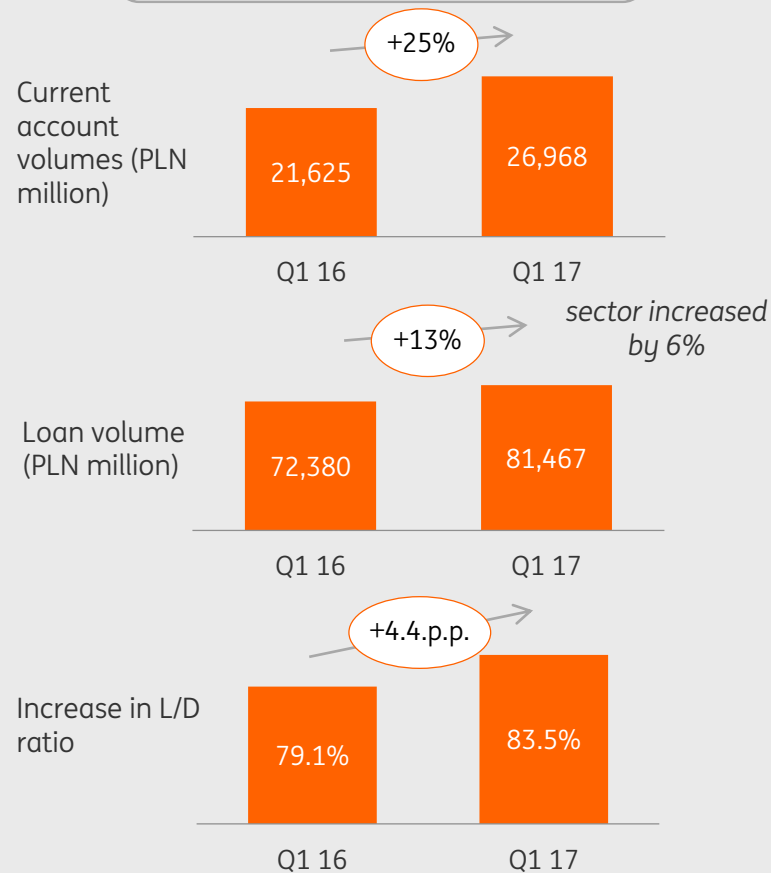
# Main achievements in Q1 2017 – clients choose digital

## Growth of client base supported by digitalisation

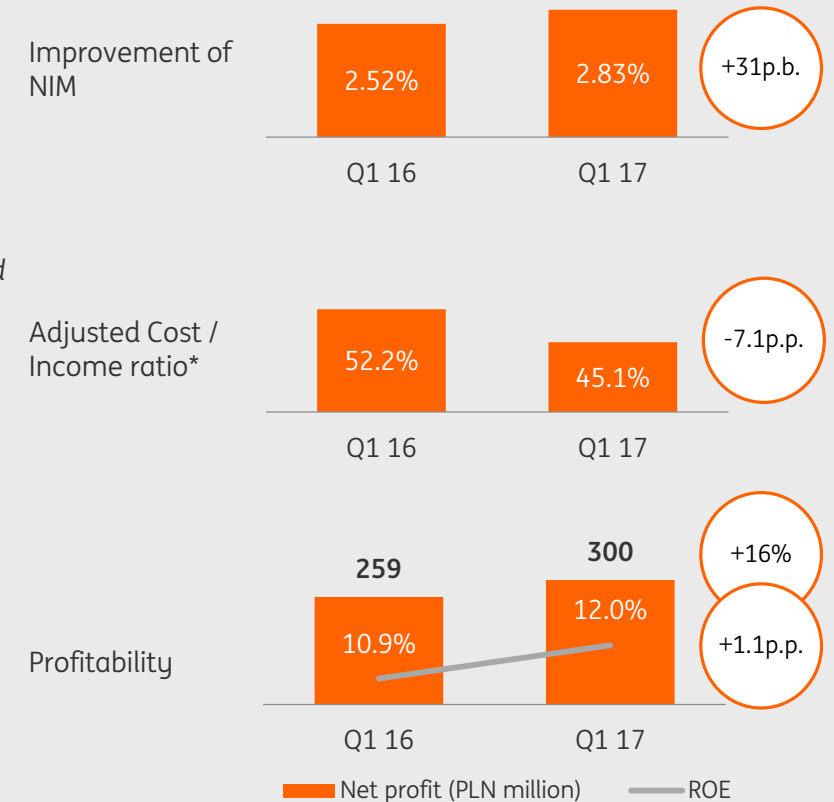


- Electronic transfers are 99.98% of corporate banking transfers and 99.80% of retail banking transfers
- 9.3 million transfers in retail mobile banking (+10% q/q, +48% y/y)
- 516th. BLIK transactions (+57% q/q, ~3x y/y)

## Optimal and stable balance sheet



## High efficiency of operations





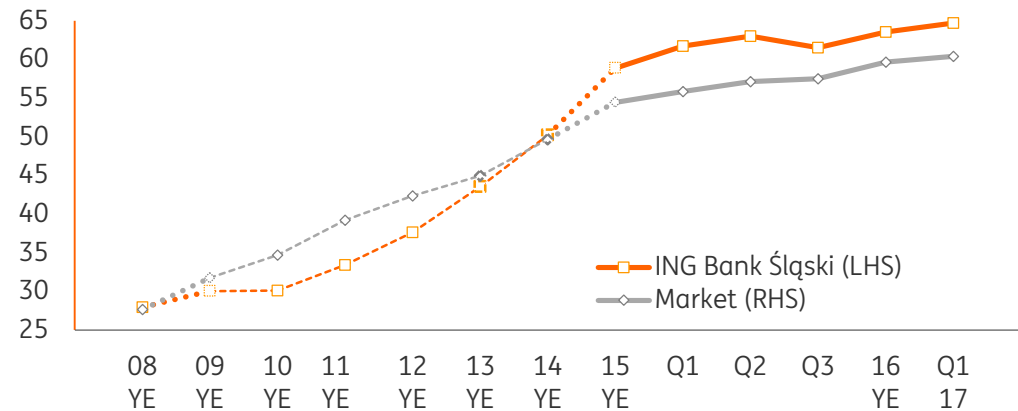
# Major business accomplishments of the Bank

## Bank's business volumes\*

	<i>in PLN million</i>								
	31.03.16	30.06.16	30.09.16	31.12.16	31.03.17	Change q/q	Change y/y	Diff q/q	Diff y/y
Total deposits	89,693	92,253	91,491	94,689	95,457	+ 1%	+ 6%	768	5,764
Corporate clients deposits	28,189	29,401	30,044	31,202	30,611	- 2%	+ 9%	-591	2,422
Retail clients deposits	61,504	62,852	61,447	63,488	64,846	+ 2%	+ 5%	1,358	3,342
Total funds entrusted by retail clients	72,310	72,726	72,010	74,361	76,511	+ 3%	+ 6%	2,150	4,202
Retail off-BS savings distributed by the Bank	10,806	9,874	10,564	10,874	11,666	+ 7%	+ 8%	792	860
Total loans	72,380	74,985	77,192	78,589	81,467	+ 4%	+ 13%	2,878	9,087
Loans to corporate clients incl. leasing and factoring	44,780	45,594	46,772	47,102	48,823	+ 4%	+ 9%	1,721	4,043
Loans to retail clients	27,599	29,391	30,420	31,487	32,643	+ 4%	+ 18%	1,156	5,044
Mortgage loans volume	20,572	21,785	22,447	23,270	23,967	+ 3%	+ 17%	697	3,395

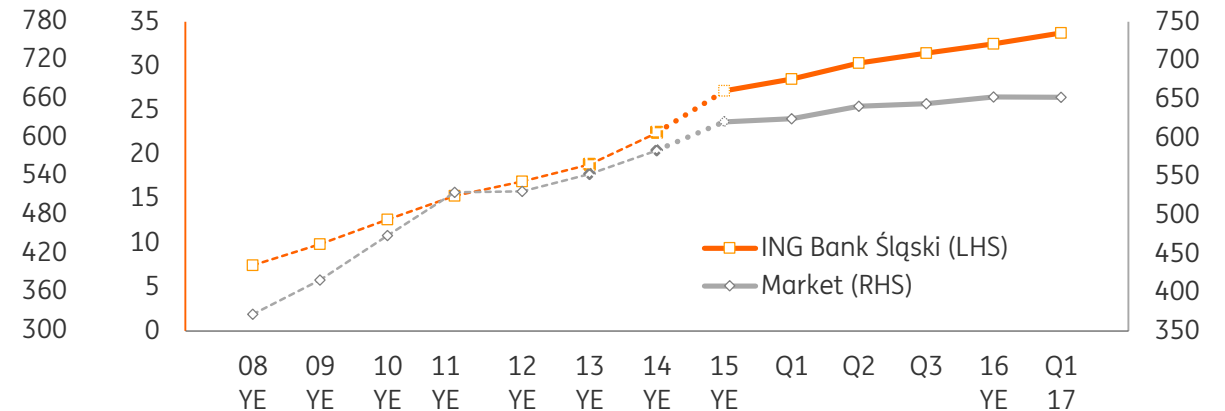
# Market position of ING Bank Śląski S.A.

## Volume of household deposits (PLN billion)



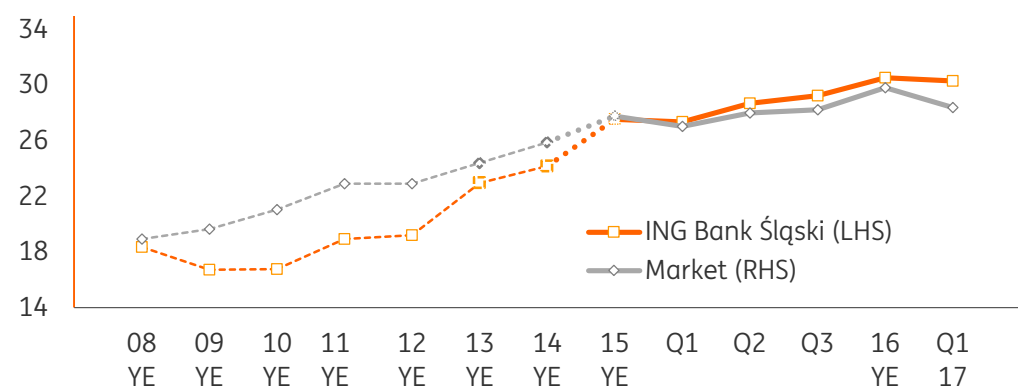
Market share (%) 8.42 7.88 7.24 7.10 7.40 8.07 8.42 9.01 9.21 9.19 8.91 8.88 **8.93**

## Volume of household loans (PLN billion)



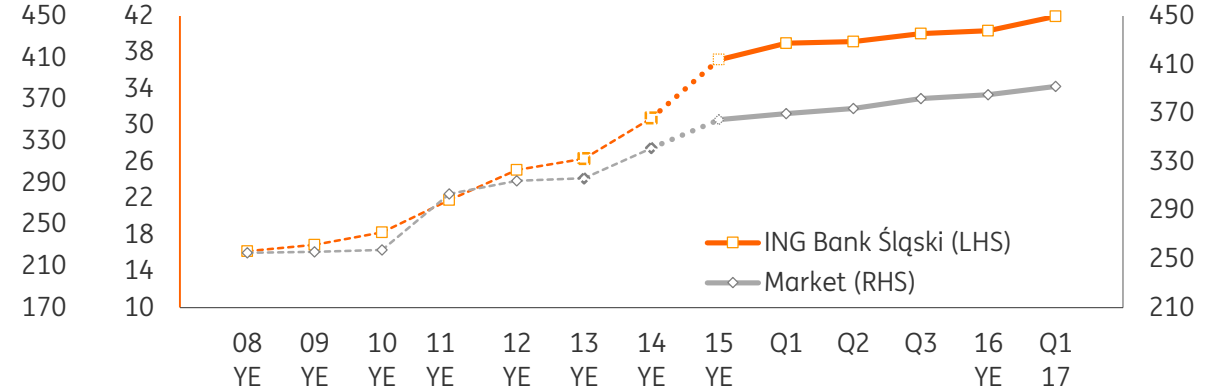
Market share (%) 2.00 2.36 2.67 2.89 3.19 3.41 3.84 4.38 4.56 4.73 4.88 4.98 **5.17**

## Volume of corporate deposits (PLN billion)



Market share (%) 7.79 6.82 6.35 6.56 6.64 7.44 7.36 7.80 7.96 8.05 8.13 8.02 **8.37**

## Volume of corporate loans (PLN billion)



Market share (%) 6.34 6.60 7.13 7.28 7.99 8.32 9.02 10.20 10.56 10.48 10.49 10.48 **10.70**

# Financial results of ING Bank Śląski S.A. - reported

<i>PLN million</i>	<b>Q1 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>change q/q</b>	<b>change y/y</b>
<b>Total income</b>	975.6	1,122.0	1,134.5	+ 1%	+ 16%
<b>Total expenses</b>	508.8	557.7	564.4	+ 1%	+ 11%
<b>Result before risk costs</b>	466.8	564.3	570.1	+ 1%	+ 22%
<b>Risk costs</b>	78.9	138.5	76.9	- 44%	- 3%
<b>Bank levy</b>	50.5	77.2	79.4	+ 3%	+ 57%
<b>Profit before tax</b>	337.4	348.6	413.8	+ 19%	+ 23%
<b>Net profit</b>	259.2	254.9	300.2	+ 18%	+ 16%
<b>Total capital ratio</b>	14.1%	14.7%	14.3%	- 0.4 p.p.	+ 0.2 p.p.
<b>Tier I</b>	14.1%	13.7%	13.3%	- 0.4 p.p.	- 0.8 p.p.
<b>ROE (%)</b>	10.9%	11.7%	12.0%	+ 0.4 p.p.	+ 1.1 p.p.
<b>C/I ratio (%)</b>	52.2%	49.7%	49.7%	+ 0.0 p.p.	- 2.4 p.p.



# Financial results of ING Bank Śląski S.A. – recurring\*

PLN million	Q1 2016	Q4 2016	Q1 2017	change q/q	change y/y
Total income*	975.6	1,122.0	1,134.5	+ 1%	+ 16%
Total expenses*	508.8	545.5	511.5	- 6%	+ 1%
Result before risk costs*	466.8	576.5	623.0	+ 8%	+ 33%
Risk costs	78.9	138.5	76.9	- 44%	- 3%
Profit before tax*	387.9	438.0	546.1	+ 25%	+ 41%
Net profit*	309.7	342.0	432.5	+ 26%	+ 40%
Total capital ratio	14.1%	14.7%	14.3%	- 0.4 p.p.	+ 0.2 p.p.
Tier I	14.1%	13.7%	13.3%	- 0.4 p.p.	- 0.8 p.p.
ROE (%)*	11.8%	13.0%	14.1%	+ 1.1 p.p.	+ 2.3 p.p.
C/I ratio (%)*	52.2%	48.6%	45.1%	- 3.5 p.p.	- 7.1 p.p.

# 24H Coding

hackathon

12-13 MAY 2017  
Katowice - Poland  
WWW.24HCODING.COM

## Registration {

.28.02-31.03;  
.92 ideas;  
.560 enrolments;  
};

## Who {

.58 teams;  
.400 people;  
.11 countries;  
};

## Time & place{

.12/13 May;  
.Zinc Rolling Mill, Katowice  
.24 hours;  
};

## Topic {

”Open financial services ecosystem”  
};

## Why {

- .School of experiment creation;
  - .Searching for innovation;
  - .Preparing for PSD2;
- };





# Agile in ING Bank Śląski S.A.



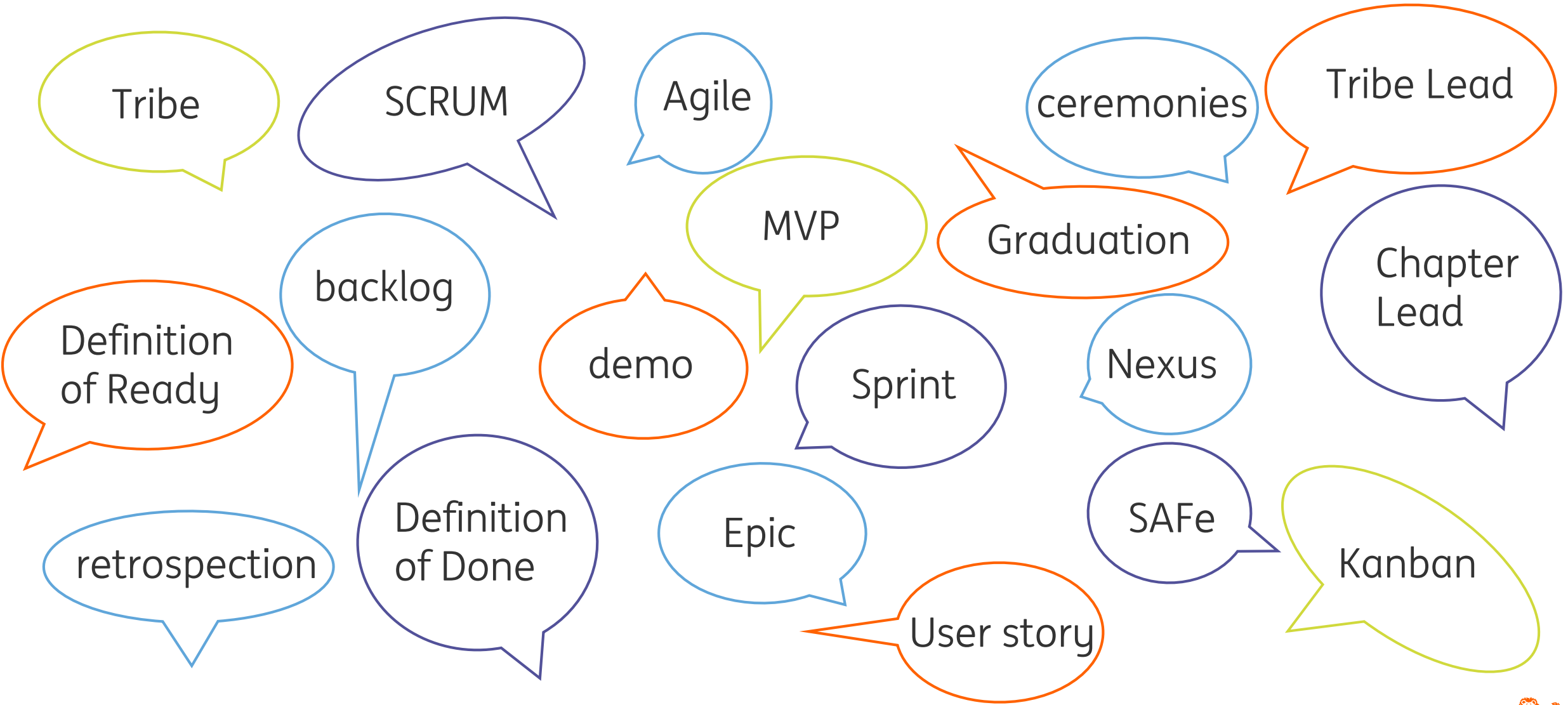


# The reality in which we operate is subject to a rapid change and is moving towards technology...



Moje ING  
for individual clients and entrepreneurs

...so we need to know completely new terms, features and roles...



