

ING Bank Śląski S.A.

Business and Financial Results
for Q2 2017

Warsaw, 2 August 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).

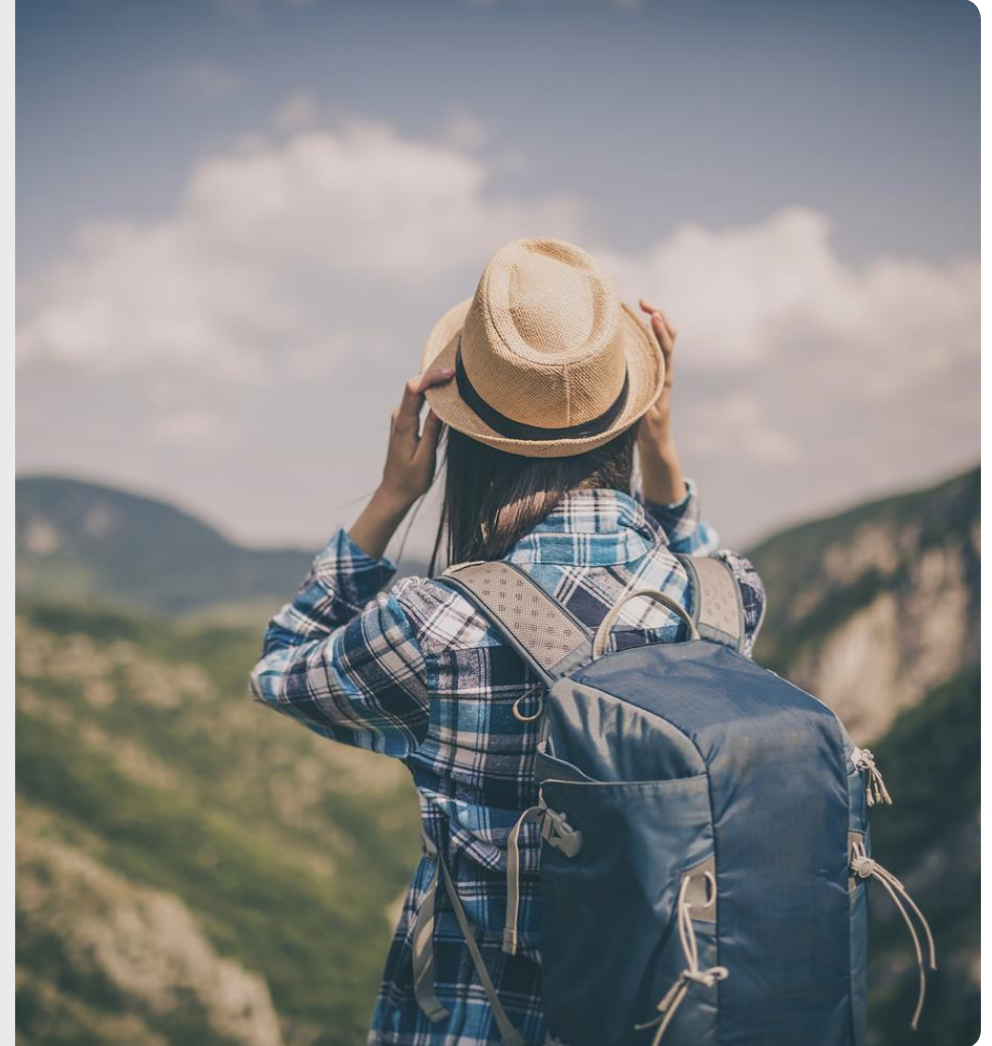
The financial information presented in this document has been prepared based on the same accounting principles as applied in the ING Bank Śląski S.A. Annual Report. All figures in this document are unaudited. Small differences in figures are possible.

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

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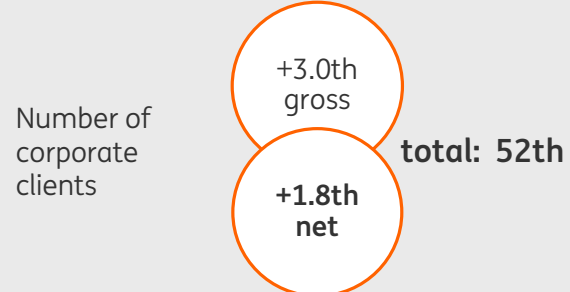
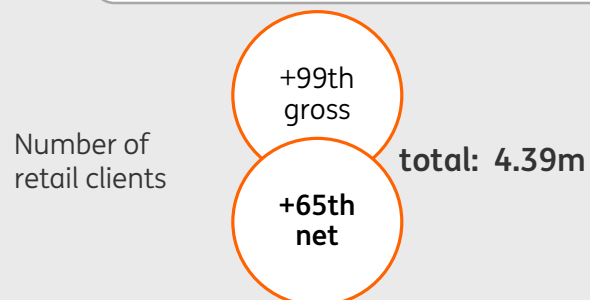


Introduction to financial results and the Bank's market position



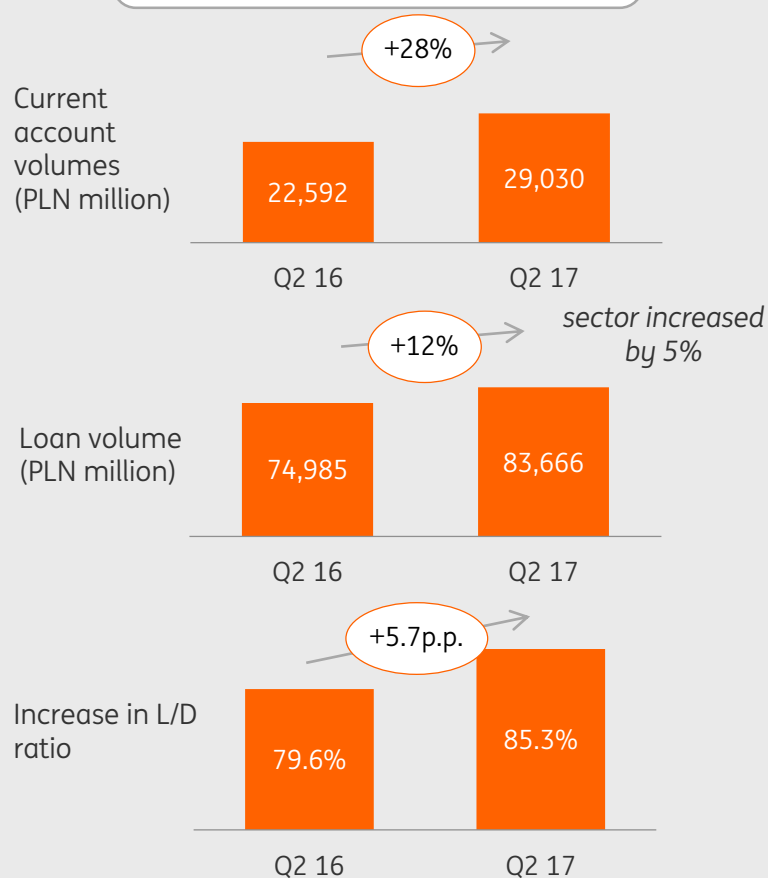
Main achievements in Q2 2017 – ING facilitates payments

Growth of client base supported by digitalisation

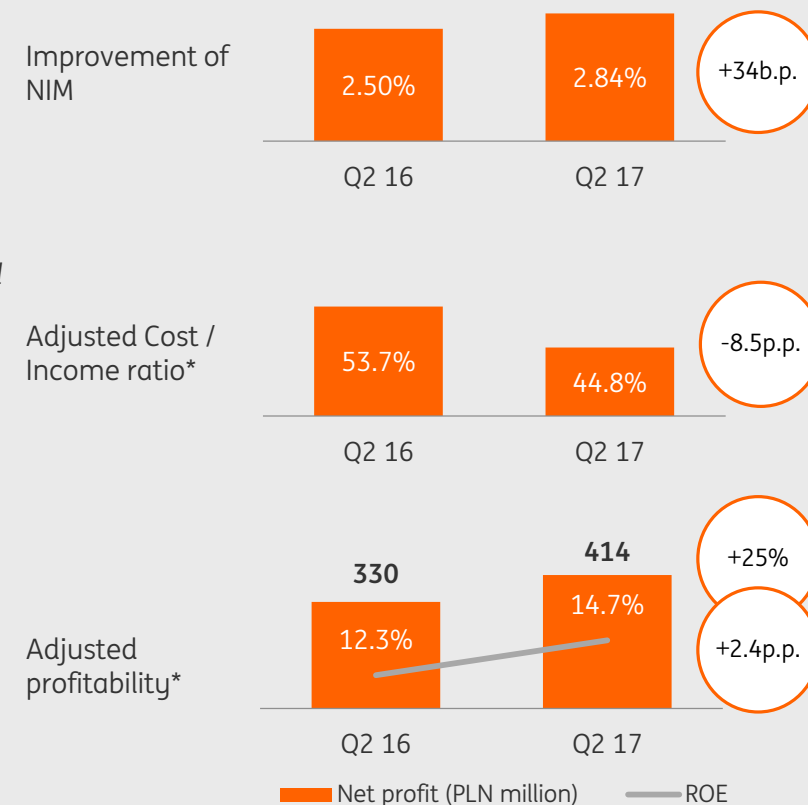


- Electronic transfers are 99.99% of corporate banking transfers and 99.85% of retail banking transfers
- 10.8 million transfers in retail mobile banking (+16% q/q, +48% y/y)
- 632th BLIK transactions (+22% q/q, ~3x y/y)

Optimal and stable balance sheet



High efficiency of operations



5 *Adjusted for income from Visa Europe transaction in Q2'16, income from Visa Inc. transaction in Q2'17, spreading the annual contribution to the Resolution Fund over 4 quarters; excluding the bank levy

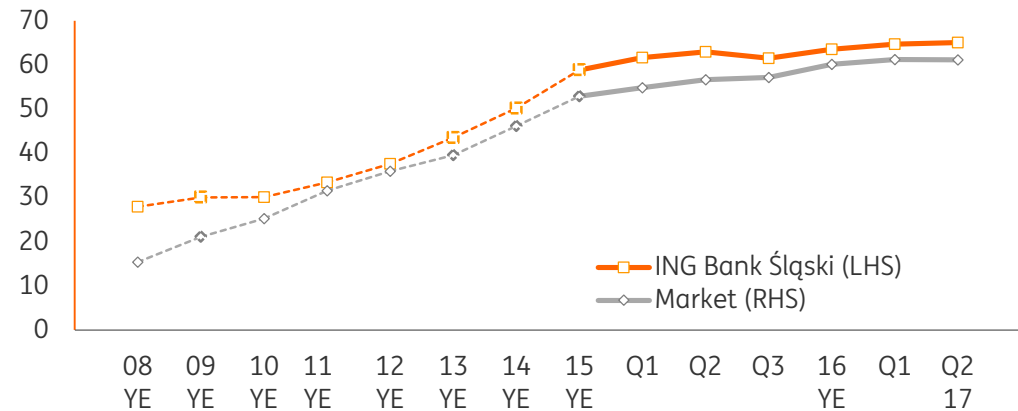
Major business accomplishments of the Bank

Bank's business volumes*

<i>in PLN million</i>	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Change q/q	Change YtD	Change y/y	Diff q/q	Diff YtD	Diff y/y
Total deposits	92,253	91,491	94,689	95,457	96,753	+ 1%	+ 2%	+ 5%	1,296	2,064	4,499
Corporate clients deposits	29,401	30,044	31,202	30,611	31,450	+ 3%	+ 1%	+ 7%	839	248	2,049
Retail clients deposits	62,852	61,447	63,488	64,846	65,303	+ 1%	+ 3%	+ 4%	457	1,815	2,450
Total funds entrusted by retail clients	71,981	71,177	73,503	75,638	76,638	+ 1%	+ 4%	+ 6%	1,000	3,135	4,657
Retail off-BS savings distributed by the Bank	9,129	9,730	10,015	10,792	11,335	+ 5%	+ 13%	+ 24%	543	1,320	2,206
Total loans	74,985	77,192	78,589	81,467	83,666	+ 3%	+ 6%	+ 12%	2,199	5,077	8,681
Loans to corporate clients incl. leasing and factoring	45,594	46,772	47,102	48,823	49,482	+ 1%	+ 5%	+ 9%	659	2,380	3,888
Loans to retail clients	29,391	30,420	31,487	32,643	34,184	+ 5%	+ 9%	+ 16%	1,541	2,697	4,792
Mortgage loans volume	21,785	22,447	23,270	23,967	24,968	+ 4%	+ 7%	+ 15%	1,001	1,698	3,184

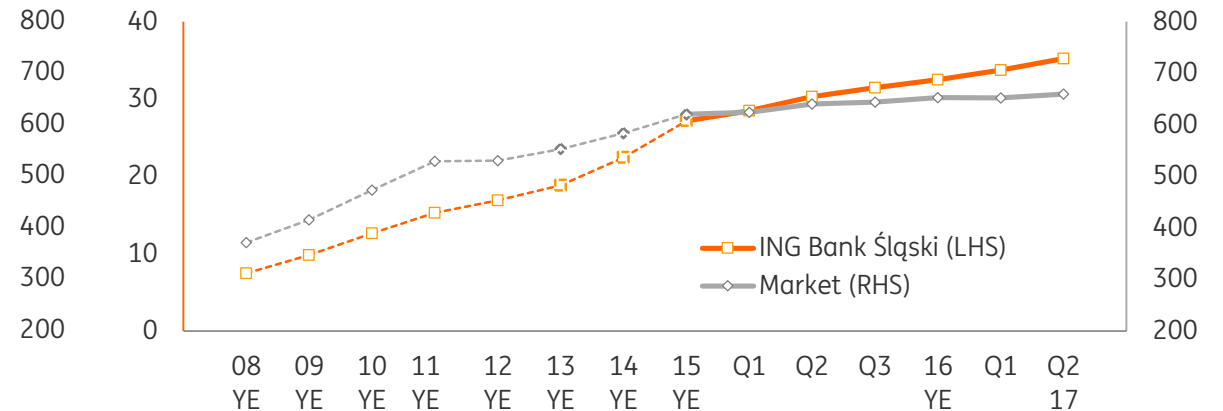
Market position of ING Bank Śląski S.A.

Volume of household deposits (PLN billion)



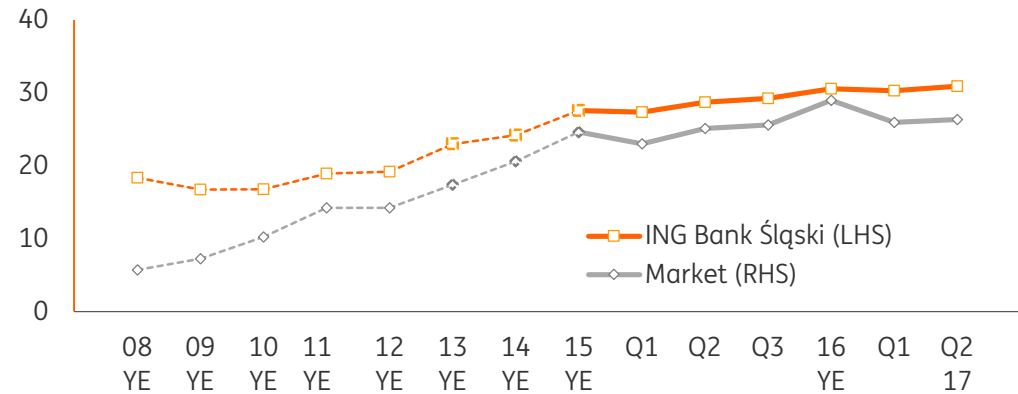
Market share (%) 8.42 7.88 7.24 7.10 7.40 8.07 8.42 9.01 9.21 9.19 8.91 8.88 8.93 **8.98**

Volume of household loans (PLN billion)



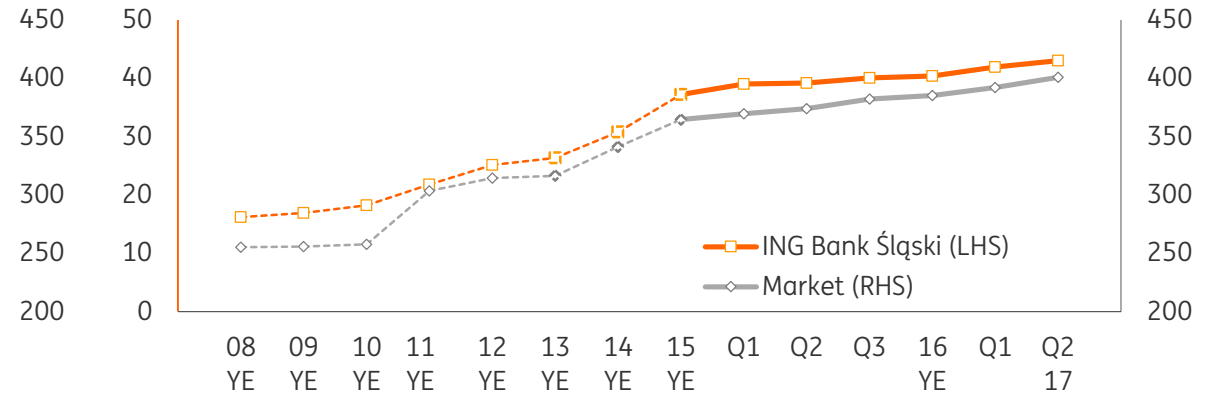
Market share (%) 2.00 2.36 2.67 2.89 3.19 3.41 3.84 4.38 4.56 4.73 4.88 4.98 5.17 **5.34**

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 **8.47**

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 **10.74**

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

<i>PLN million</i>	H1 2016	H1 2017	change y/y
Total income	2,128.0	2,324.9	+ 9%
Total expenses	1,026.0	1,074.7	+ 5%
Result before risk costs	1,102.0	1,250.2	+ 13%
Risk costs	112.4	200.5	+ 78%
Bank levy	127.3	159.8	+ 26%
Profit before tax	862.3	889.9	+ 3%
Income tax	196.2	229.3	+ 17%
Net profit	666.1	660.6	- 1%
Total capital ratio	14.6%	15.3%	+ 0.7 p.p.
Tier I	13.5%	14.4%	+ 0.8 p.p.
ROE (%)	11.4%	11.5%	+ 0.1 p.p.
C/I ratio (%)	48.2%	46.2%	- 2.0 p.p.

<i>PLN million</i>	Q2 2016	Q1 2017	Q2 2017	change q/q	change y/y
Total income	1,152.4	1,134.5	1,190.4	+ 5%	+ 3%
Total expenses	517.2	564.4	510.3	- 10%	- 1%
Result before risk costs	635.2	570.1	680.1	+ 19%	+ 7%
Risk costs	33.5	76.9	123.6	+ 61%	+ 269%
Bank levy	76.8	79.4	80.4	+ 1%	+ 5%
Profit before tax	524.9	413.8	476.1	+ 15%	- 9%
Income tax	118.0	113.6	115.7	+ 2%	- 2%
Net profit	406.9	300.2	360.4	+ 20%	- 11%
C/I ratio (%)	44.9%	49.7%	42.9%	- 6.9 p.p.	- 2.0 p.p.

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

<i>PLN million</i>	H1 2016	H1 2017	change y/y
Total income*	1,938.3	2,313.0	+ 19%
Total expenses*	1,026.0	1,039.5	+ 1%
Result before risk costs*	912.4	1,273.6	+ 40%
Risk costs	112.4	200.5	+ 78%
Profit before tax*	799.9	1,073.1	+ 34%
Income tax*	160.2	227.0	+ 42%
Net profit*	639.8	846.0	+ 32%
ROE (%)*	12.3%	14.7%	+ 2.4 p.p.
C/I ratio (%)*	52.9%	44.9%	- 8.0 p.p.

<i>PLN million</i>	Q2 2016	Q1 2017	Q2 2017	change q/q	change y/y
Total income*	962.7	1,134.5	1,178.5	+ 4%	+ 22%
Total expenses*	517.2	511.5	527.9	+ 3%	+ 2%
Result before risk costs*	445.6	623.0	650.6	+ 4%	+ 46%
Risk costs	33.5	76.9	123.6	+ 61%	+ 269%
Profit before tax*	412.0	546.1	527.0	- 3%	+ 28%
Income tax*	82.0	113.6	113.4	- 0%	+ 38%
Net profit*	330.1	432.5	413.5	- 4%	+ 25%
C/I ratio (%)*	53.7%	45.1%	44.8%	- 0.3 p.p.	- 8.9 p.p.

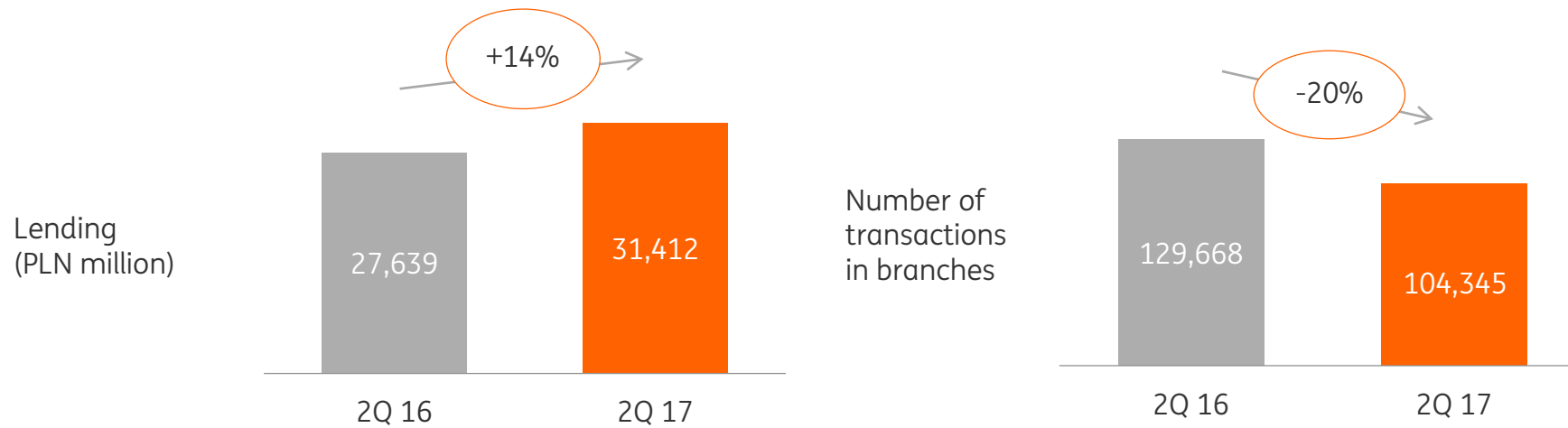
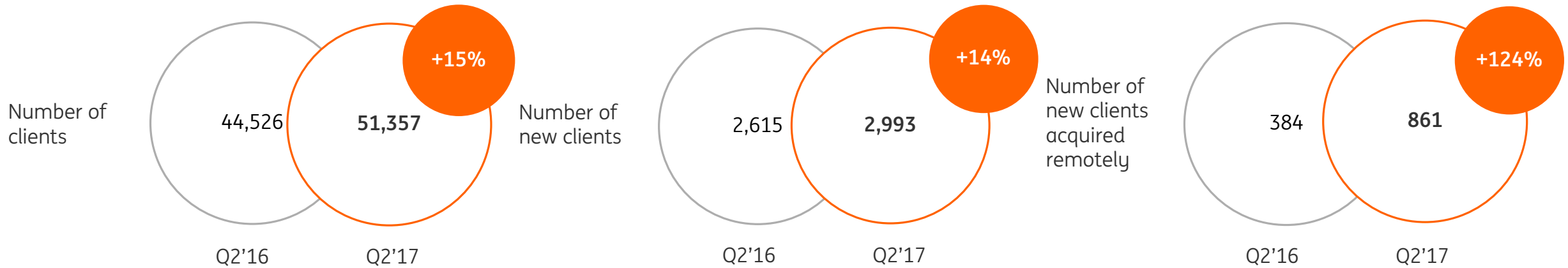
9 ROE = total net profit for 4 subsequent quarters / average equity for 5 subsequent quarters

*Adjusted for bank levy, spreading the annual contribution to the Resolution Fund over 4 quarters in Q1'17 and Q2'17, Visa Europe transaction in Q2'16 and Visa Inc. transaction in Q2'17

Digital strategy for MID and BIG companies



Regular activity growth



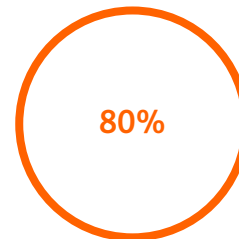
Digitalisation – ING Business online



Users



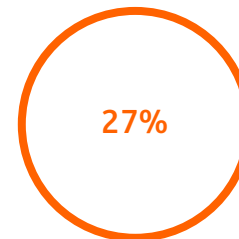
Clients



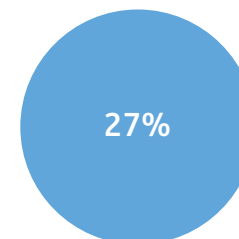
Users work in the new ING Business release only



Electronic transfers to total transfers



Clients have access to mobile banking



NPS



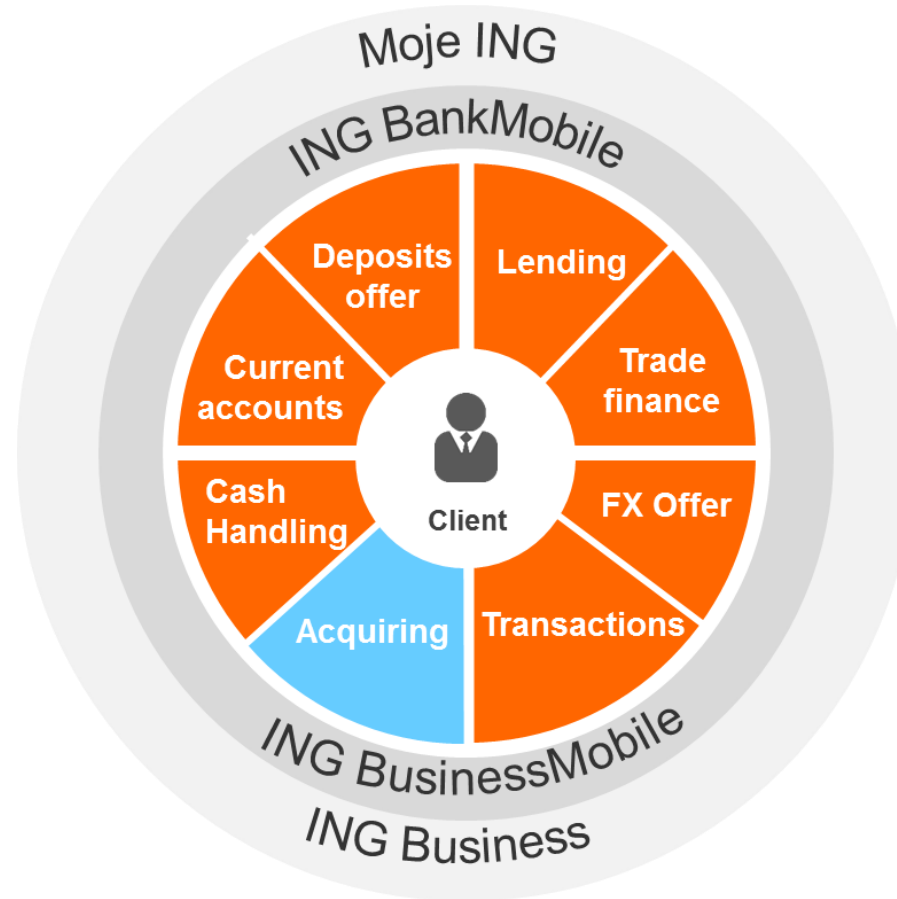
POS Terminals – to supplement the offer

Market changes:

Changing landscape reducing merchants' costs

Growing share of non-cash transactions

Growing interest of other banks in the acquiring service



Key targets of the new product:

Supplementing our offer with card acceptance – capacity to develop one end-to-end offer

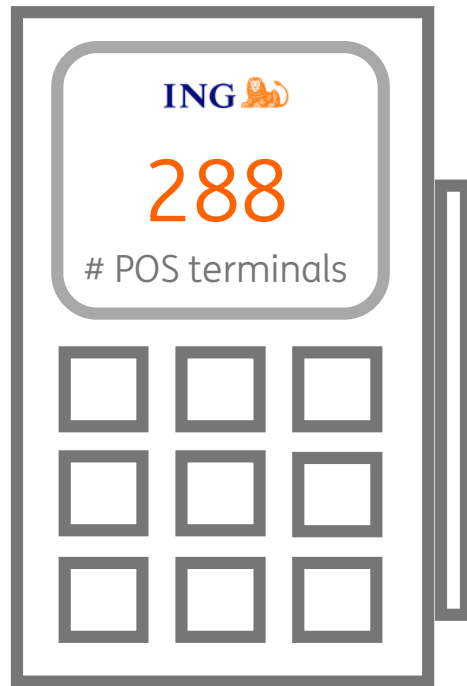
Welcoming and retaining relationship with the client

Creating additional analytical opportunities based on transactions

Keeping the position of the most innovative bank

Creating additional source of income

POS terminals in figures



380

Number of clients
using terminals

40,113

Number of transactions
made by our clients

PLN 5.75
million

Value of transactions
made by our clients



Electronic agreement signing
in the electronic banking system



Transaction settlement on the
next business day by 10:00 hours



Online access to data (ING POS)

Digitalisation – Modern offer



61.3
thous
and

Registered
companies (thousand)

+15%



Q2 16



Q2 17

Volume utilised (PLN million)

+3.6x



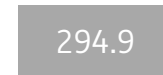
Q2 16



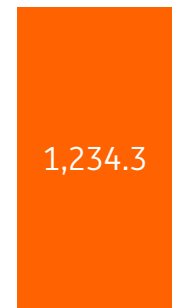
Q2 17

Cash flows (PLN million)

+4.2x



H1 16



H1 17

Online account opening



1. Web form completion



2. Information processing
by ING and client notification of the
decision



3. Agreement signing
on-line by the client



4. ING Business
access activation by
the client

Digitalisation – Lending process

Duration of the lending process

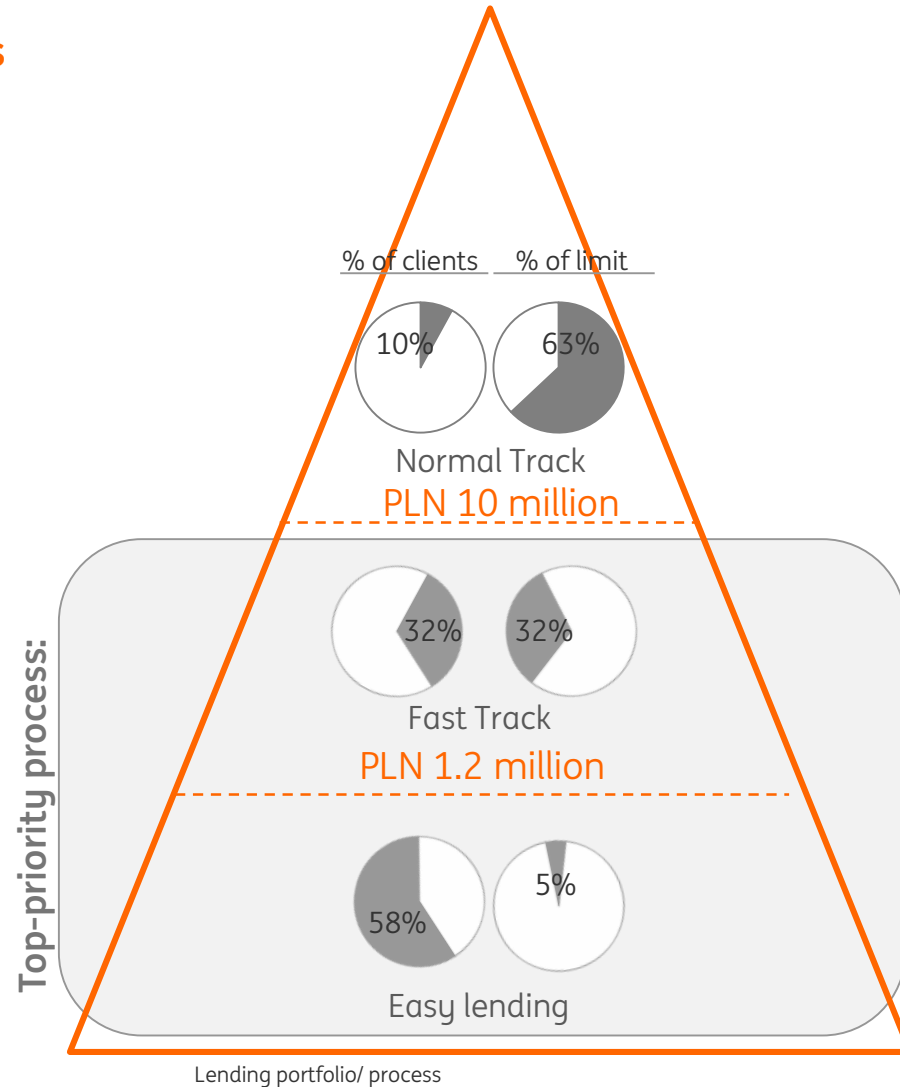
Normal Track



Fast Track



Easy lending



More extensive automation and standardisation

Simple selection of the path convenient for the client

Higher portfolio diversification

Faster growth without labour intensity increase

Process digitalization

Innovation Lab



INNOVATION
ING lab



Goal

Building innovative solutions to generate income “Beyond Banking”



People

4-8
SCRUMS

Self-organising and
multidisciplinary
teams

Scrum
2-3 people

AGILE & PACE

Business acumen

Employees
100% involved
in Innovation
Lab projects



Ways of
working

In-house incubation
of ideas

Cooperation
with Fintech with capital injection
capacity



Methods

Identification of
corporate client
problems and needs

Formulation
and verification of
product hypotheses

Experiments
and MVP creation

Idea incubation
for the scaling
stage

Innovations
Forum

Projects

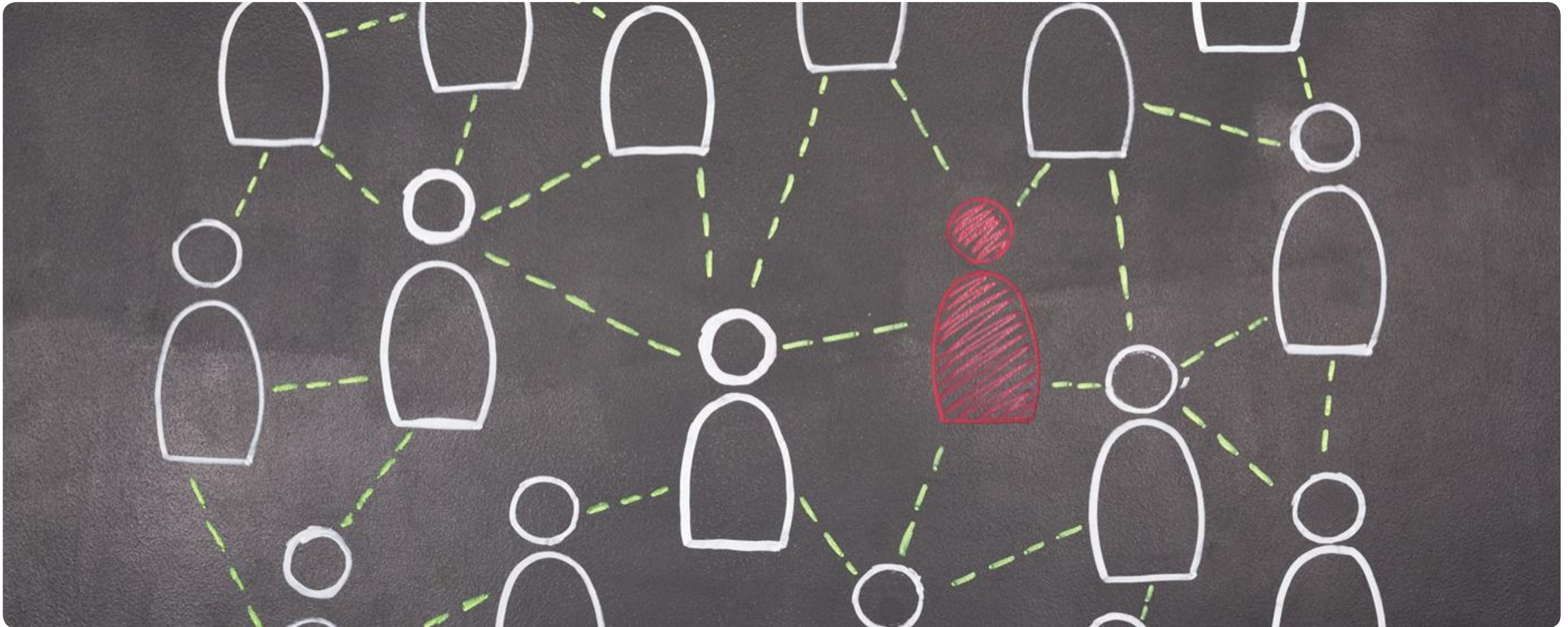
Deferred payments
New form of payments
resulting in 14D deferral of
payments

Payment integrator
Online payment gate for
eCommerce stores

Microfactoring
New invoice-based form of
funding payments

Self checkout
Smart self service basket
for brick and mortar stores

Business development



Retail banking

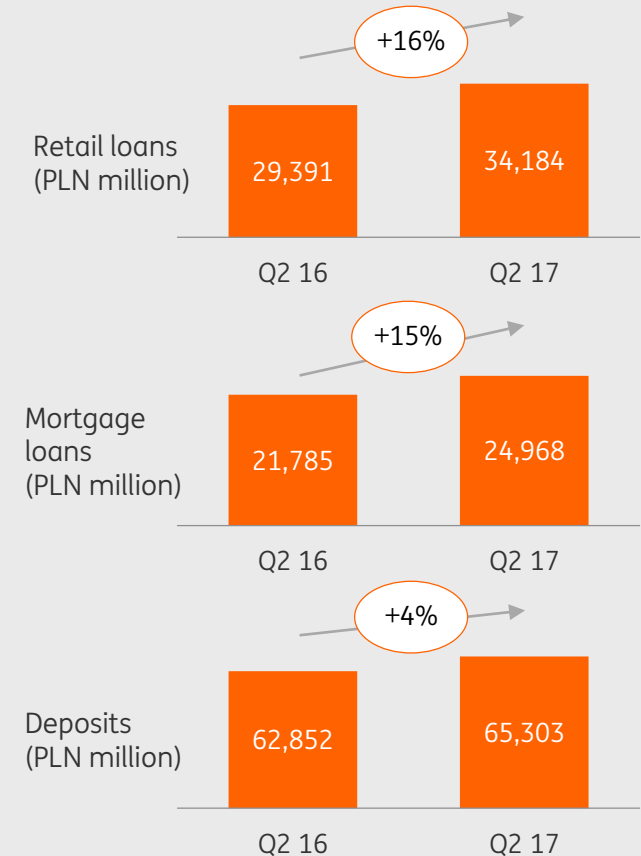
New offers and development of client base

- 4.39 million retail clients → +99th gross new clients acquired in Q2 2017
- We run over 3.1 million current accounts → +65th net new current accounts in Q2 2017
- We run 62.7th brokerage accounts → +1.9th gross net brokerage accounts in Q2 2017
- We implemented multi-currency card
- We implemented mobile authorization of transactions
- We implemented deposits via BLIK codes at bank's machines

Funding

- 14.0% market share in the new mortgage loans production in Q2 2017
- Within Remote Advisory at Contact Centre we granted mortgage loans of PLN 25.2 million (x2 q/q)
- We support entrepreneurs and housing communities in obtaining EU funds
- We granted PLN 1.1 billion-worth cash loans in Q2 2017 (+10% q/q); online sales amounted to 66% of cash loans sold to individual clients and 49% of cash loans sold to entrepreneurs