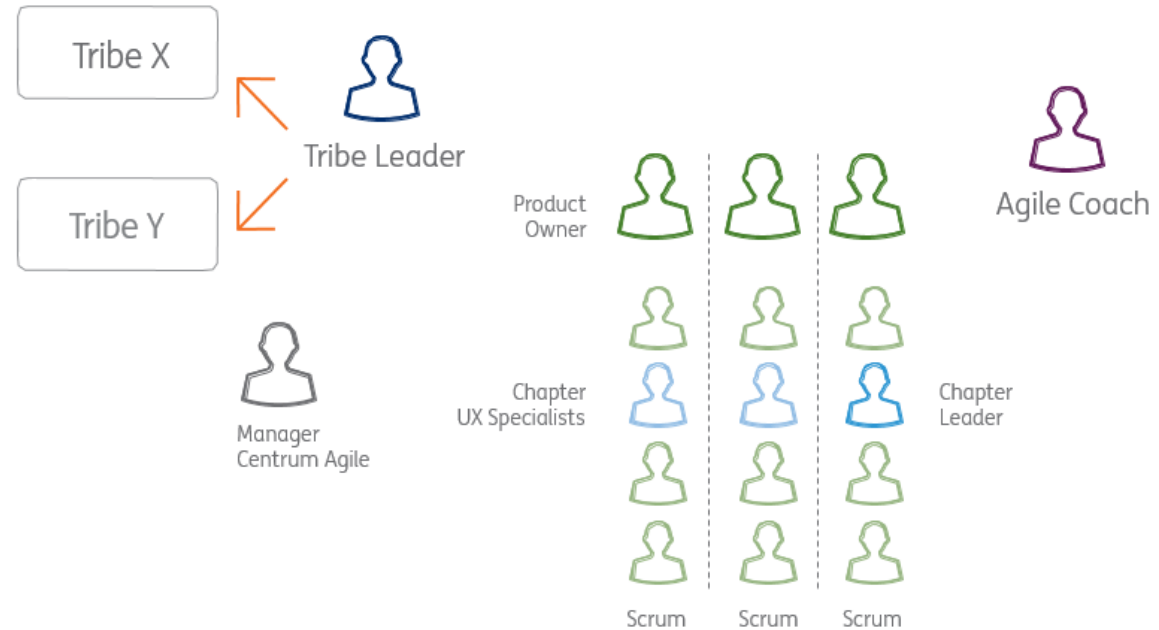
# ...in which we want to work more efficiently...



## Roles & functions in new structure:

**TRIBE** is a set of teams called scrums joined by common mission. Usually Tribe consists of approx. 50-100 employees coordinated by Tribe Leader who also plays a linking pin role between other Tribes.

**SCRUM** its an interdisciplinary self-organizing team that delivers concrete products in regular cycles called sprints. It performs tasks according to the task lists - backlog.



## Roles & functions:



**Tribe Leader** – is responsible for work of all teams and ensures that project carried out in Tribe are in line with the Bank strategy.

**Agile Manager** – supports Tribe Leader in day-to-day activities including managing, communication, ensures quality of work within the teams.

**Agile Coach** – ensures effective usage of the Agile methodology by upgrading and retaining knowledge across the organization and by inspiring and developing scrum teams.

**Product Owner** – responsible for scrum activities, manages backlog and sets priorities.

**Chapter Leader** – responsible for coordination of the actions within particular area, ensures personal development of employees, additionally is part of the scrum.



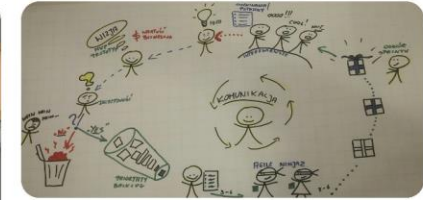
# ...while pursuing coherent goals in one location...



## Coherent goals and shared responsibility :

Within TRIBE, we introduce common goals and development tasks for all team members.

Goals and tasks will consider the requirements that we have faced so far as departments from business, operations and IT areas.

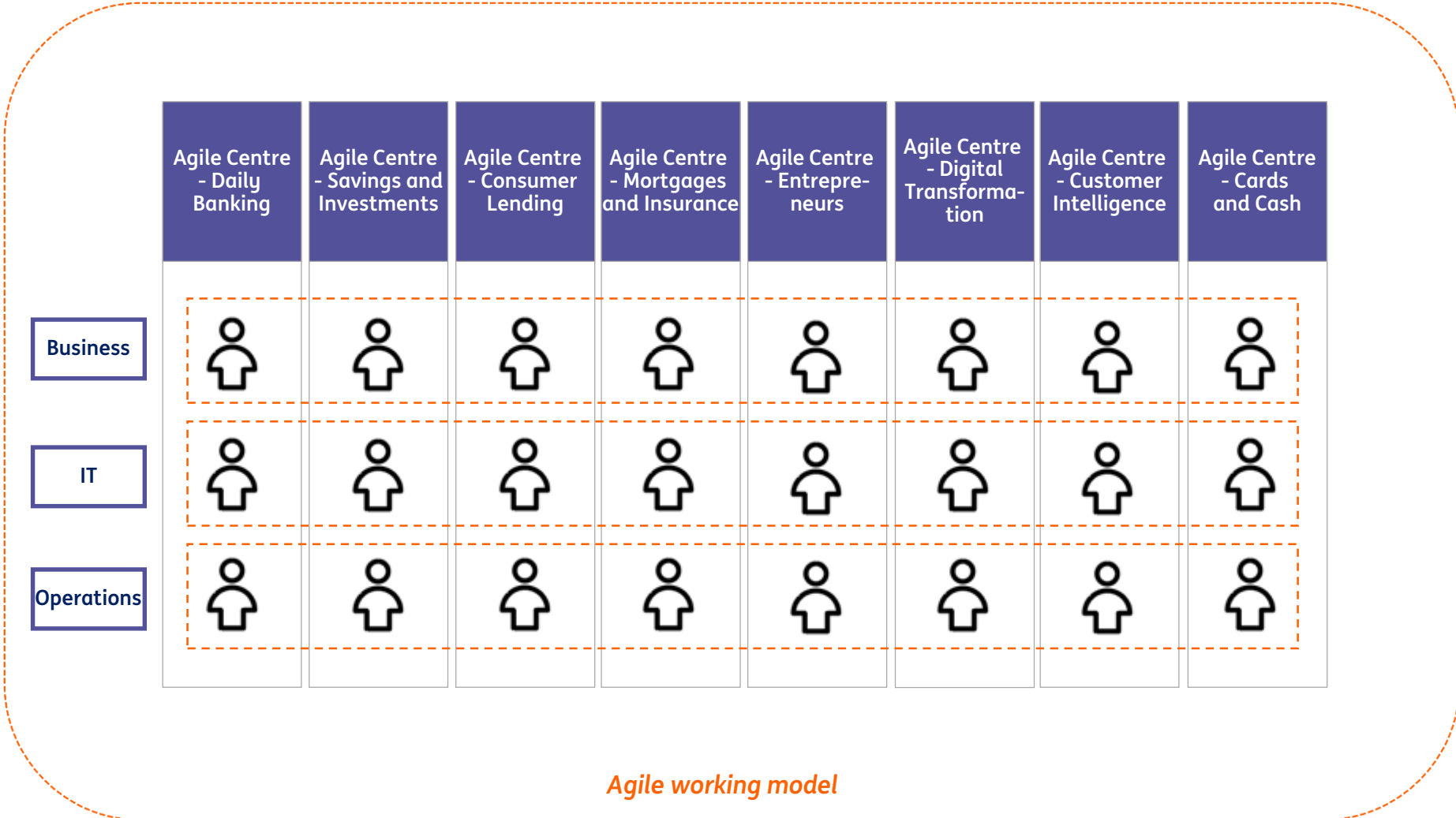


## One location for more than 500 people :

We applied the Agile approach to more than 500 employees. For them we have rebuilt 8 floors in the new standard - Agile Tower.



# ...in our new working model - Agile



Agile working model



# Business development



# Retail banking

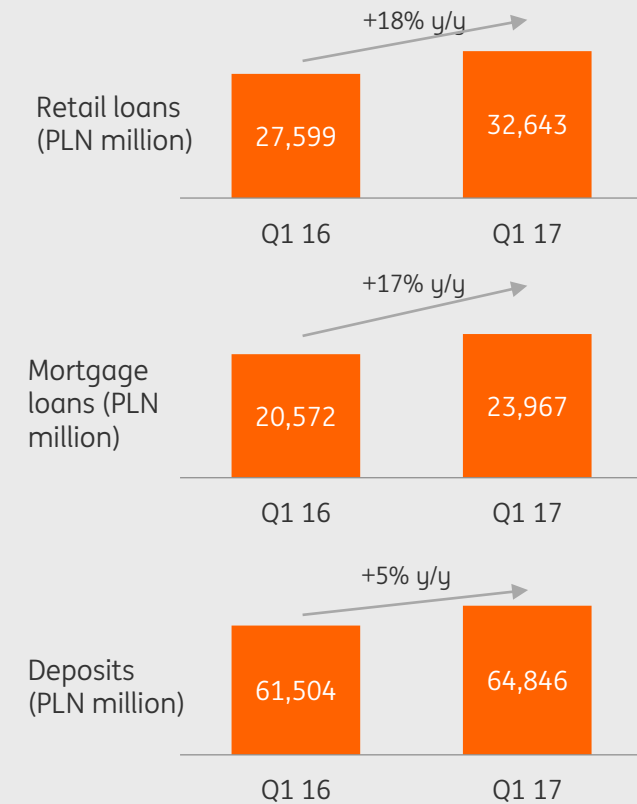
## New offers and development of client base

- 4.33 million retail clients → +108th. gross new clients acquired in Q1 2017
- 2.3 million individual clients use *Moje ING* platform
- Implementation of *Mastercard in phone*, a service allowing to pay by phone thanks to NFC – in 2 weeks since start we issued over 6th. cards
- Modernisation of the insurance offer available via *Moje ING*
- Development of the tools available for clients to manage the mutual funds products

## Funding

- 11.3% market share in the new mortgage loans production in Q1 2017
- Within *Remote Advisory at Contact Centre* we granted mortgage loans of PLN 10.7 million
- Implementation of eApplication for cash loan for entrepreneurs as a fast lending track
- We granted PLN 995 million-worth cash loan in Q1 2017 (+5% y/y); online sales amounted to 57% of cash loans sold to individual clients and 42% of cash loans sold to entrepreneurs

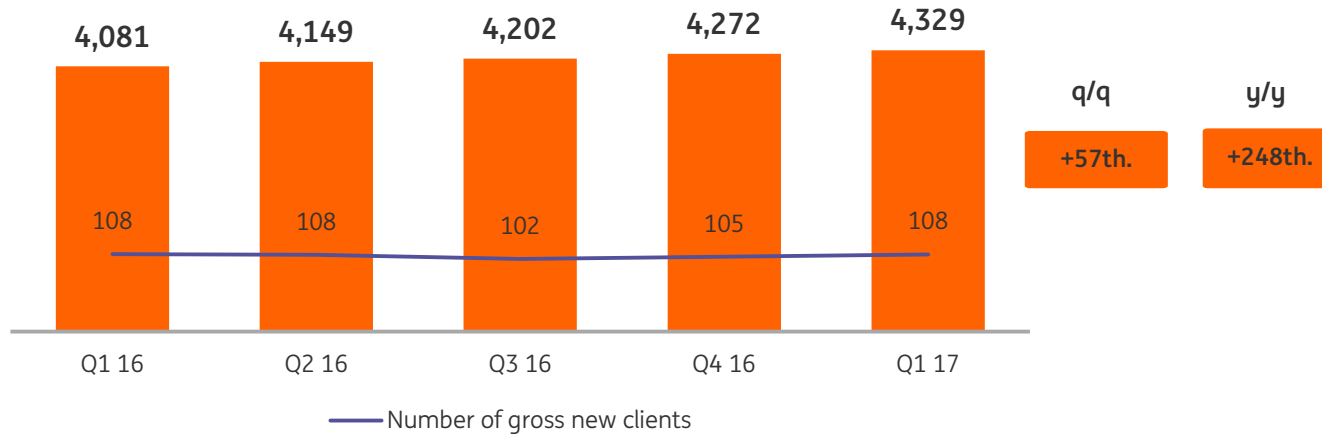
## Growing volumes



# Client base

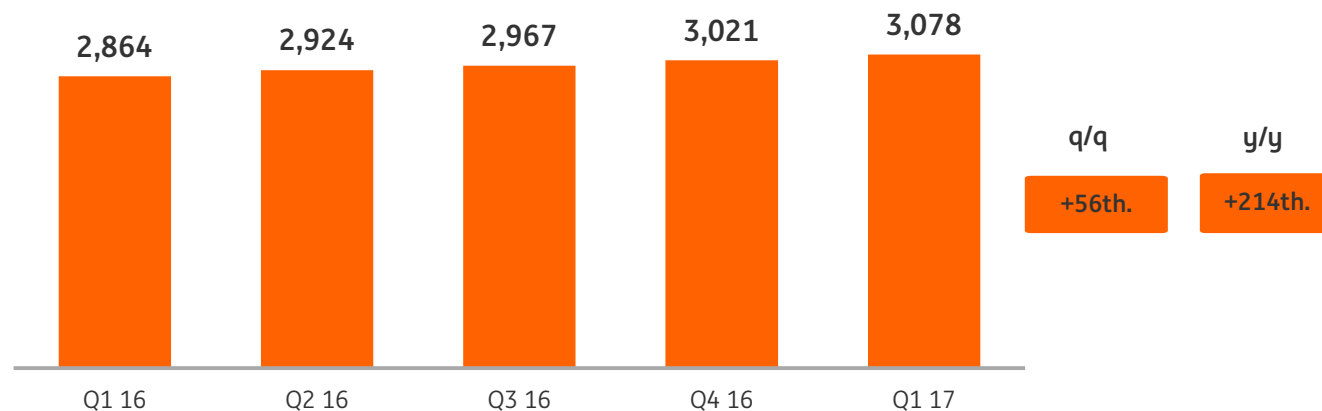
## 4.3 million retail clients

Number of retail clients (thousand)



**Moje ING**  
simply  
about  
money

Number of retail clients' current accounts (thousand)

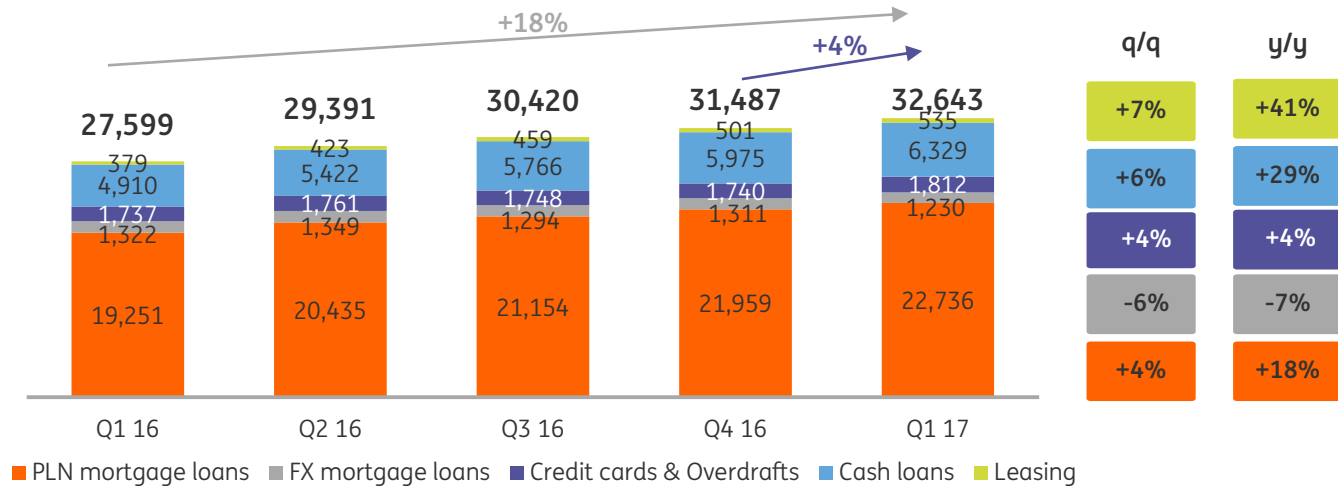


- 80% of current accounts are direct accounts

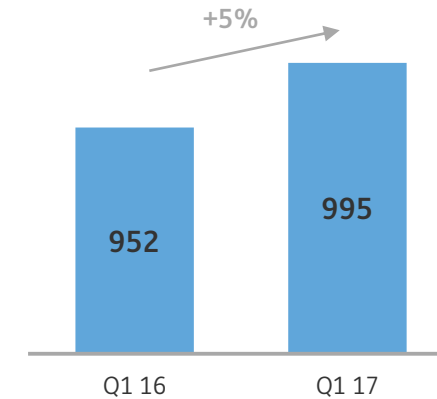
Note: PLN denominated current accounts

# Retail lending

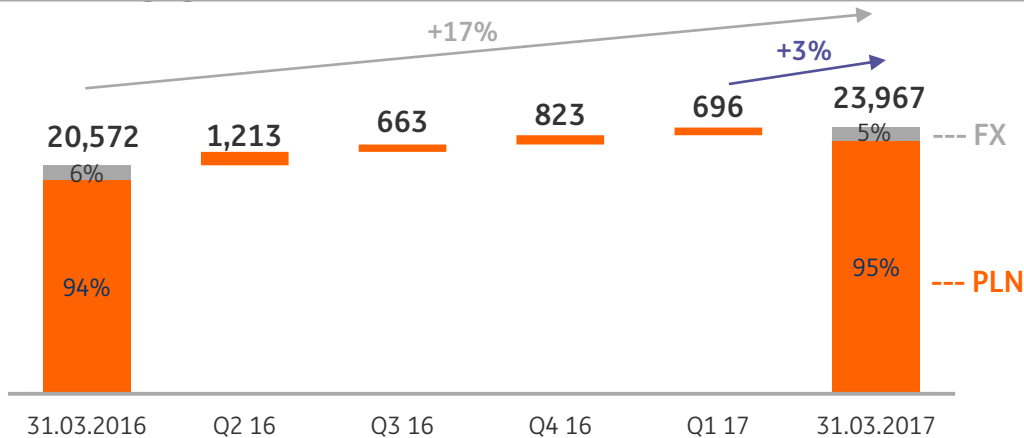
Loan portfolio of retail clients (PLN million)



Cash loan production (PLN million)



Retail mortgage loans (PLN million)



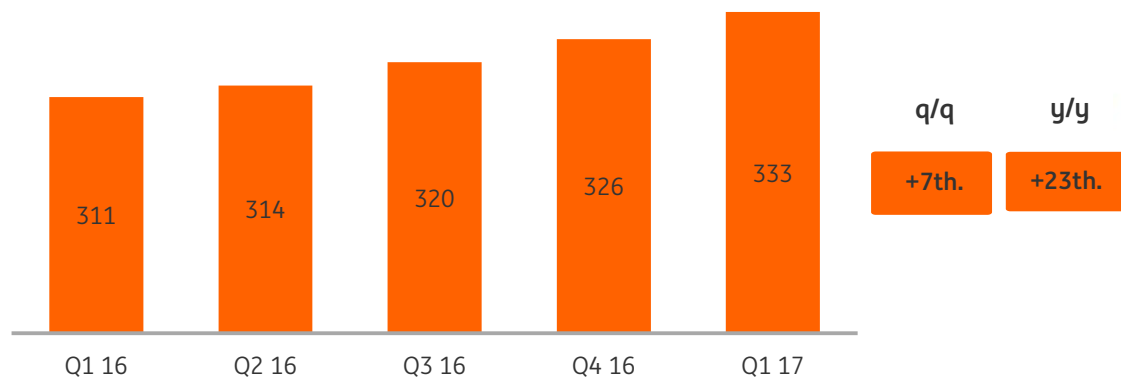
- **PLN 995 million-worth** cash loans granted to retail clients in Q1 2017 (+22% q/q, +5% y/y)
- **11.3%** market share in the sales of retail mortgage loans in Q1 2017.  
Value of agreements signed: PLN 1.3 billion
- **8.6%** market share in PLN housing loans; **5.6%** in total housing loans (as at the end of Q1 2017)



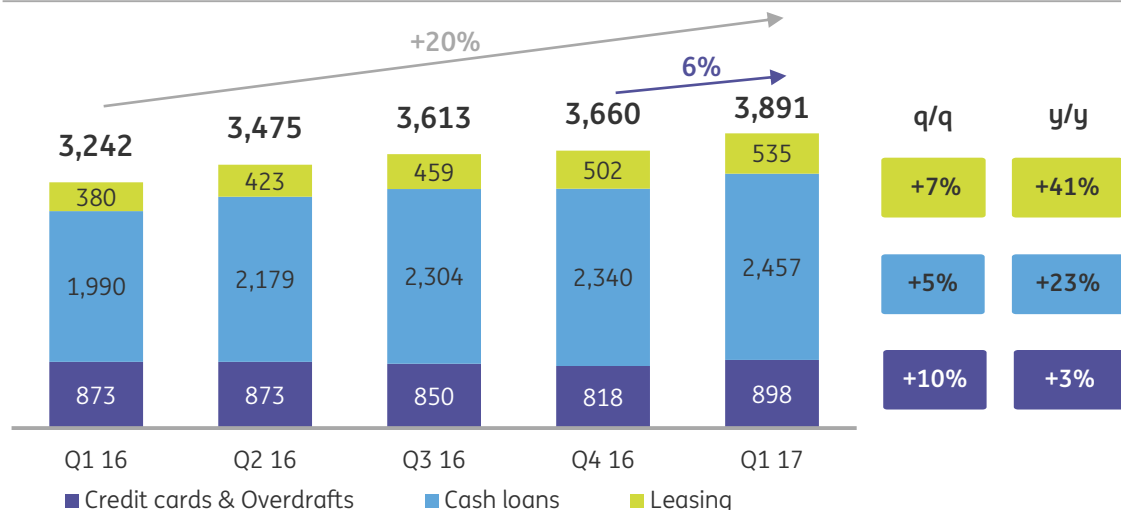
# ING supports entrepreneurs

## 333 thousand entrepreneurs

Number of entrepreneurs (thousand)



Loans and other receivables from entrepreneurs (PLN million)

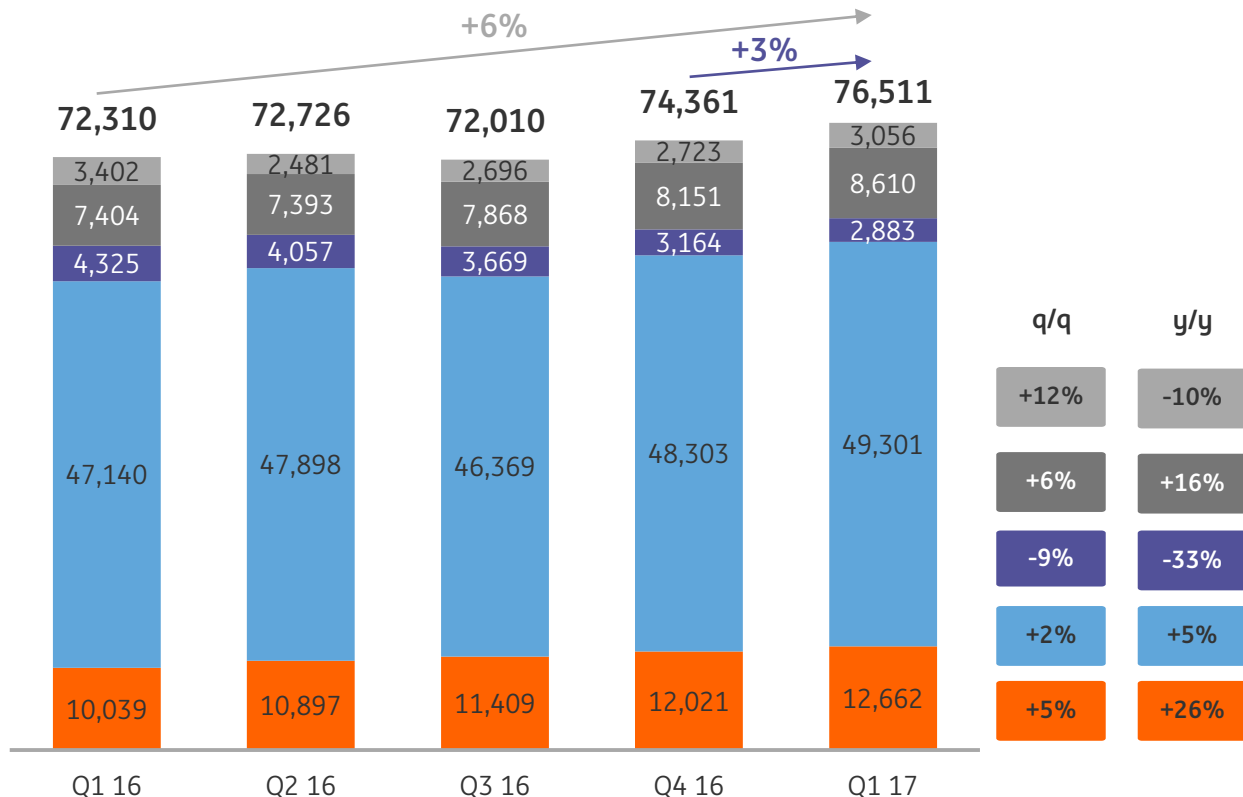


- We run **340 thousand current accounts** for **333 thousand entrepreneurs** out of which **93% are Direct accounts**
- Clients may set up their business remotely in e-governance service launched via our Internet banking system
- **The account is free** for active clients\*
- In February we started cooperation with **inviPay.com** – a start-up offering financing of invoices. At the end of the quarter 114 clients signed up for the new service
- We have introduced an online cash loan for entrepreneurs (eApplication), even those who are not our customers.

inviPay.com

# Funds entrusted

Portfolio of funds entrusted by retail clients (PLN million)



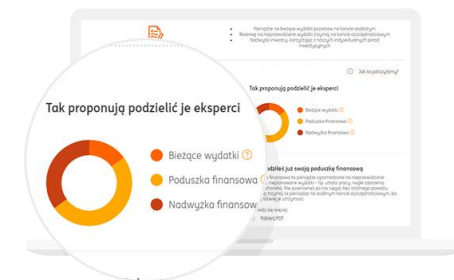
- Assets accumulated on brokerage accounts
- Mutual funds and other off-BS products
- Term deposits and structured products
- Saving accounts
- Current accounts

q/q	y/y
+12%	-10%
+6%	+16%
-9%	-33%
+2%	+5%
+5%	+26%

+7% q/q  
+8% y/y

+2% q/q  
+5% y/y

- We simplified our brokerage account offer
- For the second time in the row **our brokerage account offer** was selected as **the best in the market** in the ranking of Puls Biznesu daily
- We run 61.7 thousand brokerage accounts; **number of active clients increased by +74% y/y**
- We opened over **7.8 thousand brokerage accounts from July 2016**, out of which **44% via Moje ING**



- **Already 74.1 thousand clients invest regularly**
- **Over 16 thousand clients used Money Coach** (since November 2016)

# Progressive evolution of banking

## ING more and more cashless



### Electronic banking

Implementation of **Mastercard in phone**, a service allowing to pay by phone thanks to NFC

**Average daily number of debit card transactions in March 2017 increased by 288 thousand y/y (+22%), while the number of transactions at ATMs decreased**

**Online sales of cash loans** amounted to **57% of cash loans sold to individual clients** and **42% of cash loans sold to entrepreneurs**

~ **686 thousand clients with active BLIK** (+15% q/q, +52% y/y)

~ **516 thousand BLIK transactions**, out of which **279 thousand ecommerce transactions** (~10x y/y)

**99.80% of retail transfers are electronic transfers**

~ **9.3 million transfers** in mobile banking (+10% q/q, +48% y/y)

**2.2 million**  
application  
downloads

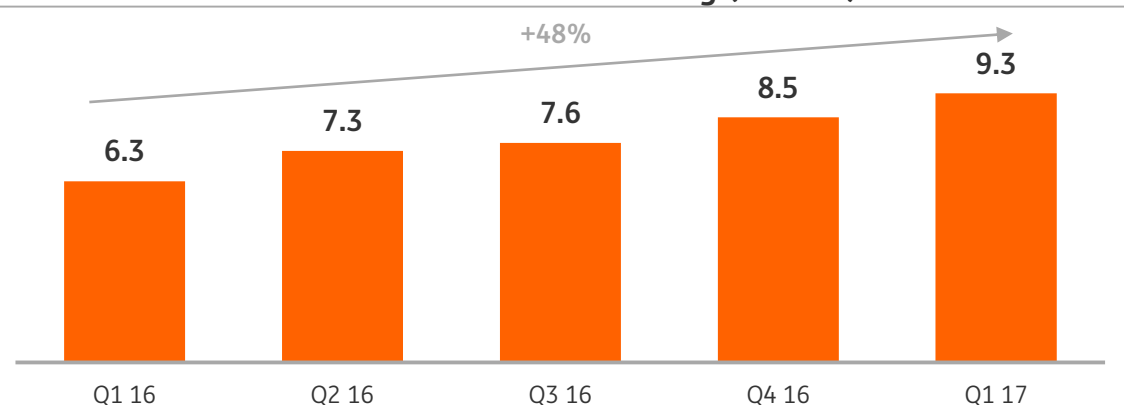
### Physical distribution network

381 branches with self-service zones

1,111 machines for cash self-service, including 927 recyclers, out of which 765 contactless ATMs/Recyclers

66 ING Express sales points at shopping malls

Number of transfers made via mobile banking (million)



# Corporate banking

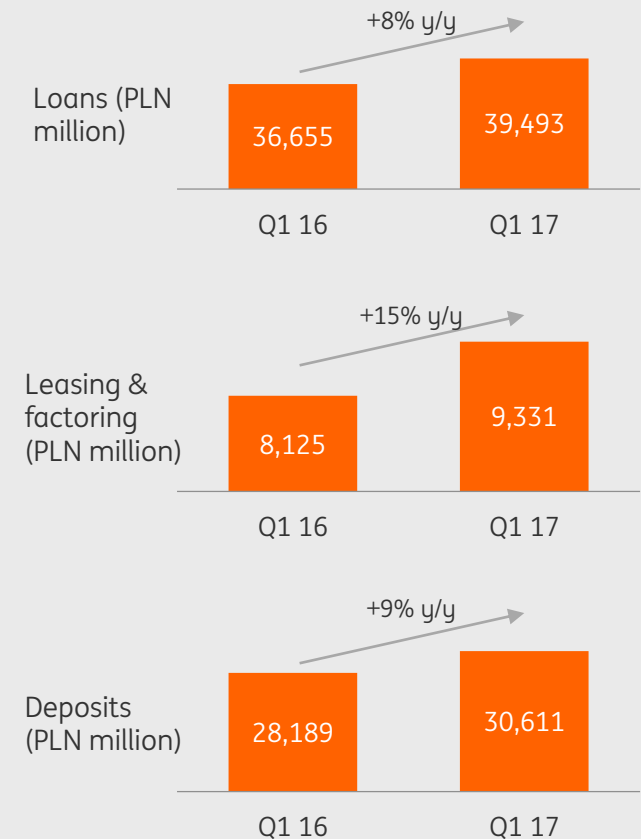
## New offers and development of client base

- +3.1 thousand new clients acquired, out of which 890 acquired online → 50 thousand corporate clients in total
- 67% of clients have access to new ING Business platform
- 99.98% of transfers made by electronic banking
- In March 2017 we implemented acquiring services for corporate clients (first 10 thousand transactions made)
- We enabled clients to apply for a leasing via online and mobile banking

## Funding

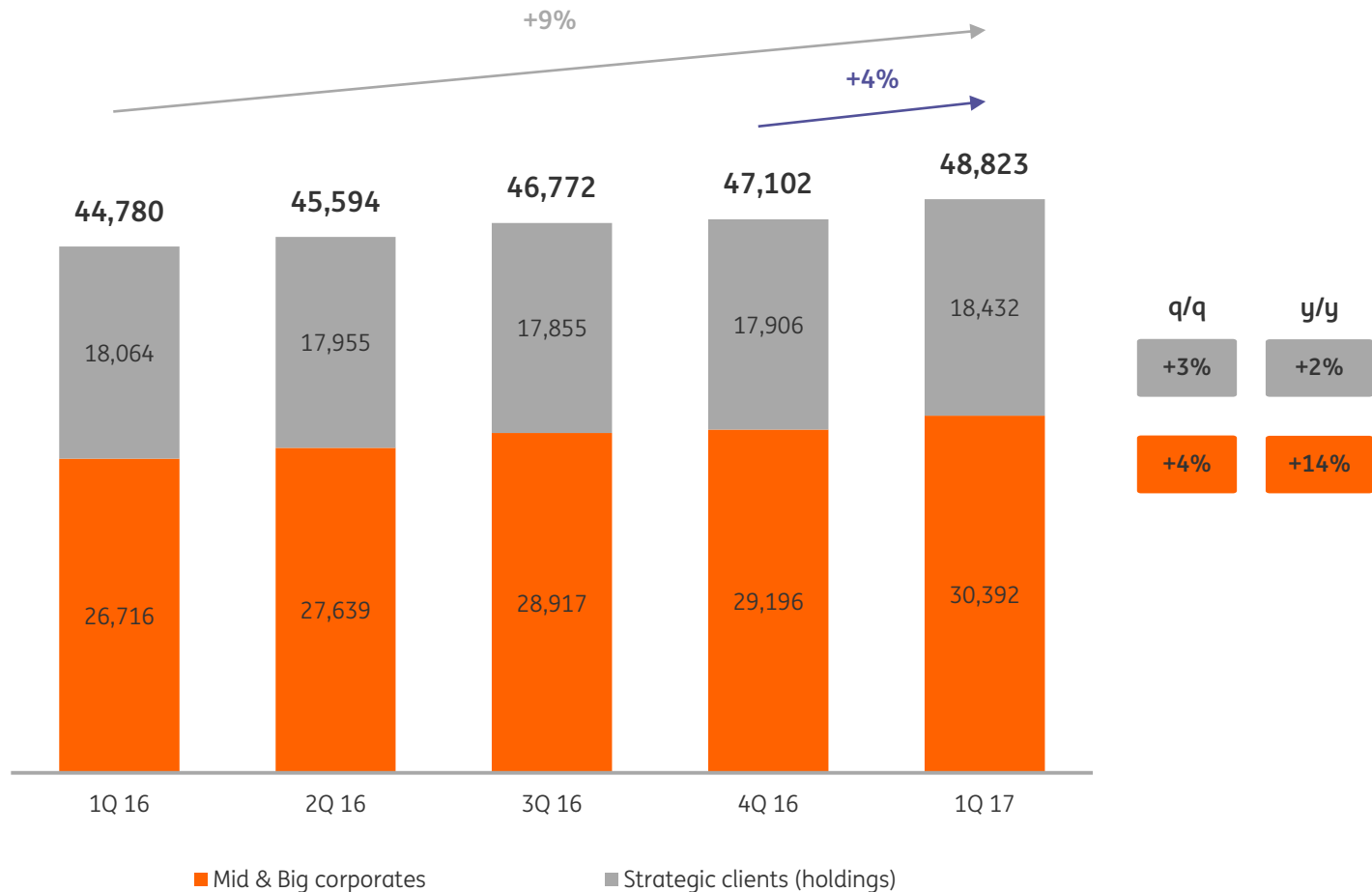
- Factoring sales increased by 22.5% y/y (market +20.7% y/y), #1 in the market
- Leasing sales increased by 51.6% y/y (market +12.7% y/y), #5 in the market
- Corporate receivables portfolio increased by 3.9% q/q and 7.5% y/y, 2.2x and 1.2x faster than the market, respectively
- Market share in corporate loans stood at 10.70% vs. 10.48% as at 2016YE
- 92% of loan applications were submitted online

## Growing volumes



# Loans

Volume of loans and other receivables from corporate clients (PLN million)



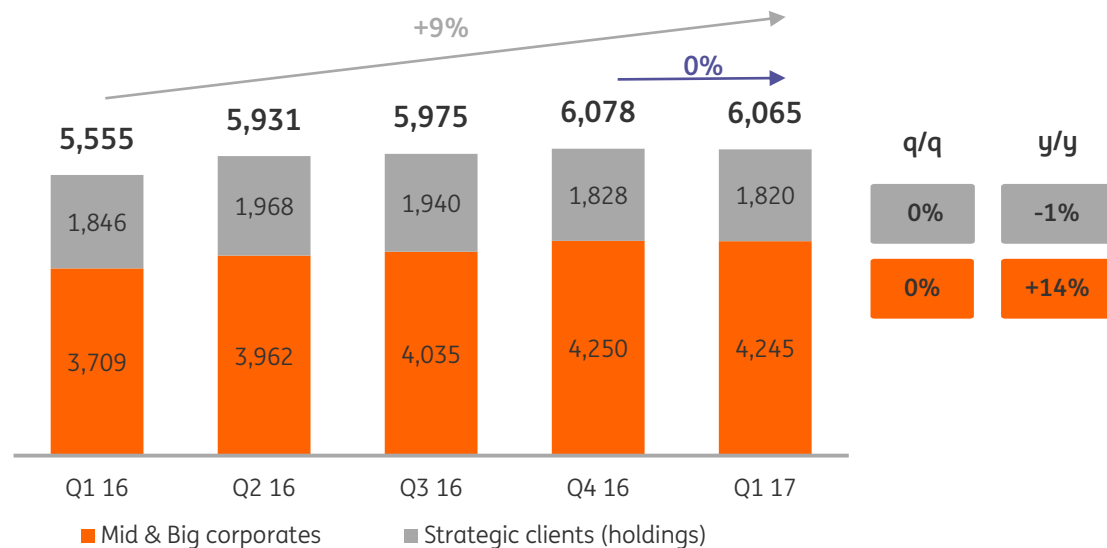
- We help to raise grants for technological innovation loans:
  - **II acquisition** → 18% of submitted applications and 21% of granted subsidies
  - **III acquisition** → 17% and 15%, respectively
- **We were awarded for actively supporting the sale of guarantees** from the Guarantee Fund's Operational Program Innovative Economy