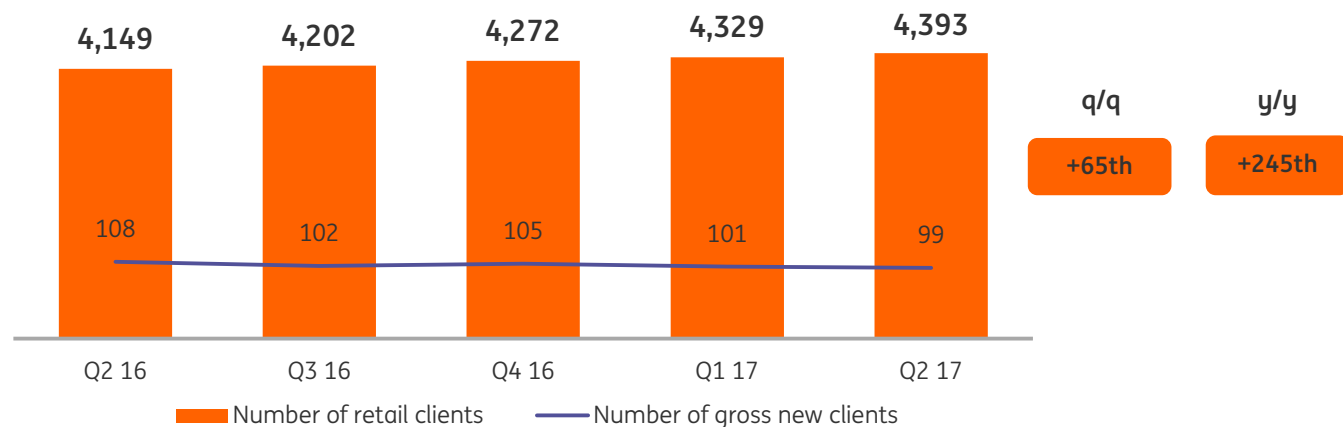
Growing volumes



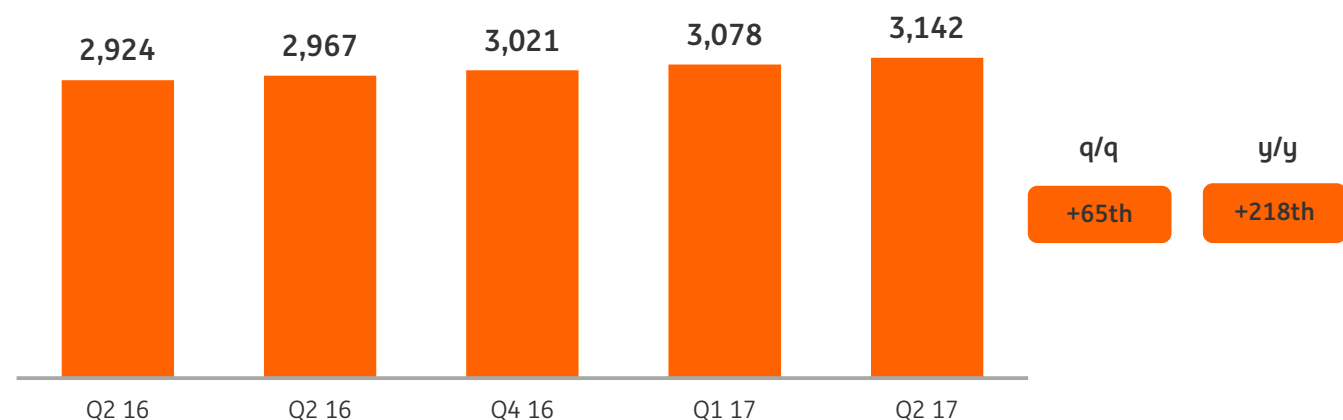
Client base

4.4 million retail clients

Number of retail clients (thousand)



Number of retail clients' current accounts (thousand)



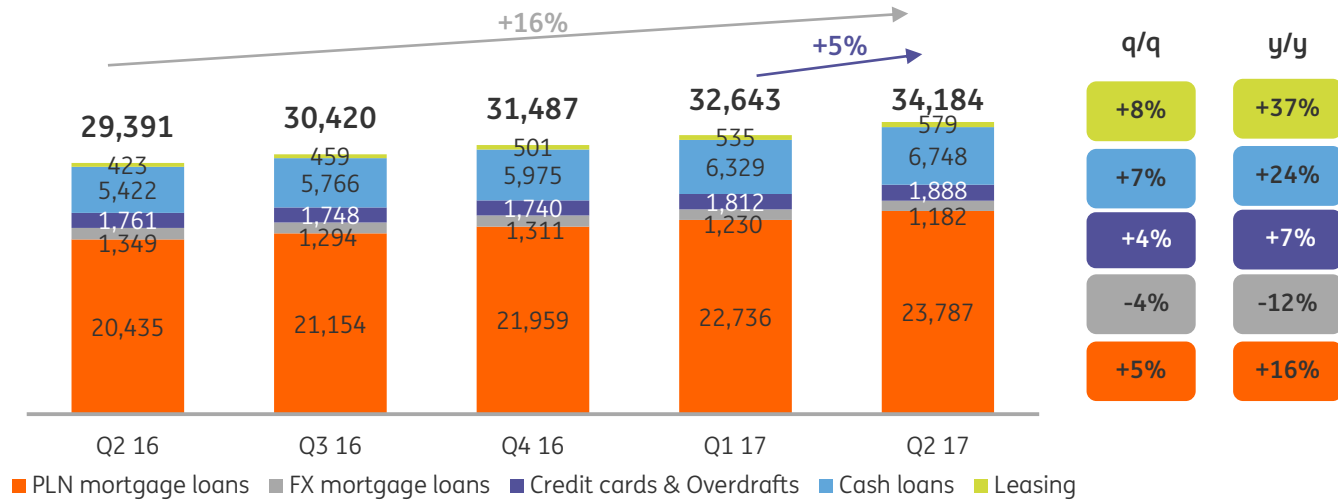
Note: PLN denominated current accounts



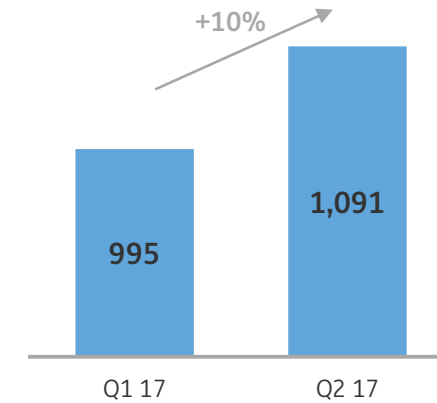
- 81% of accounts are Direct Accounts
- **Over 14 thousand clients** uses multi-currency card – we cleared over 22 thousand transactions; we see a significant increase in sales of currency accounts
- We have almost **80 thousand users of trusted profile** (eGovernment) who used it 95 thousand times

Retail lending

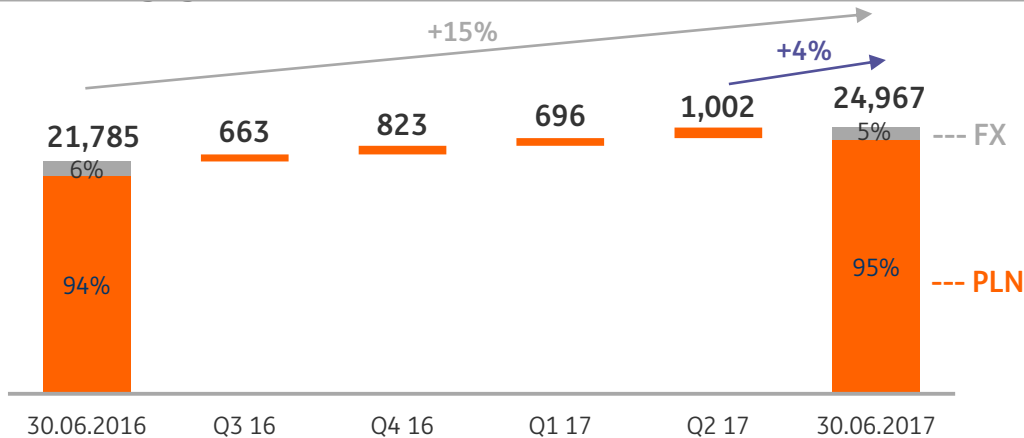
Loan portfolio of retail clients (PLN million)



Cash loan production (PLN million)



Retail mortgage loans (PLN million)

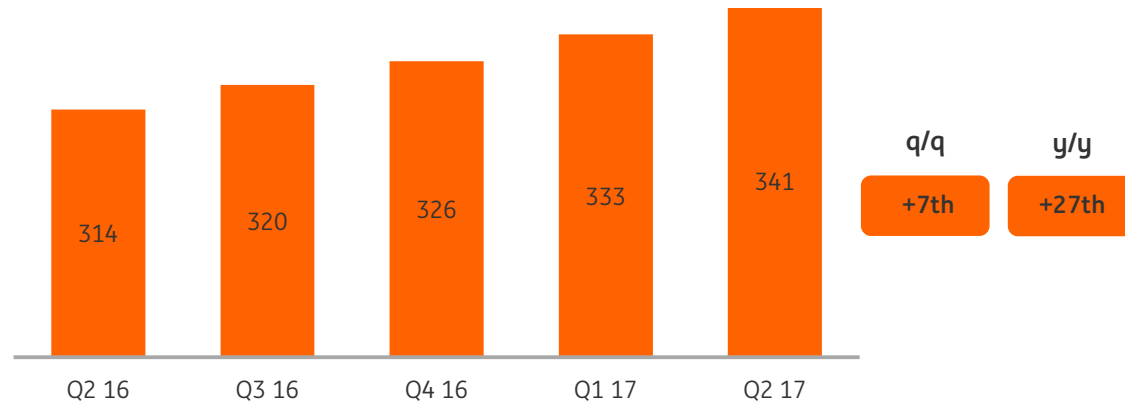


- **PLN 1.1 billion** cash loans granted to retail clients in Q2 2017 (+10% q/q)
- **13.0%** market share in the sales of retail mortgage loans after H1 2017. Value of agreements signed: PLN 2.9 billion
- **8.8%** market share in PLN housing loans; **5.8%** in total housing loans (as at the end of H1 2017)

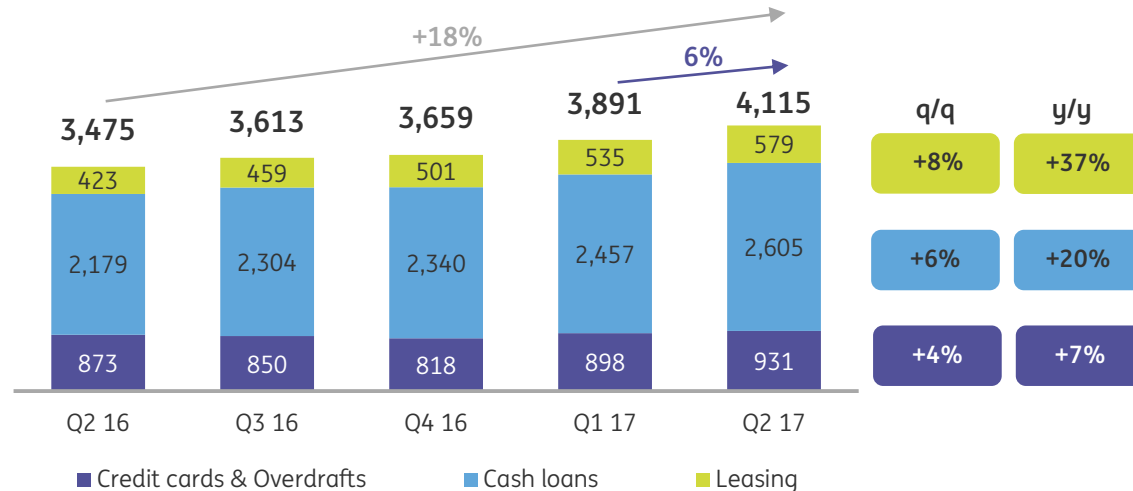
ING supports entrepreneurs

341 thousand entrepreneurs

Number of entrepreneurs (thousand)



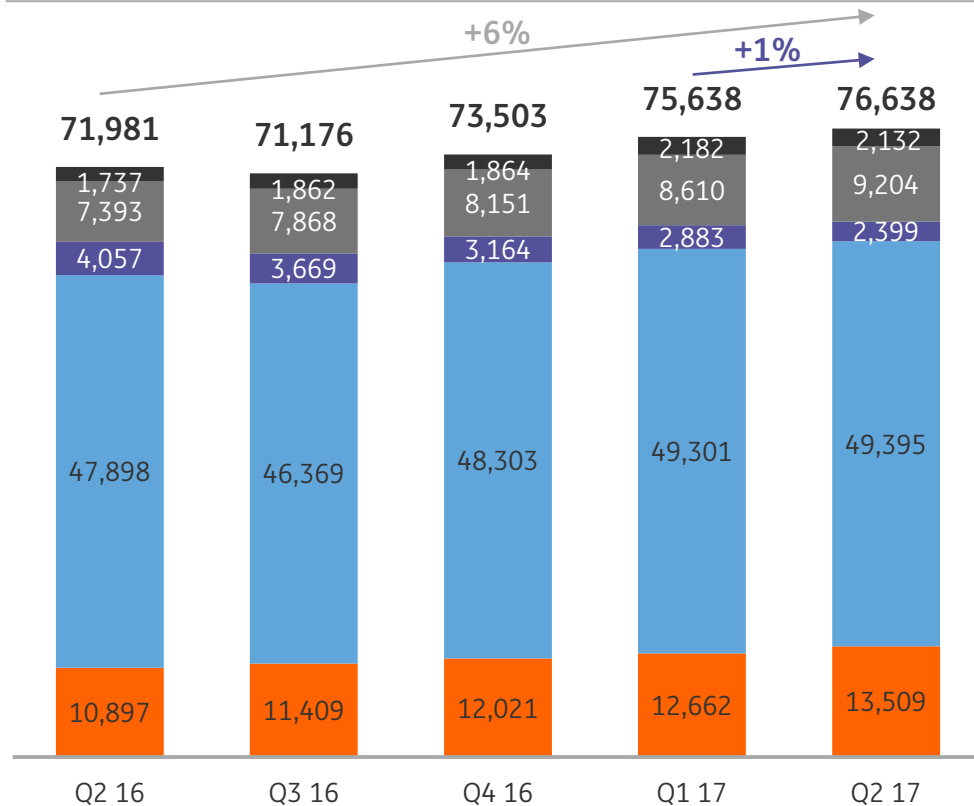
Loans and other receivables from entrepreneurs (PLN million)



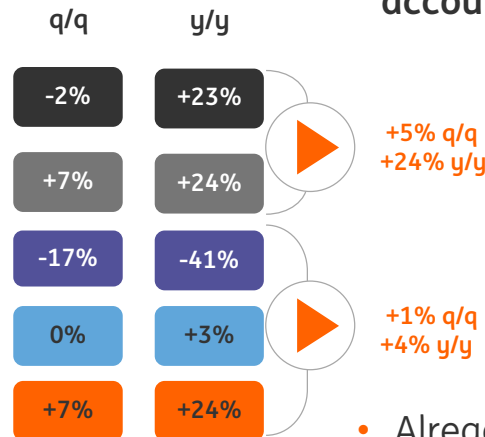
- We run over **347 thousand current accounts** for **341 thousand entrepreneurs** out of which 93% are Direct Accounts
- **The account is free** for active clients*
- We support entrepreneurs and housing communities in obtaining EU funds
- We were the main sponsor of [European Economic Congress](#) and accompanying event- [European Startup Days](#) in Katowice **attended by 2.5 thousand people** and another **345 thousand** followed the broadcast on the Internet

Savings and investments

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



- We run 62.7 thousand brokerage accounts; **number of active clients increased by +94% y/y**
- In Q2 2017 we opened **1.9 thousand brokerage accounts**, out of which **88% via Moje ING**
- In Q2 2017 we were **#2 in the ranking of best brokerage accounts** of the year conducted by Bankier.pl



- Already **79.9 thousand clients invest regularly**
- In Q2 2017 almost **42 thousand clients used Money Coach (x3 q/q)**

Progressive evolution of banking

ING more and more cashless

Halo, tu Mastercard®
w telefonie!

Szybkie i wygodne płatności
zbliżeniowe w technologii HCE.



Electronic banking

We issued **14.4 thousand HCE cards** for individual clients

We implemented a chat for clients willing to contact bank's specialists

In Q2 2017 online sales of cash loans amounted to **66%** of cash loans sold to **individual clients** and **49%** of cash loans sold to **entrepreneurs**

~ **767 thousand clients with active BLIK** (+12% q/q, +60% y/y)

~ **632 thousand BLIK transactions**, out of which **334 thousand ecommerce transactions** (~7x y/y)

99.85% of retail transfers are electronic transfers

~ **10.8 million transfers** in mobile banking (+16% q/q, +48% y/y)

2.4
million
application
downloads

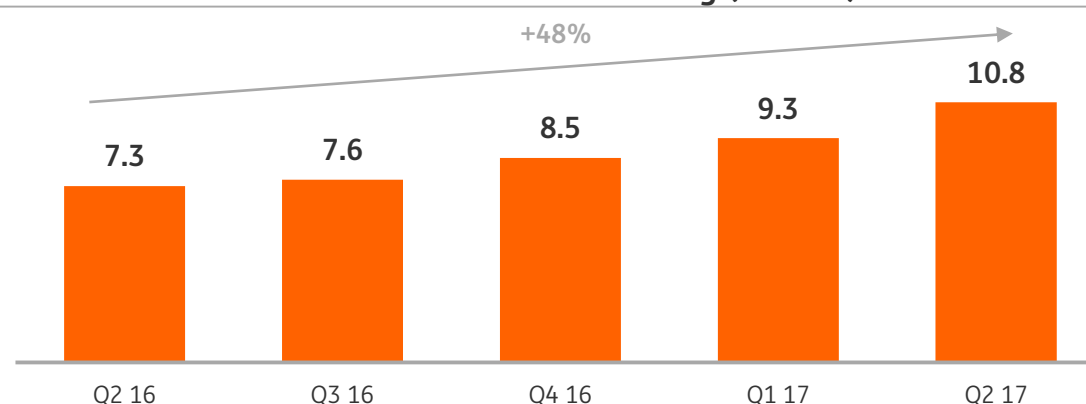
Physical distribution network

374 branches with self-service zones

1,107 machines for cash self-service, including 916
recyclers, out of which 889 contactless ATMs/Recyclers

66 ING Express sales points at shopping malls

Number of transfers made via mobile banking (million)



Corporate banking

Development of client base

- +3.0 thousand new clients acquired, out of which 861 acquired online → 52 thousand corporate clients in total

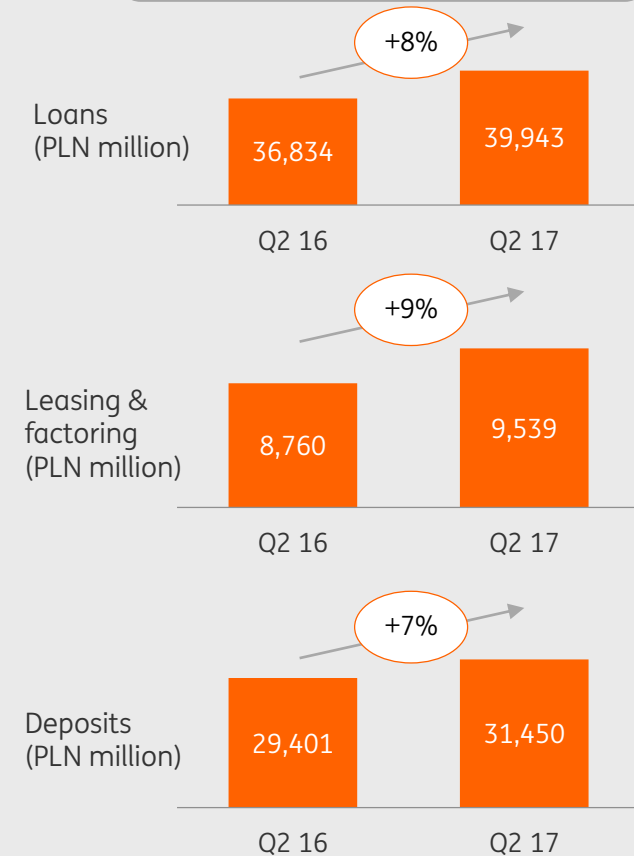
Digitization

- We implemented InsideBusiness Portal – an international electronic banking system for ING Group customers worldwide
- We completed the migration of corporate clients to the new ING Business system
- The ING Business system was launched at ING Bank Romania
- We implemented contactless cards for corporate clients