# Asset Based Lending

## ING Lease (Polska) Sp. z o.o. (leasing)

- **5.9%** market share in terms of new production (**#5** in the market)
- Market share in terms of the leasing of machinery (new sales): **9.9%** (**#2** in the market)
- **14.4 thousand** clients using leasing services (+31% y/y)
- **ING Truck programme awarded** in the **Financial Orders** opinion poll organised by Home&Market

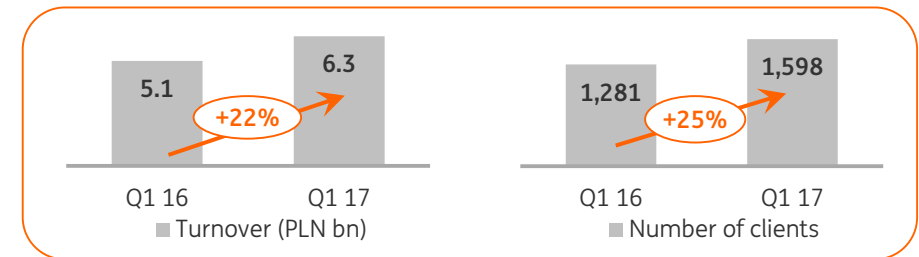
## Leasing – financing of clients (PLN million)



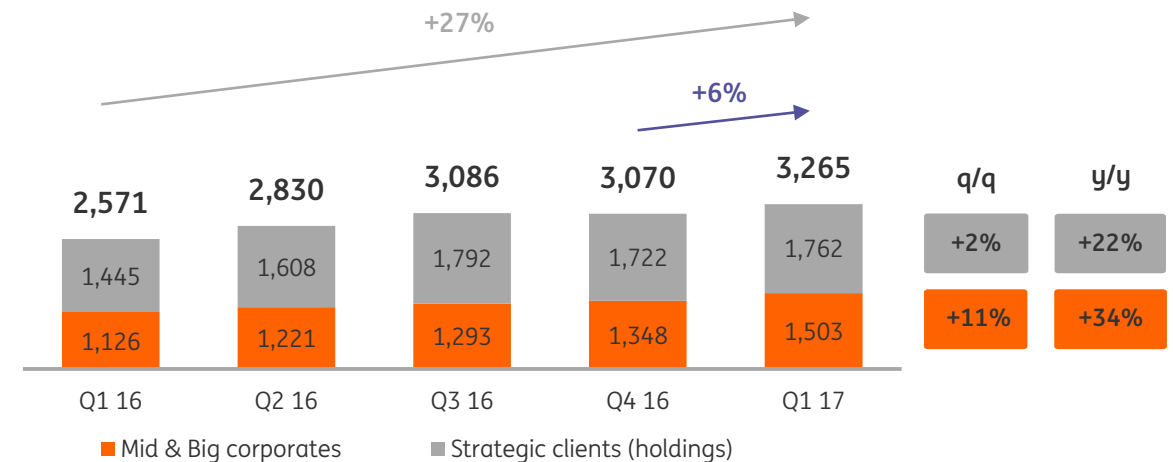
## ING Commercial Finance Polska S.A. (factoring)



In the market with market share of **15.1%** in Q1 2017



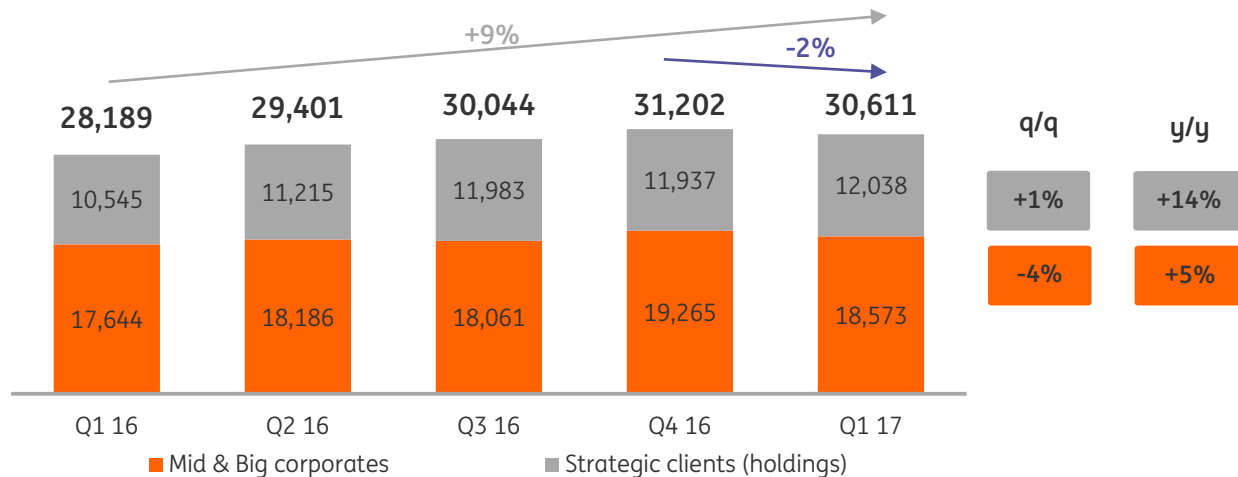
## Factoring – financing of clients (PLN million)



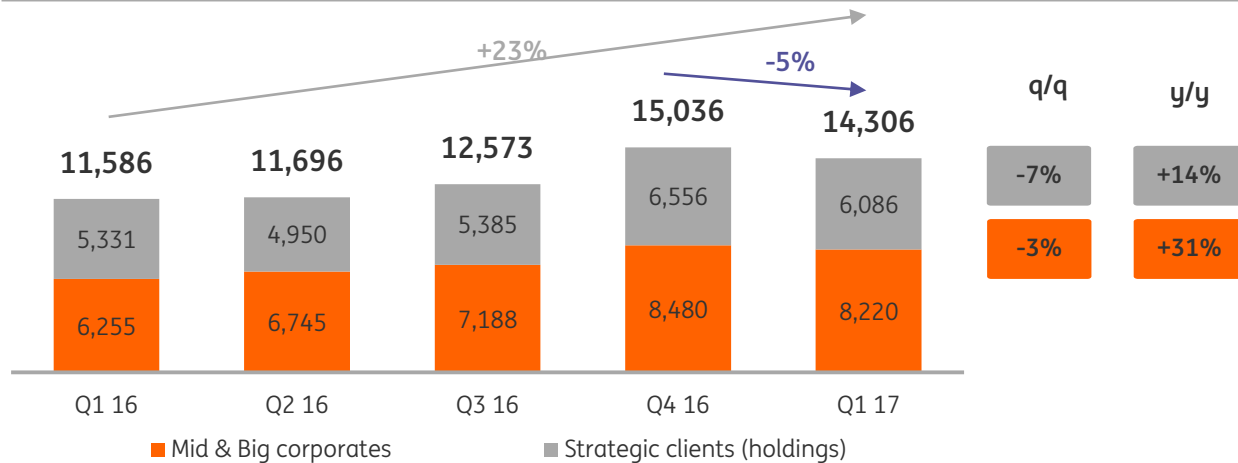


# Cash management

Volume of corporate deposits (PLN million)



Volume of corporate current accounts (PLN million)



**3.1 thousand**  
(+14% y/y)  
new Mid & Big corporate clients  
acquired in Q1 2017



**99.98% of transfers made in  
electronic banking**

# Financial results for Q1 2017



# Financial results of ING Bank Śląski S.A. - reported

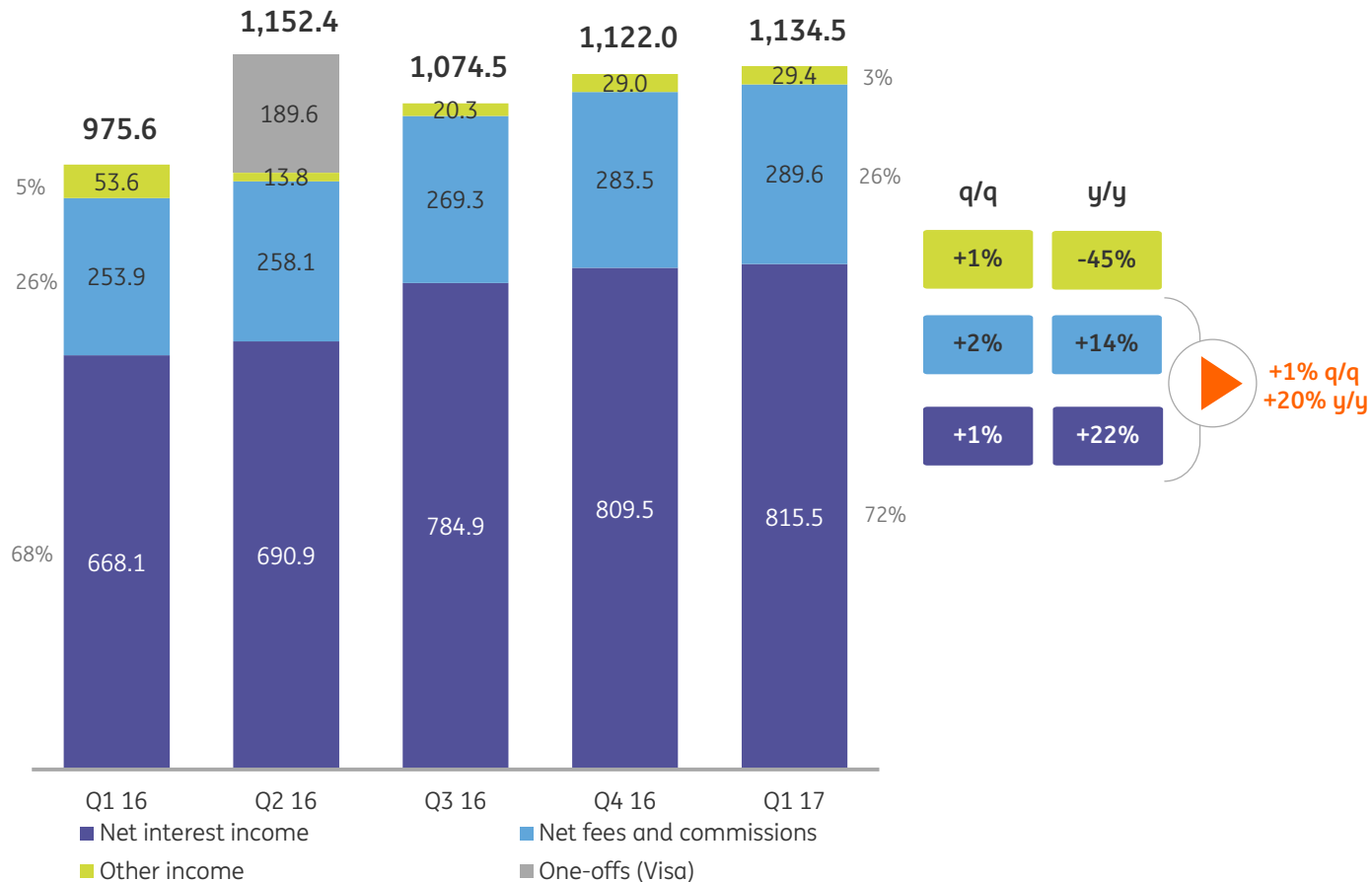
<i>PLN million</i>	<b>Q1 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<i>change q/q</i>	<i>change y/y</i>
Net interest income	668.1	809.5	815.5	+ 1%	+ 22%
Net commission income	253.9	283.5	289.6	+ 2%	+ 14%
Other income	53.6	29.0	29.4	+ 1%	- 45%
<b>Total income</b>	<b>975.6</b>	<b>1,122.0</b>	<b>1,134.5</b>	<b>+ 1%</b>	<b>+ 16%</b>
Total expenses	508.8	557.7	564.4	+ 1%	+ 11%
<b>Result before risk costs</b>	<b>466.8</b>	<b>564.3</b>	<b>570.1</b>	<b>+ 1%</b>	<b>+ 22%</b>
Risk costs	78.9	138.5	76.9	- 44%	- 3%
Bank levy	50.5	77.2	79.4	+ 3%	+ 57%
Profit before tax	337.4	348.6	413.8	+ 19%	+ 23%
Income tax	78.2	93.6	113.6	+ 21%	+ 45%
<b>Net profit</b>	<b>259.2</b>	<b>254.9</b>	<b>300.2</b>	<b>+ 18%</b>	<b>+ 16%</b>
Total capital ratio	14.1%	14.7%	14.3%	- 0.4 p.p.	+ 0.2 p.p.
Tier I	14.1%	13.7%	13.3%	- 0.4 p.p.	- 0.8 p.p.
ROE (%)	10.9%	11.7%	12.0%	+ 0.4 p.p.	+ 1.1 p.p.
C/I ratio (%)	52.2%	49.7%	49.7%	+ 0.0 p.p.	- 2.4 p.p.

# Financial results of ING Bank Śląski S.A. – recurring\*

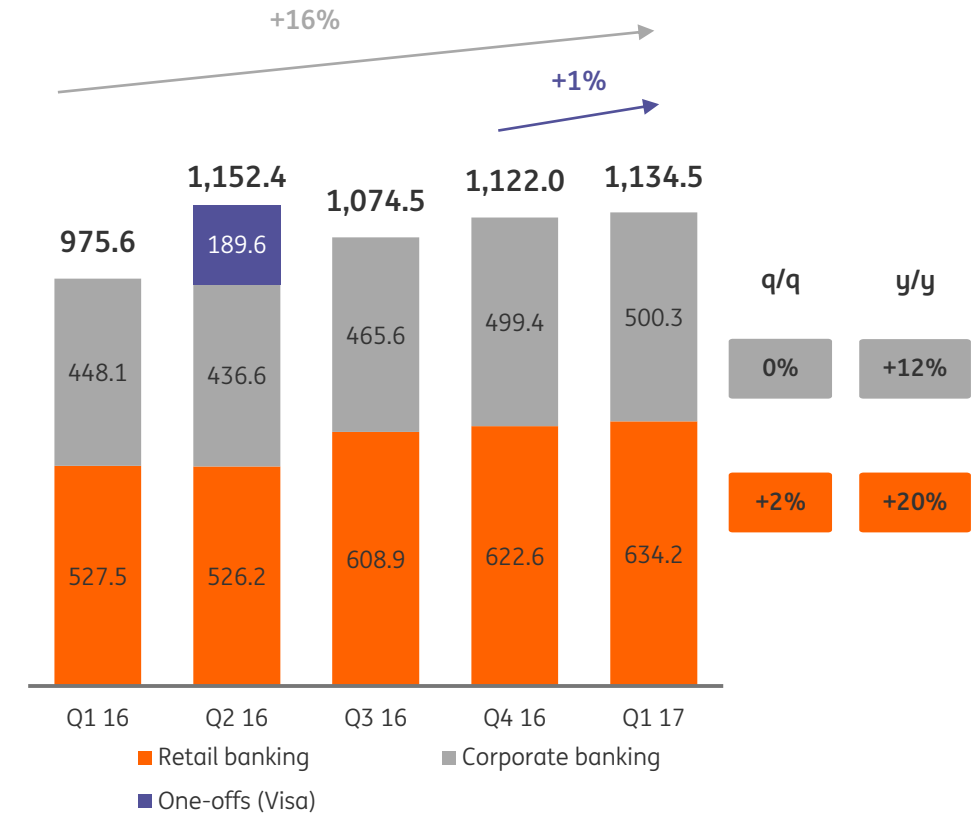
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Net commission income	253.9	283.5	289.6	+ 2%	+ 14%
Other income*	53.6	29.0	29.4	+ 1%	- 45%
<b>Total income*</b>	<b>975.6</b>	<b>1,122.0</b>	<b>1,134.5</b>	<b>+ 1%</b>	<b>+ 16%</b>
Total expenses*	508.8	545.5	511.5	- 6%	+ 1%
<b>Result before risk costs*</b>	<b>466.8</b>	<b>576.5</b>	<b>623.0</b>	<b>+ 8%</b>	<b>+ 33%</b>
Risk costs	78.9	138.5	76.9	- 44%	- 3%
Profit before tax*	387.9	438.0	546.1	+ 25%	+ 41%
Income tax*	78.2	95.9	113.6	+ 18%	+ 45%
<b>Net profit*</b>	<b>309.7</b>	<b>342.0</b>	<b>432.5</b>	<b>+ 26%</b>	<b>+ 40%</b>
Total capital ratio	14.1%	14.7%	14.3%	- 0.4 p.p.	+ 0.2 p.p.
Tier I	14.1%	13.7%	13.3%	- 0.4 p.p.	- 0.8 p.p.
ROE (%)*	11.8%	13.0%	14.1%	+ 1.1 p.p.	+ 2.3 p.p.
C/I ratio (%)*	52.2%	48.6%	45.1%	- 3.5 p.p.	- 7.1 p.p.

# Income per category

Income per P&L line (PLN million)



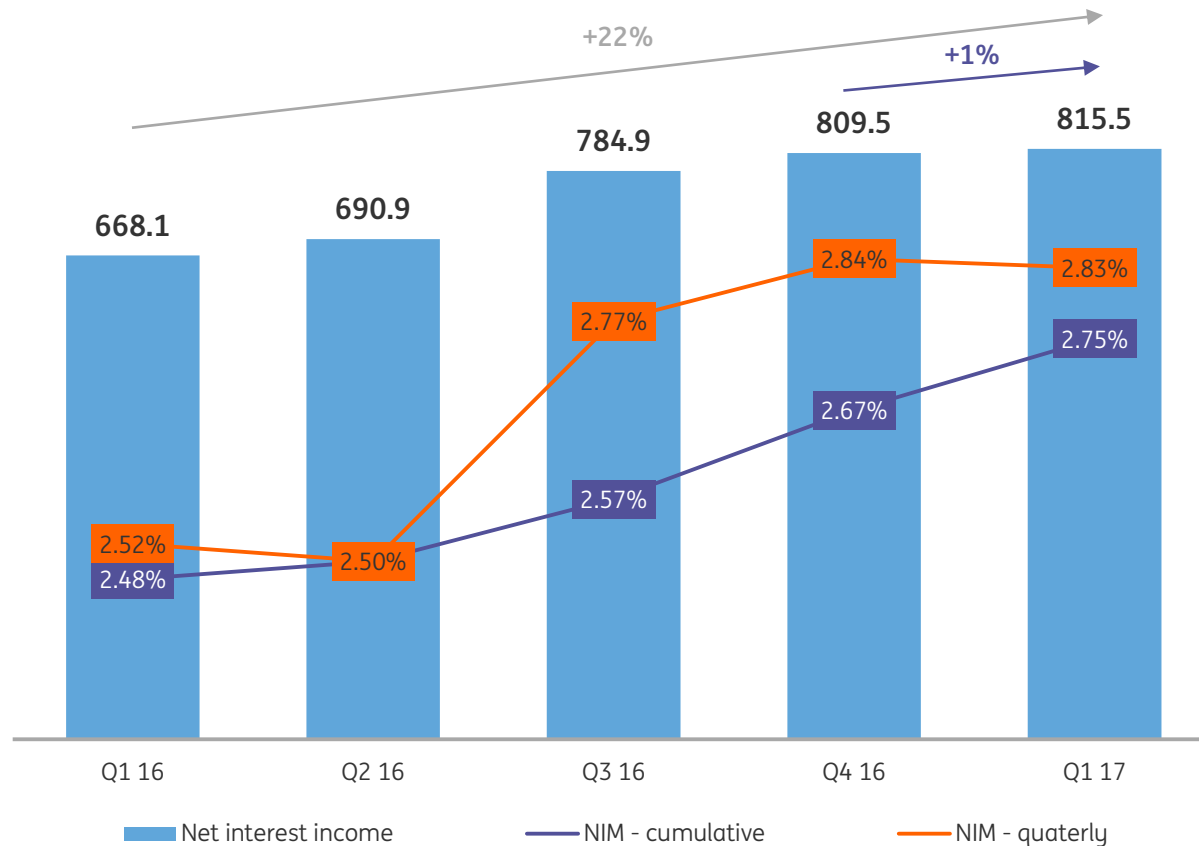
Income per business line (PLN million)



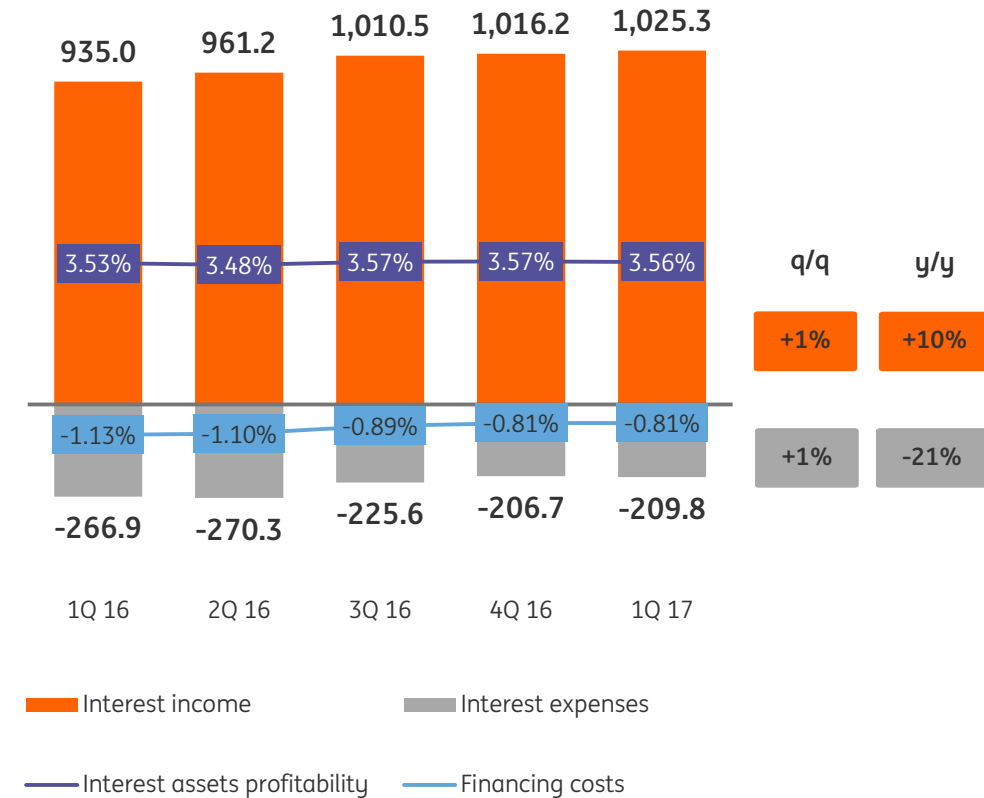


# Net interest income

Net interest income (PLN million) and net interest margin



Interest income and expenses (PLN million)



1.69%

1.68%

1.71%

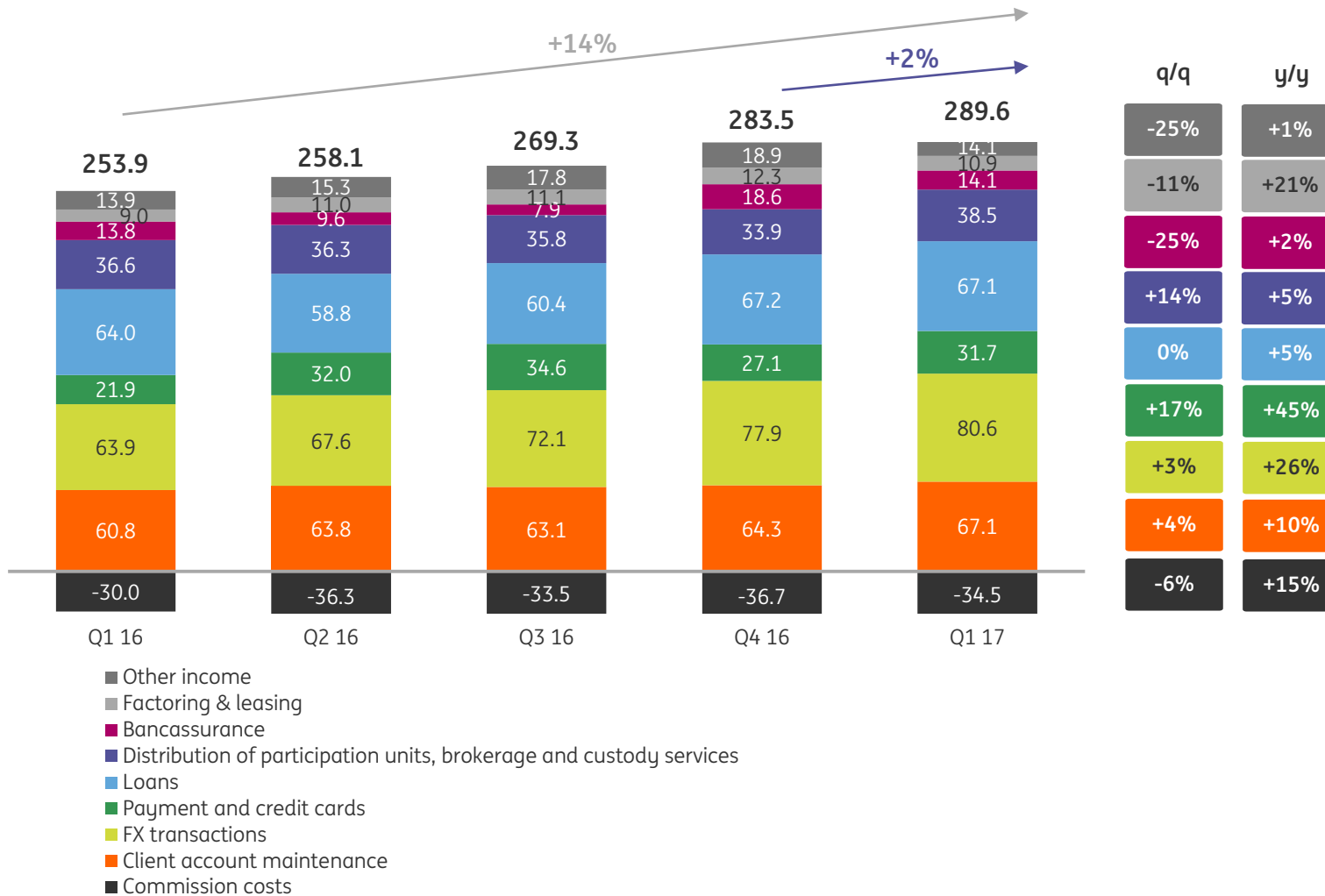
1.73%

1.73%

3M WIBOR

# Fee and commission income

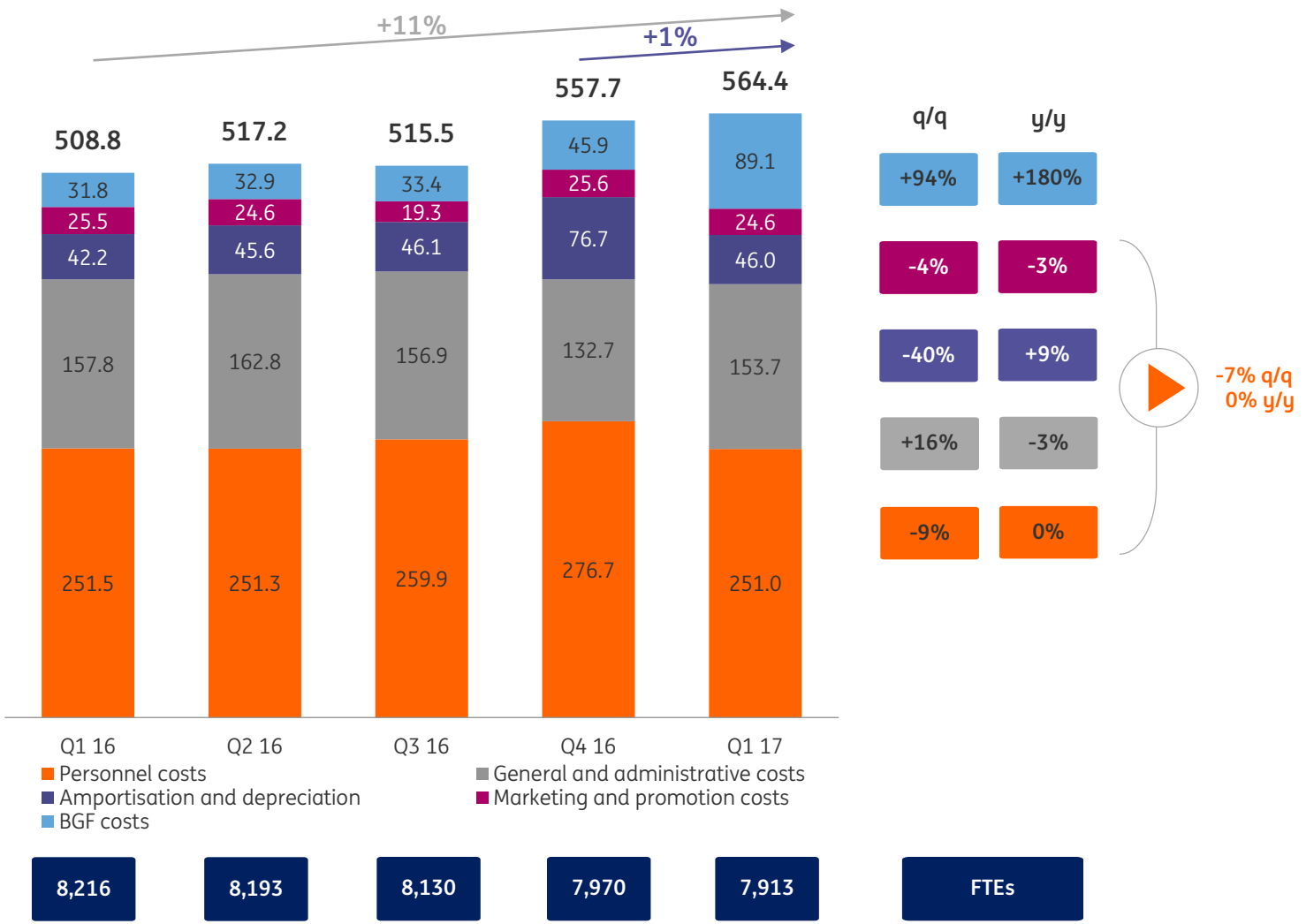
Fee and commission income per category (PLN million)



- Higher volume of FX transactions
- Higher turnover at brokerage office
- Higher number of card transactions and higher revenues y/y from usage of third-party ATMs

# Total expenses

Total expenses (PLN million)

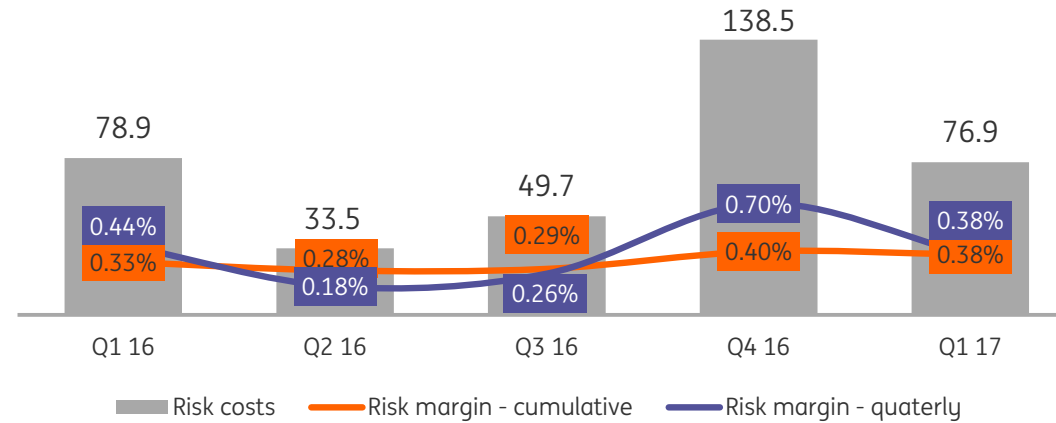


- BGF costs in Q1 2017 amounted to PLN 89.1m (PLN +57.3m y/y):
  - PLN 18.6m **quarterly** contribution to Deposit Guarantee Fund;
  - PLN 70.5m **annual** contribution to Resolution Fund.
- Regulatory costs increased due to extraordinary contributions to BGF:
  - Q4 2016 – BS Nadarzyn (PLN 12.2m).

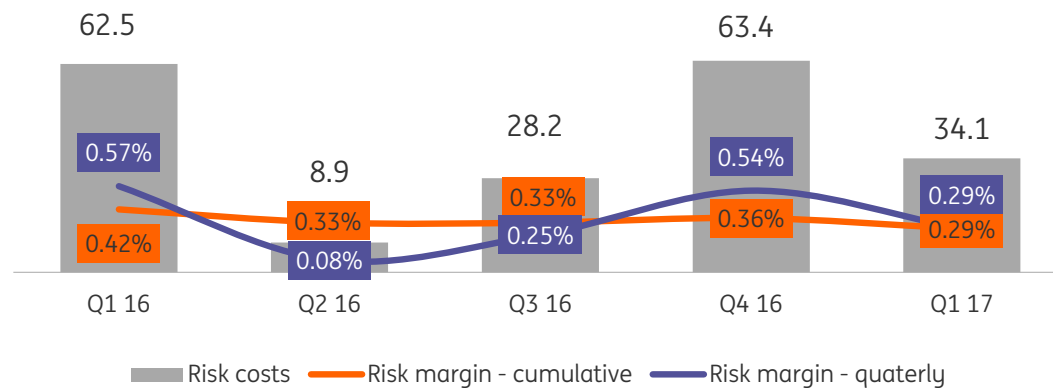
8,216	8,193	8,130	7,970	7,913	FTEs
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# Risk costs

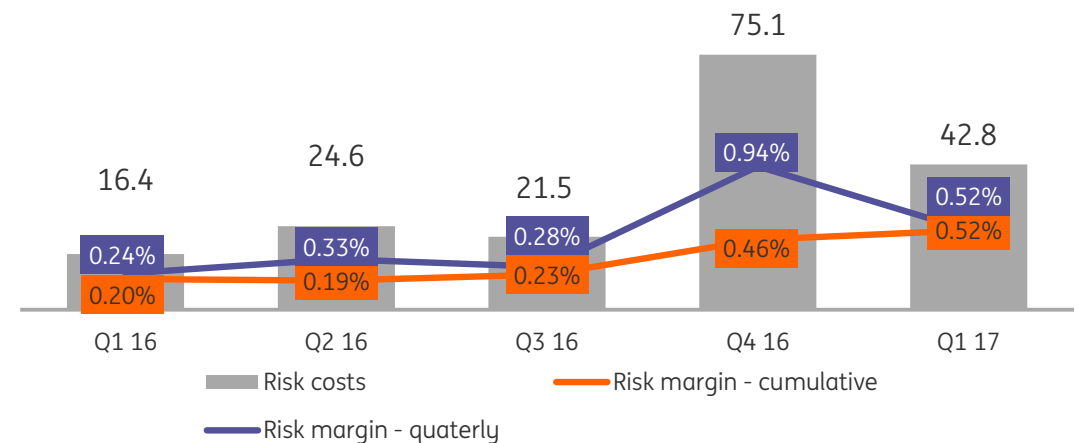
Group (PLN million)



Corporate banking (PLN million)



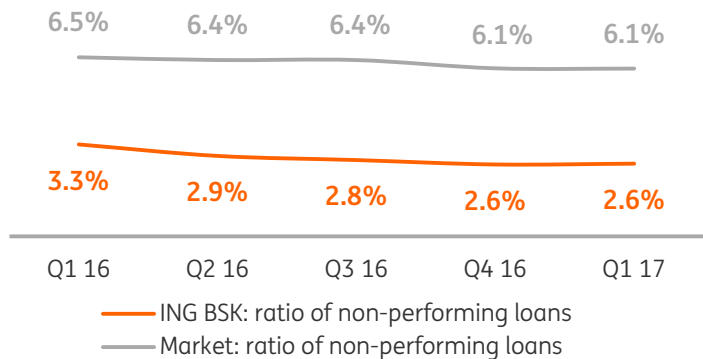
Retail banking (PLN million)



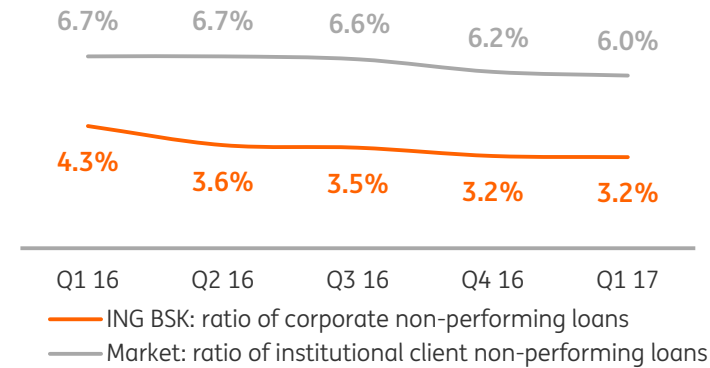
# Portfolio quality and provisioning

## Share of non-performing portfolio in the total portfolio

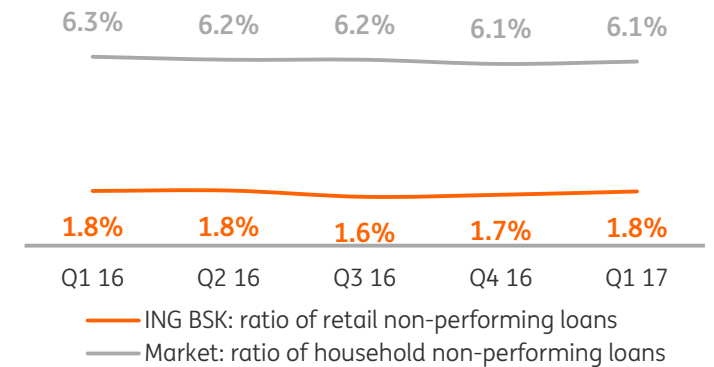
### Group



### Corporate banking



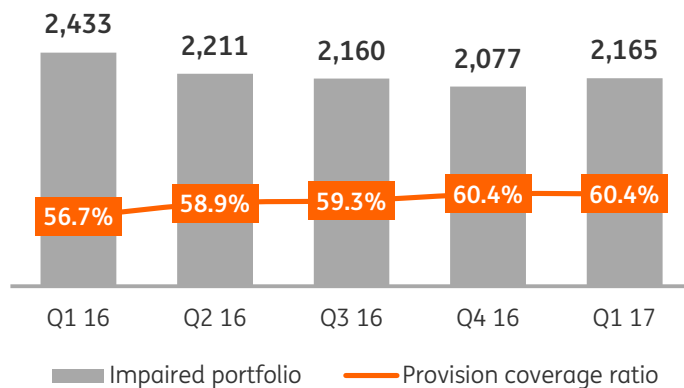
### Retail banking



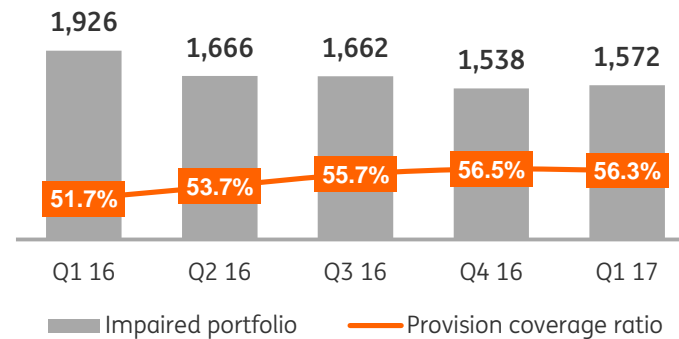
*Note: market rate – estimates based on NBP data, Q1 2017 data as at February 2017*