Funding

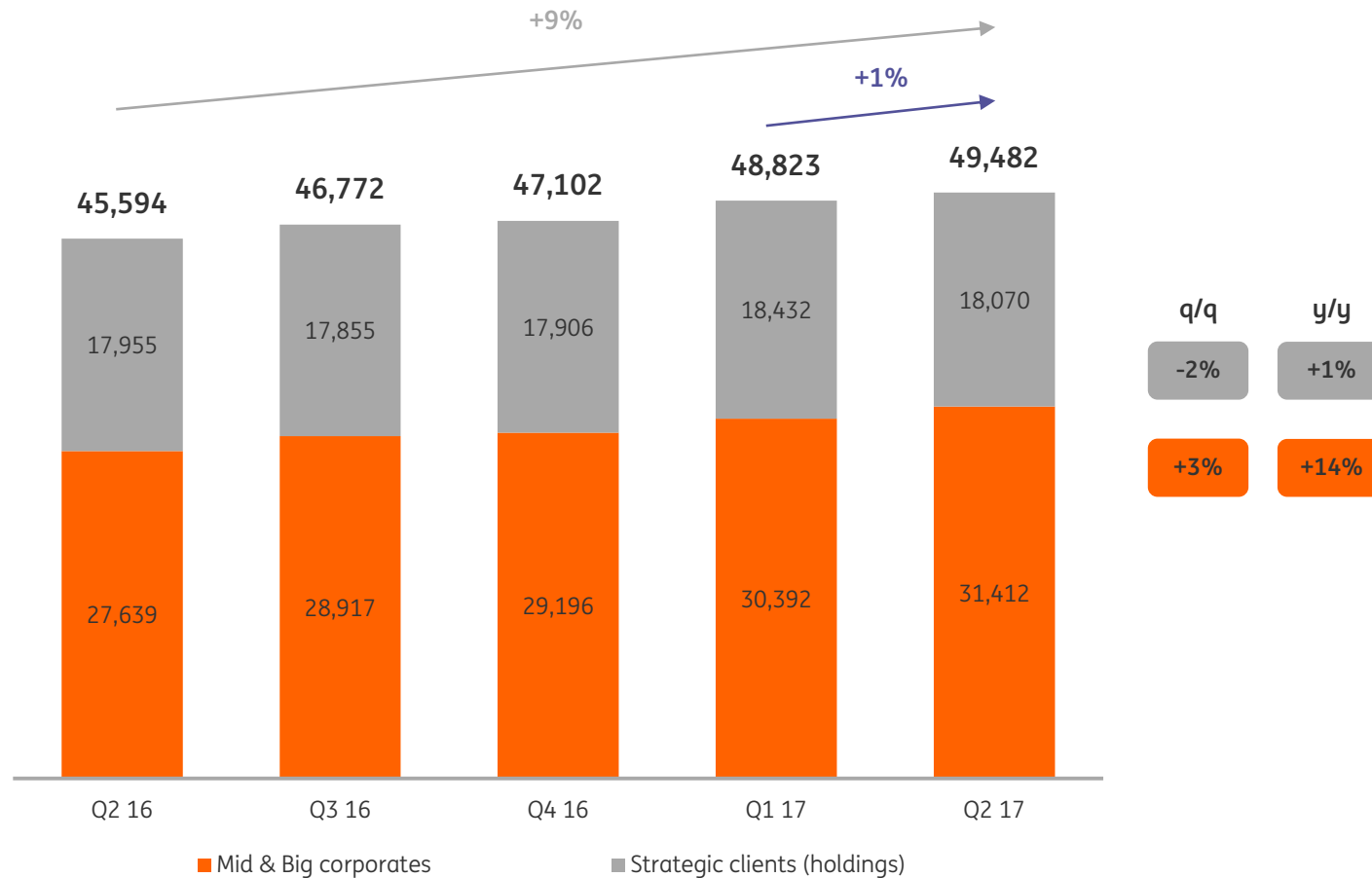
- In H1 2017 factoring sales increased by 9.1%, #1 in the market
- In H1 2017 leasing sales increased by 23.3% y/y (market +11.6% y/y), #6 in the market
- Corporate receivables portfolio increased by 10% y/y, 1.4x faster than market
- Market share in corporate loans stood at 10.74% vs. 10.70% as at the end of March 2017
- 93% of loan applications were submitted online

Growing volumes



Loans

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



- **93%** of loan applications were **submitted online** in Q2 2017
- As a member of the consortium, we **co-arranged and acted as a dealer** in the **issue** of unsecured subordinated **bonds** of PZU S.A. worth **PLN 2.25 billion** – the **biggest PLN issue** carried out by financial institution under Polish law

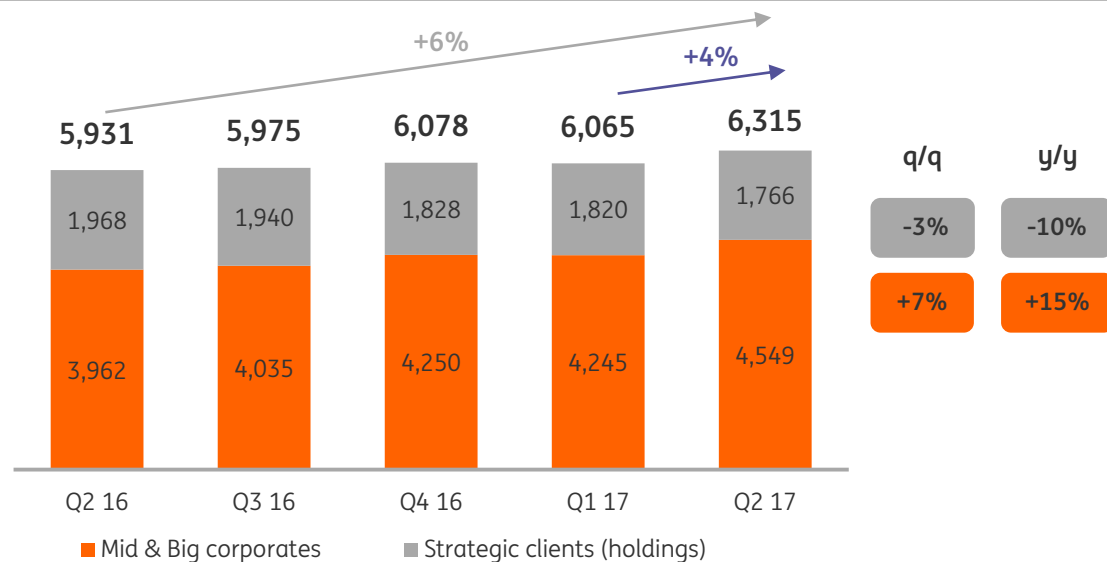


Asset Based Lending

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

- 5.9% market share in new production (#6)
- Market share in lease of machines and equipment (new production): 8.1% (#4)
- 15.4 thousand clients using leasing services (+28.7% y/y)
- We opened 14 new branches → faster leasing of vehicles

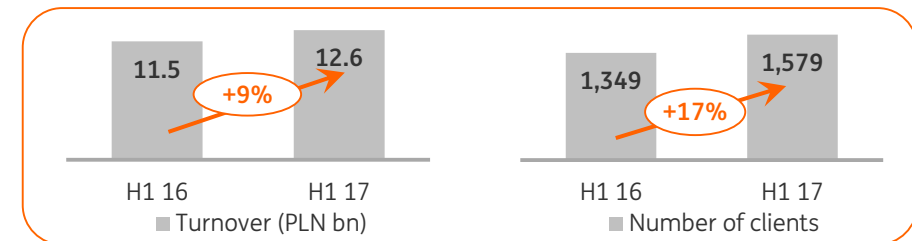
Leasing – financing of clients (PLN million)



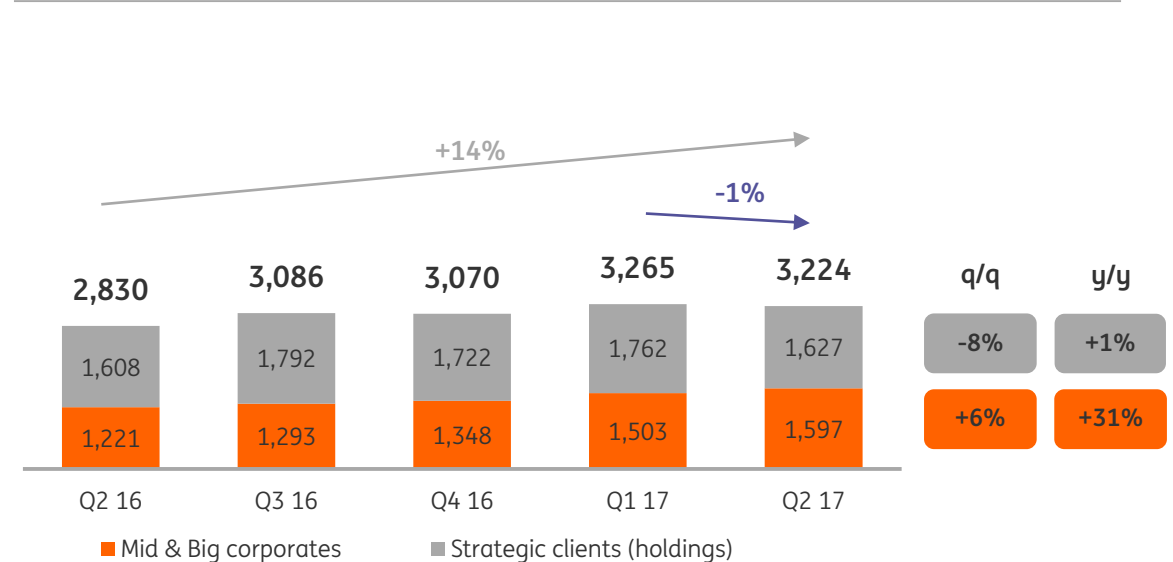
ING Commercial Finance Polska S.A. (factoring)



- #1 in the market with market share 15.1% in H1 2017
- #10 in the international ranking **Import Factor of the Year 2016 with the highest possible grade**

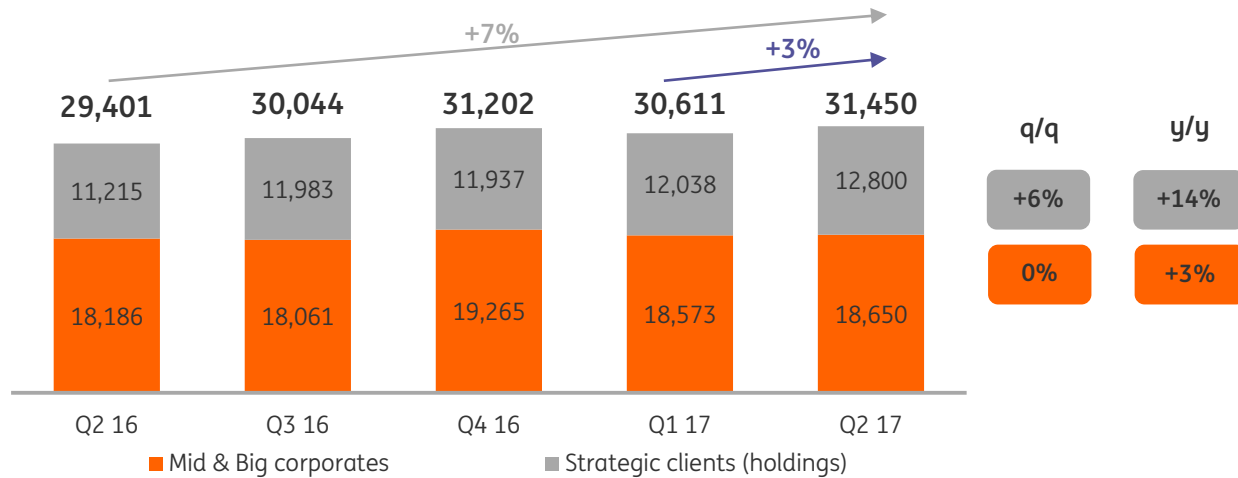


Factoring – financing of clients (PLN million)

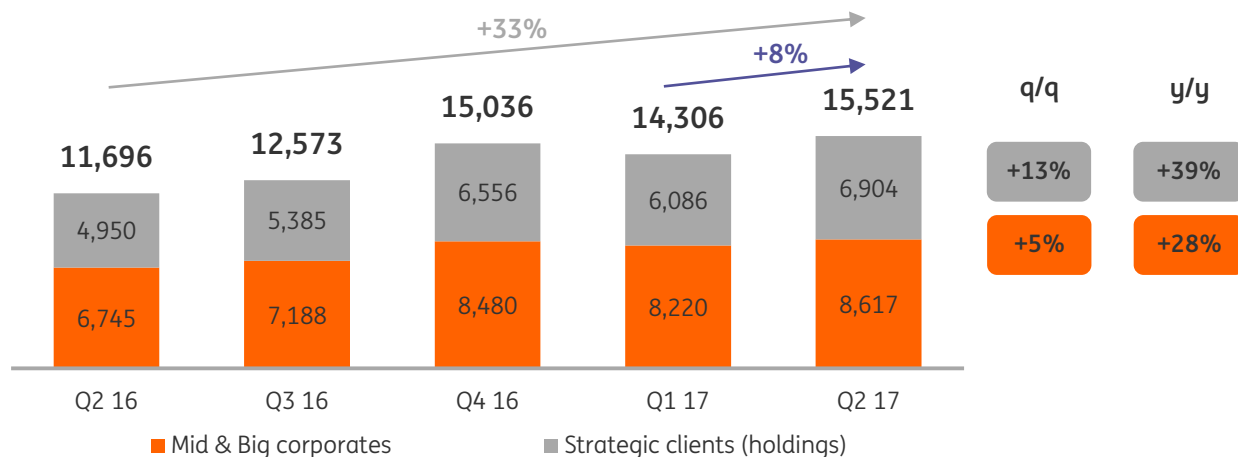


Cash management

Volume of corporate deposits (PLN million)



Volume of corporate current accounts (PLN million)



3.0 thousand

(+14% y/y)

new Mid & Big corporate clients
acquired in Q2 2017

We offer our clients a network of self-service cash machines:

- 140 electronic depositories,
- 47 light depositories,
- 14 mini CDMs,
- 1 micro CDM,
- 15 fee collection machines.

**99.99% of transfers made in
electronic banking**

Financial results for Q2 2017



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

<i>PLN million</i>	Q2 2016	Q1 2017	Q2 2017	<i>change q/q</i>	<i>change y/y</i>	H1 2016	H1 2017	<i>change y/y</i>
Net interest income	690.9	815.5	849.3	+ 4%	+ 23%	1,359.0	1,664.8	+ 23%
Net commission income	258.1	289.6	291.3	+ 1%	+ 13%	512.0	580.9	+ 13%
Other income	203.4	29.4	49.8	+ 69%	- 76%	257.0	79.2	- 69%
Total income	1,152.4	1,134.5	1,190.4	+ 5%	+ 3%	2,128.0	2,324.9	+ 9%
Total expenses	517.2	564.4	510.3	- 10%	- 1%	1,026.0	1,074.7	+ 5%
Result before risk costs	635.2	570.1	680.1	+ 19%	+ 7%	1,102.0	1,250.2	+ 13%
Risk costs	33.5	76.9	123.6	+ 61%	+ 269%	112.4	200.5	+ 78%
Bank levy	76.8	79.4	80.4	+ 1%	+ 5%	127.3	159.8	+ 26%
Profit before tax	524.9	413.8	476.1	+ 15%	- 9%	862.3	889.9	+ 3%
Income tax	118.0	113.6	115.7	+ 2%	- 2%	196.2	229.3	+ 17%
Net profit	406.9	300.2	360.4	+ 20%	- 11%	666.1	660.6	- 1%
Total capital ratio	14.6%	14.3%	15.3%	+ 1.0 p.p.	+ 0.7 p.p.	14.6%	15.3%	+ 0.7 p.p.
Tier I	13.5%	13.3%	14.4%	+ 1.0 p.p.	+ 0.8 p.p.	13.5%	14.4%	+ 0.8 p.p.
ROE (%)	11.4%	12.0%	11.5%	- 0.5 p.p.	+ 0.1 p.p.	11.4%	11.5%	+ 0.1 p.p.
C/I ratio (%)	44.9%	49.7%	42.9%	- 6.9 p.p.	- 2.0 p.p.	48.2%	46.2%	- 2.0 p.p.

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

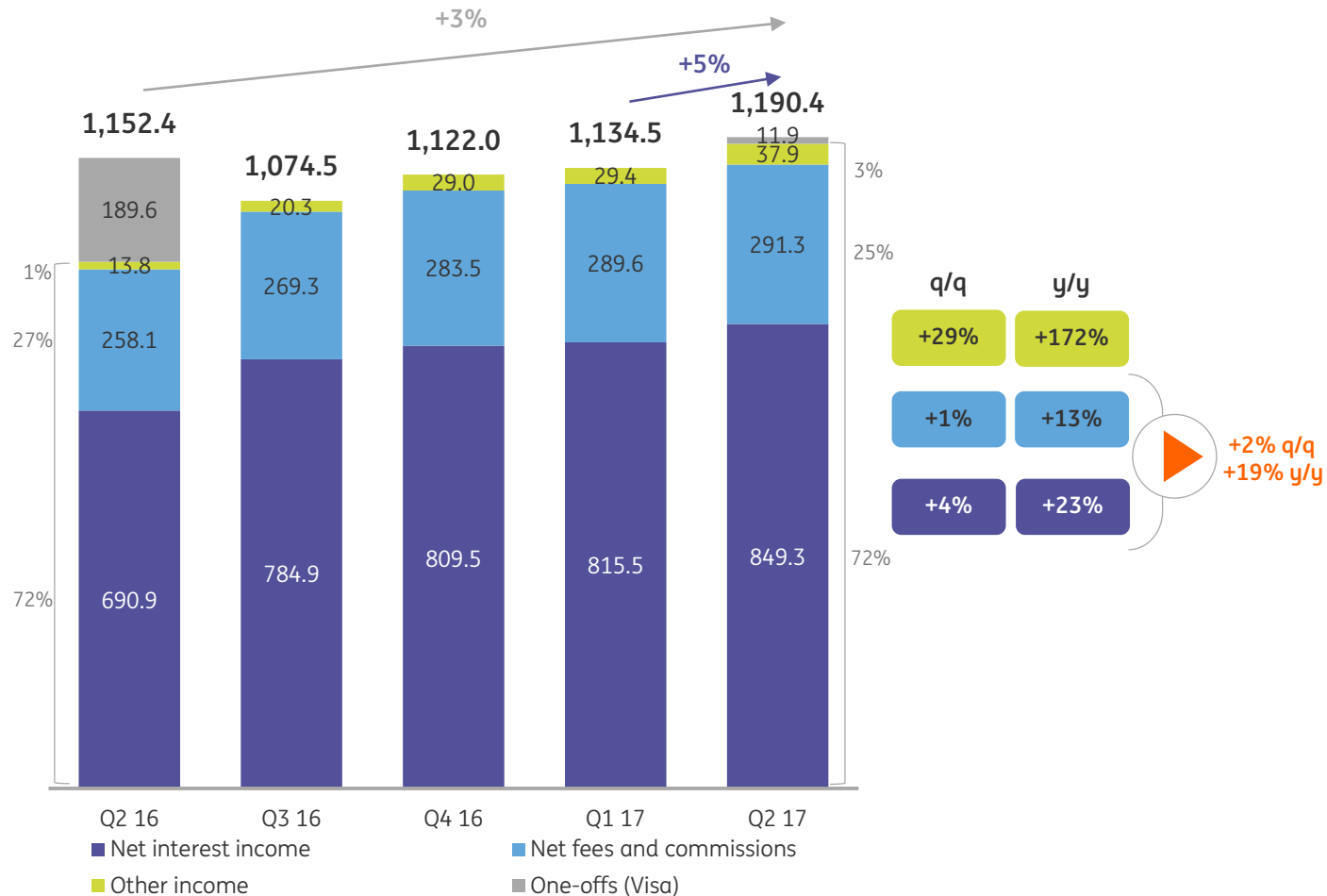
<i>PLN million</i>	Q2 2016	Q1 2017	Q2 2017	<i>change q/q</i>	<i>change y/y</i>	H1 2016	H1 2017	<i>change y/y</i>
Net interest income	690.9	815.5	849.3	+ 4%	+ 23%	1,359.0	1,664.8	+ 23%
Net commission income	258.1	289.6	291.3	+ 1%	+ 13%	512.0	580.9	+ 13%
Other income*	13.7	29.4	37.9	+ 29%	+ 177%	67.3	67.3	- 0%
Total income*	962.7	1,134.5	1,178.5	+ 4%	+ 22%	1,938.3	2,313.0	+ 19%
Total expenses*	517.2	511.5	527.9	+ 3%	+ 2%	1,026.0	1,039.5	+ 1%
Result before risk costs*	445.6	623.0	650.6	+ 4%	+ 46%	912.4	1,273.6	+ 40%
Risk costs	33.5	76.9	123.6	+ 61%	+ 269%	112.4	200.5	+ 78%
Profit before tax*	412.0	546.1	527.0	- 3%	+ 28%	799.9	1,073.1	+ 34%
Income tax*	82.0	113.6	113.4	- 0%	+ 38%	160.2	227.0	+ 42%
Net profit*	330.1	432.5	413.5	- 4%	+ 25%	639.8	846.0	+ 32%
Total capital ratio	14.6%	14.3%	15.3%	+ 1.0 p.p.	+ 0.7 p.p.	14.6%	15.3%	+ 0.7 p.p.
Tier I	13.5%	13.3%	14.4%	+ 1.0 p.p.	+ 0.8 p.p.	13.5%	14.4%	+ 0.8 p.p.
ROE (%)*	12.3%	14.1%	14.7%	+ 0.6 p.p.	+ 2.4 p.p.	12.3%	14.7%	+ 2.4 p.p.
C/I ratio (%)*	53.7%	45.1%	44.8%	- 0.3 p.p.	- 8.9 p.p.	52.9%	44.9%	- 8.0 p.p.