## Impaired loan portfolio (PLN million) and provision coverage ratio

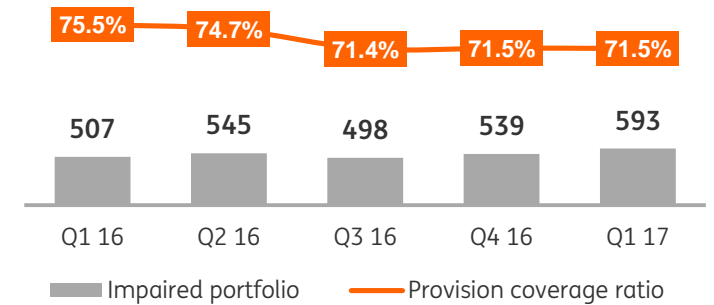
### Group



### Corporate banking



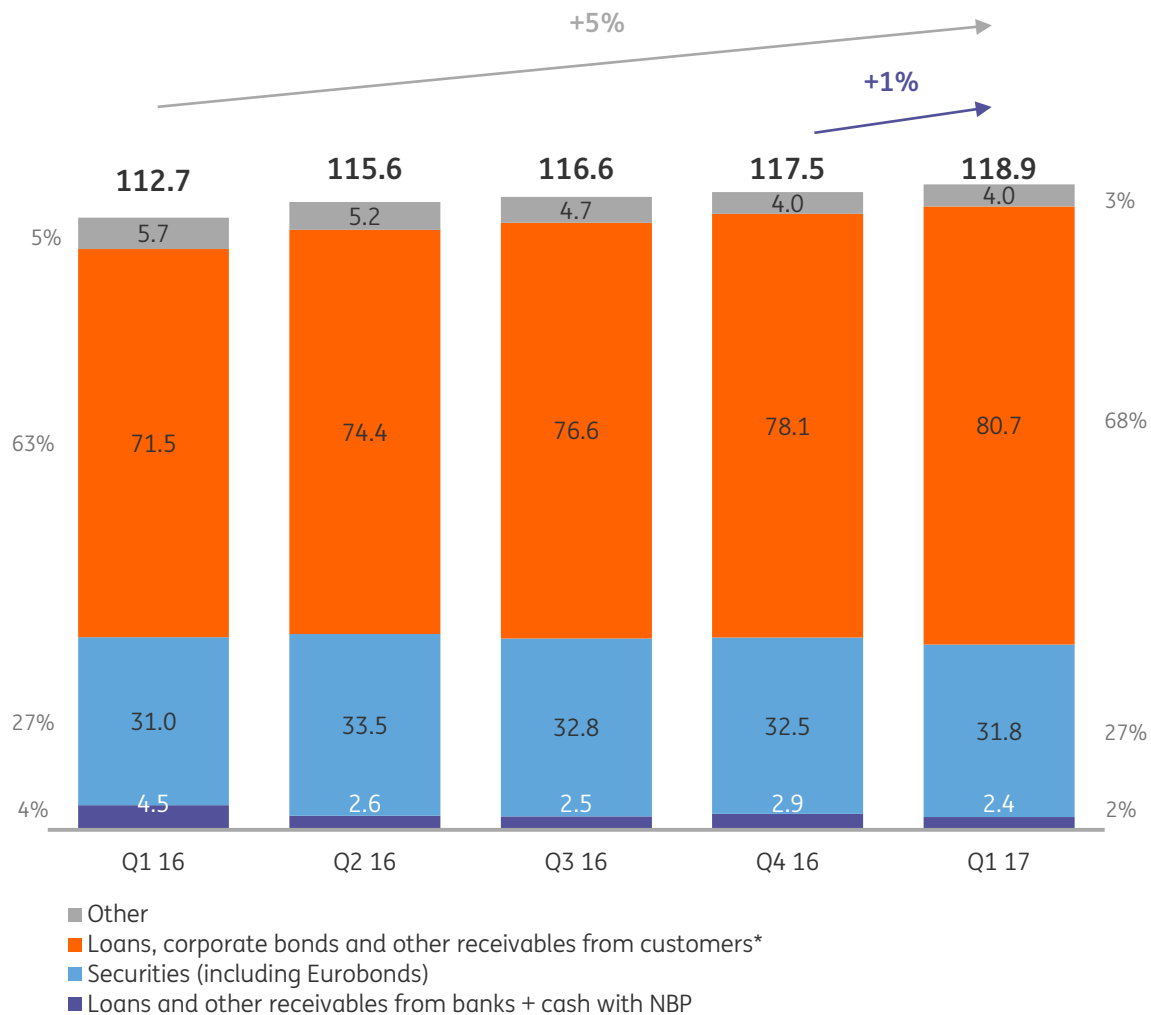
### Retail banking



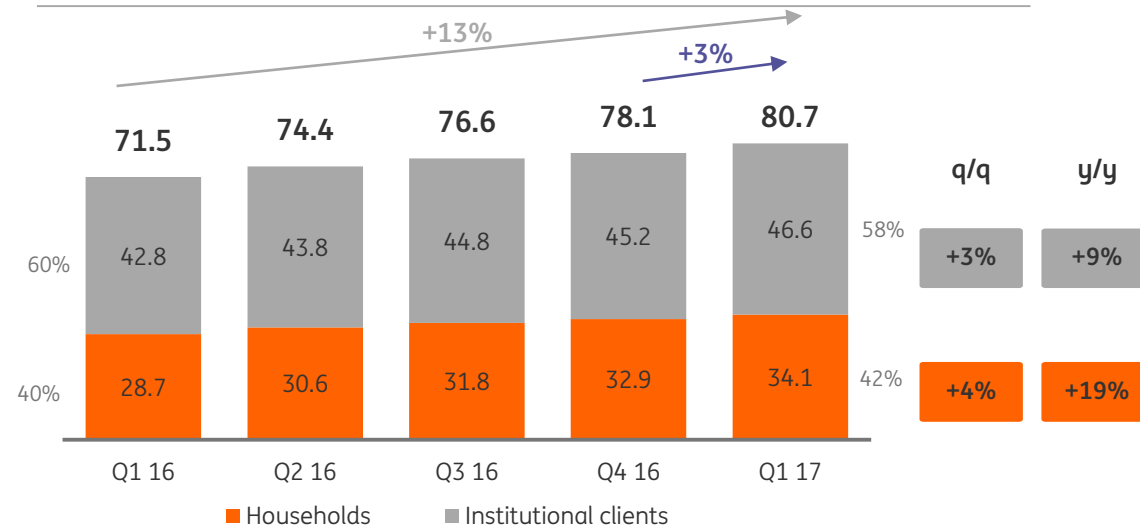


# Bank assets

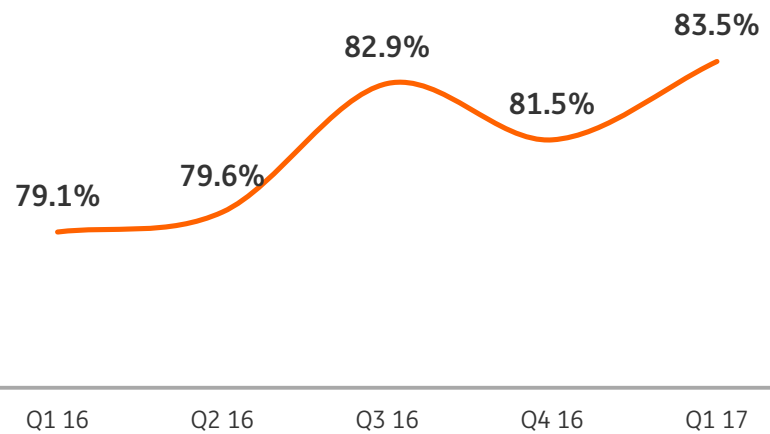
Assets structure (PLN billion / %)



Loans and other receivables from customers\* (PLN billion)

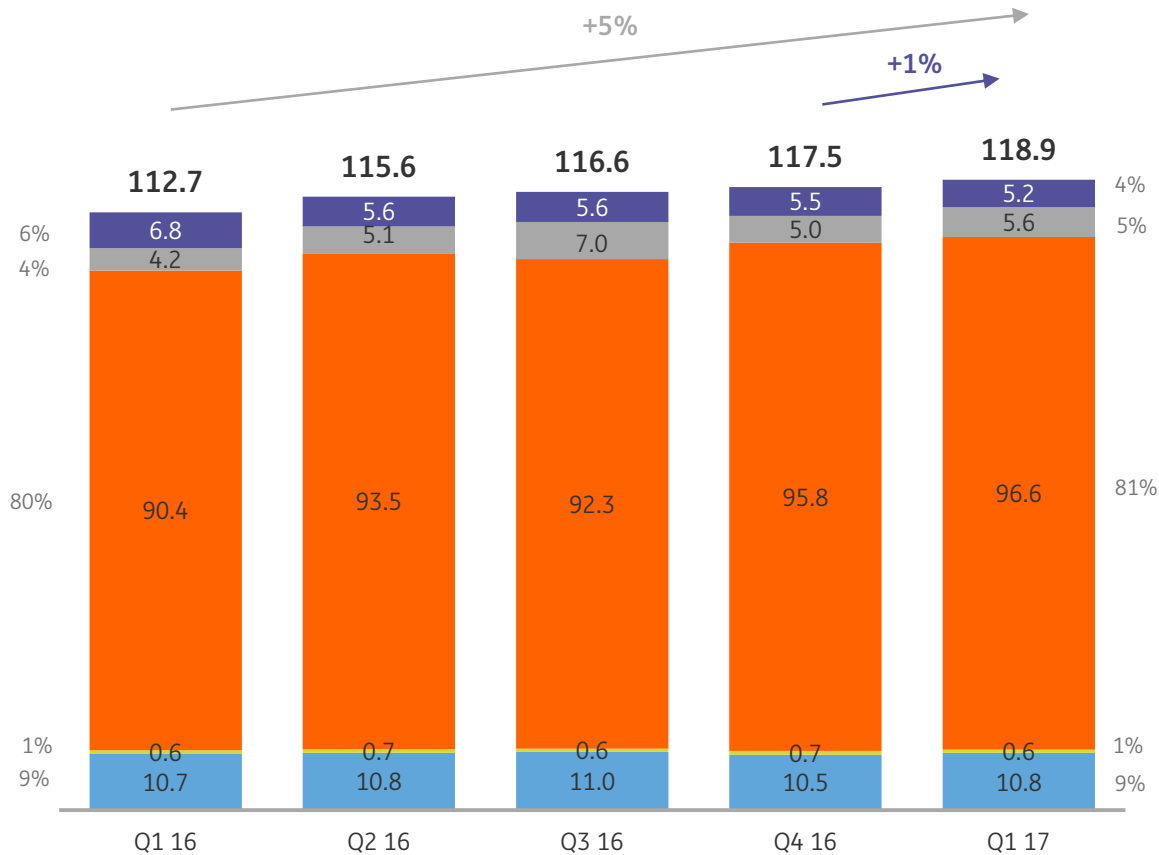


Loan\* to deposit ratio



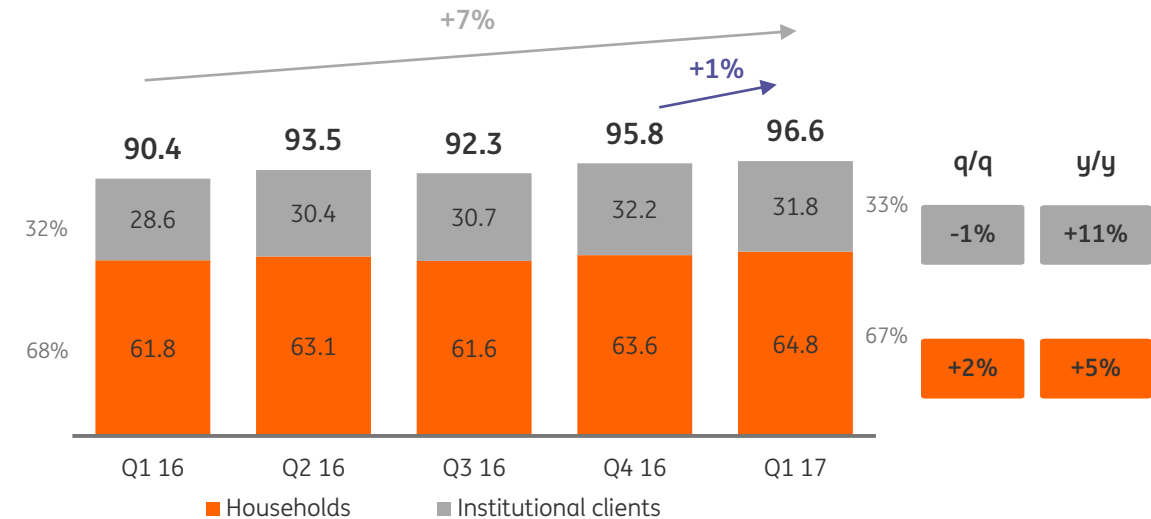
# Bank equity and liabilities

Structure of equity and liabilities (PLN billion / %)



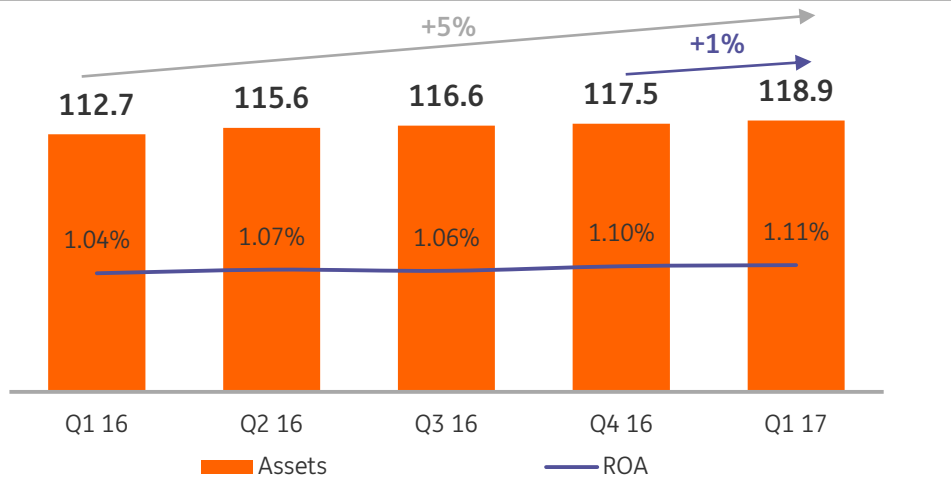
- Equity
- Deposits and other liabilities to customers
- Other
- Subordinated debt
- Liabilities to other banks

Deposits and other liabilities to customers (PLN billion)

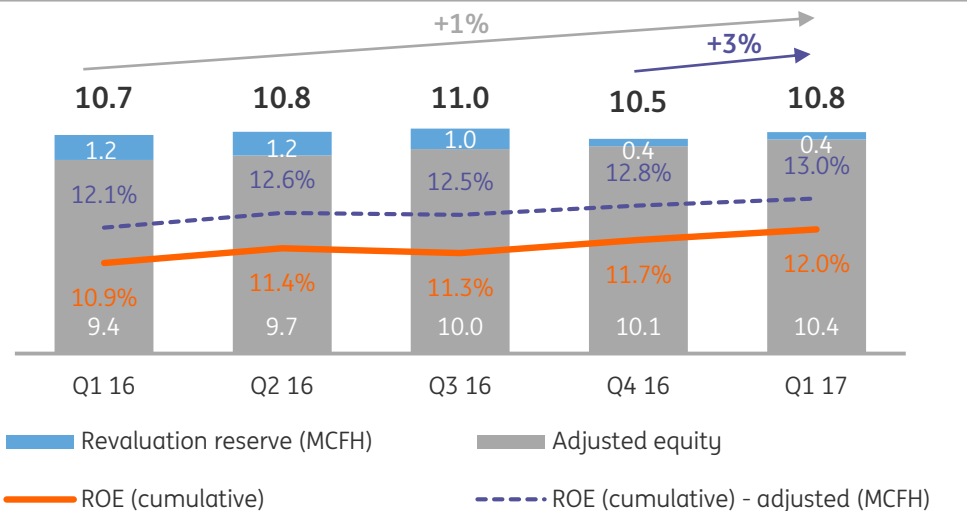


# Assets, equity, profitability ratios and capital adequacy

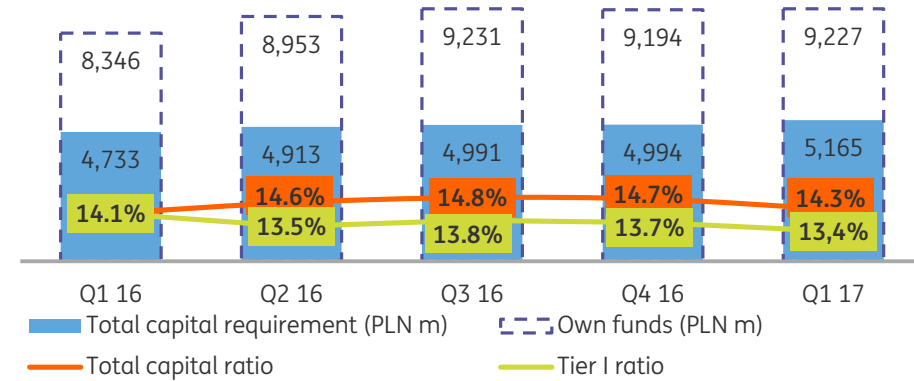
Assets (PLN billion) / ROA



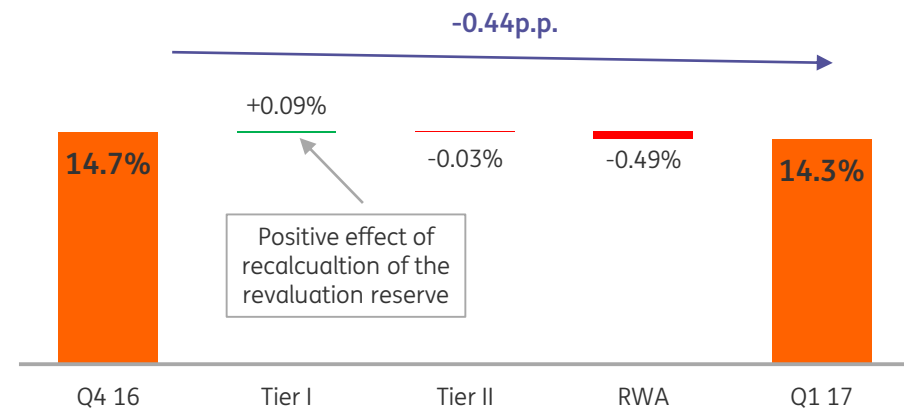
Equity (PLN billion) / ROE



Consolidated total capital ratio and capital requirements



Consolidated total capital ratio – decomposition of q/q change



# Appendixes



# Income statement

Interim condensed consolidated financial statements (PLN m)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	q/q Δ	%	y/y Δ	%
<b>Net interest income, of which:</b>	<b>668.1</b>	<b>690.9</b>	<b>784.9</b>	<b>809.5</b>	<b>815.5</b>	<b>6.0</b>	<b>0.7%</b>	<b>147.4</b>	<b>22.1%</b>
<b>Interest income, of which:</b>	<b>935.0</b>	<b>961.2</b>	<b>1,010.5</b>	<b>1,016.2</b>	<b>1,025.3</b>	<b>9.1</b>	<b>0.9%</b>	<b>90.3</b>	<b>9.7%</b>
- on loans and receivables to banks	12.3	13.9	12.7	12.3	12.5	0.2	1.6%	0.2	1.6%
- on loans and receivables to customers	683.6	700.5	733.9	749.3	757.1	7.8	1.0%	73.5	10.8%
- on leasing	40.5	41.0	43.3	45.0	43.8	-1.2	-2.7%	3.3	8.1%
- on factoring	19.2	20.5	23.0	25.5	24.5	-1.0	-3.9%	5.3	27.6%
- on debt securities	156.0	158.4	176.3	170.5	174.3	3.8	2.2%	18.3	11.7%
- on BSB transactions (non trading)	3.3	2.7	2.3	1.3	0.9	-0.4	-30.8%	-2.4	-72.7%
- interest result on derivatives	20.1	24.2	19.0	12.3	12.2	-0.1	-0.8%	-7.9	-39.3%
<b>Interest expenses, of which:</b>	<b>266.9</b>	<b>270.3</b>	<b>225.6</b>	<b>206.7</b>	<b>209.8</b>	<b>3.1</b>	<b>1.5%</b>	<b>-57.1</b>	<b>-21.4%</b>
- interest on deposits from banks	8.6	7.8	15.2	13.0	16.9	3.9	30.0%	8.3	96.5%
- interest on deposits from customers	251.0	253.3	201.1	184.4	183.7	-0.7	-0.4%	-67.3	-26.8%
- on SBB transactions (non trading)	0.1	0.0	0.1	0.0	0.1	0.1	-	0.0	0.0%
- interest on debt securities in issue	5.7	5.6	5.6	5.8	5.7	-0.1	-1.7%	0.0	0.0%
- on trading financial instruments	0.2	0.2	0.3	0.3	0.3	0.0	0.0%	0.1	50.0%
- on subordinated debt	1.3	3.4	3.3	3.2	3.1	-0.1	-3.1%	1.8	138.5%
<b>Net commission income</b>	<b>253.9</b>	<b>258.1</b>	<b>269.3</b>	<b>283.5</b>	<b>289.6</b>	<b>6.1</b>	<b>2.2%</b>	<b>35.7</b>	<b>14.1%</b>
<b>Result on trade operations and revaluation (incl investments and HA)</b>	<b>49.1</b>	<b>202.2</b>	<b>20.6</b>	<b>15.0</b>	<b>28.6</b>	<b>13.6</b>	<b>90.7%</b>	<b>-20.5</b>	<b>-41.8%</b>
Net income on instruments measured at fair value through profit or loss and FX result	23.0	5.1	16.4	12.7	18.0	5.3	41.7%	-5.0	-21.7%
Net income on investments	28.7	196.6	4.0	3.0	10.2	7.2	240.0%	-18.5	-64.5%
Net income on hedge accounting	-2.6	0.5	0.2	-0.7	0.4	1.1	-	3.0	-
<b>Net income on other basic activities</b>	<b>4.5</b>	<b>1.2</b>	<b>-0.3</b>	<b>14.0</b>	<b>0.8</b>	<b>-13.2</b>	<b>-94.3%</b>	<b>-3.7</b>	<b>-82.2%</b>
Share in net profit (loss) of associated entities recognised under the equity method	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	-
<b>Income</b>	<b>975.6</b>	<b>1,152.4</b>	<b>1,074.5</b>	<b>1,122.0</b>	<b>1,134.5</b>	<b>12.5</b>	<b>1.1%</b>	<b>158.9</b>	<b>16.3%</b>
<b>Expenses</b>	<b>508.8</b>	<b>517.2</b>	<b>515.5</b>	<b>557.7</b>	<b>564.4</b>	<b>6.7</b>	<b>1.2%</b>	<b>55.6</b>	<b>10.9%</b>
- personnel expenses	251.5	251.3	259.9	276.7	251.0	-25.7	-9.3%	-0.5	-0.2%
- other expenses	215.1	220.3	209.6	204.3	267.3	63.1	30.9%	52.2	24.3%
- D&A	42.2	45.6	46.1	76.7	46.0	-30.7	-40.0%	3.8	9.1%
<b>Profit before risk costs</b>	<b>466.8</b>	<b>635.2</b>	<b>559.0</b>	<b>564.3</b>	<b>570.1</b>	<b>5.8</b>	<b>1.0%</b>	<b>103.3</b>	<b>22.1%</b>
<b>Risk costs</b>	<b>78.9</b>	<b>33.5</b>	<b>49.7</b>	<b>138.5</b>	<b>76.9</b>	<b>-61.6</b>	<b>-44.5%</b>	<b>-2.0</b>	<b>-2.5%</b>
- retail	16.4	24.6	21.5	75.1	42.8	-32.3	-43.0%	26.4	161.0%
- corporate	62.5	8.9	28.2	63.4	34.1	-29.3	-46.2%	-28.4	-45.4%
<b>Tax on certain financial institutions</b>	<b>50.5</b>	<b>76.8</b>	<b>75.7</b>	<b>77.2</b>	<b>79.4</b>	<b>2.2</b>	<b>2.8%</b>	<b>28.9</b>	<b>57.2%</b>
<b>Profit (loss) before tax</b>	<b>337.4</b>	<b>524.9</b>	<b>433.6</b>	<b>348.6</b>	<b>413.8</b>	<b>65.2</b>	<b>18.7%</b>	<b>76.4</b>	<b>22.6%</b>
<b>Income tax</b>	<b>78.2</b>	<b>118.0</b>	<b>101.6</b>	<b>93.6</b>	<b>113.6</b>	<b>20.0</b>	<b>21.4%</b>	<b>35.4</b>	<b>45.3%</b>
<b>Net profit (loss), of which:</b>	<b>259.2</b>	<b>406.9</b>	<b>332.0</b>	<b>255.0</b>	<b>300.2</b>	<b>45.2</b>	<b>17.7%</b>	<b>41.0</b>	<b>15.8%</b>
<b>Net profit (loss) attributable to the shareholders of ING BSK</b>	<b>259.2</b>	<b>406.9</b>	<b>332.0</b>	<b>254.9</b>	<b>300.2</b>	<b>45.3</b>	<b>17.8%</b>	<b>41.0</b>	<b>15.8%</b>
Number of shares issued (m)	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
Earnings per share (PLN)	7.97	12.51	10.21	7.84	9.23	1.39	17.8%	1.26	15.8%

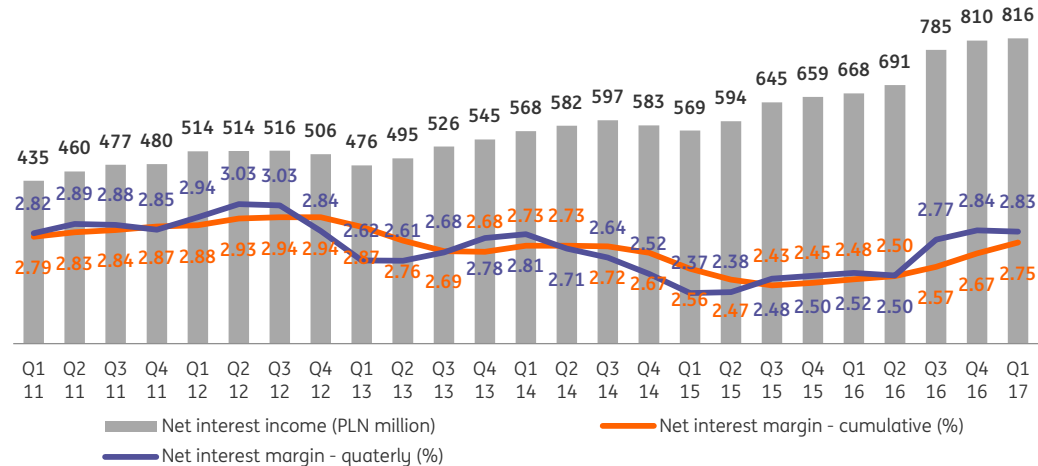


# Statement of financial position

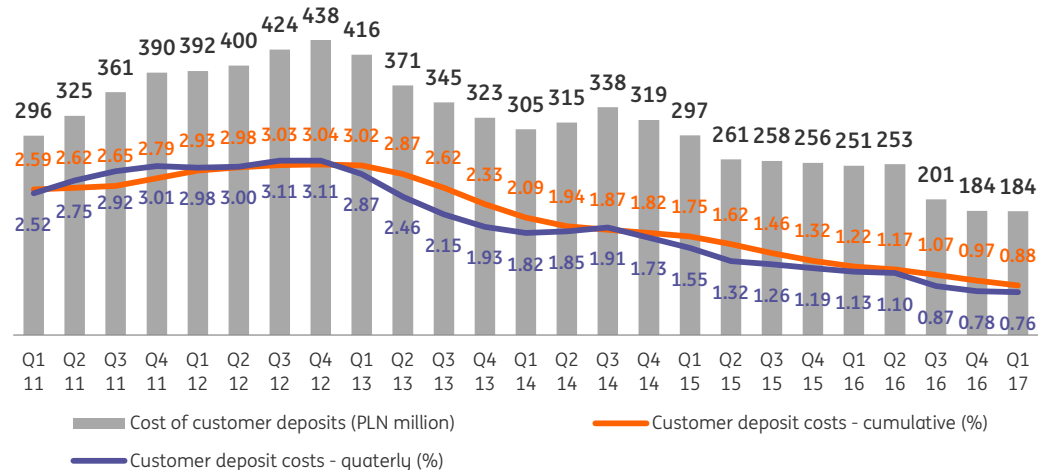
Consolidated statement of financial position (PLN m)	Q4 2015 Q1 2016 Q2 2016 Q3 2016 Q4 2016 Q1 2017						q/q		y/y	
							Δ	%	Δ	%
<b>ASSETS</b>										
- Cash in hand and balances with the Central Bank	3,589.7	3,565.7	1,286.6	1,299.1	1,825.0	1,250.0	-575.0	-31.5%	-2,315.7	-64.9%
- Loans and receivables to other banks	1,014.6	954.3	1,285.4	1,192.7	1,113.4	1,125.7	12.3	1.1%	171.4	18.0%
- Financial assets measured at fair value through profit and loss	1,127.1	2,067.7	1,847.3	1,617.3	2,826.8	1,505.2	-1,321.6	-46.8%	-562.5	-27.2%
- Valuation of derivatives	1,990.9	1,613.8	1,320.5	1,124.9	1,117.1	1,210.6	93.5	8.4%	-403.2	-25.0%
- Investments	23,478.8	25,072.0	27,761.0	27,344.0	25,721.3	26,569.7	848.4	3.3%	1,497.7	6.0%
- Derivative hedge instruments	2,454.8	2,737.1	2,389.6	2,138.9	1,338.6	1,259.1	-79.5	-5.9%	-1,478.0	-54.0%
- Loans and receivables to customers	72,519.6	75,330.0	78,308.6	80,377.4	81,979.5	84,379.6	2,400.1	2.9%	9,049.6	12.0%
- Receivables from customers due to repo transactions	1,354.4	19.9	0.0	19.8	0.0	19.9	19.9	-	0.0	0.0%
- Non-financial assets	1,070.5	1,037.8	1,032.5	1,025.0	1,004.5	995.6	-8.9	-0.9%	-42.2	-4.1%
- Property, plant and equipment held for sale	38.4	49.8	41.2	41.2	31.8	19.7	-12.1	-38.1%	-30.1	-60.4%
- Tax assets	59.6	71.4	76.9	77.5	237.5	181.9	-55.6	-23.4%	110.5	154.8%
- Other assets	194.7	213.2	290.1	292.2	282.2	333.5	51.3	18.2%	120.3	56.4%
<b>Total assets</b>	<b>108,893.1</b>	<b>112,732.7</b>	<b>115,639.7</b>	<b>116,550.0</b>	<b>117,477.7</b>	<b>118,850.5</b>	<b>1,372.8</b>	<b>1.2%</b>	<b>6,117.8</b>	<b>5.4%</b>
<b>EQUITY AND LIABILITIES</b>										
<b>LIABILITIES</b>										
- Liabilities due to other banks	3,913.5	4,236.0	5,082.3	7,032.5	5,043.0	5,606.6	563.6	11.2%	1,370.6	32.4%
- Financial liabilities measured at fair value through profit and loss	629.4	319.9	299.3	598.6	474.8	639.0	164.2	34.6%	319.1	99.7%
- Valuation of derivatives	2,002.7	1,525.1	1,336.9	1,101.9	1,116.0	1,097.6	-18.4	-1.6%	-427.5	-28.0%
- Derivative hedge instruments	1,830.9	1,818.0	1,730.1	1,614.3	1,468.1	1,206.4	-261.7	-17.8%	-611.6	-33.6%
- Liabilities due to customers	87,818.5	90,403.0	93,483.3	92,304.6	95,825.4	96,620.7	795.3	0.8%	6,217.7	6.9%
- Liabilities due to customers under repo transactions	47.5	10.4	9.1	0.0	0.0	0.0	0.0	-	-10.4	-100.0%
- Liabilities under issue of debt securities	866.3	872.0	866.3	871.9	866.4	872.0	5.6	0.6%	0.0	0.0%
- Subordinated liabilities	0.0	641.6	665.2	648.1	664.9	634.2	-30.7	-4.6%	-7.4	-1.2%
- Provisions	67.2	82.7	82.0	79.8	73.8	72.9	-0.9	-1.2%	-9.8	-11.9%
- Tax liabilities	156.8	221.7	181.4	146.8	121.3	24.1	-97.2	-80.1%	-197.6	-89.1%
- Other liabilities	879.8	1,932.1	1,091.2	1,172.5	1,346.8	1,287.6	-59.2	-4.4%	-644.5	-33.4%
<b>Total liabilities</b>	<b>98,212.6</b>	<b>102,062.5</b>	<b>104,827.1</b>	<b>105,571.0</b>	<b>107,000.5</b>	<b>108,061.1</b>	<b>1,060.6</b>	<b>1.0%</b>	<b>5,998.6</b>	<b>5.9%</b>
<b>EQUITY</b>										
- Share capital	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
- Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3	956.3	956.3	0.0	0.0%	0.0	0.0%
- Revaluation reserve	1,485.0	1,774.8	1,508.0	1,341.8	577.5	589.6	12.1	2.1%	-1,185.2	-66.8%
- Retained earnings	8,106.5	7,806.5	8,215.7	8,548.5	8,811.0	9,111.3	300.3	3.4%	1,304.8	16.7%
<b>Equity attributable to shareholders of ING BSK</b>	<b>10,677.9</b>	<b>10,667.7</b>	<b>10,810.1</b>	<b>10,976.7</b>	<b>10,474.9</b>	<b>10,787.3</b>	<b>312.4</b>	<b>3.0%</b>	<b>119.6</b>	<b>1.1%</b>
- Non-controlling interests	2.6	2.5	2.5	2.3	2.3	2.1	-0.2	-8.7%	-0.4	-16.0%
<b>Total equity</b>	<b>10,680.5</b>	<b>10,670.2</b>	<b>10,812.6</b>	<b>10,979.0</b>	<b>10,477.2</b>	<b>10,789.4</b>	<b>312.2</b>	<b>3.0%</b>	<b>119.2</b>	<b>1.1%</b>
<b>Total equity and liabilities</b>	<b>108,893.1</b>	<b>112,732.7</b>	<b>115,639.7</b>	<b>116,550.0</b>	<b>117,477.7</b>	<b>118,850.5</b>	<b>1,372.8</b>	<b>1.2%</b>	<b>6,117.8</b>	<b>5.4%</b>
Number of shares issued (m)	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
Book value per share (PLN)	82.07	82.00	83.09	84.37	80.51	82.92	2.40	3.0%	0.92	1.1%

# NII and NIM performance

NII (PLN million) / NIM (%)

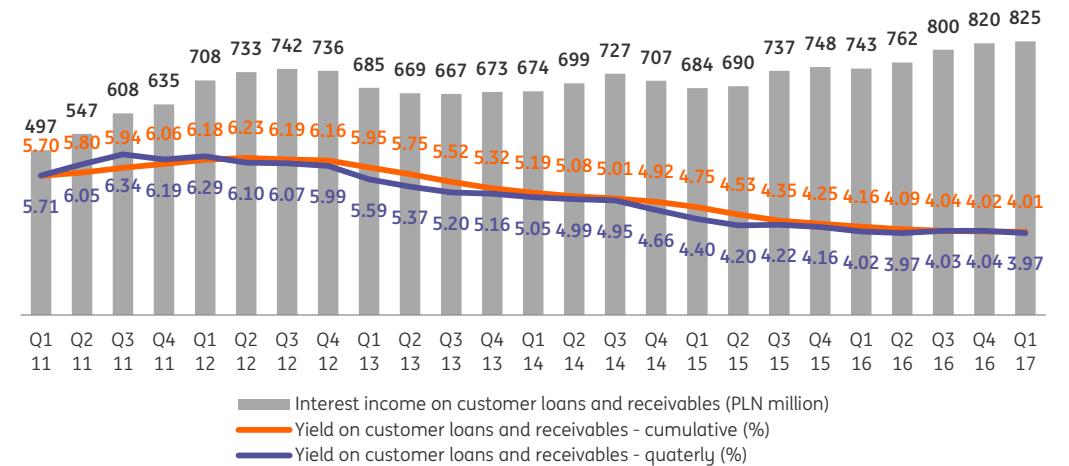


Cost of customer deposit funding (PLN million / %)