31 ROE = total net profit for 4 subsequent quarters / average equity for 5 subsequent quarters

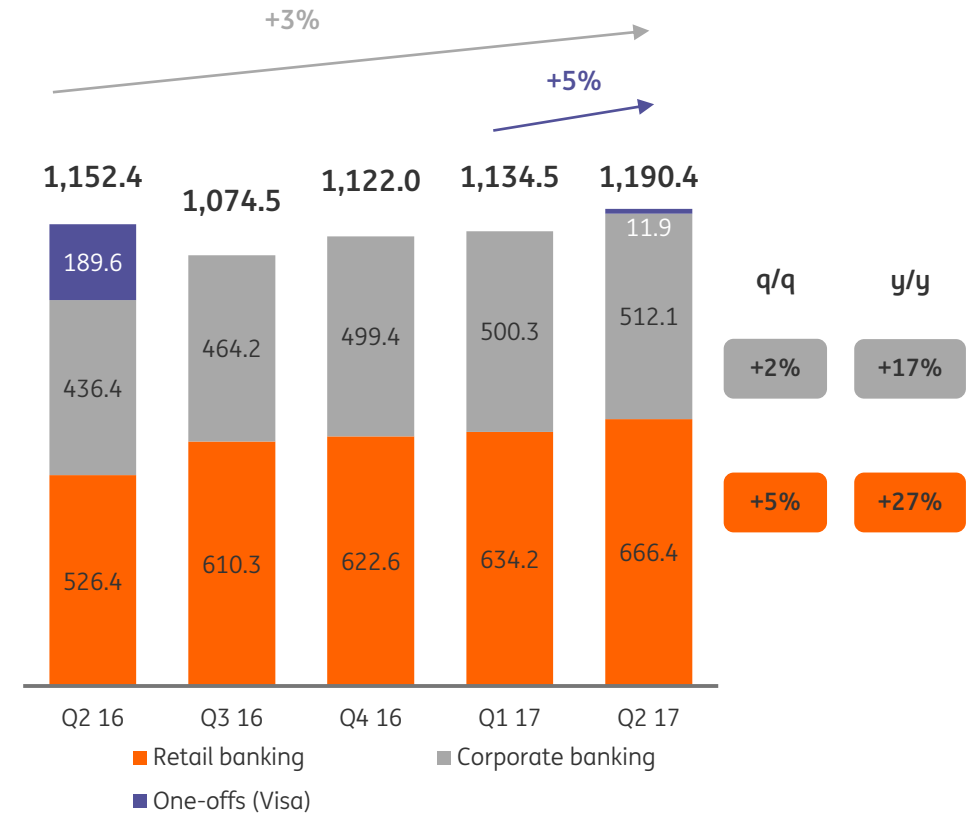
*Adjusted for bank levy, spreading over 4 quarters contribution to the Resolution Fund in Q1 2017 and Q2 2017, Visa Europe transaction in Q2 2016 and Visa Inc. transaction in Q2 2017

Income per category

Income per P&L line (PLN million)

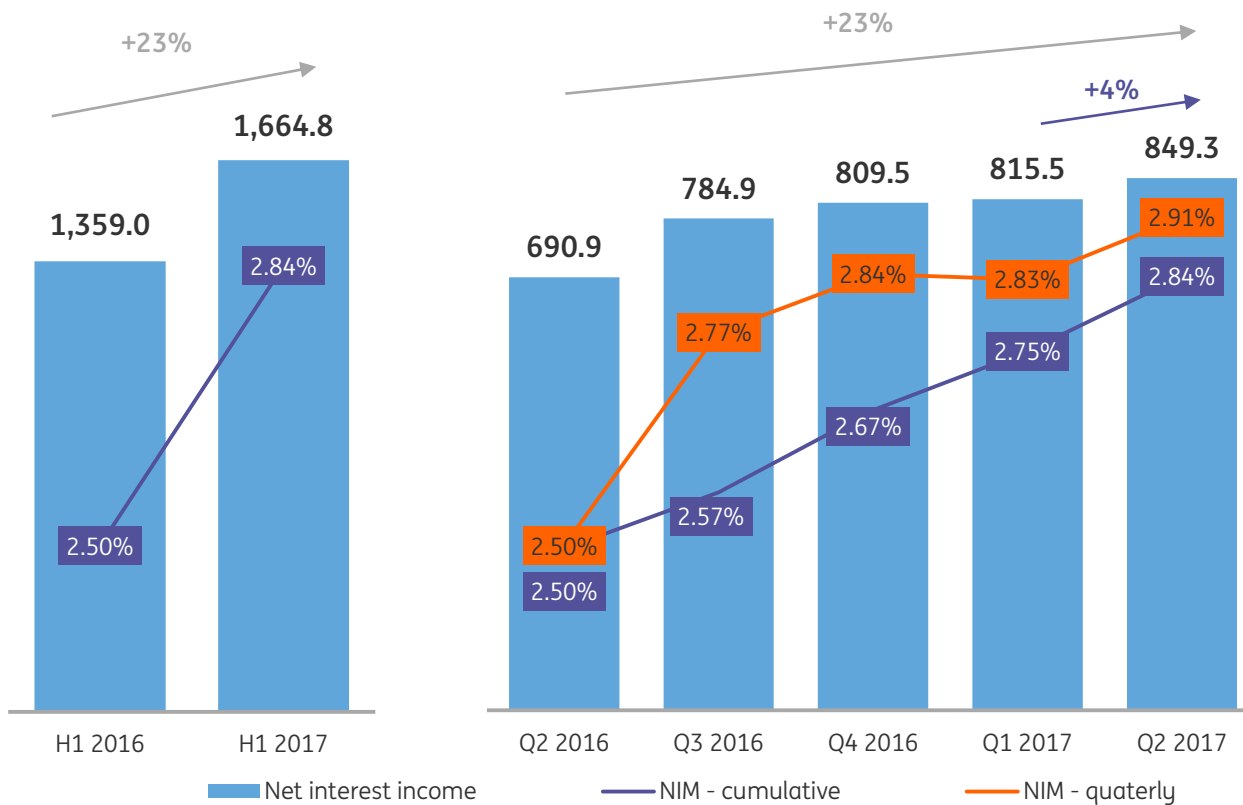


Income per business line (PLN million)



Net interest income

Net interest income (PLN million) and net interest margin



1.68%

1.73%

1.68%

1.71%

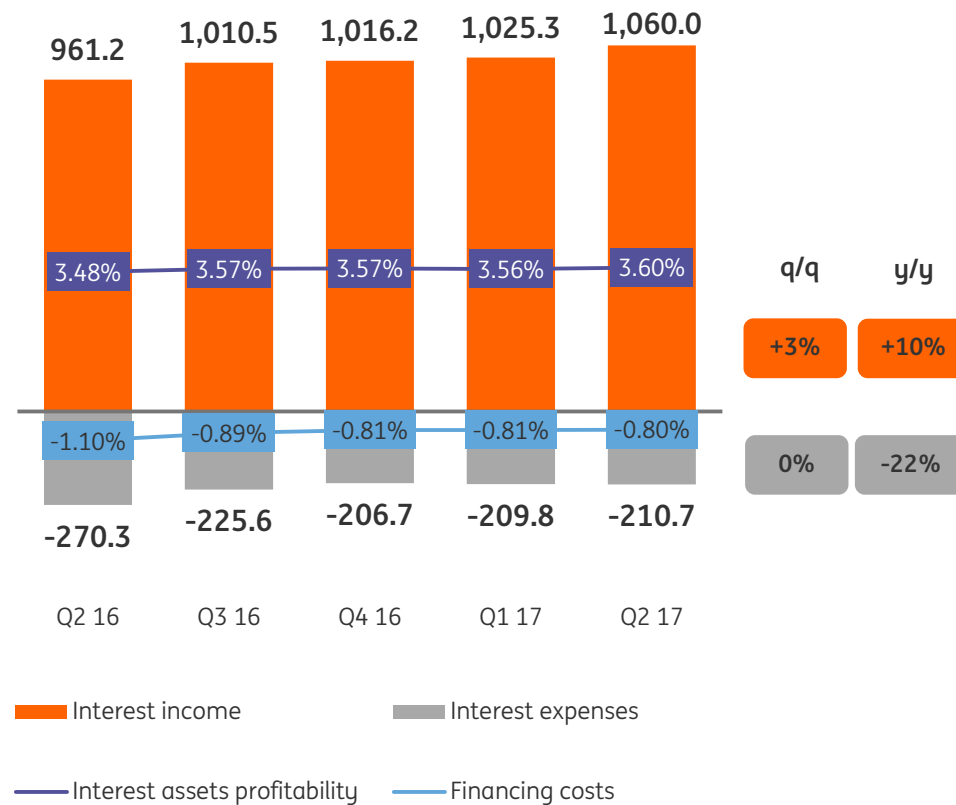
1.73%

1.73%

1.73%

3M WIBOR

Interest income and expenses (PLN million)



q/q y/y

+3%

+10%

0%

-22%

Interest income

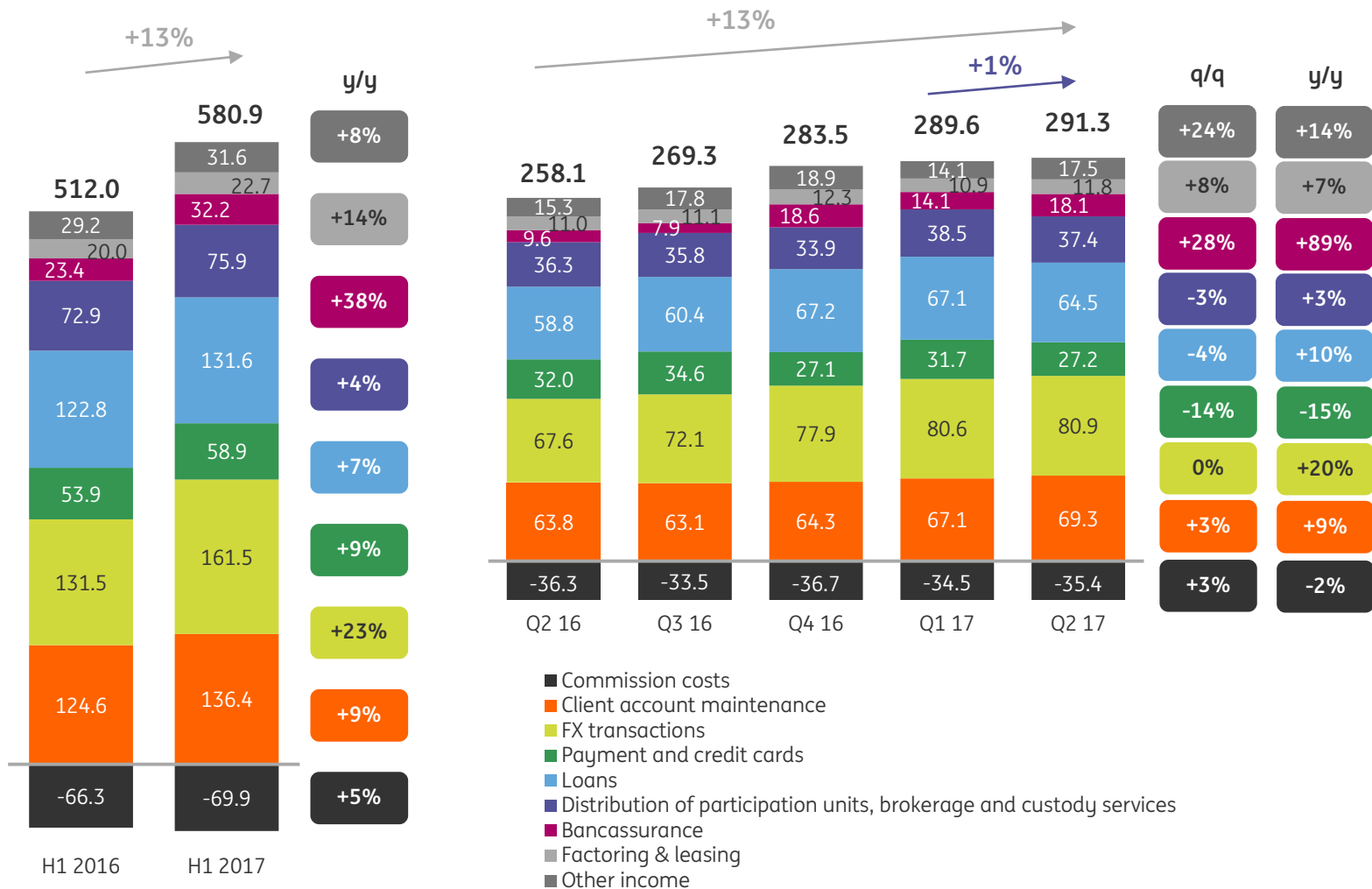
Interest expenses

Interest assets profitability

Financing costs

Fee and commission income

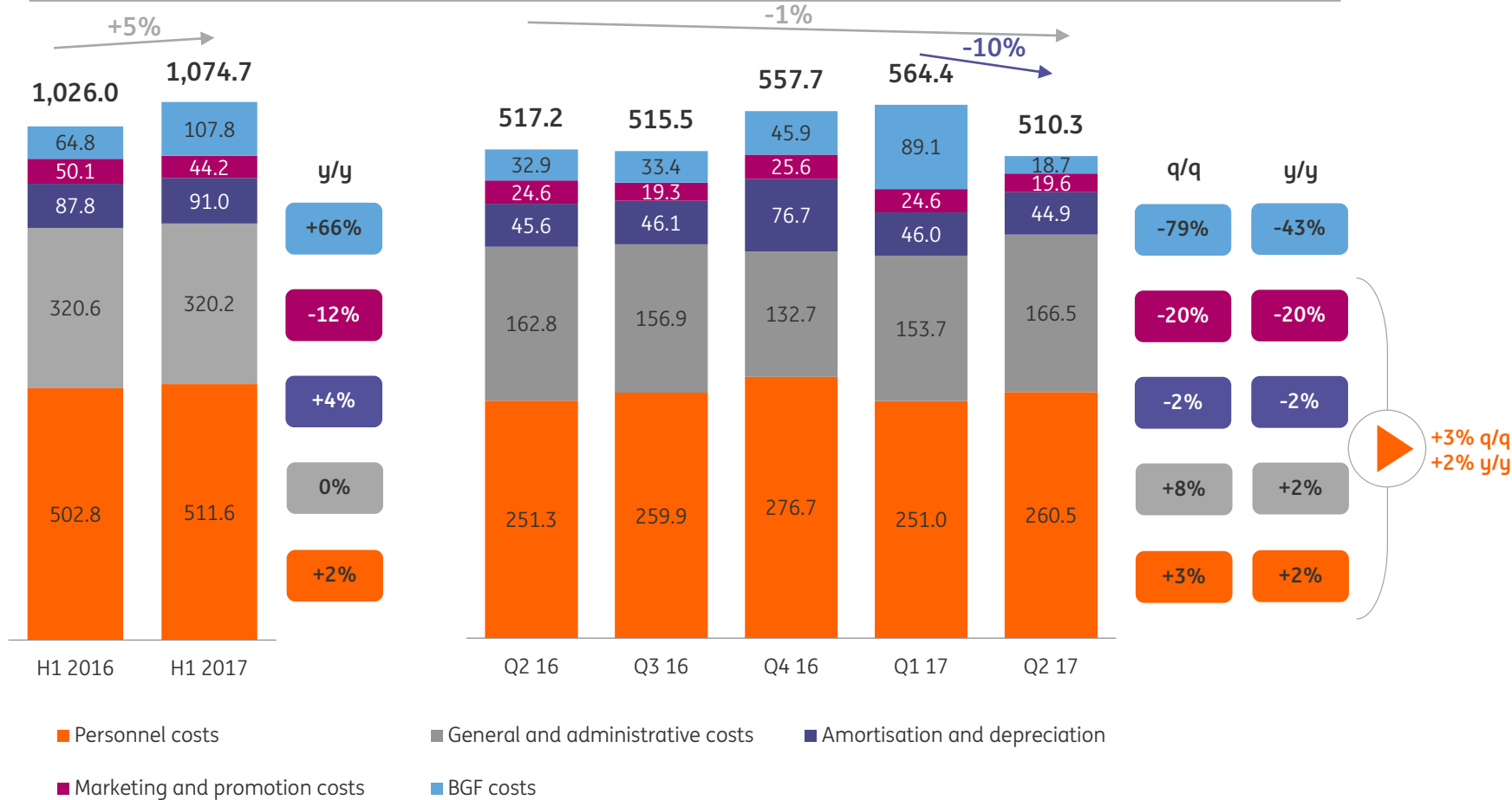
Fee and commission income per category (PLN million)



- Annual increase of +13% y/y mainly thanks to clients' FX transactions and increasing income from individual insurance products
- Differences in the disclosure methodology for payment cards and credit cards; for comparability semi-annual data is more useful

Total expenses

Total expenses (PLN million)

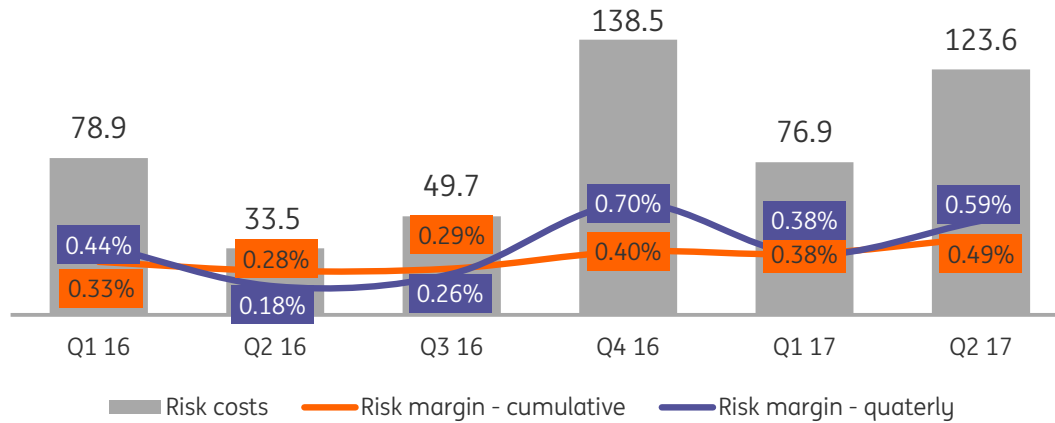


- The **quarterly** contribution to Bank Guarantee Fund was booked in Q2 2017 (PLN 18.7m)
- **The annual** contribution to the Resolution Fund was **fully** booked in Q1 2017 (PLN 70.5m)
- Regulatory costs in Q4 16 increased due to extraordinary contributions to BGF of PLN 12.2m (BS Nadarzyn).



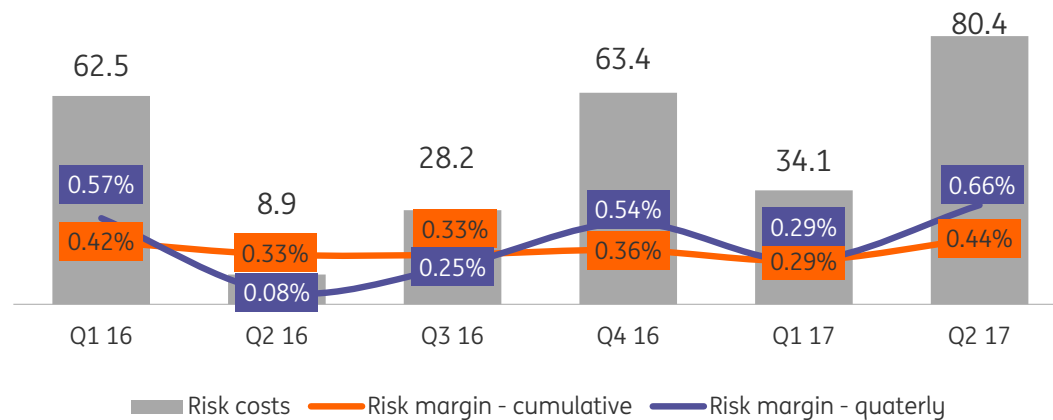
Risk costs

Group (PLN million)

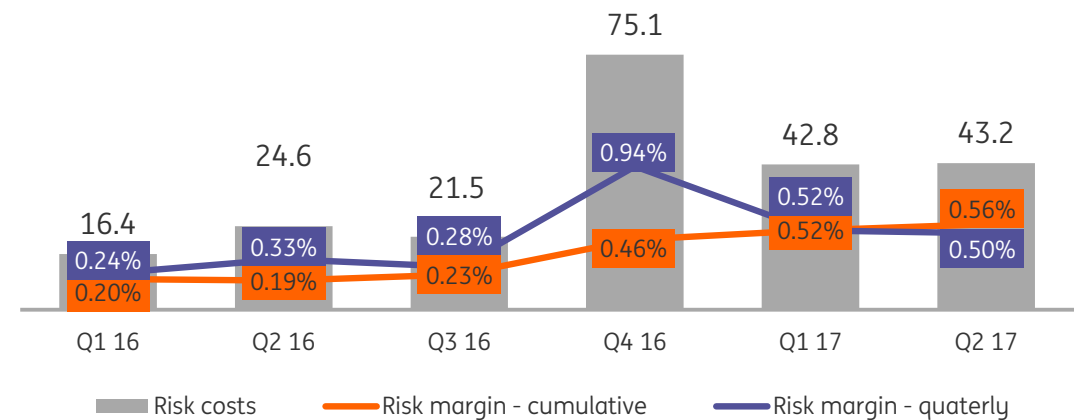


- June 2017 – sale of corporate NPLs (PLN +12.1m on pre-tax profit, including PLN +9.5m on risk costs)

Corporate banking (PLN million)



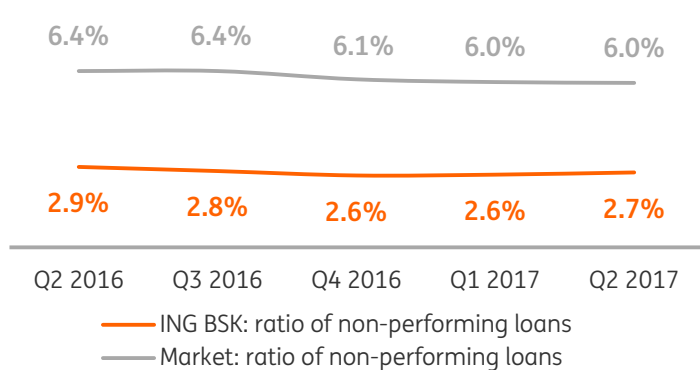
Retail banking (PLN million)



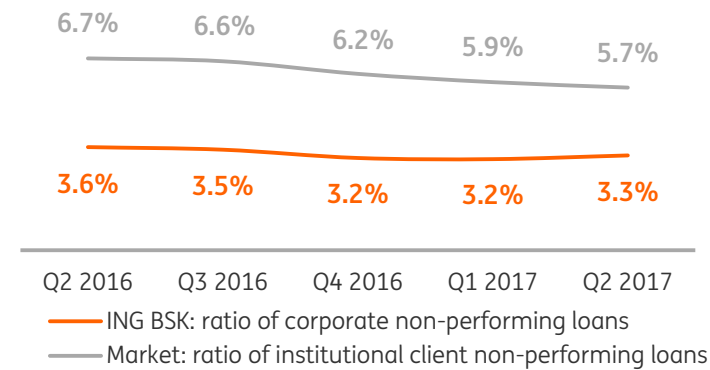
Portfolio quality and provisioning

Share of non-performing portfolio in the total portfolio

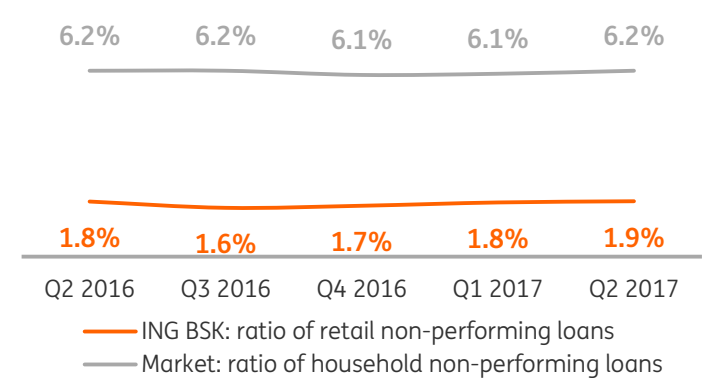
Group



Corporate banking



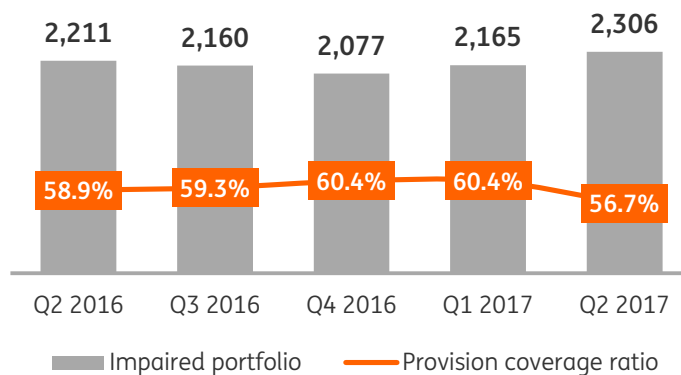
Retail banking



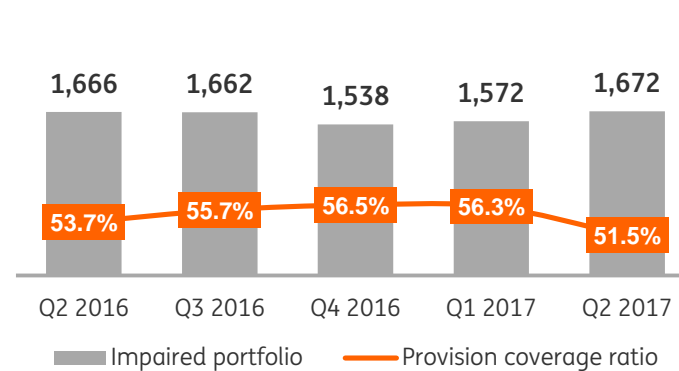
Note: market rate – estimates based on NBP data, Q2 2017 data as at May 2017

Impaired loan portfolio (PLN million) and provision coverage ratio

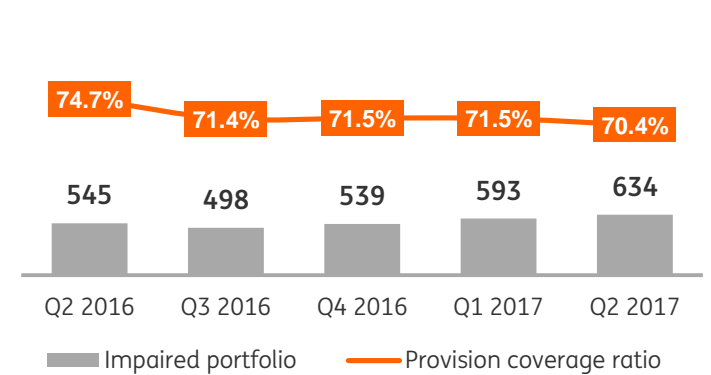
Group



Corporate banking

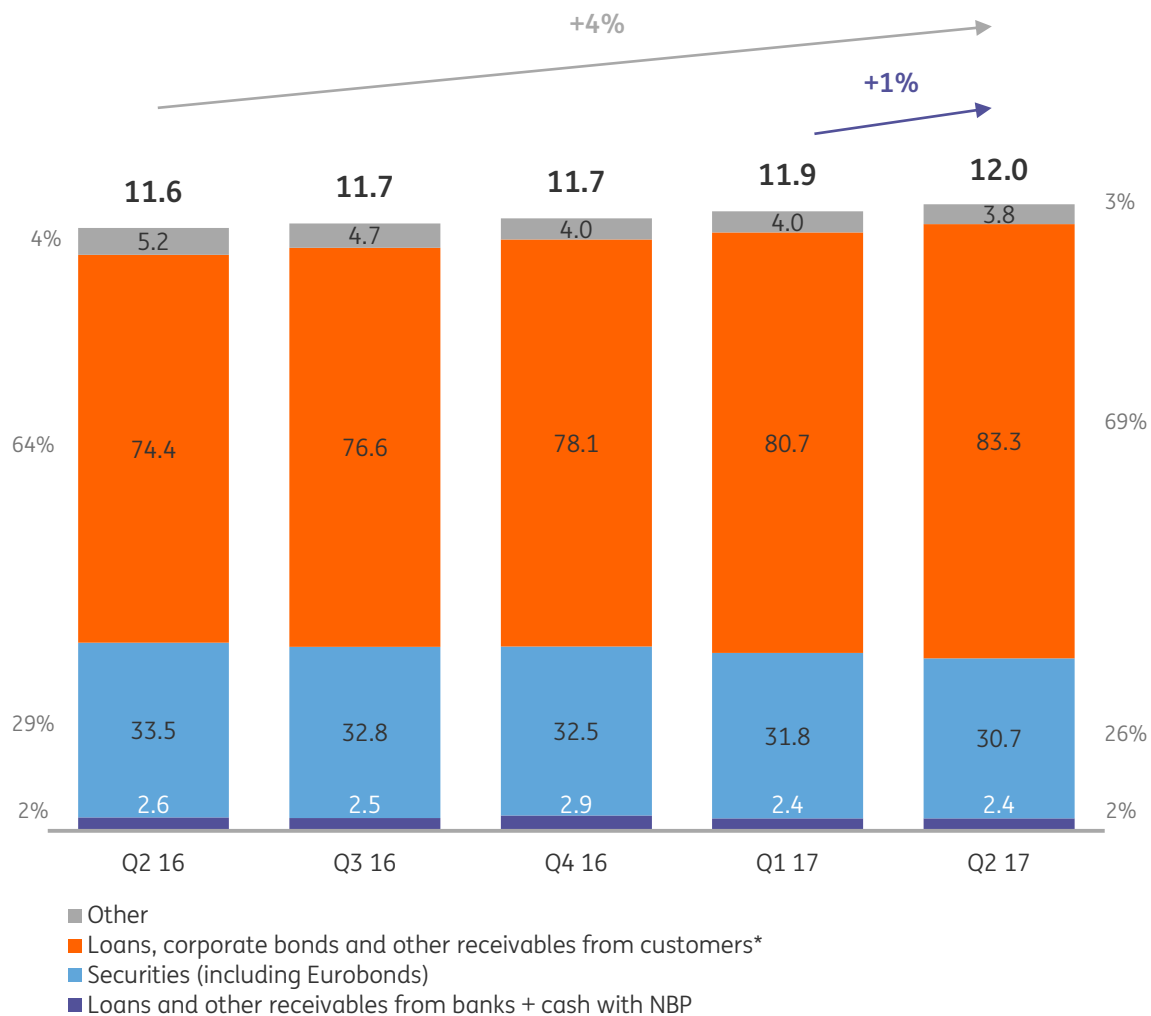


Retail banking

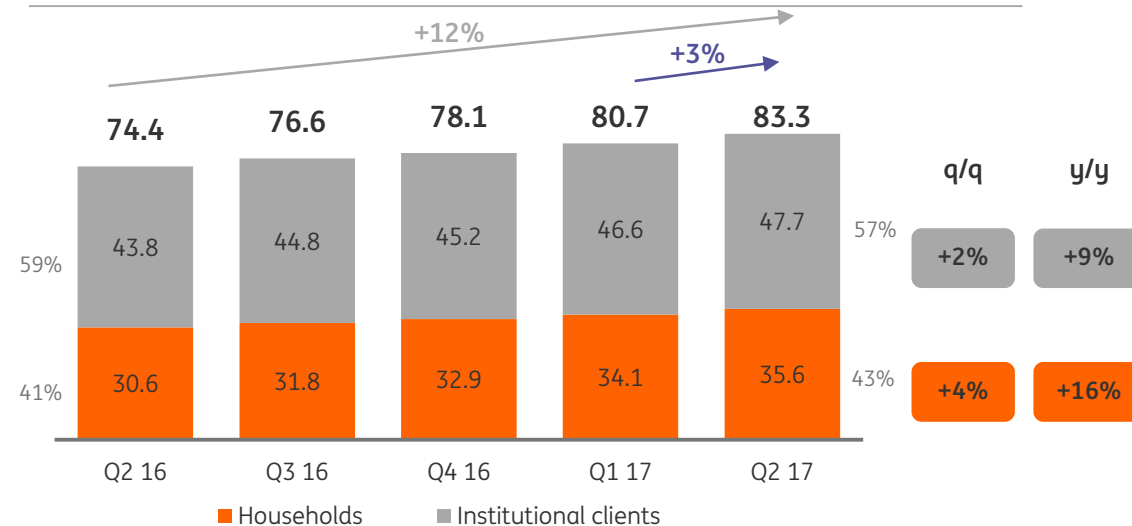


Bank assets

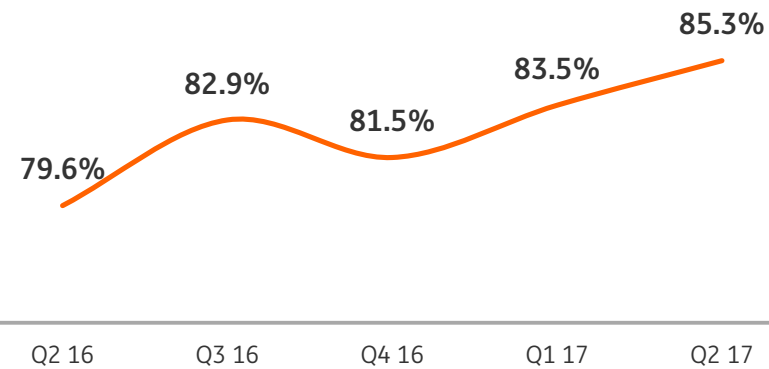
Assets structure (PLN billion / %)



Loans and other receivables from customers* (PLN billion)

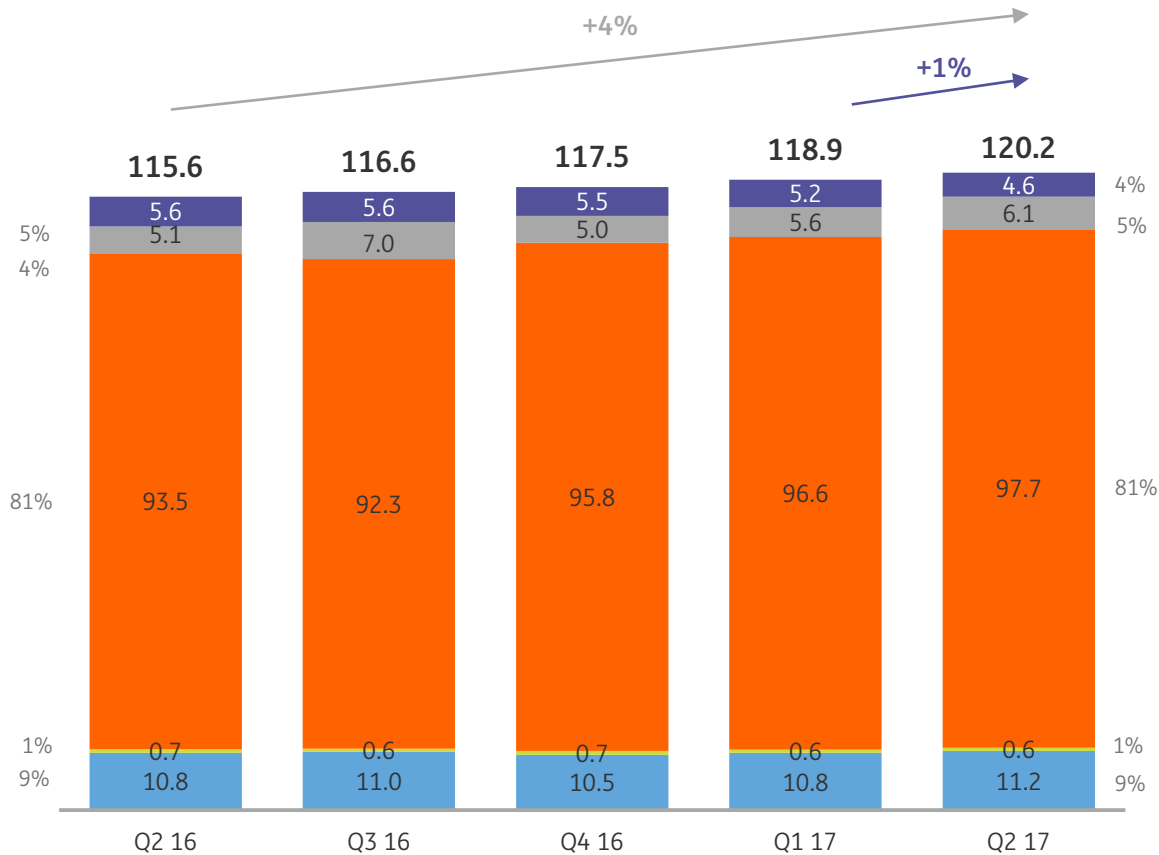


Loan* to deposit ratio



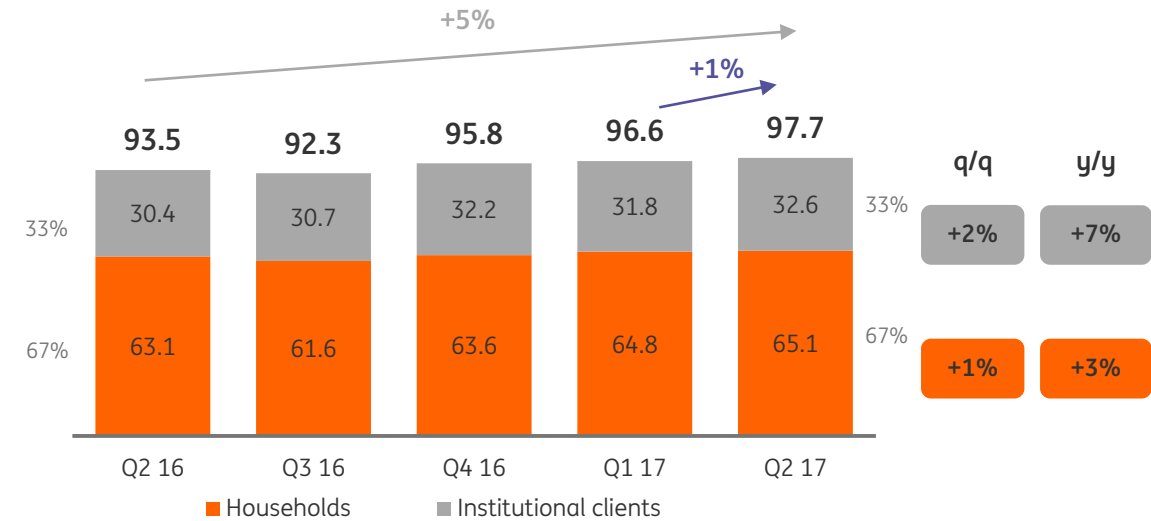
Bank equity and liabilities

Structure of equity and liabilities (PLN billion / %)