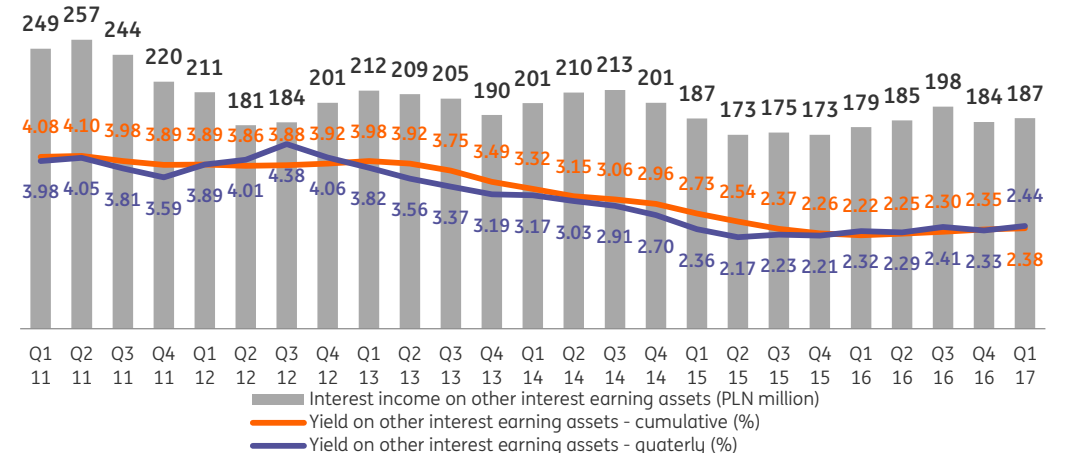


Interest income on loans and receivables from customers (PLN million)

/ average yield (%)



Interest income on other interest earning assets excluding Interbank and customer loans (PLN million) / average yield (%)



# Lending exposure by industry

## Non-bank corporate banking portfolio - BS exposure (PLN m)

### Consolidated approach

No	Industry	Exposure as at 31.03.2017	%
1	WHOLESALE TRADE	7,498	15.2%
2	REAL ESTATE SERVICE	6,874	13.9%
3	PUBLIC ADMINISTRATION AND NATIONAL DEFENSE	3,340	6.8%
4	FOODSTUFF AND BEVERAGE PRODUCTION	2,807	5.7%
5	FINANCIAL INTERMEDIATION	2,599	5.3%
6	POWER INDUSTRY	1,913	3.9%
7	LAND AND PIPELINE TRANSPORTATION	1,746	3.5%
8	AGRICULTURE , FORESTY , FISHERY	1,737	3.5%
9	RETAIL TRADE	1,721	3.5%
10	READY-MADE METAL GOODS PRODUCTIONS	1,525	3.1%
11	CONSTRUCTIONS INDUSTRY	1,442	2.9%
12	RUBBER INDUSTRY	1,396	2.8%
13	WOOD AND PAPER INDUSTRY	1,193	2.4%
14	EQUIPMENT RENT	1,145	2.3%
15	REMAINING SERVICES CONNECTED WITH RUNNING BUSINESS	1,111	2.3%
16	POST OFFICE AND TELECOMMUNICATIONS	1,057	2.1%
17	CHEMICALS AND CHEMICAL GOODS PRODUCTION	880	1.8%
18	MECHANICAL VEHICLES SALE , REPAIR AND SERVICE	823	1.7%
19	ENGINEERING INDUSTRY	707	1.4%
20	Other	7,812	15.8%
<b>Total exposure</b>		<b>49,325</b>	<b>100.0%</b>

# Lending exposure by industry

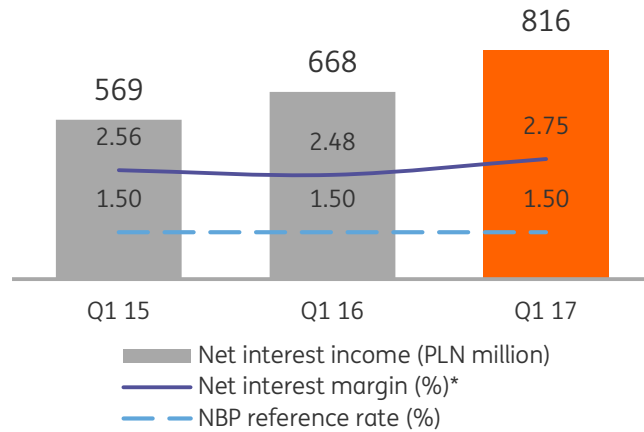
## Non-bank corporate banking portfolio - BS and off-BS exposure (PLN m)

### Consolidated approach

No	Industry	Exposure as at 31.03.2017	%
1	WHOLESALE TRADE	10,989	15.2%
2	REAL ESTATE SERVICE	7,285	10.1%
3	FOODSTUFF AND BEVERAGE PRODUCTION	3,897	5.4%
4	POWER INDUSTRY	3,708	5.1%
5	CONSTRUCTIONS INDUSTRY	3,677	5.1%
6	PUBLIC ADMINISTRATION AND NATIONAL DEFENSE	3,637	5.0%
7	FINANCIAL INTERMEDIATION	3,373	4.7%
8	RETAIL TRADE	3,022	4.2%
9	READY-MADE METAL GOODS PRODUCTIONS	2,383	3.3%
10	LAND AND PIPELINE TRANSPORTATION	2,142	3.0%
11	RUBBER INDUSTRY	2,037	2.8%
12	AGRICULTURE , FORESTY , FISHERY	1,903	2.6%
13	REMAINING SERVICES CONNECTED WITH RUNNING BUSINESS	1,822	2.5%
14	WOOD AND PAPER INDUSTRY	1,682	2.3%
15	EQUIPMENT RENT	1,497	2.1%
16	CHEMICALS AND CHEMICAL GOODS PRODUCTION	1,338	1.9%
17	ENGINEERING INDUSTRY	1,337	1.9%
18	REMAINING NON-METAL RAW MATERIALS INDUSTRIES	1,327	1.8%
19	AUXILIARY SERVICE FOR TRANSPORTATION	1,208	1.7%
20	Other	13,878	19.2%
<b>Total exposure</b>		<b>72,140</b>	<b>100.0%</b>

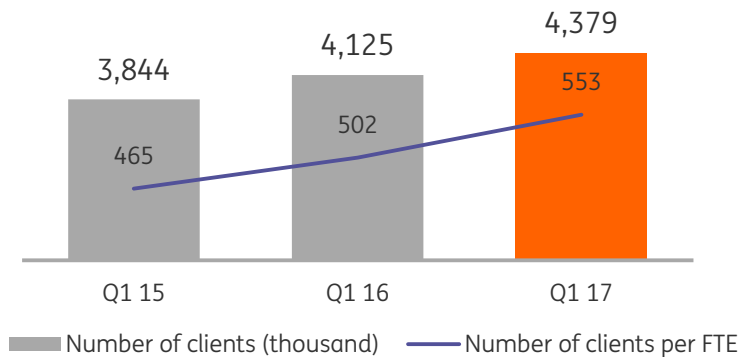
# Efficiency ratios

## Net interest margin

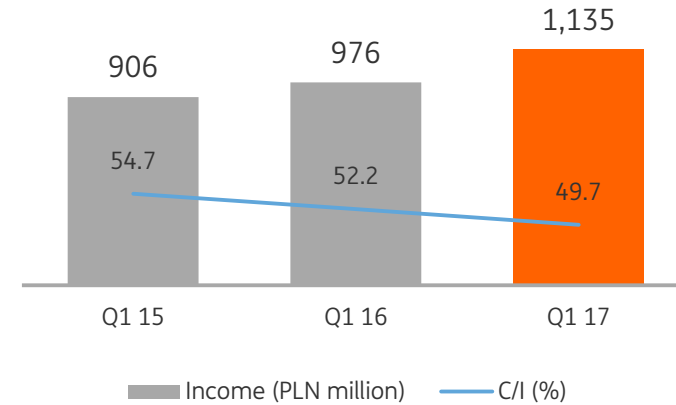


\* Net Interest Margin = total of net interest income for 4 consecutive quarters / average interest assets for 5 consecutive quarters.

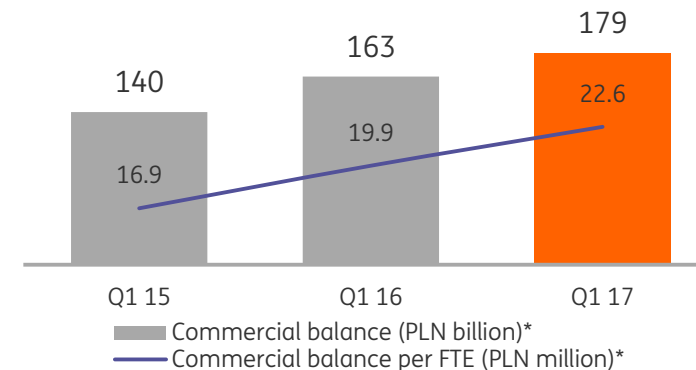
## No. of clients per employee



## Income and cost efficiency



## Commercial balances per employee

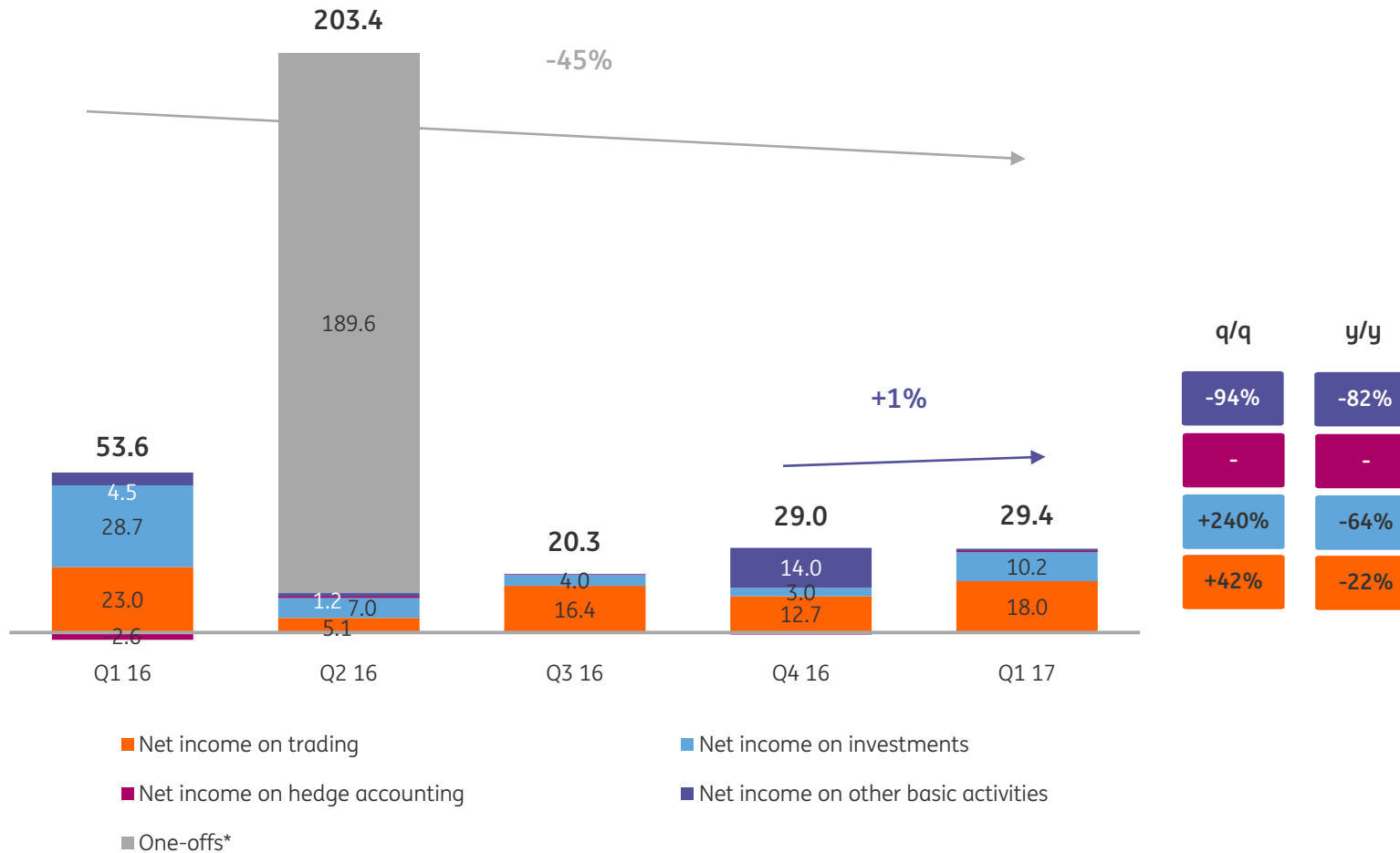


\*Commercial balance = gross loans and receivables from clients (leasing and factoring included) excluding bonds + liabilities to clients



# Other income

Other income (PLN million)



## One-offs\*:

- Q2 2016 – disposal of Visa (PLN 189.6m)

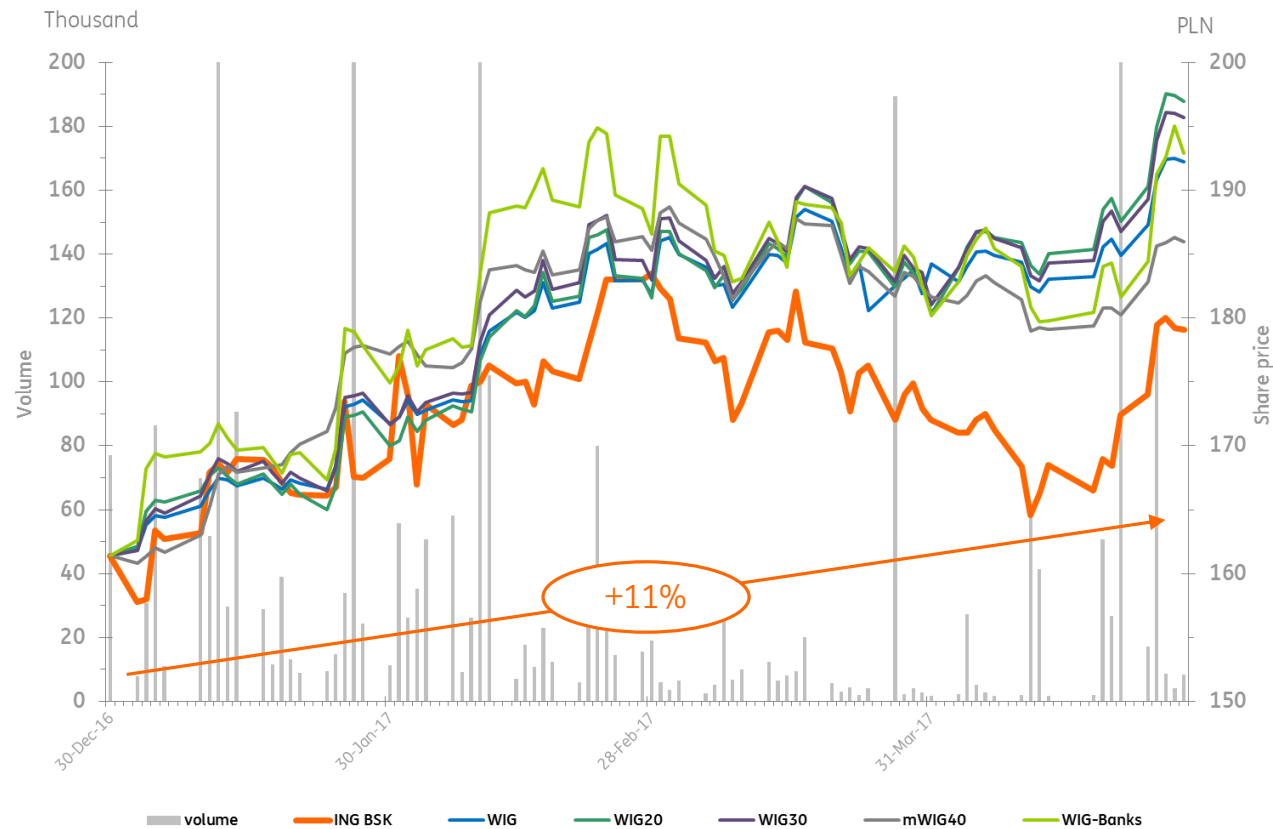
# ING Bank Śląski S.A. shares

**ING BSK share price:**  
**PLN 179.10** (as at 28 April 2017)

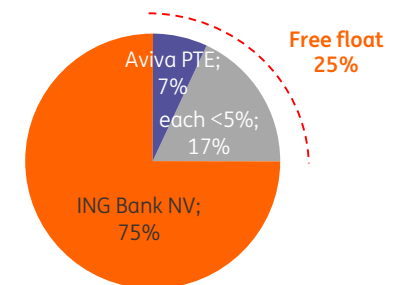
Capitalisation: **PLN 23.3bn** (EUR 5.5bn)  
 Free float: **PLN 5.8bn** (EUR 1.4bn)

ISIN: PLBSK0000017  
 Bloomberg: ING PW  
 Reuters: INGP.WA

## ING BSK shares vs. WIG indexes recalculated for comparability



## Shareholder structure



## Market ratios (1Q 2017)

P/E 17.9x

P/BV 2.2x

# Dictionary

## Simplified definitions of presentation terms :

- **Retail clients** – individuals and entrepreneurs being sole traders.
- **Corporate clients** – mid, big corporates and strategic clients (holdings).
  - Mid corporates – corporates of annual turnover of up to EUR 10m.
  - Big corporates – corporates of annual turnover between EUR 10m and EUR 125m.
  - Strategic clients – holdings of annual turnover over EUR 125m.
- **Net interest margin** – the ratio of net interest income to the average value of interest earning assets (incl. loans, bonds) in a given period.
- **C/I ratio** – the ratio of costs (excluding risk costs and bank levy) to bank's revenues (excluding the share in the net profit of associated entities).
- **Risk costs** – the net result of created and released provisions due to the deterioration in value/quality of bank's financial assets (e.g. loans) to the average value of gross loans.
- **Coverage ratio** – the ratio of created provisions to the impaired loans.
- **Bank levy** – tax from certain financial institutions; in the case of banks it is paid monthly on the surplus of assets over own funds, treasury bonds and fixed level of PLN 4 billion; the tax rate is 0.0366% monthly (0.44% annually).
- **ROA** – the ratio of net profit to the average assets in a given period.
- **ROE** – the ratio of net profit to the average equity in a given period.
- **L/D ratio** – Loan to deposit ratio; the ratio describing what portion of deposits was used to fund lending.
- **MCFH** – *Macro Cash Flow Hedge*; revaluation reserve from measurement of cash flow hedging instruments.
- **Risk weighted assets** – the sum of assets multiplied by the risk weights of a given asset category.
- **Tier 1 ratio** – the ratio of Tier 1 capitals (the capitals of the highest quality) to the bank's risk weighted assets.
- **Total capital ratio** – the ratio of total own funds (including subordinated debt (so-called Tier 2)) to the bank's risk weighted assets.

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