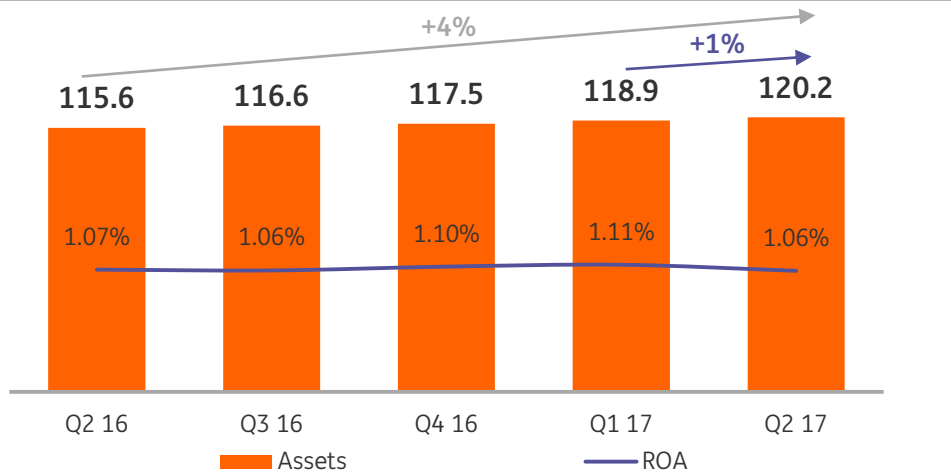
- Equity
- Deposits and other liabilities to customers
- Other
- Subordinated debt
- Liabilities to other banks

Deposits and other liabilities to customers (PLN billion)

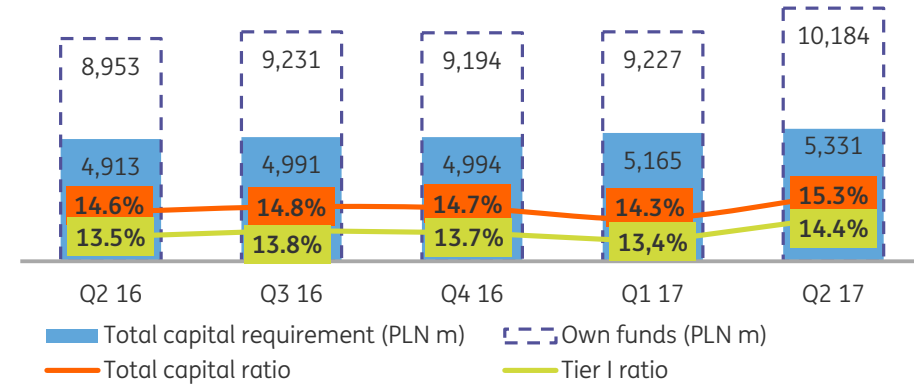


Assets, equity, profitability ratios and capital adequacy

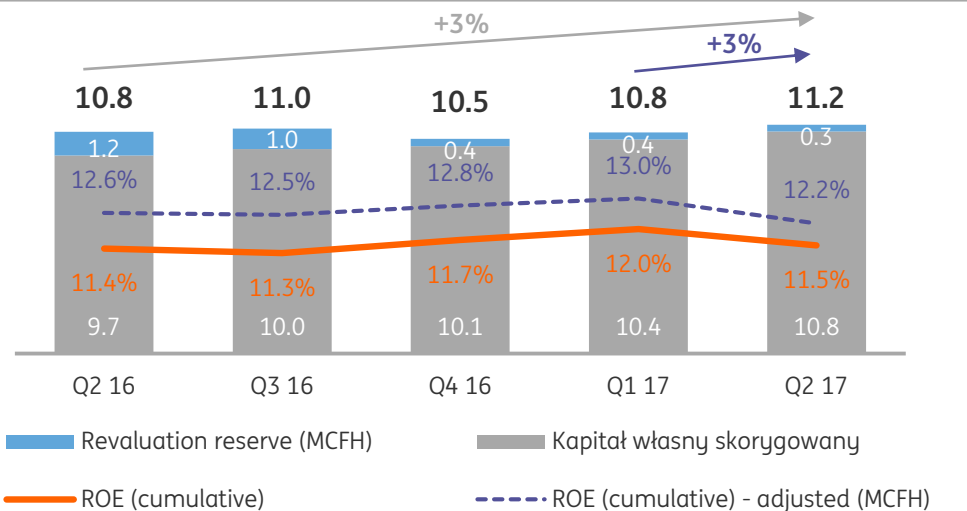
Assets (PLN billion) / ROA



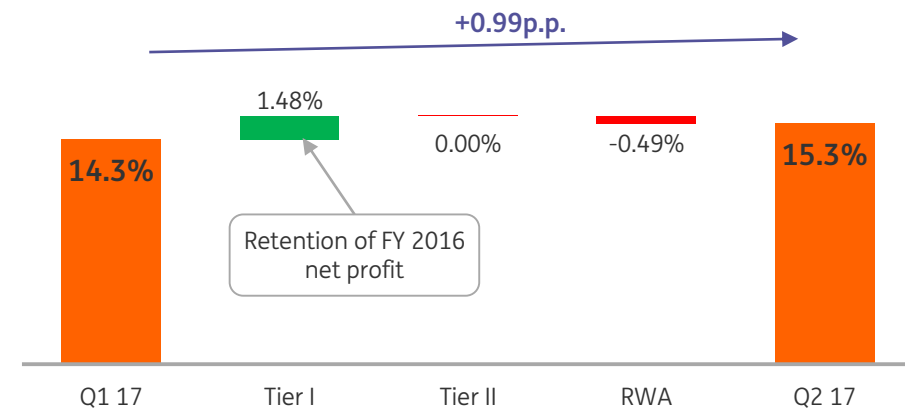
Consolidated total capital ratio and capital requirements



Equity (PLN billion) / ROE



Consolidated total capital ratio – decomposition of q/q change



40 **Definitions:** **ROA** – return on assets = total of net profit for 4 subsequent quarters/ average assets for 5 subsequent quarters; **ROE** – return on equity = total of net profit for 4 subsequent quarters/ average equity for 5 subsequent quarters; **ROE – adjusted** = return on equity excluding the revaluation reserve for the cash-flow hedging instruments = total of net profit for 4 subsequent quarters/ average equity for 5 subsequent quarters (excluding the revaluation reserve for the cash-flow hedging instruments)

Appendixes



Income statement

Interim condensed consolidated financial statements (PLN m)	Q1 2016 Q2 2016 Q3 2016 Q4 2016 Q1 2017 Q2 2017						q/q Δ % y/y Δ %				H1 2016 H1 2017 y/y Δ %			
Net interest income, of which:	668.1	690.9	784.9	809.5	815.5	849.3	33.8	4.1%	158.4	22.9%	1,359.0	1,664.8	305.8	22.5%
Interest income, of which:	935.0	961.2	1,010.5	1,016.2	1,025.3	1,060.0	34.7	3.4%	98.8	10.3%	1,896.2	2,085.3	189.1	10.0%
- on loans and receivables to banks	12.3	13.9	12.7	12.3	12.5	13.7	1.2	9.6%	-0.2	-1.4%	26.2	26.2	0.0	0.0%
- on loans and receivables to customers	683.6	700.5	733.9	749.3	757.1	793.0	35.9	4.7%	92.5	13.2%	1,384.1	1,550.1	166.0	12.0%
- on leasing	40.5	41.0	43.3	45.0	43.8	46.1	2.3	5.3%	5.1	12.4%	81.5	89.9	8.4	10.3%
- on factoring	19.2	20.5	23.0	25.5	24.5	27.0	2.5	10.2%	6.5	31.7%	39.7	51.5	11.8	29.7%
- on debt securities	156.0	158.4	176.3	170.5	174.3	169.7	-4.6	-2.6%	11.3	7.1%	314.4	344.0	29.6	9.4%
- on BSB transactions (non trading)	3.3	2.7	2.3	1.3	0.9	0.4	-0.5	-55.6%	-2.3	-85.2%	6.0	1.3	-4.7	-78.3%
- interest result on derivatives	20.1	24.2	19.0	12.3	12.2	10.1	-2.1	-17.2%	-14.1	-58.3%	44.3	22.3	-22.0	-49.7%
Interest expenses, of which:	266.9	270.3	225.6	206.7	209.8	210.7	0.9	0.4%	-59.6	-22.0%	537.2	420.5	-116.7	-21.7%
- interest on deposits from banks	8.6	7.8	15.2	13.0	16.9	16.3	-0.6	-3.6%	8.5	109.0%	16.4	33.2	16.8	102.4%
- interest on deposits from customers	251.0	253.3	201.1	184.4	183.7	185.0	1.3	0.7%	-68.3	-27.0%	504.3	368.7	-135.6	-26.9%
- on SBB transactions (non trading)	0.1	0.0	0.1	0.0	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	5.7	0.0	0.0%	0.1	1.8%	11.3	11.4	0.1	0.9%
- on trading financial instruments	0.2	0.2	0.3	0.3	0.3	0.6	0.3	100.0%	0.4	200.0%	0.4	0.9	0.5	125.0%
- on subordinated debt	1.3	3.4	3.3	3.2	3.1	3.1	0.0	0.0%	-0.3	-8.8%	4.7	6.2	1.5	31.9%
Net commission income	253.9	258.1	269.3	283.5	289.6	291.3	1.7	0.6%	33.2	12.9%	512.0	580.9	68.9	13.5%
Result on trade operations and revaluation (incl investments and HA)	49.1	202.2	20.6	15.0	28.6	50.5	21.9	76.6%	-151.7	-75.0%	251.3	79.1	-172.2	-68.5%
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	11.1	-6.9	-38.3%	6.0	117.6%	28.1	29.1	1.0	3.6%
Net income on investments	28.7	196.6	4.0	3.0	10.2	32.8	22.6	221.6%	-163.8	-83.3%	225.3	43.0	-182.3	-80.9%
Net income on hedge accounting	-2.6	0.5	0.2	-0.7	0.4	6.6	6.2	1550.0%	6.1	1220.0%	-2.1	7.0	9.1	-
Net income on other basic activities	4.5	1.2	-0.3	14.0	0.8	-0.7	-1.5	-	-1.9	-	5.7	0.1	-5.6	-98.2%
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	-	0.0	-	0.0	0.0	0.0	-
Income	975.6	1,152.4	1,074.5	1,122.0	1,134.5	1,190.4	55.9	4.9%	38.0	3.3%	2,128.0	2,324.9	196.9	9.3%
Expenses	508.8	517.2	515.5	557.7	564.4	510.3	-54.1	-9.6%	-6.9	-1.3%	1,026.0	1,074.7	48.7	4.7%
- personnel expenses	251.5	251.3	259.9	276.7	251.0	260.5	9.5	3.8%	9.2	3.7%	502.8	511.6	8.8	1.7%
- other expenses	215.1	220.3	209.6	204.3	267.3	204.9	-62.5	-23.4%	-15.4	-7.0%	435.4	472.2	36.8	8.4%
- D&A	42.2	45.6	46.1	76.7	46.0	44.9	-1.1	-2.5%	-0.7	-1.5%	87.8	91.0	3.1	3.6%
Profit before risk costs	466.8	635.2	559.0	564.3	570.1	680.1	110.0	19.3%	44.9	7.1%	1,102.0	1,250.2	148.2	13.4%
Risk costs	78.9	33.5	49.7	138.5	76.9	123.6	46.7	60.7%	90.1	269.0%	112.4	200.5	88.1	78.4%
- retail	16.4	24.6	21.5	75.1	42.8	43.2	0.4	0.9%	18.6	75.6%	41.0	86.0	45.0	109.8%
- corporate	62.5	8.9	28.2	63.4	34.1	80.4	46.3	135.8%	71.5	803.4%	71.4	114.5	43.1	60.4%
Tax on certain financial institutions	50.5	76.8	75.7	77.2	79.4	80.4	1.0	1.3%	3.6	4.7%	127.3	159.8	32.5	25.5%
Profit (loss) before tax	337.4	524.9	433.6	348.6	413.8	476.1	62.3	15.1%	-48.8	-9.3%	862.3	889.9	27.6	3.2%
Income tax	78.2	118.0	101.6	93.6	113.6	115.7	2.1	1.8%	-2.3	-1.9%	196.2	229.3	33.1	16.9%
Net profit (loss), of which:	259.2	406.9	332.0	255.0	300.2	360.4	60.2	20.1%	-46.5	-11.4%	666.1	660.6	-5.5	-0.8%
Net profit (loss) attributable to the shareholders of ING BSK	259.2	406.9	332.0	254.9	300.2	360.4	60.2	20.1%	-46.5	-11.4%	666.1	660.6	-5.5	-0.8%
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%	130.1	130.1	0.0	0.0%
Earnings per share (PLN)	7.97	12.51	10.21	7.84	9.23	11.08	1.85	20.1%	-1.43	-11.4%	10.24	10.16	-0.08	-0.8%

Statement of financial position

Consolidated statement of financial position (PLN m)

ASSETS

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	q/q Δ	q/q %	y/y Δ	y/y %
- 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	1,351.9	101.9	8.2%	65.3	5.1%
- Loans and receivables to other banks	1,014.6	954.3	1,285.4	1,192.7	1,113.4	1,125.7	1,050.2	-75.5	-6.7%	-235.2	-18.3%
- 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	2,676.6	1,171.4	77.8%	829.3	44.9%
- Valuation of derivatives	1,990.9	1,613.8	1,320.5	1,124.9	1,117.1	1,210.6	1,029.7	-180.9	-14.9%	-290.8	-22.0%
- Investments	23,478.8	25,072.0	27,761.0	27,344.0	25,721.3	26,569.7	24,427.6	-2,142.1	-8.1%	-3,333.4	-12.0%
- Derivative hedge instruments	2,454.8	2,737.1	2,389.6	2,138.9	1,338.6	1,259.1	1,148.6	-110.5	-8.8%	-1,241.0	-51.9%
- Loans and receivables to customers	72,519.6	75,330.0	78,308.6	80,377.4	81,979.5	84,379.6	86,902.3	2,522.7	3.0%	8,593.7	11.0%
- Receivables from customers due to repo transactions	1,354.4	19.9	0.0	19.8	0.0	19.9	20.0	0.1	0.5%	20.0	-
- Non-financial assets	1,070.5	1,037.8	1,032.5	1,025.0	1,004.5	995.6	985.3	-10.3	-1.0%	-47.2	-4.6%
- Property, plant and equipment held for sale	38.4	49.8	41.2	41.2	31.8	19.7	14.3	-5.4	-27.4%	-26.9	-65.3%
- Tax assets	59.6	71.4	76.9	77.5	237.5	181.9	228.5	46.6	25.6%	151.6	197.1%
- Other assets	194.7	213.2	290.1	292.2	282.2	333.5	362.6	29.1	8.7%	72.5	25.0%
Total assets	108,893.1	112,732.7	115,639.7	116,550.0	117,477.7	118,850.5	120,197.6	1,347.1	1.1%	4,557.9	3.9%

EQUITY AND LIABILITIES

LIABILITIES

- Liabilities due to other banks	3,913.5	4,236.0	5,082.3	7,032.5	5,043.0	5,606.6	6,133.9	527.3	9.4%	1,051.6	20.7%
- Financial liabilities measured at fair value through profit and loss	629.4	319.9	299.3	598.6	474.8	639.0	108.6	-530.4	-83.0%	-190.7	-63.7%
- Valuation of derivatives	2,002.7	1,525.1	1,336.9	1,101.9	1,116.0	1,097.6	1,045.7	-51.9	-4.7%	-291.2	-21.8%
- Derivative hedge instruments	1,830.9	1,818.0	1,730.1	1,614.3	1,468.1	1,206.4	1,015.0	-191.4	-15.9%	-715.1	-41.3%
- Liabilities due to customers	87,818.5	90,403.0	93,483.3	92,304.6	95,825.4	96,620.7	97,715.4	1,094.7	1.1%	4,232.1	4.5%
- Liabilities due to customers under repo transactions	47.5	10.4	9.1	0.0	0.0	0.0	0.0	0.0	-	-9.1	-100.0%
- Liabilities under issue of debt securities	866.3	872.0	866.3	871.9	866.4	872.0	866.3	-5.7	-0.7%	0.0	0.0%
- Subordinated liabilities	0.0	641.6	665.2	648.1	664.9	634.2	635.3	1.1	0.2%	-29.9	-4.5%
- Provisions	67.2	82.7	82.0	79.8	73.8	72.9	83.0	10.1	13.9%	1.0	1.2%
- Tax liabilities	156.8	221.7	181.4	146.8	121.3	24.1	121.4	97.3	403.7%	-60.0	-33.1%
- Other liabilities	879.8	1,932.1	1,091.2	1,172.5	1,346.8	1,287.6	1,318.9	31.3	2.4%	227.7	20.9%
Total liabilities	98,212.6	102,062.5	104,827.1	105,571.0	107,000.5	108,061.1	109,043.5	982.4	0.9%	4,216.4	4.0%

EQUITY

- Share capital	130.1	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	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	596.2	6.6	1.1%	-911.8	-60.5%
- Retained earnings	8,106.5	7,806.5	8,215.7	8,548.5	8,811.0	9,111.3	9,471.5	360.2	4.0%	1,255.8	15.3%
Equity attributable to shareholders of ING BSK	10,677.9	10,667.7	10,810.1	10,976.7	10,474.9	10,787.3	11,154.1	366.8	3.4%	344.0	3.2%

- Non-controlling interests

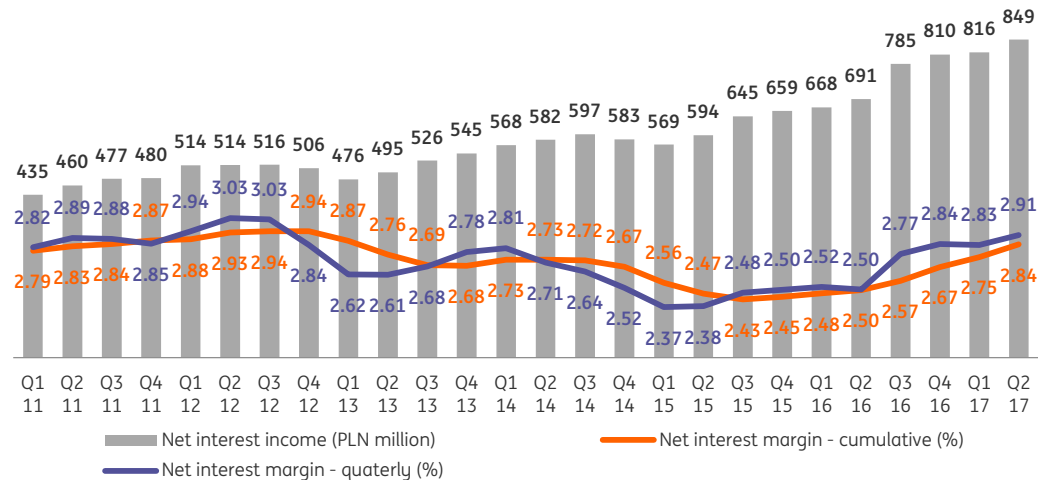
	2.6	2.5	2.5	2.3	2.3	2.1	0.0	-2.1	-100.0%	-2.5	-100.0%
Total equity	10,680.5	10,670.2	10,812.6	10,979.0	10,477.2	10,789.4	11,154.1	364.7	3.4%	341.5	3.2%

Total equity and liabilities

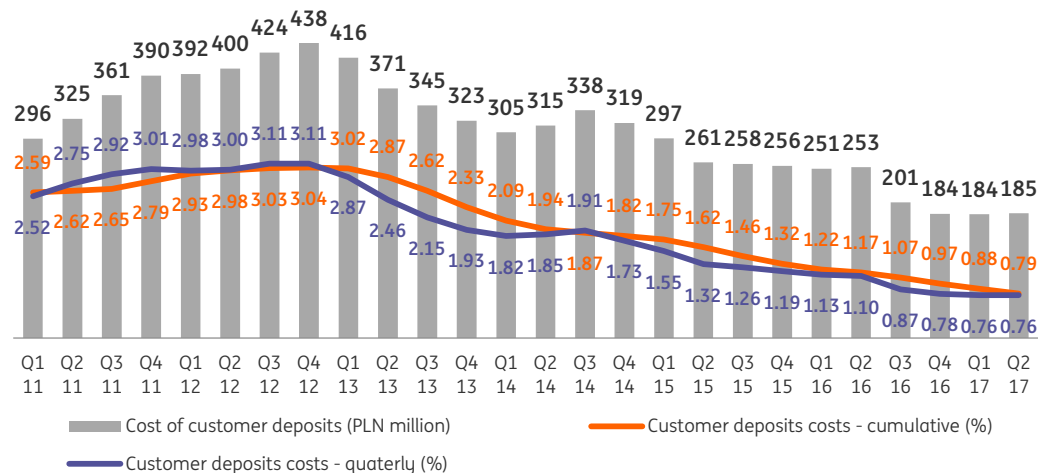
	108,893.1	112,732.7	115,639.7	116,550.0	117,477.7	118,850.5	120,197.6	1,347.1	1.1%	4,557.9	3.9%
Number of shares issued (m)	130.1	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
Book value per share (PLN)	82.07	82.00	83.09	84.37	80.51	82.92	85.73	2.82	3.4%	2.64	3.2%

NII and NIM performance

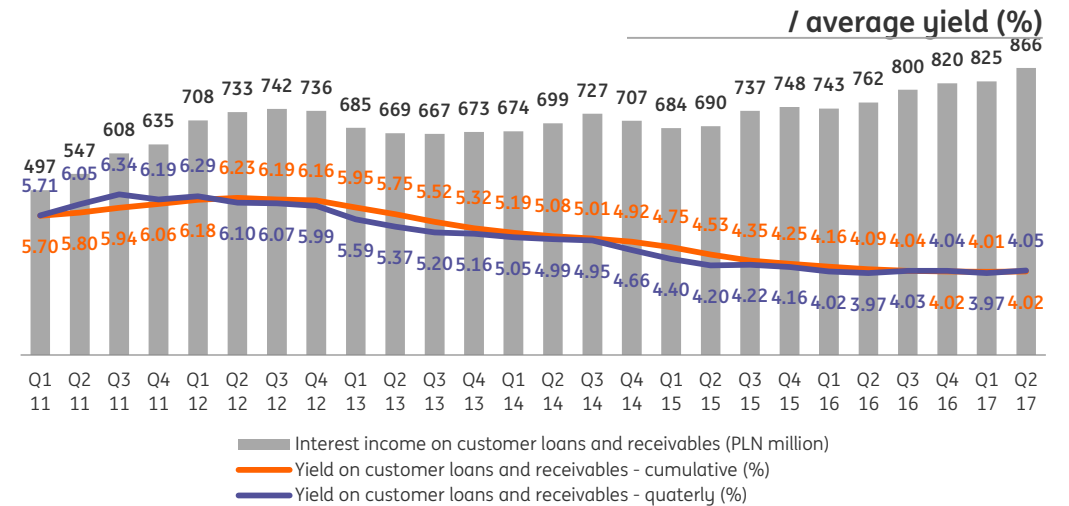
NII (PLN million) / NIM (%)



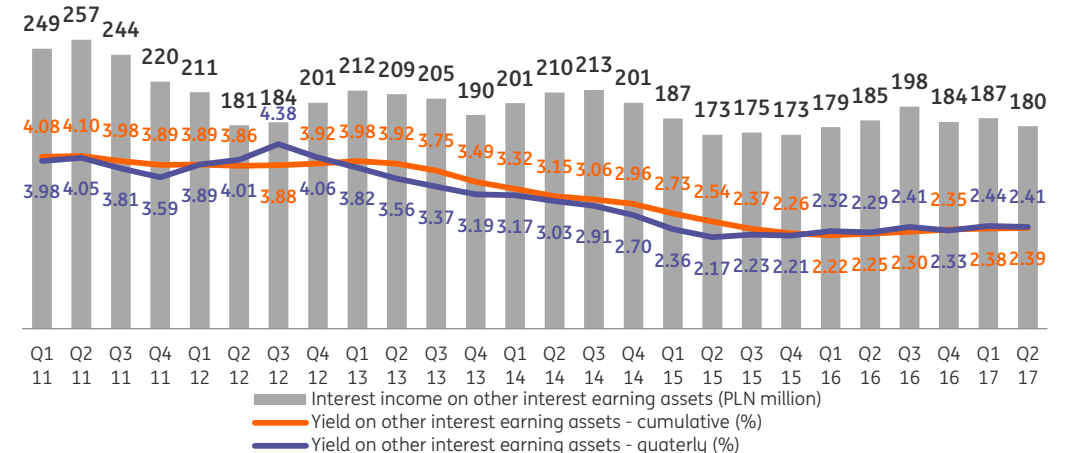
Cost of customer deposit funding (PLN million / %)



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

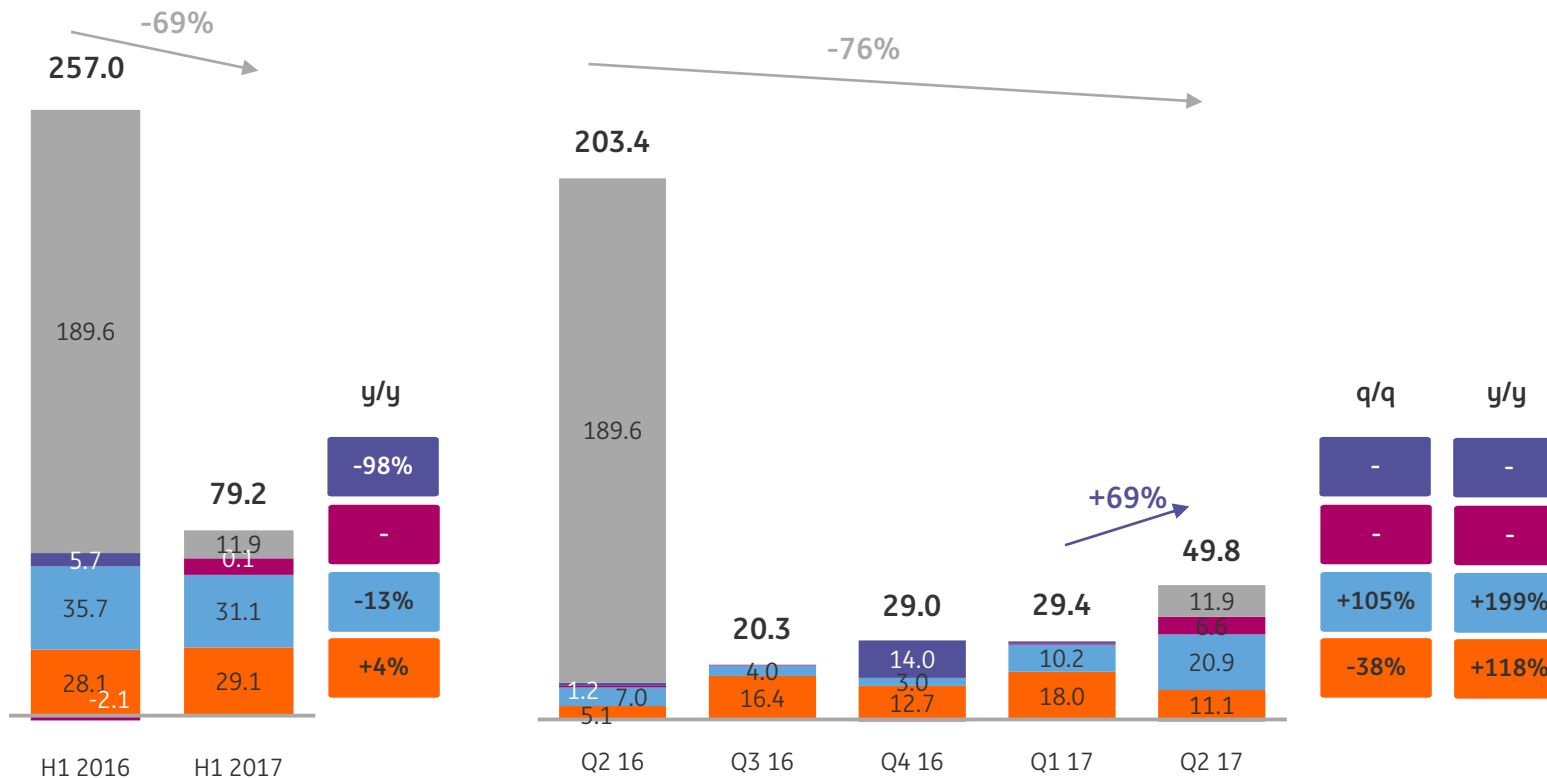


Interest income on other interest earning assets excluding Interbank and customer loans (PLN million) / average yield (%)



Other income

Other income (PLN million)



■ Net income on trading
 ■ Net income on investments
 ■ Net income on hedge accounting
■ Net income on other basic activities
 ■ One-offs*

One-offs*:

- Q2 2017 - Visa Inc. transaction (PLN 11.9m)
- Q2 2016 - Visa Europe transaction (PLN 189.6m)

	q/q	y/y
Net income on trading	-38%	+118%
Net income on investments	+105%	+199%
Net income on hedge accounting	-	-
Net income on other basic activities	-	-
One-offs*	-	-

Lending exposure by industry

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

Consolidated approach

No	Industry	Exposure as of 30 June 2017	%
1	WHOLESALE TRADE	7,633	15.1%
2	REAL ESTATE SERVICE	6,724	13.3%
3	PUBLIC ADMINISTRATION AND NATIONAL DEFENSE	3,204	6.4%
4	FOODSTUFF AND BEVERAGE PRODUCTION	2,816	5.6%
5	FINANCIAL INTERMEDIATION	2,559	5.1%
6	AGRICULTURE , FORESTY , FISHERY	1,898	3.8%
7	POWER INDUSTRY	1,864	3.7%
8	LAND AND PIPELINE TRANSPORTATION	1,829	3.6%
9	READY-MADE METAL GOODS PRODUCTIONS	1,620	3.2%
10	CONSTRUCTIONS INDUSTRY	1,584	3.1%
11	RETAIL TRADE	1,571	3.1%
12	RUBBER INDUSTRY	1,505	3.0%
13	REMAINING SERVICES CONNECTED WITH RUNNING BUSINESS	1,360	2.7%
14	EQUIPMENT RENT	1,323	2.6%
15	WOOD AND PAPER INDUSTRY	1,287	2.6%
16	POST OFFICE AND TELECOMMUNICATIONS	1,102	2.2%
17	ENGINEERING INDUSTRY	953	1.9%
18	CHEMICALS AND CHEMICAL GOODS PRODUCTION	898	1.8%
19	MECHANICAL VEHICLES SALE , REPAIR AND SERVICE	764	1.5%
20	Other	7,963	15.8%
Total exposure		50,457	100.0%

Lending exposure by industry

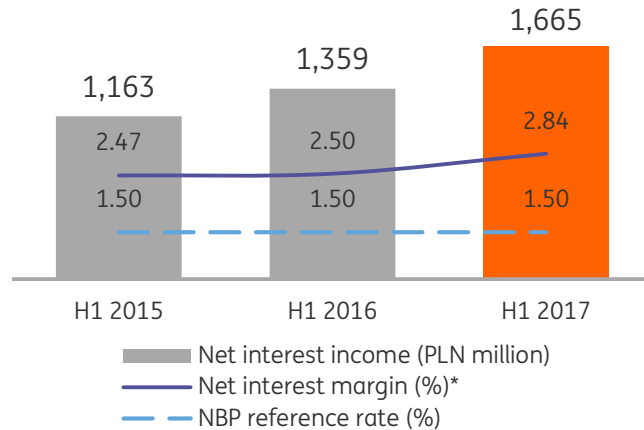
Non-bank corporate banking portfolio - BS and Off-BS exposure (PLN m)

Consolidated approach

No	Industry	Exposure as of 30 June 2017	%
1	WHOLESALE TRADE	11,617	15.6%
2	REAL ESTATE SERVICE	7,323	9.8%
3	FOODSTUFF AND BEVERAGE PRODUCTION	3,969	5.3%
4	POWER INDUSTRY	3,850	5.2%
5	CONSTRUCTIONS INDUSTRY	3,816	5.1%
6	PUBLIC ADMINISTRATION AND NATIONAL DEFENSE	3,511	4.7%
7	FINANCIAL INTERMEDIATION	3,398	4.6%
8	RETAIL TRADE	2,883	3.9%
9	READY-MADE METAL GOODS PRODUCTIONS	2,497	3.4%
10	LAND AND PIPELINE TRANSPORTATION	2,233	3.0%
11	RUBBER INDUSTRY	2,156	2.9%
12	REMAINING SERVICES CONNECTED WITH RUNNING BUSINESS	2,137	2.9%
13	AGRICULTURE , FORESTY , FISHERY	2,062	2.8%
14	WOOD AND PAPER INDUSTRY	1,748	2.3%
15	EQUIPMENT RENT	1,639	2.2%
16	ENGINEERING INDUSTRY	1,621	2.2%
17	REMAINING NON-METAL RAW MATERIALS INDUSTRIES	1,408	1.9%
18	CHEMICALS AND CHEMICAL GOODS PRODUCTION	1,400	1.9%
19	AUXILIARY SERVICE FOR TRANSPORTATION	1,344	1.8%
20	Other	13,847	18.6%
Total exposure		74,459	100.0%

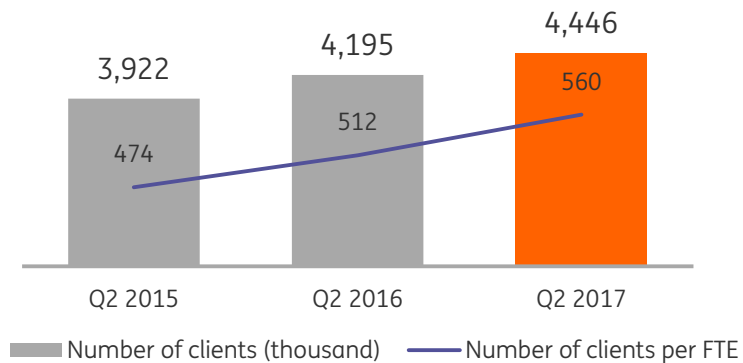
Efficiency ratios

Net interest margin

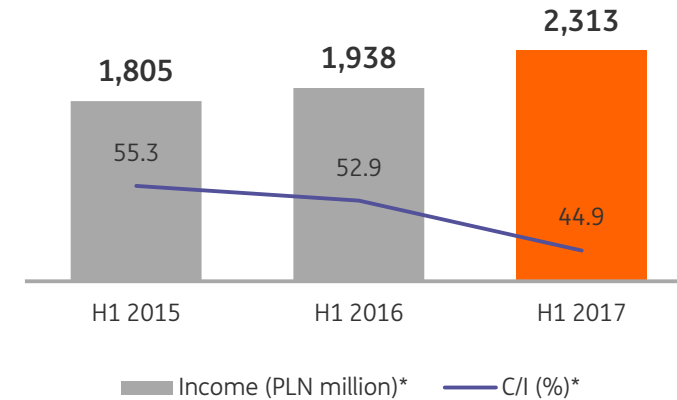


* Net Interest Margin = total of net interest income for 4 consecutive quarters / average interest assets for 5 consecutive quarters.

No. of clients per employee

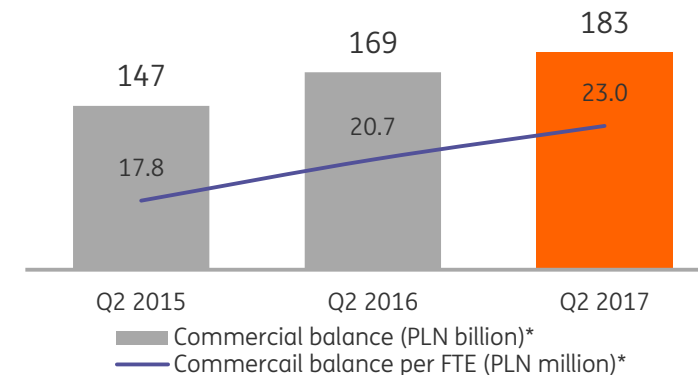


Income and cost efficiency



*Adjusted for one-offs

Commercial balances per employee



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

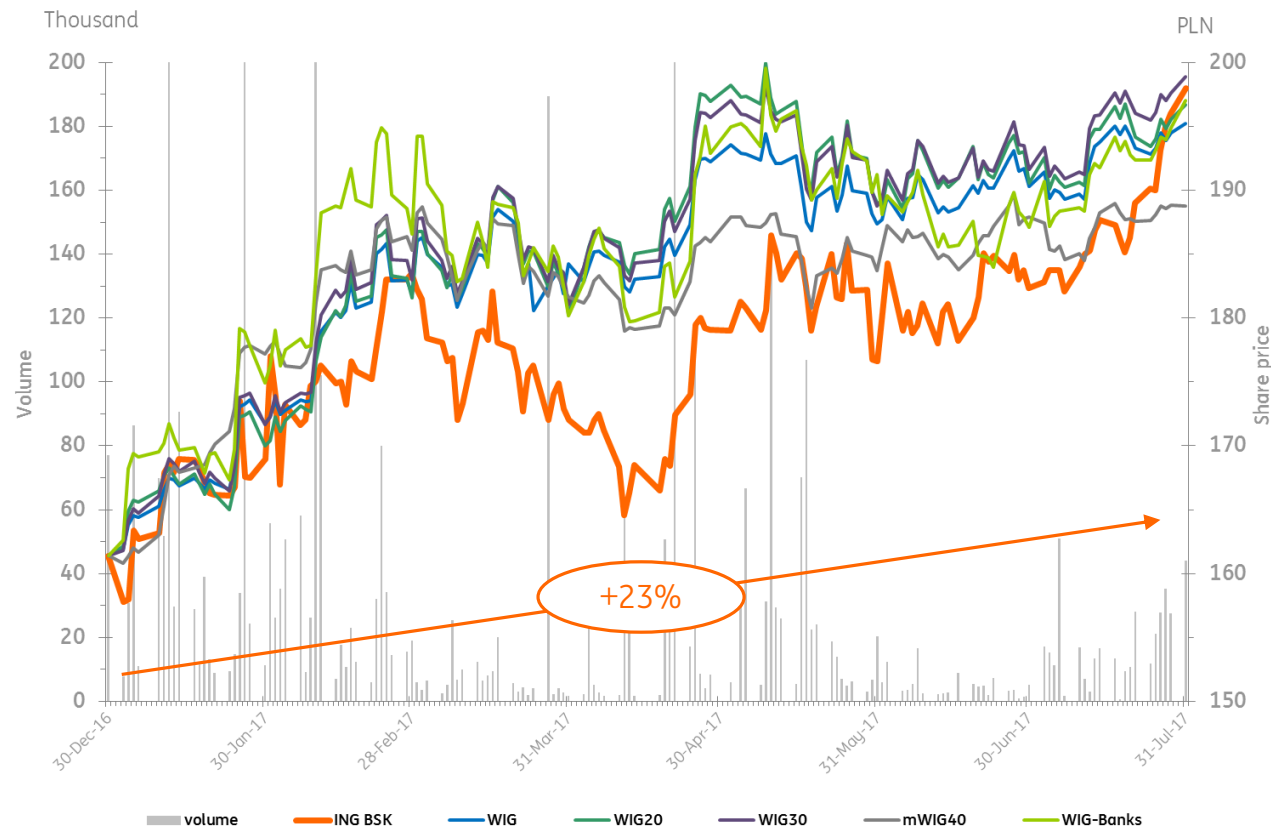
ING Bank Śląski S.A. shares

ING BSK share price :
PLN 198.00 (as at 31 July 2017)

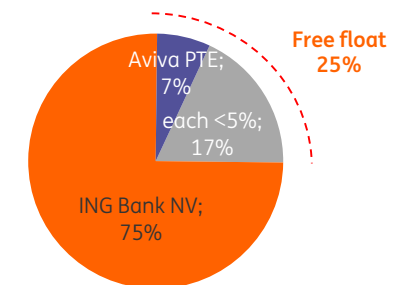
Capitalisation: **PLN 25.8bn** (EUR 6.1bn)
Free float: **PLN 6.4bn** (EUR 1.5bn)

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

ING BSK shares vs. WIG indexes recalculated for comparability



Shareholder structure



Market ratios (Q2 2017)

P/E 20.6x

P/BV 2.3x

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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